



**AUDIT REPORT  
ON  
THE ACCOUNTS OF  
GOVERNMENT OF SINDH  
AUDIT YEAR 2016-17**

**AUDITOR GENERAL OF PAKISTAN**



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## ABBREVIATIONS & ACRONYMS

ADP	Annual Development Plan
AG	Accountant General
AIR	Audit Inspection Report
APPM	Accounting Policies and Procedures Manual
BIE	Board of Intermediate Education
BISE	Board of Intermediate & Secondary Education
BIUT	Benazir Institute of Urology Transplantation
CDD	Control of Diarrhoeal Diseases
CGA	Controller General of Accounts
CIDA	Canadian International Development Agency
CMC	College Management Committees
CNIC	Computerize National Identity Card
CPWD	Combines Public Works Department
D.O.S	District Officer Sports
DAC	Departmental Accounts Committee
DAC	Departmental Accounts
DAO	District Accounts Office
DAO	District Account Office/Divisional Accounts Officer
DDO	Drawing and Disbursing Officer
EMD	Earnest Money Deposit
EMRCE	Electricity Monitoring & Reconciliation Cell, Energy
FAM	Financial Audit Manual
FBR	Federal Board of Revenue
FIR	First Information Report
FRM	Financial Reporting Manual
G.F.R	General Financial Rules
GIS	Geographic Information System
HEC	Higher Education Commission
HESCO	Hyderabad Electric Supply Company
LARMIS	Land Administration & Revenue Management
LPC	Last Pay Certificate
LUMHS	Liaquat University of Medical & Health Sciences
MEC	Monitoring & Evaluation Cell
MRP	Maximum Retail Price
NED	Nadirshaw Eduljee Dinshaw

NICH	National Institute of Child Health
NIT	Notice for Inviting Open Tender
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PC-I Form	Planning Commission-I Form
PEC	Pakistan Engineering Council
PHE	Public Health Engineering
PMIU	Project Monitoring Implementation Unit
POL	Petrol Oil and Lubricant
PPP	Public Private Partnership
PPRA Rules	Public Procurement Regularity Authority Rules
PSDP	Public Sector Development Program
RA	Running Account
RBOD	Right Bank Outfall Drain
RCC	Reinforced Cement Concrete
SAP	Systems, Applications & Products
SBEP	Sindh Basic Education Program
SEPCO	Sukkur Electric and Power Company
SETT	Sindh Elementary Teachers Training Project
SGA&CD	Services, General Administration and Coordination Department
SMBBMU	Shaheed Mohtarma Benazir Bhutto Medical University
SMC	School Management Committees
SPPRA	Sindh Public Procurement Regularity Authority
SPSC	Sindh Public Service Commission
SRB	Sindh Revenue Board
STEVTA	Sindh Technical Education and Vocational Training Authority
TA	Travelling Allowance
TEs/JEs	Transfer Entries/ journal entries
VOs	Village Organizations
WO	Work Order
WPCs	Wheat Procurement Centers
XEN	Executive Engineer

## **PREFACE**

Articles 169 & 170 of the Constitution of 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 expenditure from the Provincial Consolidated Fund and Public Account.

This report is based on the audit of accounts for financial year 2015-16 of various departments and autonomous bodies of the Government of Sindh for the 1st five months of the audit year 2016-17. This includes some part based on the preceding year's latter period of audit (last seven months of 2015-16) for financial year 2014-15 conducted after finalization of audit report 2015-16. Some audit observations for the financial year 2012-13 and 2013-14 are also included.

The Directorate General of Audit Sindh conducted audit during 2016-17, on test check basis, with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only issues and audit findings carrying value of Rs1 million or more. Relatively less significant issues are listed in the Annex-1 (Memorandum for Departmental Accounts Committee - MfDAC) of this report. The audit observations listed in the Annex-1 shall be pursued with the Principal Accounting Officers (PAOs) 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 the need for adherence to the regulatory framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

A sizable number of PAOs convened DAC meetings wherein the observations included in the report were discussed and the proceedings have been incorporated. Moreover, as elaborated in relevant chapters of this report, the Audit Observations in respect of a sizable number of PAOs could not be discussed as they did not convene DAC meetings despite best efforts. The report was finalized in the light of written responses of the departments concerned, where available.

This report is submitted to the Governor of Sindh in pursuance of Article-171 of the Constitution of the Islamic Republic of Pakistan for causing it to be laid before the Provincial Assembly of Sindh.

Dated: 06 March 2017

**RANA ASSAD AMIN**  
**Auditor General of Pakistan**





## **EXECUTIVE SUMMARY**

Director General Audit Sindh conducts various types of audit on behalf of the Auditor General of Pakistan to fulfil his statutory responsibility under Articles 169 and 171 of the Constitution of the Islamic Republic of Pakistan and in accordance with the provisions of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. These audits include Regularity (financial audit and compliance with authority audit), Performance and Special Audits of Principal Accounting Officers of departments of Government of Sindh, their attached departments, subordinate offices and of certain autonomous bodies.

Sindh Government carries out its operations under the Sindh Rules of Business 1986. The financial provisions of the Constitution of Islamic Republic of Pakistan constitute having a Provincial Consolidated Fund, for which annual budget statement is authorized by the Provincial Assembly in the form of budgetary grants, and Public Account which includes assets and liabilities of the government including funds and deposit accounts. The budget of Sindh Province is allocated as 59 numbered and 4 un-numbered Grants of Provincial Government (excluding budget of Universities, Educational Institutions and Boards of Intermediate and Secondary Education, etc.).

The final budget of the Government of Sindh for the financial year 2015-16 was Rs 843.795 billion with the segregation of non-development budget of Rs 653.609 billion and development budget of Rs 190.186 billion. The actual expenditure was Rs 802.245 billion including Rs 667.839 billion out of non-development budget and Rs 134.406 billion out of development budget. The combined percentage of utilization of budget comes to 95.08%.

Audit was carried out on test check basis and the Financial Audit Manual (FAM) was applied in compliance with authority audit.

**a. Expenditure audited**

During the financial year 2015-16, total expenditure under the jurisdiction of Director General Audit Sindh was Rs 802.245 billion covering 42 PAOs and 10,260 cost centers which constituted 2,289 formations. Since the audit of 41 PAOs on the basis of sampling of respective formations has been conducted (leaving only one PAO, viz., Military Secretary to the Governor of Sindh with allocated budget of Rs318.934 million for the financial year under audit), the coverage of audit is 99.96%. In addition, accounts of 14 Foreign Aided Projects and one each of the universities, educational institutions and boards of education were also audited. Results of these audits were included in this report.

**b. Recoveries at the instance of audit**

Recoveries of Rs 24,519.960 million have been pointed out in the audit observations pertaining to various PAOs and included in this report (refer summary at Sl. No.3 of Table-3 as follows). During the financial year under audit (2015-16) recoveries amounting to Rs 26.736 million have been made upon pursuance/pointation of Audit. These recoveries included Rs 2.136 million which were pointed out by audit and the same were not in the knowledge of the respective management.

**c. Comments on Internal Controls and Internal Audit Department**

A general review of the activities and transactions of various formations of Government of Sindh with regard to Internal Control System called for the following comments:

- a. The instances of losses to government, recoverables and violation of rules, are outcome of the laxity in exercise of internal controls and violation of authorized procedures for processing transactions.
- b. The instances of splitting the expenditure to avoid sanction of the higher authority were observed to be a common practice. This is in violation of the process of delegation of financial powers as laid down in "System of Financial Control and Budgeting 2006".
- c. Codal requirements with regard to purchase of stores were not properly observed resulting into incurrence of expenditure in irregular and uneconomical manner in contravention of prescribed rules.

- d. Another common issue observed by Audit was non-accountal of different purchases in the stock register, which was the result of weak Internal Control System.
- e. Prescribed record was neither maintained nor produced to Audit, which was also a serious drawback in Internal Control System.

A basic component of internal control system is internal audit. Internal audit investigates and appraises the internal controls and efficiency with which various units of the organization perform their assigned functions. Independent, effective and efficient internal auditing results in improving internal controls that in turn, gives well planned evaluation and professional proficiency. A major reason for weak internal controls is the non-existence of internal audit.

#### **d. Desk Audit**

The availability of 39 updated permanent files and planning files helped the auditors in understanding the systems, procedures, environment of the audited entity before starting field activity. This greatly facilitated in the identification of high risk areas for substantive testing in the field. This office, has arranged training of audit officers on ACL also, which has helped in audit process.

#### **e. The key audit findings of the report**

- i. Irregular or fraudulent payments or misappropriations identified—Rs 17.605 million.<sup>1</sup>
- ii. Non-maintenance and non-production of records – Rs 114,689.159 million.<sup>2</sup>
- iii. Instances of wasteful expenditures identified – Rs153.997 million.<sup>3</sup>
- iv. Significant instances in which propriety principle and rules were violated – Rs 89,692.691 million.<sup>4</sup>

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<sup>1</sup>Paras-2.4.4, 26.4.4, 35.4.2, 36.4.2, & 36.4.4.

<sup>2</sup>Paras-11.4.1, 12.4.1, 12.4.2, 13.4.1, 14.4.4, 15.4.14, 15.4.72, 16.4.1, 16.4.25, 17.4.1, 17.4.3, 18.4.2, 19.4.1, 2.4.1, 20.4.6, 21.4.1, 22.4.1, 24.4.1, 25.4.1, 26.4.1, 27.4.8, 28.4.1, 29.4.1, 3.4.1, 3.4.3, 30.4.1, 31.4.3, 32.4.1, 33.4.1, 34.4.1, 35.4.3, 36.4.5, 37.4.1, 38.4.2, 38.4.29, 4.4.1, 4.4.3, 4.4.7, 5.4.1, 6.4.1, 7.4.1, 8.4.2, 8.4.6, & 9.4.1.

<sup>3</sup>Paras-12.4.15, 38.4.5, 4.4.10, 4.4.4, 7.4.13, & 9.4.4.

<sup>4</sup>Paras-10.4.2, 11.4.3, 11.4.5, 11.4.6, 11.4.7, 11.4.8, 11.4.9, 12.4.10, 12.4.11, 12.4.12, 12.4.13, 12.4.19, 12.4.20, 12.4.24, 12.4.25, 12.4.26, 12.4.27, 12.4.28, 12.4.29, 12.4.30, 12.4.4, 12.4.7, 12.4.8, 13.4.2, 13.4.3, 13.4.4, 13.4.7, 13.4.8, 14.4.1, 14.4.10, 14.4.11, 14.4.14, 14.4.17, 14.4.6, 14.4.7, 15.4.12, 15.4.13, 15.4.17, 15.4.25, 15.4.26, 15.4.28, 15.4.29, 15.4.36, 15.4.37, 15.4.41, 15.4.44, 15.4.46, 15.4.53, 15.4.57, 15.4.65, 15.4.66, 15.4.67, 15.4.69, 15.4.70, 15.4.71, 15.4.8, 15.4.9, 16.4.11, 16.4.13, 16.4.14, 16.4.16, 16.4.18, 16.4.19, 16.4.20, 16.4.21, 16.4.22,

v. Weak internal control instances – Rs 68,532.363 million.<sup>5</sup>

The nature, frequency and the extent of above mentioned violations/irregularities suggest that most of the Principal Accounting Officers lack adequate institutional capacity required to address the financial management and control issues.

## f. Recommendations

1. Principal Accounting Officers need to take necessary steps to institute, evaluate and strengthen internal controls and financial management practices in order to ensure:

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16.4.23, 16.4.24, 16.4.27, 16.4.28, 16.4.29, 16.4.4, 16.4.5, 16.4.6, 16.4.8, 16.4.9, 17.4.4, 17.4.6, 17.4.8, 17.4.9, 18.4.1, 18.4.11, 18.4.12, 18.4.3, 18.4.6, 18.4.7, 19.4.2, 2.4.12, 2.4.13, 2.4.14, 2.4.15, 2.4.16, 2.4.17, 2.4.2, 2.4.3, 2.4.7, 20.4.11, 20.4.14, 20.4.17, 20.4.2, 20.4.20, 20.4.21, 20.4.22, 20.4.23, 20.4.24, 20.4.25, 20.4.4, 20.4.5, 20.4.7, 20.4.8, 20.4.9, 21.4.3, 21.4.5, 22.4.3, 23.4.2, 23.4.3, 23.4.6, 23.4.7, 24.4.10, 24.4.13, 24.4.2, 24.4.3, 24.4.4, 24.4.7, 24.4.9, 25.4.10, 25.4.11, 25.4.12, 25.4.2, 25.4.3, 25.4.4, 25.4.5, 25.4.7, 25.4.8, 25.4.9, 26.4.2, 26.4.3, 26.4.5, 26.4.6, 26.4.7, 27.4.1, 27.4.10, 27.4.5, 27.4.6, 28.4.11, 28.4.12, 28.4.4, 28.4.5, 28.4.6, 28.4.7, 28.4.8, 29.4.2, 29.4.4, 29.4.5, 29.4.6, 3.4.2, 3.4.4, 3.4.5, 3.4.6, 3.4.7, 3.4.8, 30.4.10, 30.4.3, 30.4.7, 30.4.8, 30.4.9, 31.4.1, 31.4.10, 31.4.11, 31.4.13, 31.4.14, 31.4.15, 31.4.4, 31.4.5, 31.4.6, 31.4.9, 32.4.2, 32.4.3, 34.4.4, 35.4.10, 36.4.1, 36.4.10, 36.4.11, 36.4.13, 36.4.17, 36.4.18, 36.4.20, 36.4.21, 36.4.23, 36.4.24, 36.4.25, 36.4.26, 36.4.28, 36.4.29, 36.4.3, 36.4.31, 36.4.32, 36.4.33, 36.4.34, 36.4.35, 36.4.36, 36.4.8, 36.4.9, 38.4.1, 38.4.10, 38.4.12, 38.4.13, 38.4.15, 38.4.17, 38.4.18, 38.4.19, 38.4.20, 38.4.22, 38.4.24, 38.4.27, 38.4.28, 38.4.31, 38.4.7, 38.4.8, 4.4.13, 4.4.14, 4.4.15, 4.4.17, 4.4.22, 4.4.23, 4.4.25, 4.4.26, 4.4.27, 4.4.6, 4.4.8, 5.4.11, 5.4.12, 5.4.5, 5.4.7, 5.4.8, 5.4.9, 7.4.12, 7.4.14, 7.4.15, 7.4.17, 7.4.18, 7.4.2, 7.4.4, 7.4.5, 7.4.7, 7.4.8, 7.4.9, 8.4.1, 8.4.11, 8.4.14, 8.4.15, 8.4.16, 8.4.18, 8.4.19, 8.4.20, 8.4.22, 8.4.24, 8.4.28, 8.4.30, 8.4.31, 8.4.33, 8.4.34, 8.4.35, 8.4.36, 8.4.37, 8.4.4, 8.4.5, 8.4.7, 8.4.8, 9.4.11, 9.4.12, 9.4.13, 9.4.2, 9.4.3, 9.4.5, 9.4.8, & 9.4.9.

<sup>5</sup>Paras-10.4.1, 11.4.2, 11.4.4, 12.4.14, 12.4.16, 12.4.17, 12.4.18, 12.4.21, 12.4.22, 12.4.23, 12.4.3, 12.4.5, 12.4.6, 12.4.9, 13.4.5, 13.4.6, 14.4.12, 14.4.13, 14.4.15, 14.4.16, 14.4.2, 14.4.3, 14.4.5, 14.4.8, 14.4.9, 15.4.1, 15.4.10, 15.4.11, 15.4.15, 15.4.16, 15.4.18, 15.4.19, 15.4.2, 15.4.20, 15.4.21, 15.4.22, 15.4.23, 15.4.24, 15.4.27, 15.4.3, 15.4.30, 15.4.31, 15.4.32, 15.4.33, 15.4.34, 15.4.35, 15.4.38, 15.4.39, 15.4.4, 15.4.40, 15.4.42, 15.4.43, 15.4.45, 15.4.47, 15.4.48, 15.4.49, 15.4.5, 15.4.50, 15.4.51, 15.4.52, 15.4.54, 15.4.55, 15.4.56, 15.4.58, 15.4.59, 15.4.6, 15.4.60, 15.4.61, 15.4.62, 15.4.63, 15.4.64, 15.4.68, 15.4.7, 16.4.10, 16.4.12, 16.4.15, 16.4.17, 16.4.2, 16.4.26, 16.4.3, 16.4.7, 17.4.2, 17.4.5, 17.4.7, 18.4.10, 18.4.4, 18.4.5, 18.4.8, 18.4.9, 2.4.10, 2.4.11, 2.4.5, 2.4.6, 2.4.8, 2.4.9, 20.4.1, 20.4.10, 20.4.12, 20.4.13, 20.4.15, 20.4.16, 20.4.18, 20.4.19, 20.4.3, 21.4.2, 21.4.4, 22.4.2, 23.4.1, 23.4.4, 23.4.5, 24.4.11, 24.4.12, 24.4.5, 24.4.6, 24.4.8, 25.4.6, 27.4.11, 27.4.12, 27.4.2, 27.4.3, 27.4.4, 27.4.7, 27.4.9, 28.4.10, 28.4.2, 28.4.3, 28.4.9, 29.4.3, 30.4.2, 30.4.4, 30.4.5, 30.4.6, 31.4.12, 31.4.16, 31.4.2, 31.4.7, 31.4.8, 33.4.2, 33.4.3, 34.4.2, 34.4.3, 35.4.1, 35.4.4, 35.4.5, 35.4.6, 35.4.7, 35.4.8, 35.4.9, 36.4.12, 36.4.14, 36.4.15, 36.4.16, 36.4.19, 36.4.22, 36.4.27, 36.4.30, 36.4.6, 36.4.7, 38.4.11, 38.4.14, 38.4.16, 38.4.21, 38.4.23, 38.4.25, 38.4.26, 38.4.3, 38.4.30, 38.4.4, 38.4.6, 38.4.9, 4.4.11, 4.4.12, 4.4.16, 4.4.18, 4.4.19, 4.4.2, 4.4.20, 4.4.21, 4.4.24, 4.4.5, 4.4.9, 5.4.10, 5.4.2, 5.4.3, 5.4.4, 5.4.6, 7.4.10, 7.4.11, 7.4.16, 7.4.3, 7.4.6, 8.4.10, 8.4.12, 8.4.13, 8.4.17, 8.4.21, 8.4.23, 8.4.25, 8.4.26, 8.4.27, 8.4.29, 8.4.3, 8.4.32, 8.4.9, 9.4.10, 9.4.6, & 9.4.7.

- i. compliance with canons of financial propriety, rules and regulations, especially in autonomous institutions through training, monitoring and accountability of departmental functionaries;
  - ii. proper maintenance of accounting records;
  - iii. effective placement of internal controls to avoid recurrence of irregularities of similar nature; and
  - iv. establishing an independent internal audit mechanism.
2. The Principal Accounting Officers further need to take steps to:
  - i. investigate cases of losses, embezzlements, unauthorized payments and non-accountal of cash and stores and take appropriate corrective action;
  - ii. effect recovery of government dues and deposit into government treasury;
  - iii. ensure deposit of funds irregularly kept outside government accounts by the departments;
  - iv. ensure procurements in accordance with SPPRA Rules;
  - v. ensure timely production of relevant record for audit in respect of cases pointed out in the report besides taking disciplinary action in terms of Section 14 (3) Auditor General's Ordinance 2001;
  - vi. hold Departmental Accounts Committee meetings regularly and implement its recommendations;
  - vii. ensure the compliance of the directives of Public Accounts Committee (PAC) by giving special attention and developing mechanism of monitoring of the compliance of PAC directives in their departments; and
  - viii. address systematic issues, which include absence of management controls to prevent unauthorized practices, improper utilization of public money, absence of adequate safeguards to protect public property from theft, misuse of public funds, non-observance of codal formalities and procedures, etc.
3. Finance Department, Government of Sindh needs to build up institutional capacity in financial matters.



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# **Summary, Tables & Charts**

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## SUMMARY TABLES & CHARTS

**Table 1:**

### **Audit Work Statistics**

(Rupees in million)

<b>Sr. No.</b>	<b>Description</b>	<b>Nos.</b>	<b>Expenditure 2015-16</b>
1	Total Entities (PAOs) in Audit Jurisdiction	42	802,245
2	Total formations in audit jurisdiction	2,289*	802,245
3	Total Entities(PAOs) Audited	41	801,926
4	Total formations Audited	187	801,926
5	Audit & Inspection Reports	187	-
6	Special Audit Reports	0	-
7	Performance Audit Report	0	-
8	Other Reports (Foreign Aided Projects)	16	-

\* 10,260 cost centers which constitute 2,289 formations.

**Table 2:**  
**Audit observations regarding financial management**

(Rupees in million)

<b>Sr. #</b>	<b>Description</b>	<b>Amount Placed under Audit Observation</b>
1	Unsound asset management	56.805
2	Weak financial management	29,470.288
3	Weak Internal controls relating to financial management	40,816.760
4	Others	202,741.962
<b>Total</b>		<b>273,085.815</b>

**Table 3:  
Outcome Statistics**

(Rupees in million)

Sr #	Description	Expd. on Acquiring Physical Assets-Procurement	Civil Works	Receipts	Others	Total current year (2015-16)	Total last year
1	Outlays Audited	6,078.000	114,829.000	757,753.000	681,338.000	1,559,998.000	597,909.000
2	Amount Placed under Audit Observation /Irregularities	476.647	12,542.523	15,275.450	244,791.195	273,085.815	94,022.595
3	Recoveries Pointed Out at the instance of Audit	24.002	15.311	15,143.811	9,336.836	24,519.960	15,261.921
4	Recoveries Accepted /Established at the instance of Audit	24.002	15.311	15,143.811	9,336.836	24,519.960	15,261.921
5	Recoveries Realized at the instance of Audit	-	-	-	-	26.736	0.895

**Table 4:**  
**Irregularities pointed out**

(Rupees in million)

<b>Sr. No</b>	<b>Description</b>	<b>Amount Placed under Audit Observation</b>
1	Violation of rules and regulations and violation of principle of propriety and probity in public operations.	91,278.546
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	46.499
3	Accounting errors (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.	93.648
4	Weaknesses of internal control systems.	10,024.376
5	Recoveries and overpayments, representing cases of established overpayment or misappropriations of public monies	24,521.063
6	Non -production of record.	105,829.876
7	Others, including cases of accidents, negligence etc.	41,291.807
<b>Total</b>		<b>273,085.815</b>

\* The accounting policies and procedures prescribed by the Auditor General of Pakistan which are IPSAS (cash) compliant.

**Table 5**  
**Cost-Benefit**

(Rupees in million)

<b>Sr.No</b>	<b>Description</b>	<b>Amount</b>
1	Outlays Audited (Items 1 of Table 3)	1,559,998.000
2	Expenditure on Audit	244.038
3	Recoveries realized at the instance of Audit	26.736
	Cost-Benefit Ratio	0.11

# CHAPTER - 1 PUBLIC FINANCIAL MANAGEMENT ISSUES

## (A) BUDGETING ISSUES

### 1.1.1 Assessment of Budget and budgeting process

#### Overview

The ability to implement the budgeted expenditure is an important factor in supporting the government's capability to deliver the public services for the year as expressed in policy statements, output commitments and work plans. Assessment was made to analyze the extent of the provincial government budget realism and overall budget variances were determined. Comparative analysis of budget and actual expenditure is as follows:

#### Original Budget to Aggregate Expenditure out-turn ratio

(Rupees in million)		
<b>Particulars</b>	<b>FY2015-16</b>	<b>FY2014-15</b>
Budget (original)	798,646	726,237
Actual Expenditure	802,245	597,909
Absolute difference between original budget and	3,599	128,328
Original Budget to Aggregate Expenditure out-turn	0.45%	17.67%

This measure provides an assurance of whether the Public Financial Management system is delivering effective fiscal discipline and is responsive to changes in macroeconomic situations in accordance with budget intended objectives.

#### Revised Budget to Actual Expenditure out-turn ratio

(Rupees in million)		
<b>Particulars</b>	<b>FY2015-16</b>	<b>FY2014-15</b>
Budget (Revised)	767,302	759,738
Actual Expenditure	802,245	597,909
Absolute difference between revised budget and actual	34,943	161,829
Revised Budget to Actual Expenditure out-turn ratio	4.55%	21.30%

The deviation of actual expenditure from revised budget represents the government's efforts to adjust budget variations that could not be assessed in original budget. A difference of +4.55% represents that all efforts of government to adjust budget variations from original budget were futile as the deviation rate increased at this stage and it also implies that Medium-term Budgetary Framework of the government has remained inoperative to provide any insight to the government to manage public finances. The detail is as under:

### Original Budget compared with Revised Budget

<b>Particulars</b>	<b>(Rupees in million)</b>	
	<b>FY2015-16</b>	<b>FY2014-15</b>
Budget (Original)	798,646	726,237
Budget (Revised)	767,302	759,738
Absolute difference between original budget and	31,344	33,501
Difference between original budget and revised budget	3.92%	4.41%

This indicates that government has to cut down its budget due to constraints. This implies oversight of budget trends during policy decisions.

### Measure of deviations in above ratios

<b>Nature of Expenditure</b>	<b>Final Budget</b>	<b>Actual Expenditure</b>	<b>Difference %</b>
Charged	80,307,816,490	68,314,151,550	14.93
Voted	763,487,248,020	733,930,895,140	3.87
	843,795,064,510	802,245,046,690	4.92
<b>Nature of Expenditure</b>	<b>Final Budget</b>	<b>Actual Expenditure</b>	<b>Difference %</b>
Revenue	680,788,305,440	687,415,859,439	-0.97
Capital	163,006,759,070	114,829,187,261	29.56
	843,795,064,510	802,245,046,700	4.92
<b>Nature of Expenditure</b>	<b>Final Budget</b>	<b>Actual Expenditure</b>	<b>Difference %</b>
Non-Development	653,609,311,430	667,839,220,446	-2.18
Development	190,185,753,080	134,405,826,244	29.33
	843,795,064,510	802,245,046,690	4.92

All above percentages portray a clear picture that development side of the expenditure could not be completed in fiscal year and government's estimates to meet its long term goals were less efficient in current fiscal year. The reasons for this inefficiency could be attributed to:

- i. Unrealistic commitments on the part of the government.
- ii. Lack of government planning for execution of development targets.
- iii. Poor monitoring by Planning Department of the Provincial Government.
- iv. Negligent attitude of executing agencies was considered to be the main reason for not initiating or completing the projects in time.

### **Grant-wise budget variations**

The threshold set by department of finance for grant-wise budget variations is;

Excess expenditures	of Rs1 and more are explainable.
Savings	more than 5% are explainable.

Variation in various cost centres of different grants expenditure have been incurred in excess of around Rs 146,787.000 million out of final grants available for the same expenditures for Rs 59,128.000 million i.e. approximately 248% above the final grant for same functions/ cost centres. However, savings, not surrendered in time, and grants had savings more than 22.43%. All these saving grants need explanation from the management.

### **Debt Management**

Increase in debt servicing principal and interest payment budget is 6.49% of last year while that in actual expenditure is 38.50% of last year.

<b>Debt Servicing Principal &amp; Interest Payment</b>	<b>2015-16</b>		
	<b>Final Grant / Appropriation</b>	<b>Actual Expenditure</b>	<b>Difference</b>
Debt Servicing (Principal Payment)	59,669,027,080	49,847,953,951	9,821,073,129
Debt Servicing (Interest Payment)	14,443,825,970	14,306,660,547	137,165,423
	<b>74,112,853,050</b>	<b>64,154,614,498</b>	<b>9,958,238,552</b>
	<b>2014-15</b>		
<b>Debt Servicing Principal &amp; Interest Payment</b>	<b>Final Grant / Appropriation</b>	<b>Actual Expenditure</b>	<b>Difference</b>
Debt Servicing (Principal Payment)	55,574,784,010	25,540,189,811	30,034,594,199
Debt Servicing (Interest Payment)	14,017,587,000	13,911,728,850	105,858,150
	<b>69,592,371,010</b>	<b>39,451,918,661</b>	<b>30,140,452,349</b>
	<b>Change</b>		
<b>Debt Servicing Principal &amp; Interest Payment</b>	<b>Final Grant / Appropriation</b>	<b>Actual Expenditure</b>	<b>Difference</b>
Debt Servicing (Principal Payment)	4,094,243,070	24,307,764,140	-20,213,521,070
Debt Servicing (Interest Payment)	426,238,970	394,931,697	31,307,273
	<b>4,520,482,040</b>	<b>24,702,695,837</b>	<b>-20,182,213,797</b>
<b>Payment percentage current year</b>	<b>86.56%</b>		
<b>Payment percentage last year</b>	<b>56.69%</b>		
<b>Increase in Debt Servicing Principal and Interest Budget</b>	<b>6.49%</b>		
<b>Increase in Debt Servicing Actual Expenditure</b>	<b>38.50%</b>		



## Function-wise budget and expenditure allocations with variances

The percentage variation with base amount original allocation and revised allocation with respect to Function-wise budget allocations and expenditure are tabulated as below.

(Rupees in million)

Sr. #	Function	Original	Revised	Actual Exp:	Variance Original Budget/ Exp	Variance Revised Budget/ Exp	% with base amount original allocation	% with base amount revised allocation
1	General Public Service	214,437	219,103	322,778	-108,341	-103,675	(50.52)	(47.32)
2	Economic Affairs	184,010	174,250	148,625	35,385	25,625	19.23	14.71
3	Public Order and Safety Affairs	79,703	77,773	69,876	9,827	7,897	12.33	10.15
4	Education Affairs and Services	157,085	151,222	131,898	25,187	19,324	16.03	12.78
5	Health Affairs and Services	69,894	70,514	63,753	6,141	6,761	8.79	9.59
6	Housing & Community Amenities	6,977	6,027	4,455	2,522	1,572	36.15	26.08
7	Recreation, Culture and Religion	6,684	6,231	5,888	796	343	11.91	5.50
8	Social Protection	75,403	58,947	52,289	23,114	6,658	30.65	11.29
9	Environment Protection	4,453	3,235	2,683	1,770	552	39.75	17.06
	<b>Total</b>	<b>798,646</b>	<b>767,302</b>	<b>802,245</b>	<b>-3,599</b>	<b>-34,943</b>	(0.45)	(4.55)

The largest variation in General Public Service function at Sr. No. 01 of the table is unjustified.

## Object wise revenue budget variance

Function	Budget		Actual Receipts	Variance Original Budget	Variance Revised Budget
	Original	Revised			
<b>Revenue</b>					
Taxation	556,543	557,833	555,947	0.10%	0.34%
Non-Taxation	91,367	79,968	201,806	-120.87%	-152.36%
Total Revenue Receipts	647,910	637,801	757,753	-16.95%	-18.80%
<b>Capital</b>					
Domestic Debt	42,250	42,250	33,396	21%	21%
Foreign Debt	47,474	31,199	13,011	72.59%	58.30%
Recovery of Loans & Advances	11,384	1,600	15	99.86%	99.06%
State Trading Activities	47,890	42,040	37,233	22.25%	11.43%
Miscellaneous Recoveries	0		0		
Total Capital Receipts	148,998	117,089	83,655	43.85%	28.55%
Total Object wise Receipts	796,908	754,890	841,408	-5.58%	11.46%

Based on above data a budget deficit analysis has been performed in following table;

	(Rs in million)	
	2015-16	2014-15
Original Budget	44,500	148,646
Revised Budget	86,518	86,580
Actual Surplus	20,318	20,318
percentage of original Vs. Actual	45.66%	14%
percentage of revised Vs. Actual	23.48%	23%

Above analysis clearly indicates the following implications as lack of reality based commitments by management, inefficient resource utilization, and ineffective use of planning toolkit.

The management replied that no excess payment was made during the year 2015-16 under General Public Service function except inevitable pension payment made by banks/ treasuries and Rs 6,405,287,766/- under demand SC21003-Finance Department, KA4325-Finance Department (Secretariat), appeared due to at-source deduction of Rs. 6,417,075,740 by SBP on the instructions of FBR on account of withholding taxes due from various departments of GoS. Actually excess was occurred due to book adjustment of Rs 106,894.490 million made on the advice of Finance

Department vide No. FD(Res-II)13(1)/2014 (Part-I), dated 26th August 2016. This adjustment was made to rectify the misclassifications of previous years and to reflect correct position in the financial year 2015-16 as per directives of D G Audit Sindh in the meeting held on 13.04.2016 to discuss Audit Paras pertaining to Finance Department included in the Audit Report on the accounts of the GoS for the Audit Year 2009-10.

The reply of the management is not tenable as no evidence was provided to audit in support of their claim.

The DAC meeting was held on 20 December 2016. The DAC directed the office of the Accountant General (AG) Sindh to seek details from Finance Department on the negative balances to clarify / justify the matter to audit. However, no evidence was provided to audit for verification.

Audit recommends compliance with DAC decision.

### **1.1.2 Expenditure without provision in budget - Rs 2,921.000 million**

As per para 10.3.3.2 of Accounting Policies and Procedures Manual (APPM), all expenditures incurred under development projects included under the Schedule of Authorized Expenditure must be recorded in the Government accounting system, regardless of the source of funding. Direct funding arrangements between donors and project managers must still be recorded and reported by the Government, if the expenditure is included in the Schedule of Authorized Expenditure.

During the certification audit of Government of Sindh at AG Sindh office for the financial year 2015-16, it was observed that an amount of Rs 2,921.000 million was drawn under Grant No. nil on account of Foreign Project Assistance (FPA) Grant (SC1400F) recorded vide entry at page Nos. 4-62 to 4-64 of appropriation accounts, Volume-4. The payment was recorded in the footnote showing that the payment was made without provisions in budget, schedule of authorized expenditure and schedule of Supplementary Authorized Expenditure. However, the expenditure was booked in the SAP system.

The management replied that Finance Department, GoS, actually released the funds against the foreign currency received from the donor agencies to the concerned projects under Demand No.SC1400F- Foreign Project Assistance. The Treasury Officers/ DAOs authorized the concerned bank for the payments on receipt of the

assignment cheques from the project and incorporated in their accounts as per procedure but the said budget was not approved in the Schedule of Authorized Expenditure. This position has already been pointed out to Finance Department in the various meetings.

The reply of management is not tenable as non recording of expenditure in the schedule of authorized expenditure is violation of above quoted rule.

The DAC meeting was held on 20 December 2016. The management agreed with viewpoint of audit that it is unauthorized expenditure. The DAC directed that the Office of AG Sindh should take up the matter with Finance Department with respect to such releases in budget / Schedule of Authorized Expenditure under intimation to audit. No compliance was shown to audit.

Audit recommends compliance with DAC decisions.

## **(B) ACCOUNTING ISSUES**

### **1.1.3 Non-rectification of errors in Annual Accounts**

As per para 3.2.4.2 of the Manual of Accounting Principles on errors omission and corrections, correction of errors will be made by reversing the original entries in full and posting the correct entries, a cross reference between the original entries and the correcting entries will be included. As per para 7.4.3.4 of the Accounting Policies and Procedures Manual, all year-end adjustments must be approved by the Accountant General prior to entry into the books of account or computerized system (as the case may be).

During the certification audit of Government of Sindh at AG Sindh office for the financial year 2015-16, the management was requested vide letter No.DGAS/PPC/Certification (AG)/2016-17/04 dated 6th October, 2016 to provide record relating to transfer entries/ journal entries (TEs/JEs) incorporated in the accounts to obtain reasonable assurance regarding their compliance with the applicable accounting principles and procedures. Upon non-production of requisite record, the audit issued Memo No.268 which was incorporated in the draft Management Report issued to the office of Accountant General Sindh with the request to provide para-wise annotated reply to the audit findings.

The record was not produced till conclusion of DAC meeting held on 20 December 2016. On the day after the DAC meeting, copies of four JEs bearing Nos.100001014, 100001783, 100001784 and 100001804 for Rs 111,427.000 million were provided to audit. On review, it was observed that four of the JEs were not in accordance with the accounting principles, policies and procedures as enumerated above. The JEs provided were not approved by the Accountant General- two of them were even not on the prescribed form of 4F. As a result, reasonable assurance regarding the compliance of accounting principles, policies and procedures could not be obtained. Besides, record of complete JEs for rectification of errors in Annual Accounts was not produced.

Audit recommends that necessary corrective/preventive action should be taken as required under the accounting principles, policies and procedures.

#### **1.1.4 Physical Assets not recorded in Assets Register – Rs 6,078.000 million**

As per para 13.4.5.1 of Accounting Policies and Procedures Manual (APPM), all PAOs shall prepare a fixed assets report, DDO-wise from the Fixed Assets Register on a quarterly basis. This quarterly report, in a prescribed form (see section 2.2.7 of FRM), shall be sent to the concerned Accountant General. As per para 13.4.4.1 of APPM, a GL account for fixed assets shall be kept by the DAO/AG to record transactions relating to fixed assets. As per para 13.4.5.4 of APPM, the Accountant General shall consolidate the information for including into the Annual Accounts.

During the certification audit of Government of Sindh at AG Sindh office for the financial year 2015-16, it was observed that all Current Capital and Current Revenue Grants contain the account head A09 – Physical Assets of Rs 6,078.00 million (2014-15: Rs 3,377.000 million). These entries have been reported as revenue expenditure in the Financial Statements and neither their corresponding entry in the asset register nor their reporting in government assets has been made. Due to this non-presentation, total assets of the government can never be determined with accuracy. Error conditions that could occur due to above may include:

- i. Uncertain existence of assets.
- ii. Wrong or over/under valued assets.
- iii. Inaccuracy in account or amount of accounting records.
- iv. Wrong disclosures or presentation.

The detail or break-up of cost is the basic cost control in asset management, it is absent in the present case of disclosure. Cost of the project can be maneuvered

between different cost elements (savings in one head can be adjusted against excess expenditure in other heads) keeping in mind the budgeted total cost of the project. Further, financial statements may lack consistency and completeness as certain information will be presented using object-wise classification and other as function-wise classification. This is also inconsistent with the requirements of Financial Reporting Manual (FRM).

The management replied that the head of physical assets (A09) exists in grants pertaining to revenue as well as capital under the approved budget, and the physical assets have been reported as revenue expenditure in the financial statement due to the fact that their budget has been provided under Revenue Grant. They added that the system makes only memorandum entry for creation of assets in the Assets Register and it is being maintained in system accordingly, which can be verified.

The reply of the management is not tenable due to violation of above rule.

The DAC meeting was held on 20 December 2016. The management agreed that no record is being maintained and that the matter, as decided in the DAC on previous year Certification Audit, would be referred to office of Financial Accounting and Budgeting System (FABS) through office of the Controller General of Accounts (CGA) Islamabad. DAC directed to show progress in the matter.

Audit recommends compliance with DAC directives.

#### **1.1.5 State Trading Stock (current capital expenditure) recorded as Long Term Assets - Rs 6,835.751 million**

According to Para-20 of International Public Sector Accounting Standards (IPSAS) 12 Inventories, other costs are included in the cost of inventories only to the extent that they are incurred in bringing the inventories to their present location and condition. For example, it may be appropriate to include non-production overheads or the costs of designing products for specific customers in the cost of inventories. Further para 21 of the same standard elaborate that, "Examples of costs excluded from the cost of inventories and recognized as expense in the period in which they are incurred are:

- (a) Abnormal amounts of wasted materials, labour, or other production costs;
- (b) Storage costs, unless those costs are necessary in the production process prior to a further production stage;

- (c) Administrative overheads that do not contribute to bringing inventories to their present location and condition; and
- (d) Selling costs.

Further, according to para 22, “In limited circumstances, borrowing costs are included in the cost of inventories. These circumstances are identified in the allowed alternative treatment in International Public Sector Accounting Standards (IPSAS) 5, “Borrowing Costs.”.

During the certification audit of Government of Sindh at AG Sindh office for the financial year 2015-16, it was observed that during the year 2015-16 an amount of Rs 44,365.000 million (2014-15: Rs 51,200.000 million) relating to State Trading was capitalized to Long Term Assets. This amount refers to the difference in total expenditure incurred, reduced by total receipts realized in the state trading account. Expenditure includes cost of purchases and other expenses incurred by the Government on purchase of different food items including establishment charges and interest expense. Object wise break-up of the net capitalized amount is as under:

	<b>Amount in Rs.</b>
A01 – Pay and Allowances	
A03 – Operating Expenses	
Establishment Charges	784,759,193
A07 – Interest Payments (Charged)	5,487,300,726
Cost of Purchases & Other Expenditure (Purchase of wheat & Rice)	37,796,893,569
<b>Total expenditure</b>	<b>44,068,953,488</b>
<b>Less</b>	
C01– Receipts and recoveries	-37,026,944,673
C01 – Wheat Subsidies from head – 042602 (Subsidy)	-206,257,517
<b>Total Receipts</b>	<b>-37,233,202,190</b>
<b>Net Payments</b>	<b>6,835,751,298</b>

By definition capital expenditure is incurred for the purpose of acquiring, constructing or enhancing physical assets or on schemes of capital outlay, as given by the object code in the Chart of Accounts. All of the above account heads have been capitalized and should not be included in the cost of purchase of wheat and rice stock rather they should be expensed out in the current period through revenue grant and an expense of Rs 6,272,059,919 should not be carried forward in future year which include all above expenditure items excepts cost of purchase of wheat and rice. Alternatively, the stock of wheat at cost may be capitalized in current assets. Current

presentation in long term assets envisages that long term assets have been overstated and/or misclassified. This may result in overstatement of long term assets as well as understatement of current assets (Page Nos.101 & 102 of Finance Account Government of Sindh).

The DAC meeting was held on 20 December 2016. The management agreed with the viewpoint of audit and stated that historically the whole amount of state trading has been capitalized in all pervious Financial Statements. Before changing the treatment, as guided by the audit, it would be prudent to constitute a committee to consider the pros and cons in details. The DAC directed that a committee should be notified by the AG Sindh, comprising of members from FD, AG Sindh and Food Department for ascertaining the nature of the transactions, its accounting treatment and its booking under intimation to the audit.

Audit recommends compliance with DAC directives.

#### **1.1.6 Opening and closing balances of long term assets not object-wise for Rs 1,162,969.000 million**

Para 2.2.7.1 of Statement of Fixed Assets in Financial Reporting Manual provides that the asset should be recorded with category. According to para 13.4.1.1 of Accounting Policies and Procedures Manual (APPM), all departments/entities will maintain a "Fixed Assets Register" (form 13A) for the categories of assets, for which they are responsible. The categories of assets shall include the Land & Building, Civil Works, Plant and Machinery, Vehicles, Furniture & Fitting, Office Equipment, Computer Equipment. According to 13.4.1.2, the following information shall be kept on the Fixed Assets Register for each asset as description, classification of asset, date of purchase or date of completion, original purchase cost in Rupees, cost in foreign currency (where applicable), asset identification number, current location, and ownership of/responsibility for asset.

During the certification audit of Government of Sindh at AG Sindh office for the financial year 2015-16, it was observed that Long Term Assets for Rs 1,162,969.000 million (2014-15: Rs 917,908.000 millions) are continuously being classified on functional basis rather than object wise. This represents accumulation of yearly expenditure as appeared in capital grants of Appropriation Account which are incurred on various schemes of the current and previous years. Object wise detail or break-up of assets in each scheme is not available on page No.12 / 72 to 102 of the Finance Account of Government of Sindh.



<b>Asset</b>	<b>Grant No.</b>	<b>2015-16</b>	<b>2014-15</b>
Investments	Grant 47	180,083,827,800	56,439,333,800
State Trading	Grant 50	51,200,714,774	44,364,963,476
Finance Department	Grant 52	41,748,086	41,748,086
Board of Revenue	Grant 52	90,665,792	90,665,792
General Public Services	Grant 52	1,291,674,073	1,113,473,712
Other General Services	Grant 52	654,722,085	654,722,085
Administration (Works)	Grant 53	104,868,520	104,868,520
Agriculture & Food	Grant 53	9,447,527,378	8,932,981,234
Buildings & Structures	Grant 53	90,355,254,432	85,932,134,806
Fuel & Energy	Grant 53	8,661,395,064	3,855,231,812
Highways, Roads & Bridges	Grant 53	197,514,579,901	181,985,101,247
Irrigation	Grant 53	139,853,391,785	117,245,519,920
Manpower	Grant 53	390,796,472	370,996,714
Mining & Manufacturing	Grant 53	48,540,018,475	44,836,315,392
Environment Protection	Grant 54	20,053,482,778	17,604,115,075
Water Supply	Grant 55	38,579,128,383	36,442,882,755
Health	Grant 56	28,357,449,280	24,287,214,253
Cultural Services	Grant 57	5,881,235,426	5,065,874,064
Education	Grant 58	62,166,835,644	55,597,846,633
Civil Defense	Grant 59	326,465,882	326,465,882
Social Protection	Grant 59	257,911,914,601	211,460,541,671
Transfers		757,138,886	757,138,886
Statistics		623,776,006	317,212,218
Planning & Development		192,519,071	192,519,071
Rural Development		18,735,322	18,735,322
Printing & Publishing		137,151,663	137,151,663
Urban Town Planning & Regulatory Services		721,557,862	721,557,862
Religious Affairs		79,999,768	79,999,768
Commutation of Pension		21,721,158	21,721,158
District Administration		18,909,031,647	18,909,031,647
<b>Total</b>		<b>1,162,969,328,014</b>	<b>917,908,064,524</b>

The same audit observation was raised in all Management Reports issued to date since 2006-07 & 2014-15 but no action was taken to comply with the requirements provided in the APPM.

The DAC meeting was held on 20 December 2016. The management replied that Appropriation Accounts are prepared according to the budget provided by the Finance Department in the Final Re-appropriation Orders, and they provide scheme-wise budget under Capital grants. However, object-wise details are available in the

SAP system. The DAC further directed the management to take up the matter with Finance Department for providing object-wise budget.

Audit recommends compliance with DAC directives.

### 1.1.7 Transfers wrongly classified as Investments – Rs 126,439.000 million

As per Section 6(1) of the Sindh Fund Management House Act 2013, the Capital of the House shall consist of an amount paid to the House under Sub Section 2 which provides that government shall capitalize the House by transferring an amount which shall not be less than Rs 300 million from Provincial Consolidated Fund, not later than one year from the date on which this Act comes in effect.

During the certification audit of Government of Sindh at AG Sindh office for the financial year 2015-16, it was observed that following transfers have been made in the current year under Grant No.47 – Government Investments (NES) of the budget. These transfers have been made in the Funds created by the Government of Sindh for special purposes and payment has been treated as government investment on page No.72 & 73 of the Finance Account of Government of Sindh.

Object Head	Cost Center Description and Code	Expenditure 2015-16	Expenditure 2014-15
A06-Transfers	KA9993 - Sindh Govt. Employees Group Insurance Fund	750,060,000	--
A06-Transfers	KA9988 - Sindh Pension Fund	73,428,730,000	3,000,000,000
	KA9989 – General Provident Fund	37,197,650,000	1,200,000,000
A06-Transfers	KA9995 - Investment Fund for HPA Advance to Government of Sindh	1,804,930,000	1,000,000,000
A06-Transfers	KA5825 - Sindh Social Relief Fund(NES)	15,689,160,000	200,000,000
	KA4742-Other Government Investment	2,794,540,000	100,000,000
A06-Transfers	KA5827 - Viability Gap Fund	(9,726,140,000)	6,000,000,000
A06-Transfers	KA9980 - Sindh Coal Development Fund	1,705,564,000	750,156,751
	Others	2,794,540,000	--
<b>Total</b>		<b>126,439,034,000</b>	<b>12,250,156,751</b>

However, following objections are noted:

- All the above mentioned payments have been made for non-profit motive. The payments to these funds were booked in “A06402 - Contribution/transfer to fund” Head of Account which is Head of Account for Transfers. Thus treating such payments as investment is wrong in accounting perspective.
- Negative balance in Viability Gap Fund (KA-5827) of Rs 9,726,140,000 needs justification.

This results in overstatement in the value of investment and understatement in the value of transfers in the Financial Statement of Government of Sindh.

The management in reply agreeing with the viewpoint of audit stated that these Funds are related to the head A11-Investment; however, the Finance Department provided the budget under object head A06-Transfers (investment Grant 47), therefore, the funds were booked under A06. The management added that the matter has been conveyed to Finance Department. As regards the amount of Rs 9,726,140,000/- of Viability Gap Fund shown as negative balance in the Management Report, the management clarified that the balance under Viability Gap Fund is Rs. 6,223,807,000/- at the end of the year 2015-16 (page #70-72 of Finance Accounts). Actually (9,726,140,000) is the net result of the funds invested by the GoS and the expenditure incurred at their end directly from the invested funds.

The DAC meeting was held on 20 December 2016. The management stated that the matter has been taken up with the Finance Department. The DAC directed that the accounting office should ensure proper classification. The details / supporting record for the amount of Rs 9,726,140,000 shall be produced by AG office for verification.

Audit recommends compliance with DAC directives.

### **1.1.8 Investments under-/over-valued without return on investments - Rs 254.42 million**

Para 8.4.5 of Hand Book of Accounting under heading “valuation of assets”, “Under the modified cash method of accounting, assets will be recorded in the books at historical values. However, this does not preclude the establishment of more meaningful values where it is of use to managers. For example, it would be prudent to record the market value or land and building assets in the asset register.”

During the certification audit of Government of Sindh at AG Sindh office for the financial year 2015-16, it was observed that there has been continuous noting in all previous Management Reports since 2006-07 but no evidence has been provided by the Finance Department or AG Sindh regarding following government investments. The value of such investments as appearing in the breakup on page No. 72 of Finance Account seems un-realistic. Apparently these investments in the financial statements represent the initial value at cost of investment and any increase/decrease in the market value of investments has not been accounted for. Material differences may arise in the value of investments reported and the actual position.

(Rupees in million)

<b>Description</b>	<b>Investment at the year end</b>
Sugar Mills Limited	3.00
Federal Bank for Cooperative	10.00
Sindh Provincial Co-operative Bank	21.42
Pakistan Textile City Limited	200.00
Karachi Urban Transport	15.00
Floor Mining Corporation	5.00
<b>Total</b>	<b>254.42</b>

Further, Audit observed that none of the investments made above carried any return for any period of our review. Furthermore, management has not made any representation that government has no other unaccounted investments. This results in understatement/overstatement in the value of investment in the Financial Statement of Government of Sindh. Making investments in non-profitable ventures is wastage of public money and incurs loss in the long run.

The DAC meeting was held on 20 December 2016. The management replied that these balances are more than fifteen years old. The matter is under consideration with Finance Department and will be resolved in due course of time. The DAC expressed concern over slow progress by the FD and directed to expedite the matter. Further, the AG Sindh will take up the matter and produce the relevant record.

Audit recommends compliance with DAC directives.

### **1.1.9 Long outstanding loans and advances – Rs 25,685.000 million**

Para 4.10.9.1 of Accounting Policies and Procedures Manual (APPM), states that, “Detailed accounts of all loans and advances granted by the Government shall be maintained by the Accountant General, who will monitor their balances and identify any breaches in the terms and conditions of these loans.” Para 4.10.9.2 of the manual states that, “the delegated officer in Accountant General’s office shall record payments

and recoveries of loans and advances in the relevant account heads under “Loans and Advances” in the Sub Ledger in accordance with directions laid down in Section 4.4 “Accounting for Expenditures”. Also these loans and advances shall be recorded in the Financial Register.” Further, any default in repayment (either in principal or interest) shall be promptly reported by the Accountant General to the delegated authority who shall then take steps to recover the amount in default as per para 4.10.11.2 of the same manual.

During the certification audit of Government of Sindh at AG Sindh office for the financial year 2015-16, it was observed that:

1. Huge loan balances long outstanding against various institutions are appearing at Page No. 108-117 of Finance Account of Government of Sindh. These loans/advances include:

(Rupees in million)

<b>Institution</b>	<b>Opening Balance</b>	<b>Payments</b>	<b>Receipts</b>	<b>Closing Balance</b>
To district government	1,479	-	-	1,479
To financial institution	-	-	-	-
To non-financial institutions	5,460	730	-	6,190
To Government Servants	81	-	15	66
To private sector	175	-	-	175
	<b>7,195</b>	<b>730</b>	<b>15</b>	<b>7,910</b>

Payments of Rs730 million in respect of “loans and advances transferred to Non-financial Institutions” at Page No. 113-115 of Finance Account include payments to:

<b>Head of Account</b>	<b>Account Head Description</b>	<b>DDO</b>	<b>Amount in million Rs.</b>
A08501	Loan to Non-Financial Institutions	KZ4010- Sindh Transmission & Dispatch Company Pvt. Ltd, Secretary (Energy Department)	730.00
			<b>730.000</b>

Besides, it was observed that:

1. No interest has been received on outstanding balance of loans and advances.
2. The above long outstanding loan balances against various institutions have been since long at page No. 106-115 of Finance Accounts of Government of Sindh. During the course of audit it was observed that except House Building Advance recovery of Rs 14,990,642 and recovery of Rs 15,000 to cultivators, no other recovery has been effected. Further, the authenticity of these loan balances could not be verified with AG Sindh record.

This implies inadequate controls over the financial reporting and management process. Long outstanding balances inflate the balance sheet position and may influence the financial statement users.

The management replied that the amount in question has now been decreased to Rs 7,910 million and Rs 18.489 million has been treated as revenue expenditure instead of Loans and Advances after reconfirmation by the Finance Department. The management added that matter was under investigation in Finance Department for further clearance.

The DAC meeting was held on 20 December 2016. The management agreed to modify presentation / disclosure and stated that the outstanding balance is under investigation. The DAC directed to provide documents for verification of audit which are awaited.

Audit recommends compliance with DAC directives.

#### **1.1.10 Unadjusted/un-realized current assets**

As per para 4.10.9.1 of Accounting Policies and Procedures Manual (APPM), detailed accounts of all loans and advances granted by the government shall be maintained by the Accountant General, who will monitor their balances and identify any breaches in the terms and conditions of these loans. Para 4.10.9.2 of the manual states that, “the delegated officer in Accountant General’s office shall record payments and recoveries of loans and advances in the relevant account heads under “Loans and Advances” in the Sub Ledger in accordance with directions laid down in Section 4.4 “Accounting for Expenditures”. Also these loans and advances shall be recorded in the Financial Register.”

During the certification audit of Government of Sindh at AG Sindh office for the financial year 2015-16, it was observed that Current Assets of the Government of Sindh have been classified into following sub-headings as Civil Department Balances, Receivables, Other Receivables, and Other Assets. While reviewing the above current assets, following observations were also noted:

**I) Receivables**

**a. O.B. Advances (Civil) - Rs 31.742 million**

O.B. Advance (Civil) comprises mainly the payments on account of Pay and T.A. on transfer and payments of one month salary to the government servants on eid festival. The Eid advance is recovered in 02 or 03 installments and its recovery appears in next month payroll (Balances at Page No. 125 of Finance Account of Government of Sindh).

<b>Movement</b>	<b>O.B. Advance Million Rs</b>
Opening Balance	31.714
Payment	0.204
Receipt	0.177
<b>Closing Balance</b>	<b>31.742</b>

The difference between opening balance and closing balance is minimal which shows that nearly nothing of Rs 31.742 million could be recovered during the year. This shows poor cash management.

The management replied that after examination it has been found that out of Rs 31.742 million, Rs 21.797 million pertains to Sindh Flood Relief Fund in the year 2011-12 and could not be adjusted. The same will be adjusted in the financial year 2016-17. The remaining balance was under investigation.

**b. Special advances - Rs 1.707 million**

Special Advance records advance of the special nature under the orders of the Provincial Government. These advances except District Accounts Officer Khairpur relate to the period prior to 1970-71 and have not been repaid so far. The details are as under Balances appears at Page Nos.128-129 of Finance Account of Government of Sindh.

	<b>Million Rs.</b>
1 Advances paid for test purchase made by Price Control Department.	0.005
2 Advances for Taraviah Prayer	0.001
3 Trap money advance for Anti-Corruption Department	0.070
4 Advance for Students of District Municipal Corporation Karachi	0.002
5 Advances to Board of Management of Muslim Education Cess, Karachi	0.012
6 Advances by revenue department for Flood Relief	0.185
7 Advances by Deputy Commissioner Lahore for Flood Relief	0.677
8 Advances for purchase of Coconut Seeds	0.005
9 Advances for Agriculture Department for East Pakistani Families.	0.435
10 District Account Officer Khairpur	0.315
<b>Total</b>	<b>1.707</b>

*Item Nos. 7 and 8 were transferred by A.G. West Pakistan, Lahore on disintegration of One Unit*

The management replied that letter has been issued to the Finance Department Sindh for settlement.

### **c. Payment for fertilizer - Rs 1,839.000 million**

The debits received from Federal Government on account of supply of Fertilizer to Sindh Agriculture Supply Corporation are booked under this head pending recovery from the Corporation. The balance represents amount outstanding against the corporation. The acceptance of the balance is awaited. This is a stagnant balance appears at Page No.129 of Finance Account of Government of Sindh.

The management replied that during the examination of this head, it is found that the payment of Rs 0.070 million was drawn by the Anti-Corruption Agency on account of trap money. In this account the balance will be cleared when they will deposit the same after finalization of the case by the court of law. For remaining amount, the letter has been issued to the Finance Department for settlement.

## **II) Other Receivables**

All the following balances are stagnant balances since more than three decades.

### **a. Permanent Advance-Rs 5.529 million**

According to Para 140 of General Financial Rules, permanent advances may be granted to officers who may have to make payments before they can place themselves in funds by drawing bills on the Accounts Offices. According to these rules, any advances made out of the permanent advance may be recovered out of the amounts drawn from the Bank on expense bills. The balances include an amount of Rs 130,639



transferred by the A.G West Pakistan, Lahore on disintegration of one unit. Balances are appearing at Page No. 128 of Finance Account of Government of Sindh.

**b. Account with Government of India-Rs 4.660 million**

The above head records transaction between the Government of Sindh and the various Provincial Governments in India requiring settlement. The balance represents the outstanding balance for which settlement could not be carried out through the account of the Stand Bank up to the year 1982-83. The matter is correspondence with the various Accountant Generals in India. Balances are appearing at Page No. 126 of Finance Account of Government of Sindh.

**c. Account with Government of Burma-Rs 0.366 million**

This head records transactions between the Government of Burma and the Government of Sindh requiring settlement through State Bank. The balance represents the outstanding for which settlement could not be carried out through the accounts of the State Bank up-to the year 1982-83 and is under investigation. The ledger balance is under agreement with broadsheet figures. Balances are appearing at Page No. 126 of Finance Account of Government of Sindh.

**d. East Pakistan Suspense-Rs 4.540 million**

This head is intended to accommodate Payment on behalf of the Government of East Pakistan and their autonomous bodies after Separation of that Government with the Government of Pakistan. The balance will be settled only upon agreement between the two Governments. Balances are appearing at Page No. 126 of Finance Account of Government of Sindh.

This has serious implications as non-deposit of government moneys held by any government official in fiduciary trust is a legal mistrust on his part and he can be subject to legal and pecuniary obligations under such circumstances.

In respect of several items included under head Other Receivables, the management replied that letter has been issued to the Finance Department for settlement.

It is recommended that receivables and advances need to be reconciled with borrowers at regular intervals and adequate documentation of the same should be maintained. Appropriate measures should be taken in respect of recovery or settlement of long outstanding balances in order to present a true and fair picture of the financial position of the entity.

### 1.1.11 Un-reconciled long outstanding difference between book and bank balances

As per para 6.3.4.1, 6.3.4.2 and 6.3.4.3 of Accounting Policies and Procedures Manual (APPM), A monthly reconciliation of bank accounts is a necessary part of financial management and is also an effective measure for detecting and deterring fraud and irregularities. Every DAO shall prepare a monthly reconciliation statement for expenditures and receipts. At the end of each day the DAO/AG office shall send payment advice notes to the Main Designated Branch of the bank it deals with.

#### Observation-1

During the course of audit the audit observed that net un-reconciled difference in bank account and book balances is detailed below as per No. 166 of Finance Account of Government of Sindh.

	2015-16 (Rupees in million)
Provincial Account Current period 2015-16 (1997-98 to 2015-16)	436,123,173 Dr.
Provincial Account Previous period 1995-2015 (1994-95 to 1996-97)	145,673,784 Dr.
Net	581796,957 Dr.

Monthly bank reconciliations of Provincial A/C I and II are carried out by the Accountant General Sindh, therefore such differences should not arise. However, in District Cell neither Bank reconciliations are performed nor bank positions are maintained. Moreover, this practice is a case of non-observance of the requirements of APPM for preparation of bank reconciliations on specified formats.

The management replied that the position given at page # 166 of the Finance Accounts Rs 581,796,957 Dr is the unadjusted amount from the banks and not the un-reconciled amount. This office regularly reconciles the differences and communicates to the DAOs & NBP (HQ) as well. However, the pace of adjustment is rather slow due to internal mechanism of the banks. In this regards letters have been issued once again to the DAOs to expedite the matter. The DAC directed the management to expedite the matter with DAOs for adjusting the difference amount. Copies of such adjustment should be provided to audit alongwith detail of invoices and scrolls for the reconciled amount.

Audit recommends compliance with DAC directives.

## Observation-2

During the certification audit of Government of Sindh at AG Sindh office for the financial year 2015-16, the scrutiny of record maintained by CBC Section revealed that cash balance is un-reconciled for many years. The un-reconciled balance accumulates each year and no reconciliation is being made for last many years. For reference following table would help management to take necessary action. Inadequate follow up procedures may result in long outstanding unresolved balances appearing in the financial statements and entail future complications.

<b>Pertaining to the year</b>	<b>Dr./Cr.</b>	<b>2015-16Rs</b>
Pertains to the year 2015– 2016	Dr.	580,913,157
Pertains to the year 2014– 2015	Cr.	(123,825,185)
Pertains to the year 2013– 2014	Dr.	258,497,261
Pertains to the year 2012– 2013	Cr.	(386,637,777)
Pertains to the year 2011– 2012	Dr.	417,303,821
Pertains to the year 2010– 2011*	Cr.	(227,203,923)
Pertains to the year 2009 – 2010 *	Dr.	309,891,101
Pertains to the year 2008 – 2009 *	Dr.	166,224,536
Pertains to the year 2007 – 2008	Cr.	(138,929,682)
Pertains to the year 2006 – 2007	Cr.	(1,550,610)
Pertains to the year 2005 – 2006	Cr.	(150,586,228)
Pertains to the year 2004 – 2005	Dr.	64,550,939
Pertains to the year 2003 – 2004	Dr.	488,593,225
Pertains to the year 2002 – 2003	Cr.	(51,295,809)
Pertains to the year 2001 – 2002	Cr.	(32,160,546)
Pertains to the year 2000 – 2001	Cr.	(38,444,004)
Pertains to the year 1999 – 2000	Cr.	(151,967,628)
Pertains to the year 1998 – 1999	Dr.	110,899,582
Pertains to the year 1997 – 1998	Dr.	44,279,178
Pertains to the year 1996 – 1997	Dr.	108,340,382
Pertains to the year 1995 – 1996	Dr.	22,979,751
Pertains to the year 1994 – 1995	Dr.	14,353,652
<b>Total</b>		<b><u>3,889,427,977</u></b>

The management replied that the position given at page # 166 of the Finance Accounts Rs 581,796,957 Dr is the unadjusted amount from the banks and not the un-reconciled amount. The management added that it had been regularly reconciling the differences and communicates to the DAOs & NBP (HQ) as well, however, the pace of adjustment is rather slow due to internal mechanism of the banks. Therefore, letters have been issued once again to the DAOs to expedite the matter.

The DAC meeting was held on 20 December 2016. The DAC directed the management to expedite the matter with DAOs for adjusting the difference amount. Copies of such adjustment should be provided to audit alongwith detail of invoices and scrolls for the reconciled amount.

Audit recommends compliance with DAC directives.

### 1.1.12 Negative debt balances appearing in permanent debt-Rs 1,097 million

As per para 11.2.2.1 of Accounting Policies and Procedures Manual (APPM), in accordance with the Manual of Accounting Principles, liabilities are defined as ‘future sacrifices of economic benefits that an entity is presently obliged to make as a result of past transactions or other past events’. Accordingly, the normal balance under the liability head will be credit in all cases.

During the certification audit of Government of Sindh at AG Sindh office for the financial year 2015-16, it was observed that analysis of Public Debt negative balances of Rs 1,096.829 million as detailed below. These balances represent payments made in respect of advances and settlements but have been wrongly classified as debits in permanent debt. However, we have not been provided with any documentation in this regard (As appearing at Page No. 104 of Finance Account of Government of Sindh).

Description	Amount (Rs in million)
Settlement of claim of Federal Bank for co-operatives against SCS	201.190
Payment of Principal to NBP and MCB for Imported flood machinery.	49.828
Redemption Of SRTC Debentures	867.697
<b>Total Debit balances</b>	<b>1118.715</b>
<b>Less: Loan, bearing interest:</b>	
10.50% Sindh Loan 2002	(4.985)
17% Sindh Loan 2007	(15.674)
	<b>(20.659)</b>
<b>Less: Expired Loans:</b>	
3% Sindh Loans, 1958	(1.226)
<b>Total Credit balances</b>	<b>(21.885)</b>
<b>Net (as appearing in balance sheet)</b>	<b>1,096.829</b>

The negative balances represent posting of payments classified under inappropriate heads of account and as a result we have a debit (negative) balance against a liability thus understating the liability. This implies weak controls over

financial reporting and makes financial statements unreliable for decision making purpose.

The DAC meeting was held on 20 December 2016. The management replied that the position has already been conveyed to the Finance Department and they have taken up the matter. It will be resolved in the current financial year 2016-17 positively. The DAC directed the management to intimate outcome on the matter to audit.

Audit recommends compliance with DAC directives.

### **1.1.13 Long outstanding debt balances**

As per para 11.3.1.1 of Accounting Policies and Procedures Manual (APPM), Domestic debt is debt raised by the Government within Pakistan, through forms of permanent and floating debt, debt raised through the issue of Treasury Notes and Treasury Bills for Ways and Means at variable market rates and variable maturity terms. This includes Open Market Operations by the SBP and short-term finance provided by State Bank of Pakistan (e.g. purchase of 6 month Treasury Bills).

During the certification audit of Government of Sindh at AG Sindh office for the financial year 2015-16, it was observed that floating debt is principally applied to borrowing of temporary nature such as Treasury Bills or Ways and Means Advances from the State Bank of Pakistan which is to be paid within 12 months. However, there has been no movement in the opening balance during the year and no interest on the same has been paid (As on at Page No.105 of Finance Account of Government of Sindh).

<b>Description</b>	<b>Total Debt liability (Rs in million)</b>
Opening Balance	26.700
Closing Balance	26.700

The term "Permanent Debt" covers such loans as are borrowed by the Government in open market for the period of more than twelve months. Initially an amount of Rs 1,431,120 adopted on the 1st July 1971 in respect of the disintegrated West Pakistan transferred from Accountant General Punjab Lahore. As appearing at Page No. 104 of Finance Account of Government of Sindh.

<b>Description</b>	<b>(Rs in million)</b>
Opening Balance	1,096.829
Closing Balance	1,096.829

This may result in overstatement of liabilities and understatement of interest expense. Further, monitoring and control measures on floating debt appear deficient.

The DAC meeting was held on 20 December 2016. The management replied that the position has already been conveyed to the Finance Department and they have taken up the matter. It will be resolved in the current FY2016-17 positively. The DAC directed the management to intimate outcome on the matter to audit.

Audit recommends compliance with DAC directives.

#### **1.1.14 General ledger for loans not provided to audit**

As per para 11.4.2.1 of Accounting Policies and Procedures Manual (APPM), cash transactions arising from liabilities (e.g. loan receipts, repayments of interest and principal) shall be recorded in the Sub-Ledger and General Ledger of the respective DAO/AG offices. As per para 11.4.2.3 of APPM, The detail of all liabilities recognised shall be held in a Liabilities Register by the...AG and DAO offices, and periodically updated as advised from the appropriate entities. This Register shall hold a formal detailed and aggregated record of all recognised liabilities for the respective Federal, Provincial or Local Governments.

During the certification audit of Government of Sindh at AG Sindh office for the financial year 2015-16, it was observed that estimates of various loans were mentioned in the budget of 2015-16. But the loan wise General Ledger was not provided to audit for verification. Without having loan wise General Ledger, the updated position of loans could not be authenticated.

The DAC meeting was held on 20 December 2016. The DAC directed the management to revise reply as per APPPM Rule 11.3.1.1 and other relevant APPM paras accordingly.

Audit recommends compliance with DAC directives.

### **1.1.15 Non-provision of details on adjustment of loans and advances of prior years as revenue expenditure - Rs 18,489.000 million**

As per para 7.3.2 Rectification of errors and para 7.3.2.1 Accounting Policies and Procedures Manual (APPM), Errors or omissions found prior to the cut-off date for production of the Annual Accounts may be made by way of journal entry, submitted to the respective AG offices for approval. Such errors or omissions typically include misclassification of accounts, usually requiring an adjustment between heads, failure to record a receipt, payment or adjustment in the accounts during the year, as identified in the bank reconciliation 7.3.2.2 In interpreting the above Direction, an error or omission is considered to be material if it exceeds 10% of the reported expenditure or revenue reported against a particular head, it affects the opening cash balance of the entity/government.

During the certification audit of Government of Sindh at AG Sindh office for the financial year 2015-16, it was observed that an amount of Rs 18,489.000 million were adjusted as revenue expenditure vide Finance Department letter dated 25-08-2016 instead of loans and advances as reflected in the previous years' accounts but the bills regarding original entry as reflected at the time of claim were not found attached in support of above adjustment to justify the expenditure and its adjustment. Further the above adjustment was made in the month of August 2016 but the entries of same were not reflected in the Finance Account for the 2015-16 at page 108 to 117 as opening balance as on 1st July 2015 in the statement of accounts of advances by Provincial Government showing payments, receipts, balances and amount of interest for the year 2015-16 but the same was reflected as foot note for shifting from Loans and advances to revenue expenditure as per Finance Department letter dated 25-08-2016.

The management replied that the adjustment was made as per advice and confirmation of the Finance Department vide No.FD/SO(Res-II)2(74)2015-16, dated 25th August 2016. Moreover, as per directives of the Director General Audit Sindh in the meeting held on 13.04.2016 to discuss Audit Paras pertaining to Finance Department included in the Audit Report on the accounts of the GoS for the Audit Year 2009-10, the GoS has intimated the factual position / misclassification / sanctions and the loan wise details to the Director General Audit Sindh Karachi in their replies through working paper. Further it is worth mentioning here that this adjustment has not affected the cash balance. As regards the availability of the documents against the above expenditure, it is submitted that these transactions were made 13-25 years ago. It is impossible to trace out all documents; however, copies of some sanctions are submitted for ready reference.

The DAC meeting was held on 20 December 2016. The management agreed to modify presentation / disclosure and stated that the outstanding balance is under investigation. The DAC directed to expedite the same and report to the audit.

Audit recommends compliance with DAC directives.

### **1.1.16 Dividend from government investments in financial institutions**

According to Para 5.6.2.3 of the Accounting Policies and Procedures Manual (APPM) on Dividends received - where the Government receives a dividend from any trading enterprises in which it is a shareholder, this will be recognized as Consolidated Fund revenue when the interim or final dividend is received. As per para 2.2.10.16 of Manual of Accounting Principles, The Government, through the development program, makes substantial investment in the community in the form of infrastructure and other assets. Government entities are given responsibility for the development, management and maintenance of these assets. For this reason it is important that the Government maintain proper records of the assets and monitors the entity responsible for the care and maintenance of the assets. For this reason assets will be expensed, that is charged against the current years' appropriation, upon purchase and recorded in an asset register. The asset registers will record assets by category and will be used to report on the assets on a regular basis.

During the certification audit of Government of Sindh at AG Sindh office for the financial year 2015-16, the review of revenue receipts for the year under audit revealed that dividends and Profit share (Non-Financial Institutions) has been shown received Rs 963.000 million in the financial statements page No. 5; whereas, in finance account Page No.40 it was shown Rs 868.3835 million, whereas, no related investment against which such dividend could be received was reflected in the financial statements of Sindh Government. It seems that such reporting is a misclassification of either revenue or asset. Recording of transactions without its legal form or substance indicates weak control of the departments over the recording of government transactions. In the absence of evidence such transactions may not be authenticated.

The management informed through reply that total amount of 963 million pertains to major head C01-Income from property and enterprises, which includes the amount of 868 million pertaining to minor head C019-Dividends from Government Investments.



The DAC meeting was held on 20 December 2016. The DAC directed the management to provide details along with supporting documents for the principal amount of investments against which dividend was received.

Audit recommends compliance with DAC directives.

### 1.1.17 Recoveries of overpayments

The accounting treatment as suggested by APPM for recoveries of overpayments is:

1. Recoveries which pertain to previous accounting year should be treated as receipts with head name “other receipts”, and
2. Recoveries which pertain to current accounting year should be adjusted against the actual expenditure in which such recovery occurs.

During the certification audit of Government of Sindh at AG Sindh office for the financial year 2015-16, the review of revenue receipts for the year under audit revealed that a particular account head “Recoveries of overpayments” appears in the ledger. As the name suggests this head is allocated for recoveries of overpayments of expenditure. Presence of such recovery in Tax Receipts seems out of question, as tax is not a payment on the part of the government. As the detail depicts, there is total of Rs 18,263,188 recovery of overpayments in tax revenue. As appear at page No.37 of finance account.

		<b>Amount</b>
B01184	<b>Taxes from Other Sources</b>	<u>18,263,188</u>
		<u><u>18,263,188</u></u>

Also, we found that there are negative amounts in certain tax revenue / receipt heads which is again out of question as negative amount implies tax payments rather than tax receipts. Either it is a misclassification or an effect of any adjustment. These negative amounts must be explained to audit. As appear at page No.37 of finance account.

<b>Head of Account</b>	<b>Rs in million</b>
B1206 Share of Net proceeds assigned to Provinces(wealth tax)	(5.672)
B01301 Property Tax-Ordinary Collection	(41.751)
<b>Total</b>	<b>(47.423)</b>

Similarly, there are various recoveries in non-tax revenue heads but without evidence it cannot be determined whether these overpayment receipts are adjustments of previous financial years or current financial year. Detail of such recoveries is tabled below: As appear at page No.41-46 of finance account.

(Rupees in million)

Head	Description	Particular	Amount
C02204	General Administration Receipt-Fiscal Administration	Recoveries of Overpayments	230,070
C02640	Police Department Receipt	Recoveries of Overpayments	205,340,933
C02659	Jail	Recoveries of Overpayments	986,726
C02704	Community Services Receipts	Recoveries of Overpayments	43,102,451
C02714	Works-Communications	Recoveries of Overpayments	143,726
C02724	Public Health	Recoveries of Overpayments	650,709
C02732	Public Health	Recoveries of Overpayments	105,198
C02836	Health	Recoveries of Overpayments	10,710,690
C02952	Social Security & Social Welfare Measures	Recoveries of Overpayments	14,443,662
C03134	Agriculture	Recoveries of Overpayments	1,454,773
C03229	Animal Husbandry	Recoveries of Overpayments	1,311,945
C03328	Forest	Recoveries of Overpayments	52,021
C03546	Industries	Recoveries of Overpayments	6,786,865
C03824	Others	Recoveries of Overpayments	109,623,268
<b>Total</b>			<b>394,943,037</b>

Such reporting may mislead the users of the financial statements and revenues may be overstated thereby overstating expenditures, although net surplus or deficit is not affected by such treatment.

The management stated that it was misclassification in the head of receipts. Instead of using the GL-head of B (Receipts from Taxes) the GL-head of C (Non Tax receipts) should have been used for recording of such receipts. As regards (Rs 47.423) million, it is intimated the (Rs 5.672) million were adjusted by the finance Division through direct transfer to Sindh Government and (Rs 41.751) million is the net booking incorporated by the TO in Account as per advice of Finance Department to the SBP. The receipts are recorded through challan received at Treasury Office (T.O) Karachi. This may be checked and verified at T.O Karachi.

The DAC meeting was held on 20 December 2016. The DAC directed the management to make arrangement for proper classification of the amount as per requirement of the APPM. The management agreed to seek detail from treasury office for the recovered amount and to produce the same to audit for verification.

Audit recommends compliance with DAC directives.

**1.1.18 Receipt of interest without showing advances or investments-  
Rs 868.283 million**

As per para 2.2.10.16 of Manual of Accounting Principles, The Government, through the development program, makes substantial investment in the community in the form of infrastructure and other assets. Government entities are given responsibility for the development, management and maintenance of these assets. For this reason it is important that the Government maintain proper records of the assets and monitors the entity responsible for the care and maintenance of the assets. For this reason assets will be expensed, that is charged against the current years' appropriation, upon purchase and recorded in an asset register. The asset registers will record assets by category and will be used to report on the assets on a regular basis. According to Para 5.6.2.3 of the Accounting Policies and Procedures Manual (APPM) on Dividends received - where the Government receives a dividend from any trading enterprises in which it is a shareholder, this will be recognized as Consolidated Fund revenue when the interim or final dividend is received.

During the certification audit of Government of Sindh at AG Sindh office for the financial year 2015-16, it was observed that an amount of Rs 868.283 million was shown as interest received during the year i.e. 2015-16 but no any base transaction in this respect was shown in the finance accounts as to against which advance / investment the interest was received (page No. 115 of Finance Account of Government of Sindh).

The management replied that the account received from TO Karachi has been incorporated in the Finance Accounts. However, the matter has already been taken with the Finance Department vide this office letter No. AGS/ Report/Management Report/2014-15/167, dated 26th September 2016 for investigation.

The DAC meeting was held on 20 December 2016. The DAC directed the management to provide details along with supporting documents for the principal amount of investments against which interest was received.

Audit recommends compliance with DAC directives.

### **1.1.19 Variations/errors in financial statements**

During the scrutiny of Financial Statements of Government of Sindh for the financial year 2015-16, following discrepancies/errors were observed in Appropriation and Finance Account and in Financial Statements. These errors/variations need to be rectified and provide correct copies at earliest.

1. Revised budget in Financial Statement is Rs 767,302.000 million at Page No.09 whereas in Summary of Appropriation Account it is Rs 843,795.000 million.
2. In Appropriation Account, Figures at Page No.24 Expenditure by Standard Object was not tallied with total of each section/department wise summary and under stated variation of Rs 348,265,820 was noticed.
3. Grand total of Summary of Section-8 of Appropriation Account under Housing/Town Planning and Local Government is shown as Rs 2,115,625,908 whereas, it is total Rs 2,929,075,187.
4. Notes numbering in Statement of Cash Flows (in Financial Statement) are incorrect.
5. Detail of Note No. 25 of Financial Statement not given for current year of Rs 88,163 million.
6. In note no 22 “Foreign Project Assistance” for Rs 2,921 million was shown as “Servicing to Debts” while the same was charges in Appropriation (page 4-61 & 62) as current expenditure in grant no nil Foreign Project Assistant while o any budget in this respected was available and the same was also not recorded in details of accounts of revenue expenditure in finance account starts from page No. 49
7. As per Finance Account in details of “Revenue Expenditure” is Rs 474,611,758,716 (Page No.67) whereas in Appropriation Account it is Rs 473,682,534,046 (as per appropriation account working of audit)
8. As per Finance Account in details of “Capital Expenditure” is Rs 353,302 Page No. 100 million whereas in Appropriation Account it is Rs 327,627,635,689 (as per appropriation account working of audit)
9. The following variations of Rs 6,659 million (Over statement Rs 3,326 million & Under Statement Rs 3,333 million) in revenue expenditure as per Financial Statements & Finance Account for the year 2015-16 were observed.

Function	Revenue Expenditure as per Finance Account shown at glance page No. 7	Revenue Figures as per Financial Statements page No. 8	Amount of Over Statement	Amount of Under Statement
<b>Rs. In Million</b>				
General Public Service	148,058	148,062	4	--
Economic Affairs	57,977	58,210	233	--
Public Order and Safety Affairs	69,225	69,876	651	--
Education Affairs and Services	125,369	125,329	0	40
Health Affairs and Services	57,245	59,683	2,438	--
Housing & Community Amenities	2,299	2,299	--	--
Recreation, Culture and Religion	5,619	5,073	--	546
Social Protection	8,269	5,838	--	2,431
Environment Protection	550	234	--	316
<b>Total</b>	<b>474,611</b>	<b>474,604</b>	<b>3,326</b>	<b>3,333</b>

Such reporting may mislead the users of the financial statements by over/understating budget and expenditures in individual heads.

The management's point-wise reply is as under:

1. The revised budget estimate in the financial statement showed the amount of budget after reduction of surrendered portion of budget, whereas the final grant in appropriation account is the sum of original and supplementary budget before surrender.
2. The figures at page No. 24 (Expenditure by standard object) were rechecked and found correct; however, the correction have been made in the relevant abstracts
3. There was an arithmetic error which has been rectified.
4. The notes numbering in financial statement has been rechecked and found correct.
5. As per format of financial statement the closing cash balance of Rs 88,163 million at the end of 2015-16 has already been recorded There is no place of details in the format.
6. The amount in does not pertain to revenue expenditure. It is current capital expenditure. As regards the budget of the said expenditure, the explanatory note to that effect has already been recorded at page No. 4-64 of the appropriation account (Volume-4).

7. The total revenue expenditure as worked out in the appropriation accounts come to Rs474,602,844,00 however, an amount of Rs 8,914,715 has been recorded as revenue expenditure in the finance account to rectify the misclassification of budget in current capital (Grant No. 48) the explanation to that effect has been given in the finance account at page No. 55-56. The same explanation has now been recorded at page no. 20-16 of the appropriation account (vol-5) as well.
8. There is an overlook by the audit. The figure appearing in the finance account at page no. 100 is Rs 238,473,681,261 which is not the total of capital expenditure it is the total of development capital and investment. Other items of capital expenditure have been shown separately.
9. The typing error has been corrected as desired in financial statement and finance accounts.

The DAC meeting was held on 20 December 2016. The point-wise DAC directives are as under:

- (1) The surrenders were not accounted for in the summary of appropriation Accounts. The management contended that it is in accordance with the format provided by office of CGA. The DAC directed the management to provide approved format.
- (2) Figures corrected, checked and verified by audit.
- (3) The DAC directed the management to provide record for verification to audit, which was verified.
- (4) Figures corrected, checked and verified by audit.
- (5) The DAC directed the management to provide approved format.
- (6) The DAC directed the management to rectify the accounts and provide evidence of the same to audit, which was produced and verified.
- (7) The DAC directed the management to rectify the accounts and provide evidence of the same to audit, which was produced and verified.
- (8) The DAC directed the management to rectify the accounts and provide evidence of the same to audit, which was produced and verified.
- (9) The DAC directed the management to rectify the accounts and provide evidence of the same to audit, which was produced and verified.

Audit recommends compliance with DAC directives.

### 1.1.20 Non-reconciliation of expenditure

As per Para-4.7.19.3 of the Accounting Policies and Procedures Manual (APPM), “Once the delegated officer in the Account Section is finished with the Bank returns, these returns should be sent to the officer who prepared the cheque. This officer shall enter the details from the Bank returns into the cheque register and reconcile the cheques issued by the office and cleared by the bank. A report/schedule of this reconciliation shall be sent to the Account section. It should also indicate those cheques which are not yet cleared by the bank”. Para 4.5.1.3 of chapter 4 of the APPM requires that the following key internal controls must be observed in expenditure processing, Accounting records of expenditure in the DAO/AG/ must be reconciled with each DDO on a monthly basis.

During the certification audit for the financial year 2015-16, it was observed sections of AG Sindh are compelling DDO/Banks to reconcile their monthly expenditure with them. Tests performed to verify this procedure revealed that in the following sections of the AG office there was no reconciliation procedure working in place or in some cases that statement was not provided for audit verification.

Sr. #	Name of section	OM No.	Particulars
1.	Reconciliation Cell	63	Non reconciliation of figure of expenditure & receipts
2.	CBC	100	Non reconciliation of balances between DAO & Bank
3.	CBC	101	Non-Reconciliation between AG Sindh & AGPR

Non-maintenance of annual or monthly reconciliation statements always renders the accounting office to let errors and omissions in the financial statements and in other accounting records undetected and or uncorrected in timely manner.

With respect to non-reconciliation of figure of expenditure & receipts, the Management stated that it is intimated that as far as the para-1 of the observation is concerned, the reconciliation of paid cheques returned from the bank, and their recording in Cheque Register is being carried out by the Internal Check Officer (ICO) and not in the Reconciliation Cell. As regards to para-2, the reconciliation of payments/receipts by banks is carried out by the Cash Balance Cell of this office with the District Accounts Officers as well as with the National Bank of Pakistan, Head Office. The Reconciliation of Expenditure/Receipts with the DDOs is being carried out by the Pre-

Audit Sections of this office as well as by the District Accounts Officers as the payments are being authorized by them. The reconciliation cell facilitates the Pre-audit sections of this office & DAOs by generating the Budget Execution Reports (BER) on monthly basis for reconciliation with the DDOs. The Reconciliation Cell only collects the updated status of reconciliation from the Pre-audit sections of this office & DAOs for perusal of higher authorities.

With respect to non-reconciliation of balances between DAO & Bank, the Management stated that the pass books are endorsed under the seal and signature of the DAO and the manager of the concerned branch which explains that figures of expenditure and receipt submitted by the bank to DAO have been verified and reconciled. The primary function of CBC is to carry out the differences between the figures of Book (Received from DAOs) and Bank (Head Office, Karachi) Then in case of appearance of differences these dissimilarities are sent to the District Accounts Office for reconciliation. The National Bank Account Offices are now once again requested to reconcile the differences with the advice to compel the Manager of the concerned branch to send these reconciled figures (disparities) to their Head Office for adjustment.

With respect to non-reconciliation between AG Sindh & AGPR, the Management stated that as per prevailing practice the focal person of AGPR attend this office for reconciliation of the figures misclassified by the bank between Central and Provincial heads. However, since November 2015 this practice is withheld due to the nonattendance of any visit of their representative to this office. Letter in this regard has already been issued vide No.CBC/DGPR Recon/2015-16/647 dated 20.10.2016 and No.CBC/DGPR Recon/2015-16/759 dated 17.11.2016 to DGPR for taking early action.

The DAC meeting was held on 20 December 2016. The DAC directed the management to expedite the matter with DAOs for adjusting the difference amount. Copies of such adjustment should be provided to audit alongwith detail of invoices, scrolls for the reconciled amount.

Audit recommends compliance with DAC directives.



### **1.1.21 Pre-numbering or serial numbering of vouchers in sections**

Para 7.3.7 of Chapter 7 of Financial Audit Manual (FAM) requires the auditor to consider factors affecting audit risk. One of the factors involved in such factors is the ease of auditing which include the practical availability of audit evidence and the existence of an audit trail. In the absence of practical availability of claim voucher in chronological or any other suitable order implies auditor's limitation to obtain complete audit trail of the transaction. Absence of audit trail increases the auditor's risk to detect material misstatements in the financial statements and hence he has to place lesser reliance on the control environment and thus modify the nature, timing and extent of his audit procedures.

During all certification audits since 2006-07 to 2015-16, it is being observed and pointed in Management Reports that vouchers in each section are neither pre-numbered nor serially numbered and are lying in haphazard manner. Although token number is allotted to every bill passed through the SAP R/3 system but placing of bills in order of document number is not the norm. Further, it is not possible for the audit team to select bills token number wise as section do not contain any token number wise list of vouchers showing their amount and other information pertaining to the bill. This observation has been raised in all pre-audit sections of AG Sindh. Selection of vouchers according to FAM is not possible due to this practice and no control of record maintenance can be established in this manner.

It is recommended that paid vouchers should be assigned a unique number and should be kept in shelves in appropriate order so that their retrieval could be easy and sure.

### **1.1.22 Abnormal balances of liabilities - Rs 1,185 million**

As per Para-7.4.1.4 of Accounting Policies and Procedures Manual, concerning key controls for financial reporting following controls must be observed before any periodic reports are generated;

- i. proper review of financial information at DAO level must take place prior to the consolidation and reporting of monthly accounts. This includes reconciliation of accounting records with other sources (e.g. banks, DDOs) and internal verification of accounting records and totals.

- ii. the Consolidated Monthly Accounts, Annual Accounts and the Combined Annual Accounts shall maintain a proper audit trail, in which summarized balances can be traced to general ledger and source transaction details.

During the certification audit of Government of Sindh at AG Sindh office for the financial year 2015-16, it was observed that in any cash basis accounting system, there could be no negative receipt and no negative payment. Negative balances can only arise if any payment or receipt is excess booked in contra account and corresponding payment or receipt has not been booked or has been short booked. Thus it may be implied that any negative balance is a wrong entry which must be corrected in timely manner. Following debit balances as appearing at Page No. 104& 140 of Finance Account of Government of Sindh be cleared:

	<b>Head of Accounts</b>	<b>Balance</b>
		<b>(Rs in million)</b>
011209	<b>Public debt</b>	
	Payment of Principal to National Bank and MCB Bank for Imported Flood Machinery	(49.828)
	Settlement of Claim of Federal Bank for Cooperatives against Sindh Cooperative Society	(201.190)
	Redemption of SRTC Debentures	(867.697)
	<b>Insurance Fund</b>	
<b>G08117</b>	Railways Reserve Fund	(66.066)
	<b>Total</b>	<b>(1,184.781)</b>

The negative balances represent posting of payments/receipts in inappropriate heads of account and as a result we have a debit/credit (negative) balance against a liability/asset thus understating the liability/asset. This implies weak controls over financial reporting and makes financial statements unreliable for decision making purpose.

The management replied that, the matter was also discussed in the clearing house meeting of the accounts for the year 2014-15 held on 23-12-2015 in the office of the AG Sindh. In the light of the directives, the Finance Department scrutinized the matter and as a result they have explained the head wise position & requested to this office to adjust the misclassifications. The issue will be resolved in the current Financial Year 2016-17. As regards the position of Railway Reserved Fund the matter is under examination in the Finance Department.

The DAC meeting was held on 20 December 2016. The DAC directed the management to provide final outcome to audit.

Audit recommends compliance with DAC directives.

### 1.1.23 Un-reconciled inter-government balances

According to Para-12.5.9.1 of Accounting Policies and Procedures Manual (APPM), the Accountant General office must perform monthly consolidation of department accounts within the Governments to control the complete and accurate recording of inter-department transfers. The delegated officer in the Account Section of the DAO/AG office must prepare a bank reconciliation to control the complete and accurate transfer of funds between entities with different bank accounts. Para 12.5.7.2, "...Any reconciling items must be investigated by the Accountant General's office and resolved prior to issue of the Consolidated Monthly Accounts. Consequently the balances should not be recognized in the Consolidated Monthly Accounts."

During the certification audit of Government of Sindh at AG Sindh office for the financial year 2015-16, it was observed that certain un-reconciled inter-governmental balances are appearing in the Finance Accounts. The reason being that the existing procedures to reconcile inter-governmental transaction have not been applied (Balances appears at Page No. 135 of Finance Account of Government of Sindh).

Head of Accounts	Account Code	Rs in million	
		Balance 2015-16	Balance 2014-15
Wages Clearing Account	G05105	(42.956)	(69.640)
Inter provincial settlement account	G05106	30.440	22.456
Adjusting account b/w federal and provincial government	G05107	(1,001.895)	(849.352)
Miscellaneous government accounts blocked	G05108	0.665	0.665
State Bank Suspense	G05110	334.766	165.419
District Accounts Offices-Suspense	G05111	0.099	0.099
Adjusting account b/w provincial & district government	G05115	(268.506)	(268.506)
	<b>Total</b>	<b>(947.387)</b>	<b>(998.859)</b>

The un-reconciled inter government balances imply incorrect postings and inadequate controls. Misclassification or wrong booking of transaction may affect presentation of financial statements.

The management replied that the office of the AG Sindh has analyzed the various heads appearing in the observation. The bifurcation as per the nature of the balance has been suggested for pay roll of Pay & Pension and the payment relating to the GP Fund. Though the balances under the wage clearing must be cleared at the end of financial year but due to non-closing of public heads etc. at the end of financial year, these are appearing negative balances against that year. Further due to twice shifting of district governments set-up and their payment made through Account-I are fundamental points of balances appearing in the accounts. The balances appearing are being analyzed. Moreover, a method has been devised by the CGA in SAP system, so that no balance should remain outstanding in future. The Inter-Government Balances are being regularly reconciled / adjusted according to their nature. The balances appearing at the end of FY 2015-16 are the net difference between the account received from the other accounting offices and the advices issued to the SBP. The same are cleared in the next Financial Year as these heads pertain to Public Account which are closed to balances.

The DAC meeting was held on 20 December 2016. The DAC directed the management to provide final outcome to audit.

Audit recommends compliance with DAC directives.

#### **1.1.24 Misreporting of development expenditure in Appropriation Accounts – Rs 134,405.000 million**

As per para 10.4.1.2 of Accounting Policies and Procedures Manual (APPM), “The transactions recorded for development projects at DAO/AG level shall be coded according to the Chart of Accounts, and provide sufficient detail to allow object-wise reporting for each development project.”

During the certification audit of Government of Sindh at AG Sindh office for the financial year 2015-16, it was observed that all development grants of the budget of Rs 134,405,826,244 were presented at Page No. 24 in Volume-I of Appropriation Accounts for approval in provincial assembly according to New Accounting Model (NAM) but the related expenditure under these grants has not been reported according to the requirements enumerated under NAM. Neither the project number nor the object

head of the expenditure was mentioned in the Appropriation Accounts. Non-reporting of development expenditure on object basis may impair management's ability to record transactions in correct account with correct amount, because classification errors in the financial statements may not be identified on timely basis by the auditor as either he has to rely on the management's controls over correct booking with respect to account and amount or he has to work extensively to ensure that correct booking has been made into the subsidiary record of the entity. Further, above reporting is against the requirements made in the above mentioned provisions of APPM, non-reporting of project number will impair users' ability to relate yearly development expenditure on different projects on year-to-year basis.

The management replied that Finance Department provides scheme-wise budget (in final re-appropriation order) under capital grants, and Appropriation Accounts are prepared accordingly. However, object-wise details are available in the SAP system. The DAC meeting was held on 20 December 2016. The DAC further directed the management to take up the matter with Finance Department for providing object-wise budget.

Audit recommends compliance with DAC directives.

### **1.1.25 Expenditure in excess of budget allocation – Rs 146,787.000 million**

As per Section-133 of Sindh Budget Manual, states that, "No government servant should, however, without previously obtaining an extra appropriation, incur expenditure in excess of the amounts provided under the heads concerned. When a government servant exceeds the annual appropriation, he runs the risk of being held responsible for the excess". Under Finance Department U.ONo.FD/B1/22 (3)/99-2000 Karachi dated 21-02-2000, "The Principal Accounting Officer shall ensure that the expenditure falls within the limit of grant or an appropriation duly authenticated. Expenditure in excess of the amount of grant or appropriation as well as expenditure not falling within the scope or intention of any grant or appropriation shall be treated as "un-authorized expenditure".

During certification audit of government of Sindh at AG Sindh Office for the year 2015-16, while scrutinizing the Appropriation Accounts, the audit observed that an expenditure of Rs146,787.000 million was in excess of the allocated budget in various heads of account allocated to different departments within various individual grants. The expenditure in excess of budget allocation shows poor financial management and override of government policies.

The management replied that most of the typing errors resulting in excess expenditure have been rectified and the management further replied that:

- i. The excess payment of Rs 6,405,287,766/- under demand SC21003-Finance Department, KA4325-Finance Department (Secretariat), appeared due to at-source deduction of Rs 6,417,075,740/- by SBP on the instructions of FBR on account of withholding taxes due from various departments of Government of Sindh.
- ii. The excess expenditure under various items of pension depicts payment by banks/ treasuries which is inevitable.
- iii. The expenditure in the following Project IDs were incurred through SAP system against the releases by the Finance Department in relevant Assignment Accounts but the FROs were issued in the original schemes with final grant less than the expenditure incurred. Thus the excess expenditure is the result of complexity of the budgeting in the Assignment Accounts and the Finance Department is in a better position to explain the matter.

<b>Demand No.</b>	<b>Project IDs</b>
SC12053	ME11128101
SC12056	KA08091038
SC12059	KA11120445 & KA12137637

The expenditure under following Project IDs were reported same as booked in SAP system and these are probably salary components.

<b>Demand No.</b>	<b>Project IDs</b>
SC12053	UK15163582 & HD15160138
SC12054	SR09100008 & KE14150003
SC12055	BN14150788, BN14150791 & UK14150747
SC12058	KE15163588
SC12059	DU12P00292, KE12P00575, KE12P00308, KE12P00615, KE12P00667, KP15P00080, MT12P00006, UK12P00032, MNA3400012, LA15163600, KA15163783, KA15163784, NH15163611 & KE15163614.

The typing errors resulting in remaining excess expenditure have been rectified and the copies of corrected pages are sent here with. The DAC directed the management to produce relevant record to audit for the corrections made and carry out the investigation under intimation to the audit. The record is still awaited.

Audit recommends compliance with DAC directives.

### **1.1.26 Savings not surrendered - Rs 166,422.000 million**

As per Rule-128 of Sindh Budget Manual, the Drawing and Disbursing Officer is personally responsible for surrendering the savings to the government before the close of the financial year.”

On scrutiny of Appropriation Accounts, It was observed that a sum of Rs 166,422.000 million to this report was allocated in the annual budget and placed at the disposal of departmental authorities but it was observed that the funds were not fully utilized for the intended purposes. This saving might have used in some other useful objects or function of the government and detaining government funds for so long implies inefficient budgeting system and inefficient utilization of government funds.

The Management in their reply informed that the matter pertains to the line department and Finance Department. This office has nothing to do in the matter. The DAC directed the management to revise the reply and submit it to audit for scrutiny.

In the revised reply, the Management stated that they reconcile the expenditure on monthly basis with the departments showing the remaining budget position in the reconciliation statement to facilitate them to surrender the amount in excess of the needs as per procedure. The revised reply of the Management was not convincing.

It is recommended that the government resources should be efficiently and effectively utilized for the intended purposes. Further, we recommend that the funds in excess of the needs of the departments should be surrendered as soon as possible so that the government resources can be used efficiently and effectively for some other purposes.

### **1.1.27 Huge liability of public account net balance over government - Rs 73,328.000 million**

As per Article 118 of the Constitution of the Islamic Republic of Pakistan,“(1) All revenues received by the Provincial Government, all loans raised by that Government and all money received by it in repayment of any loan, shall form part of a consolidated fund, to be known as the Provincial Consolidated Fund.(2) All other

money a) received by or on behalf of the Provincial Government: or b) received by or deposited with the High Court or any other court established under the authority of the Province shall be credited to the Public Account of the Province.”

It was observed that net position of Public Account Liabilities is as under as per page No.152,127 & 166 of Finance Account of Government of Sindh:

<b>Particulars</b>	<b>2015-16</b>	<b>2014-15</b>
	<b>Rs in million</b>	
Total Public Account Liabilities	163,416	137,023
<b>Less:</b> Total Assets of the Public Account	1,925	1,925
Net liability of Public Account	161,491	135,098
<b>Less:</b> Cash & Cash Equivalents available for payment	88,163	22,606
<b>Net position of Public Account Liabilities</b>	<b>73,328</b>	<b>112,492</b>

The liabilities of the public accounts were significantly overweight in comparison of previous year so as to get coverage by the available assets of the government in public accounts. Government has a fiduciary duty in relation to public account. Ideally speaking government should have cash resources equating the liabilities of Public Account. It appears that Public Account money has been used to finance Consolidated Fund expenditure.

The Management replied that since the income and expenditure including Public Account Liabilities are being dealt in Account-I, maintained at SBP, therefore it is difficult to have adequate control over such liabilities. The matter as suggested by audit has already been referred to CGA for separation of account at SBP. Moreover, the liabilities have been reduced to Rs 73,328 million from Rs 112,492 million in previous year. The DAC directed the management to report final outcome to the audit.

Audit recommends compliance with DAC directives.

### **1.1.28 Excess retirement/employees-related benefits**

As per Rule-28 of General Financial Rules, Volume-I, “No amount due to government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable the order of the competent authority for their adjustments must be sought.”



During the certification audit of Government of Sindh for the financial year 2015-16, it was observed that in following pre-audit sections GP Fund payment and leave encashment has not been appropriately pre-audited by the section of AG Sindh and certain deviations from their calculations of employee related expenses have been determined by the audit. Details are tabled below:

<b>Particulars</b>	<b>Section</b>	<b>Memo No.</b>
Excess payment of commutation and orderly allowance	DCS	187
Wrongly finalization of pension restoration	Pension Special Cell	74
Excess payment of pension by allowing one increment	Pension Facilitation Cell	122
Excess payment on account of restoration of commuted pension	Pension Special Cell	75

Significant excess payment of expenditures may lead to understatement of net surplus or deficit in the statement of cash receipts and payments.

With respect to wrongly finalization of pension restoration, the Management stated that the amount Rs 42,369/- as per roll data sheet has been paid on account of arrears of pension for three months from Feb-2016 to April-2016 @ Rs 14123 whereas the amount Rs 368063- has been paid on account of difference of pension from 25.12.2014 to 28.2.2016.

With respect to excess payment of pension by allowing one increment, the Management stated that Mr. Yar Muhammad (10101842) was retired on 30.11.2015 in Revised Pay Scale of 2014 carrying the annual increment @ Rs 220/- instead of Rs 170/-. His pay on 01.07.2011 (Revised Basic Pay scale 2011: Rs (4900-170-10000) was fixed at Rs 9830/- and he reached on his maximum pay (Rs.10000) on 01.12.2011. This made him eligible for four Personal Pays (PP) @ Rs 220/-pm (220 x 4) of Rs 880/- Pension case was thus finalized at correct pay without making any over payment. No recovery is thus involved.

With respect to excess payment on account of restoration of commuted pension, the Management stated that the pension restoration case has been re-examined and recalculated and the excess amount shall be recovered under intimation to the audit.

It is recommended that transactions should be scrutinized in detail before they are booked and a strong internal audit function should prevail throughout the

government machinery so that public finance may be accurately and transparently reported.

### **1.1.29 Non-production of record**

According to Section 14 (2) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, states that the officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition. Further, any person or authority hindering the auditorial functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under Efficiency & Discipline Rules.

During the certification audit of Government of Sindh at AG Sindh Office for the financial year 2015-16, various records were not produced to audit for their verification and scrutiny. The Management was requested during the execution period of the Certification Audit, followed by reminder to produce detail of vouchers and other relevant record for the transaction entries (T.Es/JEs), difference bills/adjustment details, and that of the pension cases. On receiving no reply, O.M No.268 was issued. The details are as under:

<b>Particulars</b>	<b>Section</b>	<b>O.M No.</b>
Non-production of record	Special pension cell	72
Non-production of record	Pension-III	135
Non-production of record	Assignment Account	64
Non-production of record pertaining to TEs, Difference bills & pension cases	Accounts I/II	268

During DAC meeting, the Management stated that relevant record is available for scrutiny of the audit. The DAC directed the management to produce the record for audit.

Audit recommends compliance with DAC directives.

### **1.1.30 Variation in figures of opening & closing balance, AG & bank or departments**

As per para 6.1.1.6 of the Accounting Policies and Procedures Manual, the following key internal controls must be observed in the bank reconciliation processes:

- i. There shall be a one-to-one relationship between the DAO/AG and a designated branch of either SBP or NBP referred to as the Main Designated Branch.
- ii. All receipt vouchers shall be sequentially numbered by the bank.
- iii. The DAO/AG shall check the bank scroll with the payment advice note on a daily basis.
- iv. The DAO shall prepare a monthly reconciliation statement for receipts and expenditures.
- v. The Accountant General shall prepare a consolidated monthly reconciliation statement for each government bank account.

During the certification audit of Government of Sindh at AG Sindh Office for the financial year 2015-16, variations between opening and closing balances, DAOs and banks were observed. The details of such instances are tabled as under.

<b>Sr. #</b>	<b>Name of section</b>	<b>Particulars</b>	<b>Memo No.</b>	<b>Amount</b>
1.	CBC	Variation in figure of books of AG and SBP	102	580.913

Lack of implementation controls established in all above mentioned mandatory policy manuals may not ensure establishment of sound accounting and financial management system and use of established public practices in government sector. These lapses on recurring basis will cause an effect of losing control over the system or total collapse of system.

The Management replied that after carrying out the differences between book and the bank, this office is sending regularly the discrepancy position to the National Bank Head Office, Karachi for its adjustments. Subsequently, the National Bank adjusts these differences in the following months. However, the pace of adjustment is rather slow due to the internal mechanism of the bank. The DAOs as well as Bank are now being asked to make efforts to decline the old outstanding disparities to reduce progressive balance.

It is recommended that all above mentioned controls issues should immediately be brought in the notice executing authorities and proper measures should immediately be taken to ensure their compliances.

### **1.1.31 Miscellaneous irregularities and non-compliances**

Financial Audit Manual (FAM) prescribes an audit standard under Para 4.4.4 on Compliance with applicable Laws and Regulations states that in conducting financial audit, a test should be made of compliance with applicable laws and regulations. The auditor should design audit steps and procedures to provide reasonable assurance of detecting errors, irregularities, and illegal acts that could have a direct and material effect on the financial statement amounts or the results of regularity audits. The auditor also should be aware of the possibility of illegal acts that could have an indirect and material effect on the financial statements or results of regularity audits.

During the certification audit of Government of Sindh for the financial year 2015-16, various irregularities and non-compliances have been observed in different sections of AG Sindh, relating to execution of their duties and routine works to appropriately perform pre-audit. Audit reports and certifications that accompany the statements are significant, since they attest to the veracity of the financial data. They likewise serve as endorsements of an entity's financial conditions and the results of its operations-that the statements embody fair and accurate presentations.

It is recommended that transactions should be scrutinised in detail before they are booked and a strong internal audit function should prevail throughout the government machinery so that public finance may be accurately and transparently reported.

### **1.1.32 Irregularities due to negligence on the part of financial managers**

According to Appendix 18-A of Sindh Financial Rules, "Every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part, and that he will also be held personally responsible for any loss, arising from fraud or negligence on. The part of any other Government servant to the extent to which it may be shown that he contributed to the loss by his own action or negligence."

During the certification audit of Government of Sindh for the financial year 2015-16, clear negligence was observed in certain sections of AG Sindh relating to execution of their duties and routine works to appropriately perform pre-audit.

Instances of serious negligence and overlook may lead to instigation of law to invoke legal proceedings against the person(s) at fault besides rendering him into a pain of punishment or pecuniary penalties.

It is recommended that transactions should be scrutinized in detail before they are booked and a strong internal audit function should prevail throughout the government machinery so that public finance may be accurately and transparently reported.

### **1.1.33 Weak internal controls**

According to principles defined in section 4(2) of The Sindh Financial Management and Accountability Act, 2011.

- (a) all financial transactions shall be duly authorized;
- (b) all financial transactions shall be recorded promptly, clearly, accurately, logically and coherently;
- (c) all financial transactions shall be carried out in an efficient and effective manner;
- (d) all financial transactions shall be carried out for a proper purpose. For the purpose of this clause, a purpose shall be considered as proper if it is
  - (i) clearly identifiable;
  - (ii) in pursuance of an official policy;
  - (iii) adequately estimated as to its costs, consequences and effects;
  - (iv) sanctioned in compliance with all applicable procedures;
  - (v) within the ambit of law and not restricted by any law in force for the time being; and
  - (vi) in furtherance of the public interest; and
- (e) the responsibility for every financial transaction should be traceable to the public official who is empowered or delegated to carry out that financial transaction.

During the certification audit of Government of Sindh at AG Sindh Office for the financial year 2015-16, various internal control weaknesses were identified. The details of such instances are tabled below.

<b>Section</b>	<b>Internal Control Weakness</b>	<b>Memo No.</b>
Pension Facilitation Cell	Payment of pension without pay fixation	120
Pension Special Cell	Finalization of pension restoration without calculation sheet	73
Pension Facilitation Cell	Non-updation of SAP data at the time of finalization of pension case	124
Pension Facilitation Cell	Deficiency in pension facilitation cell	123
DCS	Irregular performance to complete the task of computerization process of pensioners	189
Pension Facilitation Cell	Irregular payment of pension restoration without any supporting documents/service book	121

Lack of procedural controls may not ensure establishment of sound accounting and financial management system and use of established public practices in government sector. These lapses on recurring basis will cause an effect of losing control over the system or total collapse of system.

It is recommended that all the identified internal controls weaknesses should immediately be noticed by the authorities and proper measures should immediately be taken to ensure their compliances.

#### **1.1.34 Non-compliance with Manual of Accounting Principles (MAP) and Accounting Policies and Procedures Manual (APPM)**

During the course of certification audit of Government of Sindh, it was observed that following shortcomings exist in the system despite coming into force of MAP and APPM since February 1999. Similar observations were raised in previous audits for all the years from 2007-08 onwards but corrective measures are yet to be taken:

##### **Modified cash basis of accounting:**

As per para 2.2.10.1 of Manual of Accounting Principles, the modified basis of accounting, not only records transactions on a cash basis but also takes into account the commitments, acquisition of fixed assets, and incurrence of liabilities during an accounting period.

## **Adoption of a modified cash basis of accounting in Pakistan**

As per para 2.2.10.2 of MAP, the accounting system of the Government of Pakistan is based on a centralized system of accounting and reporting, with primary focus on ensuring due control over, and reporting against appropriations. As per para 2.2.10.3 of MAP, so long as the primary accountability of accounting officers remained solely against appropriations, a cash basis of accounting was sufficient. However, the need to ensure the efficient and effective allocation of resources in addition to monitoring and ensuring due control over appropriations, has been revised in favor of a modified cash basis with the capacity to move to a full accrual system if and when appropriate. As per para 2.2.10.4 of MAP, an initial step in this reform process is the memorandum recording of certain assets, liabilities and commitments. As per para 9.3.2.1 of APPM, transactions forming the basis for the monthly summarized financial information reported to the Accountant General must be recorded on a modified cash basis (see Section 9.3.3) in accordance with the policies applied to centralized accounting entities.

During review, it was observed that despite requirements of MAP as well as APPM, commitment accounting, accounting of certain assets and liabilities and physical assets accounting have not been introduced yet. The financial statements of government of Sindh are still being prepared on cash basis rather than on modified cash basis. However, the above non-compliances have been noted from the facts as disclosed in the Notes to the Financial Statements.

### **1. Tax reconciliations:**

Under para 2.3.2.2 of reconciliation of tax revenue receipts to tax authority records should be timely maintained by Treasury Offices. No such exercise is being carried on.

### **2. Reconciliation of bank accounts:**

As per para 3.4.2.12 of Manual of Accounting Principles, at the close of each month, the entity will reconcile its books of accounts with the Bank records. This reconciliation is to be performed in accordance with the policies and procedures set out in the Accounting Policies Procedure Manual, GFR and Provincial Treasury Rules. As per para 6.1.1.6 of the Accounting Policies and Procedures Manual, the following key internal controls must be observed in the bank reconciliation processes:

- i. There shall be a one-to-one relationship between the DAO/AG and a designated branch of either SBP or NB preferred to as the main designated branch.

- ii. All receipt vouchers shall be sequentially numbered by the bank.
- iii. The DAO/AG shall check the bank scroll with the payment advice note on a daily basis.
- iv. The DAO shall prepare a monthly reconciliation statement for receipts and expenditures.
- v. The Accountant General shall prepare a consolidated monthly reconciliation statement for each government bank account.

However, no such reconciliation exercise is being carried out in AG Office.

Lack of implementation controls established in all above mentioned mandatory policy manuals may not ensure establishment of sound accounting and financial management system and use of established public practices in government sector. These lapses on recurring basis may compromise the control environment or total collapse of system.

The management replied that the AG Office agrees with the observation of the audit regarding proper implementation of commitment accounting, asset accounting, however it is submitted that all these core function are dependent on the ownership the line departments which are required to provide historical data regarding asset registers and timely communicating commitments to the AG office for implantation of same in true spirit. The DAC directed the management to provide action plan to audit for implementation of MAP and APPM.

Audit recommends compliance with DAC directives.

### **1.1.35 Non-compliance by the management of recurring paras in previous management reports**

It has been observed that some of the following issues in this report are being reported since many years as management response towards the corrective measures for those has always been so slow that these paras have become permanent feature of the Management Reports.

#### **Para Description of para**

- 2.1.1 Physical Assets not taken in assets register - Rs 3,377.000 million.
- 2.1.2 State trading stock (current capital expenditure) recorded as long term assets.
- 2.1.3 Opening and closing balances of long term assets not object-wise.
- 2.1.4 Transfers wrongly classified as investments.
- 2.1.5 Investments under-/over-valued without return on investments.



- 2.1.6 Long outstanding loans and advances - Rs 25,685.000 million.
- 2.1.7 Unadjusted/un-realized current assets.
- 2.1.8 Un-reconciled long outstanding difference between book and bank balances.
- 2.2.1 Negative debt balances appearing in permanent debt – Rs 1,097.000 million.
- 2.2.2 Long outstanding debt balances.
- 2.2.3 General ledger for loans not maintained.
- 2.3.1 Dividend from government investments in financial institutions.
- 2.3.2 Recoveries of overpayments.
- 2.3.3 Less recovery of tax and other revenues - Rs 107.976 million.
- 2.3.4 Non-crediting of revenues - Rs 362.687 million.
- 2.3.5 Less deduction of security deposit - Rs 526.506 million.
- 2.4.1 Variations/errors in Financial Statements.
- 2.4.2 Classification errors in the financial statements.
- 2.4.3 Non-reconciliation of expenditure.
- 2.4.4 Pre-numbering or serial numbering of vouchers in sections.
- 3.1.1 Abnormal amount of liabilities - Rs 1,185 million.
- 3.1.2 Un-reconciled inter-government balances.
- 3.1.3 Non-reporting of correct amount of pension fund.
- 4.1.1 Misreporting of development expenditure in Appropriation Accounts - Rs 136,435.000 million.
- 4.1.2 Expenditure in excess of budget allocation.
- 4.1.3 Savings not surrendered – Rs 141,589.000 million.
- 5.1.1 Huge liability of Public Account net balance over government - Rs 112,492.000 million.
- 6.1.1 Excess payment to employee - Rs 22.867 million.
- 6.1.2 Excess retirement/employee-related benefits - Rs 7.792 million.
- 6.1.3 Non-production of record.
- 6.1.4 Variation in figures of opening & closing balance, AG & bank or departments.
- 6.1.5 Payment of liabilities without approval of finance department.
- 6.1.6 Payments without observing tender formalities.
- 6.1.7 Payment through DDO account.
- 6.1.8 Payments without budget provision.
- 6.1.9 Miscellaneous irregularities and non-compliances.
- 6.1.10 Irregularities due to negligence on the part of financial managers.
- 6.1.11 Weak internal controls.
- 6.1.12 Non-compliance with MAP and APPM.
- 6.1.13 Non-compliance of recurring paras from all previous management reports.

Lack of implementation controls pointed out in all above paras may not ensure establishment of sound accounting and financial management system and use of established public practices in government sector. These lapses on recurring basis will cause an effect of losing control over the system or total collapse of system.

It is recommended that all audit paras of recurring appearance should immediately be brought to the notice of executing authorities and proper measures should immediately be taken to ensure their compliances.

### **1.1.36 Non-reconciliation of expenditure – Rs 109,528.814 million**

According to Rule-77 (V) of Central Treasury Rules Volume-I, read with the order of Finance Department No. FD-510 (FD) 759/59 dated 05/12/59 it was the responsibility of the Drawing & Disbursing officer, to obtain a consolidated list of all cheques, issued by the A.G. Sindh / DAO (Payment for each month) in order to verify the correctness of the amount drawn from Bank and posting of each transaction of cheques made in the Government Cash Book, and also to ensure that all such cheques were not omitted and have been properly recorded, in Cash Book.

During audit of various offices of various departments of Government of Sindh, it was observed that an expenditure of Rs 109,528.814 million was incurred on various heads of account but the same was not reconciled from the accounts office. Details are given at **Annex-1** of Chapter-1.

The matter was reported to the management during August 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit requires reconciliation of expenditure besides fixing responsibility on the person(s) at fault.

### **1.1.37 Savings not surrendered in time- Rs 450.061 million**

As per Rule-128 of Sindh Budget Manual, the Drawing and Disbursing Officer is personally responsible for surrendering the savings to the Government before the close of the financial year.

During audit of various offices of various departments of Government of Sindh, it was observed that funds amounting to Rs 450.061 million were remain unutilized till the close of financial year and the same was not surrendered to government well in time. The saving would have been used in some other useful objects or functions of the government, had the same been surrendered in time. Details are given at Annex-2 of Chapter-1.

The matter was reported to the management in September 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit requires inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **1.1.38 Excess expenditure incurred over & above the budget allocation – Rs 235.770 million**

According to Section-133 of Sindh Budget Manual, “No government servant should, however, without previously obtaining an extra appropriation, incur expenditure in excess of the amounts provided under the heads concerned. When a government servant exceeds the annual appropriation he runs the risk of being held responsible for the excess”.

During audit of various offices of various departments of Government of Sindh, it was observed that an excess expenditure of Rs 235.770 million was incurred over and above the budget allocation. Details are given at Annex-3 Chapter-1.

The matter was reported to the management during August 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit requires inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

### **1.1.39 Misclassification of expenditure – Rs 241.117 million**

According to Rule 12 of GFR, Volume-I, “A controlling officer is responsible to watch that the funds allotted to the spending units, are expended in the public interest upon the object, which the money was provided”

During audit of various offices of various departments of Government of Sindh, it was observed that an expenditure of Rs 241.117 million was incurred by way of misclassification. This was done to avoid the process of re-appropriation through Finance Department. Details are given in Annex-4 of Chapter-1.

The matter was reported to the management during May 2016 and November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit requires inquiry into the matter for fixing responsibility on the person(s) at fault.

### **1.1.40 Variation in expenditure statements - Rs 5.559 million**

According the Para-100 of Sindh Budget Manual, “The accounts of the controlling officer have to be reconciled monthly to insure the accuracy of departmental accounts, and such accuracy is necessary in order to make departmental control really effective and to prevent misclassification or other errors in accounts.” According to Rule-34 (d) of Sindh Financial Rules, Volume-I, in the case of payment into treasury or the bank, the head of the office making such payments into treasury or bank should compare the same from the treasury officer or bank.

During audit of office of Commissioner Karachi, Board of Revenue Department Government of Sindh for the year 2015-16, it was observed that variation of Rs 5.559 million was found between the expenditure statement produced by the management and the SAP data of A.G Sindh.

(Rupees in million)

Sr. #	Head of Account	Expenditure as per DDO	Expenditure as per SAP	Variation
1	Transport	5.737	3.285	2.452
2	Hardware	0.799	0	0.799
3	POL for generator	0.663	0.524	0.139
4	Unforeseen expenditure	0.336	0.256	0.080
5	To others	2.833	2.754	0.079
6	Printing and publication	0.621	0.556	0.065
7	Transport	1.802	1.743	0.059
8	Entertainments & gifts	0.306	0.251	0.055
9	Stationery	0.633	0.584	0.048
10	Travelling allowance	0.566	0.527	0.039
11	Newspapers periodicals and books	0.161	0.131	0.030
12	Telephone and trunk call	2.045	2.027	0.017
13	Postage and telegraph	0.123	0.107	0.015
14	Machinery and equipment	0.603	0.594	0.008
15	Gas	0.017	0.016	0.001
16	Rates and taxes	0.943	0.948	-0.005
17	Plant and machinery	0.765	1.565	-0.799
18	Others	9.052	10.093	-1.041
19	POL charges	6.324	8.926	-2.602
20	Unforeseen Exp. for disaster preparedness	0	5.000	-5.000
	<b>Total</b>	<b>34.338</b>	<b>39.897</b>	<b>-5.559</b>

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit requires inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#11)**

## **CHAPTER-2**

### **AGRICULTURE, SUPPLY AND PRICES DEPARTMENT**

#### **2.1 Introduction**

The Department of Agriculture, Supply and Prices was created mainly to provide agricultural services to growers/farmers and to transfer the latest technology to the farming community, introduction of high-yield varieties, timely supply of seeds, fertilizers and pesticides, imparting training and to boost-up the agricultural production and productivity in the Province.

The department is also responsible for modernization of agriculture research, advancement of mechanized agriculture, strong market information system, improved agriculture extension service and water management.

Some functions of the department are performed by Bureau of Supply & Prices such as:-

- To collect, analyse and disseminate information regarding production, trading movement and prices of Essential Commodities including farm produce, livestock, fisheries, poultry and manufactured items used by the common man.
- To conduct production and market cost studies of essential commodities with a view to ascertain their economic price level and to recommend corrective measures to keep the prices at reasonable level.
- To identify bottlenecks in the supply, movement and storage of Essential Commodities and to adopt remedial measures for their availability to consumers at reasonable prices.

#### **Agricultural Statistics of Sindh Province**

➤ Total Area	14.09 Million Hectare
➤ Cultivated Area	4.87 Million Hectare (35%)
➤ Un-cultivated Area	6.77 Million Hectare (48%)
➤ Forest Area	1.03 Million Hectare (7%)
➤ Cultivable Wasteland	1.42 Million Hectare (10%)

#### **Agricultural Products of Sindh**

➤ Rice	36 % of National Production
➤ Sugarcane	29 % of National Production
➤ Cotton	34 % of National Production
➤ Wheat	15 % of National Production

Source: [www.sindhagri.gov.pk](http://www.sindhagri.gov.pk)

## 2.2 Comments on the Budget and Accounts (Variance Analysis)

The Department consists of 105 formations (DDOs), out of which 06 formations were selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rupees in million)

Original Budget/ Grant	Supplementary Grant	Re-appro: (+) (-)	Revised Budget 2014-15	Departmental Expenditure	Variation (Excess)/ Savings
15,288.041	1,320.595	(4,509.299)	12,099.336	9,809.407	2,289.928

The department was unable to spend the allocated budget in time. As a result, savings of Rs 2,289.928 million was observed which was not surrendered in time.

(Rupees in million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
605.582	213.672	205.446	8.226

The department was unable to collect the estimated receipts in time, as a result, shortfall of an amount Rs 8.226 million was observed.

## 2.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was 4.9%.

Sr. No	Audit Report	Total Paras discussed	No. of Paras requiring Compliance	Compliance of PAC directives made	Compliance of PAC directives not made	Percentage of Compliance
1	1992-93	24	9	0	9	-
2	1998-99	11	7	0	7	-
3	1999-2000	31	2	0	2	-
4	2001-02*	11	6	0	6	-
5	2004-05*	19	9	2	7	22.2
6	2005-06	16	13	1	12	7.7
7	2006-07	9	3	0	3	-
8	2007-08	4	4	0	4	-
9	2008-09	5	5	0	5	-
10	2009-10	8	3	0	3	-
<b>Total</b>		<b>138</b>	<b>61</b>	<b>3</b>	<b>58</b>	<b>4.9</b>

Note. Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

## **2.4 AUDIT PARAS**

### **2.4.1 Non-production of record – Rs 1,554.584 million**

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of various offices of Agriculture, Supplies and Prices Department, Government of Sindh for the years 2014-15 & 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 1,554.584 million remained unaudited. The details are given at **Annex-1** of Chapter-2.

The matter was reported to the management during February 2016 to September 2016. The management of office at Sr.#05 of the Annex in its reply produced only photocopies of the vouchers; whereas, the original record, i.e., supporting vouchers under the head, repair of furniture, machinery and equipment alongwith allied record was required to be produced to the audit team. Reply of other offices was not received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of record besides fixing responsibility on the person(s) at fault.



#### **2.4.2 Non-payment of quality premium to growers by the sugar mills – Rs 4,360.776 million**

As per Part-II of Notification issued vide No.8 (142)/SO(Ext)95.XXIII dated 04<sup>th</sup> January 2016 issued by Agriculture, Supply & Prices Department, Government of Sindh, Karachi, the sugar mills/factories in the Province are required to pay quality premium to the cane growers at the end of Crushing Season at 50 paisa per 40kg sugar cane over each 0.1 per cent (including fraction thereof to be calculated prorate) of excess sucrose recovery above 8.7% determined on overall sucrose recovery basis of each mill. The notification, however, clarified that as the matter was pending for decision in the Supreme Court and as per decisions of the federal government the payment of quality premium would remain suspended till the court decision arrived or a consensus was reached among all stakeholders.

During audit of office of Cane Commissioner, Hyderabad for the year 2015-16, it was observed that quality premium of Rs 4,360.776 million was payable to growers by 33 sugar mills for crushing season 2015-16. It is worth mentioning that the same amount pertained to only one year; whereas, the cumulative effect from the year 1982-83 onwards would be much greater as to be provided by the management. In addition it was revealed that the matter was subjudice in the court since 2007. The management did not produce record indicating efforts made by them as a stakeholder to resolve the long outstanding issue of payment of quality premium to growers. The details are given at Annex-2 of Chapter-2.

The matter was reported to the management in September 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for inadequate discharge of responsibility by the management to resolve the issue as a stakeholder.

**(AIR#01)**

### 2.4.3 Mis-procurement due to splitting – Rs 4.852 million

As per Rule 12(1) of SPPR, 2010, all proposed procurements for each financial year shall be planed and procuring agencies shall proceed accordingly without any splitting or regrouping of the procurements already grouped, allocated and scheduled in the Procurement Plan.

During audit of office of Oil Seed Botanist Research, Tando Jam for the year 2014-15, it was observed that an expenditure of Rs 4.852 million was incurred on account of purchase of fertilizers and printing items by splitting up of the work orders and without open tenders in violation of the rules.

(Rupees in million)

Sr. #	Name of Office	AIR Para #	Financial Year	Amount
1	Oil Seed Botanist Research Tando Jam	21	2014-15	1.153
	Oil Seed Botanist Research Tando Jam	22	2014-15	0.691
2	Deputy Director Agriculture Extension, Karachi	03	2014-15	1.971
3	Director On-Farm Water Management, Hyderabad	11,13	2015-16	1.037
<b>Total</b>				<b>4.852</b>

The matter was reported to the management in April 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

### 2.4.4 Irregular expenditure on various events – Rs 1.190 million

As per Rule 12(1) of SPPR, 2010, all proposed procurements for each financial year shall be planed and procuring agencies shall proceed accordingly without any splitting or regrouping of the procurements already grouped, allocated and scheduled in the Procurement Plan.

During audit of following offices of Agriculture, Supply & Prices Department, Government of Sindh for the year 2014-15, it was observed that an expenditure of Rs 1.190 million was incurred on account of various events.

(Rupees in million)

Sr. #	Name of Office	Particulars of Procurement	AIR Para #	Amount
1	Deputy Director Agriculture Extension, Mirpurkhas.	Hiring of decoration services for Fair Exhibition	01	0.219
		Hiring of decoration services for Seminar & Conference	02	0.575
2	Controller Weights & Measurement Karachi	Charges for lectures, transportation, conveyance and refreshment/tea etc., for Training	08	0.396
<b>Total</b>				<b>1.190</b>

Following irregularities were noticed:

- (i) Expenditure was incurred by split-up to avoid tenders.
- (ii) Payments on account of Fair Exhibition and Conference/Seminar were made by cheque to DDO instead of supplier without obtaining acknowledgement receipt.
- (iii) Approval/order of Exhibition/Seminar/Training by competent authority was not produced.
- (iv) Details of events (i.e., name, location, dates of Fair/Exhibition/Conference/Seminar and Trainings) were not available.
- (v) Nineteen invoices of M/s A.F.J. Engineering (supplier/distributor of equipment) available with claims of Training indicated same pattern of payments, whereas criteria for selection of the firm and rates was not available

The matter was reported to the management during March 2016 to May 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

## 2.4.5 Irregular expenditure on account of repair of vehicles – Rs 10.079 million

According to the staff car rules 21(3), officer-in-charge of the staff car shall see that repairs of the staff cars is always got done from a garage specifically nominated by the manufacturer for the purpose. However, if such arrangement are not available staff cars may be sent to approve automobile workshops for repairs etc. Each Division / Organization shall maintain a pre-approved list of such garages / workshops. If an authorized agent provides unsatisfactory service or the charges are exorbitant, work may be got done from other approved garage with the special permission of the Head of the Division / Department.

During audit of following offices of Agriculture, Supply & Prices Department, Government of Sindh for the year 2014-15 & 2015-16 it was observed that an expenditure of Rs 10.079 million was incurred on repair of vehicles.

(Rupees in million)

Sr. #	Name of Office	AIR Para #	Financial Year	Amount
1	Director, Agriculture Engineering, Hyderabad	18	2015-16	6.060
2	DG Agriculture Engineering & Water Management Sindh Hyderabad	11	2015-16	2.155
3	DG Bureau of Supply & Prices.	09	2014-15	0.524
4	Additional Director Agriculture Extension Tharparkar Mithi.	02	2014-15	0.251
5	Oil, Seed Botanist Agriculture Research, Tando Jam	1, 4, 28	2014-15	0.220
6	Deputy Director Agriculture Extension Larkana.	04	2014-15	0.210
7	Director crop Reporting service Centre Hyderabad.	05	2014-15	0.189
8	Deputy Director Agriculture Extension Thatta	07	2014-15	0.125
9	Deputy Director Agriculture Extension Hyderabad.	05	2014-15	0.120
10	Deputy Director Agriculture Extension Khairpur.	01	2014-15	0.119
11	Deputy Director Agriculture Extension Umerkot	07	2014-15	0.106
<b>Total</b>				<b>10.079</b>

Following irregularities were noticed:

- (i) Vehicle No. was not mentioned on the bills to ascertain whether the bills pertained to same vehicle for which it had been claimed.
- (ii) Satisfactory work completion certificate was not obtained.

- (iii) Requisitions from concerned drivers or vehicle holders for repair of vehicles were not produced to audit.
- (iv) New as well as old replaced parts were not accounted for in relevant stock register.
- (v) Repair history was not maintained.

The matter was reported to the management during May to October 2016. The management of office at Sr.#2 replied that all formalities pointed out in audit observation have been fulfilled. However, they did not produce copy of NOC from agriculture engineering workshop; whereas, copies of stock register did not contain the identification of vehicles. Reply from other offices was not received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **2.4.6 Un-authorized retention of government vehicles by ex-officers - Rs 2.300 million**

As per Appendix-II of Sindh Financial Rules Volume-I and appendix 18-A of Sindh Financial Rules Volume-I, "Every officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held responsible for any loss arising from fraud and negligence on the part of any other Government office to the extent to which it may be shown that he contributed to the loss by his own actions or negligence."

During audit of office of Director General, Bureau of Supply & Prices, Karachi for the year 2014-15, it was observed that 04 vehicles of the office were in custody of ex-officers of Agriculture Secretariat (i.e., one vehicle with Secretary Agriculture, two with PS to Secretary and one with Section Officer) but the management did not take any step for return of the vehicles which may result in loss of Rs 2.300 million to the Government.

(Amount in Rupees)

Sr.#	Registration No	Approximate Value	To whom allotted	Name of Allotted	Date of Allotment
1	XLI (Corolla) GS-6761	900,000	Ex-Secretary Agriculture Dept:	Mr. Iqbal Ahsan Zaidi	July-2012 upto date
2	Cultus Car GS-6762	500,000	PS to Secretary Agriculture Dept:	Mr. Naeem Ahmed	July-2014 to 25-05-2015
				Mr. Khalid Bhatti	05-05-2015 to date
3	Mehran Car GS-8494	450,000	Section Officer (Coordination) S&PD Karachi	Mr. Munawar Ali	15-06-2014 to date
4	Mehran Car GS-8495	450,000	PS to Additional Secretary Agriculture Dept:	Mr. Sajjad Ahmed	10-06-2014 to date
<b>Total</b>		<b>2,300,000</b>			

The matter was reported to the management in March 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery of vehicle besides fixing responsibility on the person(s) at fault.

(AIR#01)

#### **2.4.7 Un-authorized cash withdrawal from DDO bank account – Rs 1.219 million**

As per Rule 303 of Central Treasury Rules, “Contingent bill for payment to Suppliers etc. which cannot be met from the permanent imprest may be endorsed for payment to the party concerned and the DDOs are suggested that in case of payments to the Suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid un-necessary delays and risk involved in the drawal and disbursement of cash.”

During audit of office of Director General Agriculture Extension, Sindh Hyderabad for the year 2015-16, it was observed that cash withdrawal of Rs1.219

million was made from the DDO Bank account instead of issuing cross cheques to payees, therefore, the transactions are irregular.

The matter was reported to the management in September 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit requires inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#04)**

#### **2.4.8 Un-authorized drawal of funds by DDO instead of vendors – Rs 15.054 million**

As per Rule 303 of Central Treasury Rules, “Contingent bill for payment to Suppliers etc. which cannot be met from the permanent imprest may be endorsed for payment to the party concerned and the DDOs are suggested that in case of payments to the Suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid un-necessary delays and risk involved in the drawal and disbursement of cash.”

During audit of following offices of Agriculture, Supply & Prices Department, Government of Sindh for the year 2014-15, it was observed that an amount of Rs 15.054 million was drawn from AG Sindh and DAOs and deposited into DDO account instead of issuing cross cheques to suppliers/service providers.

(Rupees in million)

Sr. #	Name of office	Financial Year	AIR Para #	Amount
1	Agriculture chemist (Soil) Agriculture research institute Tando Jam	2014-15	10	1.694
2	Director General Bureau of Supply & Prices	2014-15	06	1.628
3	Director On-Farm Water Management, Hyderabad	2015-16	<b>08</b>	2.210
4	Secretary Agriculture, Supply & Prices Department, Karachi	2015-16	05	1.922
5	Deputy Director Agriculture Extension, Umerkot	2014-15	06	1.508
6	Director Wheat Research Institute Sindh, Sakrand	2014-15	10	1.423

(Rupees in million)

Sr. #	Name of office	Financial Year	AIR Para #	Amount
	Oil Seed Botanist Agriculture Research Institute, Tando Jam	2014-15	11,18	1.122
8	Additional Director, Agriculture Extension, Dadu	2014-15	10	0.979
9	Director Agriculture Farms & Major Crops Development Sindh, Hyderabad	2014-15	06	0.764
10	Director Agriculture Engineering, Hyderabad	2015-16	01,05	0.687
11	Director Crop Reporting Service Centre Sindh Hyderabad	2014-15	04	0.589
12	Deputy Director Agriculture Extension, Karachi	2014-15	05,06	0.528
<b>Total</b>				<b>15.054</b>

The matter was reported to the management during March to September 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **2.4.9 Irrelevant experiment of cultivation other than defined objectives**

As per Rule-23 of General Financial Rules, “Every government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part, to the extent to which it may be shown that he contributed to the loss by his own action or culpable negligence”. As per Sindh Govt. Agriculture Sector, oil seeds botanist department was established for the purpose of research & extension of oil seeds in Sindh.

During audit of office of Oil Seed Botanist, Agriculture Research Institute, Tando Jam for the year 2014-15, it was observed that the management cultivated wheat & rice on the agriculture land of the institute, whereas the institute was dedicated only to make research on oil seeds. On wheat and rice research, two separate institutes of wheat botanist in Sakrand and Rice Research Institute in Thatta are established and the same are working in the province. The management utilized 85% of the land for the purpose other than the objectives of its establishment and managed to realize sale proceeds of wheat and rice for Rs 0.537 million only, which was sheer wastage of resources.



The matter was reported to the management in March 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry for fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#08)

#### **2.4.10 Irregular retention/non-disbursement of subsidy – Rs 996.538 million**

The subsidy funds have been provided by the government to the Director General, Agriculture Engineering & Water Management Sindh, Hyderabad to the farmers for procurement of 11,000 tractors to facilitate the farmers in Sindh.

During audit of office of Director General, Agriculture Engineering & Water Management Sindh, Hyderabad, for the year 2015-16, it was observed that the management did not utilize the funds provided by the government for subsidy to the farmers for procurement of 11,000 tractors to facilitate the farmers in Sindh. The subsidy funds of Rs 496.538 million were drawn in February 2016 but retained in DDO account maintained with Sindh Bank, Hyderabad up to June 2016. Moreover, the funds of Rs 500 million on same account were also drawn in preceding year 2014-15 and the same were also not utilized till June 2016. The total amount of Rs 996.538 million pertaining to the financial year 2014-15 and 2015-16 was refunded back through deposit in government account vide challan No. H7/01 dated 23-06-2016 at State Bank of Pakistan, Karachi through Finance Department Government of Sindh. The non-utilization of the funds by the management deprived the farmers of the benefit of the scheme introduced by the government which was against the objectives set for the department. Moreover, keeping the unutilized funds in DDO bank account (Rs 500 million for 16 months and Rs 496.538 million for 04 months) was also unjustified blockage of funds as the same could have been utilized as per need raised earlier.

The matter was reported to the management in August 2016. The management replied that due to non-completion of formalities, the funds were not utilized.

The reply was not tenable because sufficient time was available with the management to get the formalities completed. Moreover, the refund of funds to the

State Bank of Pakistan through the cheque drawn from Sindh Bank required scrutiny of the relevant documents, which were not produced.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter and fixing responsibility on the person(s) at fault besides production of record of refund for verification.

**(AIR#01)**

#### **2.4.11 Non-hoisting the bid evaluation report Rs 430.950 million**

According to Rule-45 of SPPR 2010, “On announcement of evaluation reports, procuring agencies shall announce the results of bid evaluation in the form of a report giving reasons for acceptance or rejection of bids. The report shall be hoisted on website of the Authority and that of the procuring agency if its website exists and intimated to all the bidders at least seven (07) days prior to the award of contract.”

During audit of office of Director, On-Farm Water Management, Hyderabad for the year 2015-16, it was observed that the various works of Rs 430.950 million were awarded to various contractors through tender but the bid evaluation reports were not made public through hoisting on the Authority’s website to intimate all the bidders at least seven days prior to the award of contracts.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides, taking remedial measures.

**(AIR#03)**

#### **2.4.12 Unauthorized Issuance of Government Vehicles to the Minister**

According to staff car rule 28 (1) Cabinet Division shall maintain a Central Pool of Staff Cars, consisting of cars of different categories as per requirements.(2) Availability of Pool Cars.- Subject to availability the following will be eligible for the

use of staff cars in the Central Pool :- (a) Ministries / Divisions for the use of State Guests, Members of foreign delegations and VIPs visiting Pakistan; (b) Federal Ministers, Minister of State, Adviser and any other dignitary or office holder when their staff cars are temporarily off the road for repairs for a period not exceeding fifteen days. (c) The Provincial Governors, the Chief Ministers, Provincial Ministers and other officers with similar rank and status.

During audit of office of Secretary, Agriculture, Supply & Prices Department, Karachi for the year 2015-16, it was observed that two government vehicles (GS-824 and GS-860) were allotted to the Minister of Agriculture, Supply & Prices Department Government of Sindh, Karachi by the Secretary. The allotment of vehicle by the department was unjustified as the minister is already facilitated by allocating the vehicle from relevant pool.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides, taking remedial measures.

**(AIR#07)**

#### **2.4.13 Non-imposition of penalty upon sugar mills – Rs 87.504 million**

As per Rule 5 (1) of the Sugarcane (Development) Cess Rules, 1964, “a sugar mill to deposit sugarcane cess within five days of close of a fortnight. In case of default the Cane Commissioner or any other authorized officer may impose penalty not exceeding the amount of cess.”

During audit of office of Cane Commissioner Sindh, Hyderabad for the year 2015-16, it was observed that 100 per cent penalty of Rs 87.504 million of development cess was not imposed and recovered from the sugar mills due to the late deposit of sugarcane (Development) cess. Due to late deposit of cess amount & failure to recover penalty, government sustained loss of Rs 87.504 million.

(Amount in Rupees)

Sr. #	Name Of Sugar Mills	District	Amount Deposited Late
1	Al-Noor Sugar Mill, Moro	Shaheed Benazirabad	11,341,087
2	Ansari Sugar Mill, Matli	Tando Mohammed Khan	6,248,394
3	Bawany Sugar Mill, Talhar	Badin	3,975,915
4	Bandhi Sugar Mill, Bandhi	Shaheed Benazirabad	7,633,378
5	Chamber Sugar Mill, Chamber	Tando Allahyar	4,330,913
6	Khoski Sugar Mill, Khoski	Badin	3,398,993
7	Faran Sugar Mill, Shaikh Bhirkio	Tando Mohammed Khan	4,230,748
8	Habib Sugar Mill, Nawabshah	Shaheed Benazirabad	4,910,586
9	Larr Sugar Mill, Sujawal	Sujawal	3,000,524
10	Mehran Sugar Mill, Tando Allahyar	Tando Allahyar	1,954,532
11	Mirpurkhas Sugar Mill, Mirpurkhas	Mirpurkhas	3,854,534
12	Naudero Sugar Mill, Naudero	Larkana	3,300,244
13	New Dadu Sugar Mill, Piaro Goth	Dadu	5,002,893
14	Shah Murad Sugar Mill, Jhoke Sharif	Sujawal	6,201,397
15	Sindh Abadgar Sugar Mill, Deenpur	Tando Mohammed Khan	4,368,012
16	Tando Allahyar Sugar Mill, Sanjar Chang	Tando Allahyar	6,079,975
17	Kiran Sugar Mill, Rohri	Sukkur	1,658,413
18	Sanghar Sugar Mill, Sanghar	Sanghar	5,487,404
19	Tharparkar Sugar Mill, KotGh: Mohammed	Mirpurkhas	525,686
<b>Total</b>			<b>87,503,628</b>

The irregularity was pointed to the management in August & September 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends expeditious recovery besides, fixing responsibility on person(s) at fault.

(AIR#03)

#### 2.4.14 Non-deduction of Conveyance Allowance – Rs 1.110 million

As per Notification of Finance Department, Government of Sindh No FD (SR-IV) (12)/77 dated 13.05.1997 read with Para-7(a) of Finance Division (Regulation wing) OM No.I(I)imp/2008 dated 30-6-2008, “The office cum residence conveyance allowance is an allowance to facilitate Government officers/officials to reach the office and not admissible to those officer/officials who have been provided with government transport facility or residing within work premises.”

During audit of following offices of Agriculture, Supply & Prices Department, Government of Sindh for the year 2014-15 and 2015-16, it was observed that Conveyance Allowance of Rs 1.110 million was paid to various officials, who were allotted availing facility of allocated Government Vehicles.

(Rupees in million)

Sr. #	Name of Office	AIR Para #	Financial Year	Amount
1	Director Agriculture Engineering, Hyderabad	04	2015-16	0.240
2	Agriculture Chemist (S.F) Agriculture Research Institute, Tando Jam	08	2014-15	0.210
3	Oil Seed Botanist Agriculture Research, Tando Jam	38	2014-15	0.180
4	DG Agriculture Engineering & Water Management Sindh, Hyderabad	08	2015-16	0.120
6	Secretary, Agriculture, Supply & Prices Department, Karachi	01	2015-16	0.360
<b>Total</b>				<b>1.110</b>

The non-recovery was pointed out to the management during March to September 2016. The management of office at Sr. # 4 replied that employees pointed out in audit observation are not drawing Conveyance Allowance. The reply was without documentary evidence. Reply from other offices was not received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on person(s) at fault.

#### **2.4.15 Non-deduction of income tax – Rs 1.769 million**

According to Sub-section (1) of Section-153 of Income Ordinance, 2001, “prescribed person making a payment in full or part including a payment by way of advance to a resident person

- (a) for the sale of goods; b) for the rendering of or providing of services;
- (c) on the execution of a contract, other than a contract for the sale of goods or the rendering of or providing services,

shall, at the time of making the payment, deduct tax from the gross amount payable (including sales tax, if any) at the rate specified in Division III of Part III of the First Schedule.”

During audit of following offices of Agriculture, Supply & Prices Department, Government of Sindh for the year 2015-16 it was observed that income tax of Rs 1.769 million was not deducted at prescribed rate.

(Rupees in million)

Sr. #	Name of Office	AIR Para #	Financial Year	Particular	Amount
1	Director Agriculture Engineering, Hyderabad	02	2015-16	Non-deduction of I/Tax on payments for supplies	0.901
		03	2015-16	I/Tax @ of 4.5% was deducted for supply of goods against due rate of 6.5%	0.206
2	DG Agriculture Engineering & Water management Sindh, Hyderabad	13	2015-16	I/Tax @ of 4.5% was deducted for construction works against due rate of 7.5%	0.662
<b>Total</b>					<b>1.769</b>

The non-recovery was pointed out to the management in September 2016. The management of office at Sr.#2 replied that the applicable rate of income tax on supply of material was 4.5%; which has been deducted.

The reply of management was not tenable as the payment for construction work falls under category “services rendered”, therefore 7.5% and 10% income tax was applicable for filer and non-filer respectively. Reply from other offices was not received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

#### **2.4.16 Non-deduction of sales tax – Rs 4.812 million**

According to Notification issued to Sales Tax Department for Sales Tax Special procedure (withholding) rules, 2007 vide letter No.SRO 77 (i) 2008 dated 23-01-2008, that withholding agent shall deduct as amount of equal to 1/5<sup>th</sup> of the total Sales tax shown in the Sales tax invoice issued by the supplier and make payment of the balance amount to him. If sales tax invoice is not provided then 17% tax would be deducted.

During audit of following offices of Agriculture, Supply & Prices Department, Government of Sindh for the year 2014-15 & 2015-16, it was observed that taxes of Rs 4.812 million were not deducted at prescribed rates.

(Rupees in million)

Sr. #	Name of Office	Particular	AIR Para #	Financial Year	Amount
1	Director Agriculture Engineering Hyderabad.	Less deducted Sales Tax	08	2015-16	0.761
		Sales Tax not deducted	07	2015-16	3.341
2	DG Agriculture extension Hyderabad.	Sales Tax not deducted	14	2015-16	0.405
3	Oil Seed Botanist Agriculture Research, Tando Jam	Sales Tax not deducted	05	2014-15	0.305
<b>Total</b>					<b>4.812</b>

The non-recovery was pointed out to the management during May 2016 to September 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on person(s) at fault.

#### **2.4.17 Short-realization of sugarcane development cess – Rs 16.853 million**

As per instruction contained in Section 2(1) of Sindh Finance Act, 2005, “Sugarcane Development Cess at the rate of 0.50 paise per 40 kg should have been realized from the management of Sugar Mills during crushing season of sugarcane received from growers in a season”

During audit of office of Cane Commissioner Sindh, Hyderabad for the year 2015-16, it was observed that an amount of Rs 16.853 million was short realized on account of Sugarcane Development Cess from the following sugar Mills.

(Rupees in million)

Sr. #	Name of Sugar Mill	AIR Para #	Amount due	Amount realized	Short realized
1	M/s Tharparkar Sugar Mill, Kot Ghulam Muhammad	4	3.847	0.526	3.321
2	M/s Matiari Sugar Mills	6	6.532	3.138	3.394
3	M/s Kiran Sugar Mills, Rohri	7	3.811	1.658	2.152
4	M/s Digri Sugar Mill	8	5.212	4.013	1.198
5	M/s Sakrand Sugar Mill	10	3.703	-	3.703
6	M/s Deewan Sugar Mill, BudhoTalpur, Sujawal	11	3.085	-	3.085
<b>Total</b>			<b>26.190</b>	<b>9.335</b>	<b>16.853</b>

The short recovery was pointed out to the management in August 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.



## CHAPTER-3

### AUQAF, RELIGIOUS AFFAIRS & ZAKAT & USHR DEPARTMENT

#### 3.1 Introduction

Department's main functions are detailed below:-

1. Management and looking after of shrines, *dargahs* and mosques,
2. Making proper arrangements for lighting, cleanliness, drinking water, *wazoo khana*(Ablution Place) for the performance of religious rites at shrines and mosques,
3. Construction of *musafirkhanas* (Resting Place), *langarkhanas* (Eating Place), lavatories, etc. at the shrines/*dargahs* to facilitate *zairreen* (Devotees),
4. To generate maximum revenue from the *waqf* properties, contracts, rents and lease, etc. so that the same amount be utilized on maintenance and reconstruction of old shrines, *dargahs* and mosques,
5. To assist and coordinate district wise Hajj trainings to group leaders and the intending pilgrims,
6. To extend welfare / financial assistance out of its self-generated funds to orphans, destitute and disabled persons on yearly basis,
7. The Auqaf Department also maintains agriculture land and property as *Waqf* properties.

#### 3.2 Comments on the Budget and Accounts (Variance Analysis)

The Department consists of 26 formations (DDOs), out of which 02 formations were selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget and expenditure of the department:

(Rupees in million)

Original Budget/ Grant	Supplementary Grant	Re-appro: (+) (-)	Revised Budget 2014-15	Departmental Expenditure	Variation (Excess)/ Savings
570.328	480	(61.804)	988.524	465.273	523.251

The department was unable to spend the budget in time. As a result, savings of Rs 523.251 million was observed which was not surrendered in time

### **3.3 Brief comments on the compliance of PAC directives**

This department was not included in the audit reports (1992-93 to 2009-10) discussed by the PAC.

### 3.4 AUDIT PARAS

#### 3.4.1 Non-production of Records – Rs 24.515 million

Section 14 (2) and (3) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of office of Chief Administrator Auqaf Sindh, Hyderabad for the years 2014-15 & 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 24.515 million remained unaudited.

(Rupees in million)

Sr. #	Particular	AIR Para #	Financial Year	Amount
1	Record of Deposited amount in Project Management Committee from different head of Dargah Abdullah Shah Gazi, Karachi	01	2015-16	17.354
2	Electricity bills of HESCO	08	2014-15	6.150
3	Supporting vouchers of various works	03	2014-15	0.861
4	Supporting vouchers of Qirat Competition	19	2015-16	0.150
5	Sub-vouchers of more than Rs100/- not attached with the contingent bills / paid up vouchers.	23	2014-15	0
<b>Total</b>				<b>24.515</b>

The matter was reported to the management in January and October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of record besides fixing responsibility on the person(s) at fault.

### 3.4.2 Un-authorized payment of pay and allowances –Rs 16.093 million

Section-133 of Sindh Budget Manual, states that, “no government servant should, however, without previously obtaining an extra appropriation, incur expenditure in excess of the amounts provided under the heads concern. When a government servant exceeds the annual appropriation, he runs the risk of being held responsible for the excess.”

During audit of office of Chief Administrator Auqaf Sindh, Hyderabad for the year 2014-15, it was observed that an amount of Rs 16.093 million was incurred on account of salaries of the officers which was irregularly adjusted against lower grade/vacant posts and in excess of the sanctioned strength without approval from Finance Department.

(Rupees in million)			
Sr. #	Particulars	AIR Para #	Amount
1	14 officers of higher grade drawn salary against lower grade	38	8.376
2	04 officers drawn salary in excess of sanctioned strength as the Chief Administrator Auqaf itself created 04 more posts (01 post of BPS-18 and 03 post of BPS-17) without revision of sanctioned strength from Finance Department.	42	5.524
3	05 Office Assistants (BPS-11) were adjusted against the vacant post of Manager Auqaf (BPS-16)	39	2.193
<b>Total</b>			<b>16.093</b>

The matter was reported to the management in January 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter besides fixing responsibility on the person(s) at fault.

### **3.4.3 Non-maintenance of record – Rs 7.955 million**

According to Rule-113 of Sindh Financial Rules, Volume-I, "All materials received should be examined, counted, measured or weighed 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 is good, and record a certificate to that effect."

During audit of office of Chief Administrator Auqaf Sindh, Hyderabad for the years 2014-15 & 2015-16, it was observed that auditable record of Rs 7.955 million was not maintained in the local office. Due to non-accounting of articles, the authenticity of the procurement and its consumption could not be ascertained. The details are given at **Annex-1** of Chapter-3.

The matter was reported to the management in January and October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter besides fixing responsibility on the person(s) at fault.

### **3.4.4 Non-inviting tender in violation of SPPR 2010 – Rs 5.307 million**

As per Rule-17 (1) & (2) of Sindh Public Procurement Rules, 2010, Procurement over one hundred thousand rupees and up to one million rupees shall be advertised by timely notification on the Authority's websites and in print media in the manner and format prescribed in these rules. The advertisement shall appear in at least three widely circulated and leading daily newspapers of English, Urdu and Sindhi language.

During audit of the following offices of Auqaf, Religious Affairs, Zakat & Ushr Department, Government of Sindh, for the year 2015-16, it was observed that an expenditure of Rs 5.307 million was incurred on account of different heads of accounts without invitation of tender. Further, medicines of Rs 0.636 million were not entered in the stock register and were issued without showing their issuance to patients as the data of patients was not available.

(Rupees in million)

Sr. #	Name of office	Particulars	AIR Para #	Amount
1	Chief Administrator Auqaf Sindh, Hyderabad	Expenditure incurred for Annual Urs, Decoration arrangements etc. Misc. expenses and development (repair works).	12	3.916
		Purchase of medicine	10	0.636
		White wash at Dargah Shah Abdul Latif	11	0.429
2	Secretary, Auqaf, Religious Affairs, Zakat & Ushr Department	Purchase of items under Plant & Machinery and Uniform	10	0.326
<b>Total</b>				<b>5.307</b>

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

### **3.4.5 Non-obtaining performance security – Rs 4.569 million**

As per Rule 39 of SPPR 2010, Procuring Agency shall, in all procurement of goods, works and services, carried out through open competitive bidding, require security in the form of pay order or demand draft or bank guarantee, an amount sufficient to protect the procuring agency in case of breach of contract by the contractor or supplier or consultant, provided that the amount shall not be more than 10% of contract price;

During audit of office of Chief Administrator Auqaf Sindh, Hyderabad for the year 2014-15, it was observed that an amount of Rs 45.690 million was paid to contractors on account of construction work of various Dargahs but performance security @ 10% amounting to Rs 4.569 million was not obtained.

The matter was reported to the management in January 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter besides fixing responsibility on the person(s) at fault.

(AIR#01)

### 3.4.6 Irregular expenditure on irrelevant offices – Rs 2.549 million

As per Rule-23 of General Financial Rules, Volume-I, every Government officer should realized fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

During audit of office of Chief Administrator Auqaf Sindh, Hyderabad for the year 2014-15, it was observed that an amount of Rs 2.549 million was incurred on account of various head of accounts but expenditure did not pertain to local office.

(Rupees in million)

Sr.#	Particulars	AIR Para #	Amount
1	Expenditure on POL charges for vehicles on the strength of local office being illegally retained by the officers of other offices since long	31	1.788
2	Expenditure on account of lunch, dinner, POL, Air-Ticket, Hotel charges etc. for honourable Minister and Advisor to CM was incurred from the budget grant of local office.	20	0.761
<b>Total</b>			<b>2.549</b>

The matter was reported to the management in January 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter besides fixing responsibility on the person(s) at fault.

### **3.4.7 Loss due to non-execution of lease agreement of Waqf Land – Rs 2.332 million**

As per Rule-159 (a) Sindh Financial Rules in the case of work supply costing not less than Rs:100 a contract should be made on a written agreement, duly stamped & registered, so that it can be maintained in a court of law in the event of dispute.

During audit of office of Chief Administrator Auqaf Sindh, Hyderabad for the year 2014-15, it was observed that Agricultural Waqf land measuring 18400.24 acre in Taluka Sujawal was leased out to 29 contractors/lessee on total cost of Rs 101,117 since long without execution of contract agreement. Hence due to this neither the outstanding lease amount Rs 2.332 million was recovered by the local office nor the possession of land taken back from the defaulters for onward open auction. Undue favor was also extended to lessees by the department and subsequently government had to sustain recurring loss every year.

The matter was reported to the management in January 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter besides fixing responsibility on the person(s) at fault.

**(AIR#30)**

### **3.4.8 Non-recovery of government dues – Rs 77.721 million**

According to Rule 41(a) of Sindh Financial Rules Volume-I, “the Departmental Controlling Officer should see that all sums due to Government are regularly received and checked against demands and that they are paid into treasury.”

During audit of office of Chief Administrator Auqaf Sindh, Hyderabad for the years 2014-15 & 2015-16, it was observed that an amount of Rs 77.721 million was due to be collected from various contractors on account of property rent, shoe token contract, flower contract, animal contract, car parking and arrears of waqf properties but the same were not recovered .



( Rupees in million)

<b>Sr. #</b>	<b>Particulars</b>	<b>AIR Para #</b>	<b>Financial Year</b>	<b>Amount</b>
1	shoes contract, flower contract, lavatory contract, chatai contract etc	13	2014-15	52.946
2	Outstanding arrears of waqf properties in all over Sindh	13	2015-16	24.775
<b>Total</b>				<b>77.721</b>

The matter was reported to the management in January and October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person (s) at fault.

**CHAPTER – 4**  
**BOARD OF REVENUE**

**4.1 Introduction**

The Board of Revenue was established in 1970 and governed by the Sindh Board of Revenue Act, 1957. It is a controlling authority relating to management of state land, collection of land revenue and other taxes/duties, maintenance of revenue record and other allied matters. It has appellate and reviewing authority in all revenue cases / matters.

**4.2 Comments on the Budget and Accounts (Variance Analysis)**

The Department consists of 23 formations (DDOs), out of which 23 formations were selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rupees in million)

<b>Original Budget/ Grant</b>	<b>Supplementary Grant</b>	<b>Re-appro: (+) (-)</b>	<b>Revised Budget 2014-15</b>	<b>Departmental Expenditure</b>	<b>Variation (Excess)/ Savings</b>
4,555.875	371.796	(47.466)	4,880.204	3,038.845	1,841.358

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 1,841.358 million was observed which was not surrendered in time.

(Rupees in million)

<b>Revenue Estimates</b>	<b>Revised Revenue Estimates</b>	<b>Actual Receipts</b>	<b>Variation</b>
81,689.443	75,024.162	74,490.759	533.403

### 4.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was Nil.

Sr. No	Audit Report	Total Paras discussed	No. of Paras requiring Compliance	Compliance of PAC directives made	Compliance of PAC directives not made	Percentage of Compliance
1	1992-93	55	19	0	19	-
2	1998-99	7	4	0	4	-
3	1999-2000	21	7	0	7	-
4	2001-02*	6	6	0	6	-
5	2004-05*	0	0	0	0	-
6	2005-06	0	0	0	0	-
7	2006-07	7	7	0	7	-
8	2007-08	9	5	0	5	-
9	2008-09	10	10	0	10	-
10	2009-10	0	0	0	0	-
<b>Total</b>		<b>115</b>	<b>58</b>	<b>0</b>	<b>58</b>	-

Note. Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

#### **4.4 AUDIT PARAS**

##### **4.4.1 Non-production of Record–Rs 1,430.951 million**

Section 14 (2) and (3) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer in charge of any office or department shall afford all facilities and provide record for the audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of various offices under the administrative control Board of Revenue, Government of Sindh, for the financial years 2014-15 and 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 1,430.951 million remained unaudited. The details are given at **Annex-1** of Chapter-4.

The matter was reported to the management during October 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of relevant record besides fixing responsibility on the person(s) at fault.

##### **4.4.2 Unauthorized retention of funds – Rs 28.509 million**

Rule-290 of Central Treasury Rules, Volume-I, states that, “No money shall be drawn from Government treasury until and unless it is required for immediate disbursement or need. It is not permissible to draw money from the treasury in anticipation of demands or to prevent lapse of budget grant.”

During audit of the following offices under the administrative control of Board of Revenue, Government of Sindh for the financial year 2015-16, it was observed that an amount of Rs 28.509 million was drawn and un-authorizedly retained in D.D.O accounts till the close of financial year.

(Rupees in million)

Sr. #	Name of offices	Financial Year	AIR Para#	Amount
1	Deputy Commissioner Sanghar	2015-16	06	11.831
2	Commissioner Karachi	2015-16	09&13	9.384
3	Sr. Member BOR, Hyderabad	2015-16	04	4.358
4	Deputy Commissioner Hyderabad	2015-16	10	1.841
5	Deputy Commissioner Sujawal	2015-16	02	0.613
6	Deputy Commissioner Korangi, Karachi	2015-16	05	0.300
7	Dir. Settlement, Survey and land records, Hyderabad	2015-16	18	0.182
<b>Total</b>				<b>28.509</b>

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#13)**

#### **4.4.3 Infructuous expenditure on government assets – Rs 9.131 million**

As per instructions contained in the Para 5.2.2.1 of Accounting Policies and Procedures Manual (APPM), all monies received as revenue of the government must be banked in the name of the government without delay and included in the Consolidated Fund of the respective government. A geographic information system (GIS) is a system designed to capture, store, manipulate, analyze, manage and present spatial or geographical data.

During audit of the office of the Project Director, Project Management Unit, Karachi under the administrative control of Board of Revenue, Government of Sindh for the financial year 2015-16, it was observed that GIS section of the project of Land Administration & Revenue Management (LARMIS) with reportedly qualified core team and highly expensive imported/local equipment remained idle. It did not provide mandatory services to the general public; whereas, the expenditure incurred on the entity was Rs 9.131 million.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#02)

#### 4.4.4 Expenditure incurred on POL account without allocation of vehicles – Rs 4.163 million

According to Rule-23 of General Financial Rules, Volume-I, “Every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud and negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it needs to be shown that he contributed to the loss by his own action or negligence”.

During audit of the office of the Deputy Commissioner Badin, under the administrative control of Board of Revenue, Government of Sindh for the financial year 2015-16, it was observed that an expenditure of Rs 4.163 million was incurred by the DDO on account of POL by authorizing payment to the vendor for purchase of fuel, which was meant only for authorized Government vehicles but no allocation orders were produced to the audit, which is tantamount to misuse of funds of POL on the vehicles other than those of the office. In the absence of allocation orders the expenditure stands irregular. The detail is as below:

(Rupees in million)

Cheque#	Date	Head of Account	Vendor No.	Amount
2118759	21.10.2015	A03807	30497250	0.791
2117710	06.08.2015	A03807	30497250	0.791
2176356	22.01.2016	A03807	30491547	0.481
2176357	22.01.2016	A03807	30491547	0.400
2176358	22.01.2016	A03807	30491547	0.400
2176355	22.01.2016	A03807	30491547	0.300
2270441	03.06.2016	A03807	30491547	0.250
2270443	03.06.2016	A03807	30491547	0.220
2270444	03.06.2016	A03807	30491547	0.190
2270440	03.06.2016	A03807	30491547	0.190
2270442	03.06.2016	A03807	30491547	0.150
<b>Total</b>				<b>4.163</b>

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#24)

#### 4.4.5 Irregular expenditure on salary in excess of sanctioned strength

Section-133 of Sindh Budget Manual, states that, “no government servant should, however, without previously obtaining an extra appropriation, incur expenditure in excess of the amounts provided under the heads concerned. When a government servant exceeds the annual appropriation he runs the risk of being held responsible for the excess”.

During audit of the following offices under the administrative control of Board of Revenue, Government of Sindh for the financial years 2014-15 and 2015-16, it was observed that many employees were appointed/ posted/working in excess of sanctioned strength and drawing pay & allowance. The details are as below:

Sr. #	Name of office	Financial Year	AIR Para #	Sanction Strength	Working Strength	excess
1	Deputy Commissioner, Badin	2015-16	07	0	1	1
2	Deputy Commissioner, Tando Muhammad Khan	2015-16	17	159	165	6
3	Deputy Commissioner, Larkana	2014-15	04	156	306	150
4	Secretary, Land utilization, Hyderabad	2015-16	06	60	63	3
<b>Total</b>				375	535	160

The matter was reported to the management during January to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **4.4.6 Irregular payment into D.D.O account – Rs 260.197 million**

As per Rule-303 of Central Treasury Rules, “Contingent bill for payment to suppliers which cannot be met from the payment imprest may be endorsed for payment to the party concerned and the D.D.Os are suggested that in case of payments to the suppliers may be issued through cross cheques in the name of firms concerned. This will avoid unnecessary delays and risks involved in the withdrawal and disbursement”.

During audit of various offices under the administrative control of Board of Revenue, Government of Sindh for the financial years 2014-15 and 2015-16, it was observed that a payment of Rs 260.197 was made to DDO account instead of direct payment to the concerned vendors. The details are given at Annex-2 of Chapter-4.

The matter was reported to the management during October 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **4.4.7 Non-maintenance of record of procured items - Rs 51.765 million**

According to Rule-113 of Sindh Financial Rules, Volume-I, "All materials received should be examined, counted, measured or weighed 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 is good, and record a certificate to that effect."

During audit of the following offices under the administrative control of Board of Revenue, Government of Sindh for the financial year 2015-16, it was observed that an amount of Rs 51.765 million was spent on purchase of various articles but the same were not accounted for in the relevant stock registers. In the absence of such internal control the possibility of shortage/theft cannot be ruled out.



(Rupees in million)

<b>Sr. #</b>	<b>Name of office</b>	<b>Particular</b>	<b>Financial Year</b>	<b>AIR Para#</b>	<b>Amount</b>
1	Director Anti-Encroachment, Sindh Karachi	Uniform & protective clothing	2015-16	6&8	32.706
2	PD, PMU, BOR	Stationery & Printing	2015-16	29	19.059
<b>Total</b>					<b>51.765</b>

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **4.4.8 Splitting up of expenditure to avoid tender – Rs 61.418 million**

As per Rule 12(1) of SPPR, 2010, all proposed procurements for each financial year shall be planed and procuring agencies shall proceed accordingly without any splitting or regrouping of the procurements already grouped, allocated and scheduled in the Procurement Plan.

During audit of various offices under the administrative control of Board of Revenue, Government of Sindh for the financial years 2014-15 and 2015-2016, it was observed that an expenditure of Rs 61.418 million was incurred on purchase and repair works by the way of splitting up of the work orders to avoid open tenders and sanction orders of competent authority. The details are given at Annex-3 of Chapter-4.

The matter was reported to the management during August 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides, taking remedial measures

#### **4.4.9 Non-adjustment of advance – Rs 33.725 million**

As per Para-668 of Central Treasury Rules, Volume-I, "Advances granted under special orders of the competent authority to officers/officials for departmental or allied purposes may be drawn on the responsibility and receipt of the officers for whom they are sanctioned subject to adjustment by submission of detailed account supported by vouchers or by refund as may be necessary."

During audit of the office of the Deputy Commissioner (East) Karachi for the financial year 2015-16, it was observed that an amount of Rs 33.725 million was drawn through abstract bills on account of Local bodies election. The adjustment accounts against the funds drawn were not produced to audit for scrutiny.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#23)**

#### **4.4.10 Irregular expenditure on Rescue 1299 - Rs 44.597 million**

Rule-13 of General Financial Rules, Volume-I, states that, "Every controlling officer must satisfy himself not only that adequate provisions exist within the departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores but also that the prescribed checks are effectively applied".

During audit of the office of the Commissioner Karachi, under the administrative control of Board of Revenue, for the financial year 2015-16, it was observed that an expenditure of Rs 44.597 million incurred on hiring & maintenance of human resource services from M/s H-Tech Solution for establishment of "Rescue 1299 Emergency Response Center" with the motto "to help the helpers". Following irregularities were noticed:

- i. The expenditure was incurred in excess of the contract amount. The facility of POL and other miscellaneous head of Rs 4.637 million were provided to vendor's staff unauthorized and without provision of the same in the contract agreement and maintenance of relevant record. The total expenditure incurred was Rs 44.597 million, whereas the contract was executed for Rs 42.735 million (expenditure as per contract was for Rs 39.960 million), resulting into excess expenditure.
- ii. The Income Tax was less deducted for Rs 4.396 million. The vendor was providing services which required deduction at the rate of 15% income tax instead of 4% actually deducted.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#03)**

#### **4.4.11 Irregular expenditure on Special Counsels – Rs 44.368 million**

According to Rule-23 of General Financial Rules, Volume-I, "Every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud and negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it needs to be shown that he contributed to the loss by his own action or negligence".

During audit of the office of the Secretary Land Utilization Hyderabad, under the administrative control of Board of Revenue, Government of Sindh or the financial years 2014-15 & 2015-16, it was observed that the services of advocates of High Court were hired on contract as Special Counsels on monthly salary and payments of Rs 44.368 million were paid on account of salary under the head of accounts Law Charges, which stands irregular as:

- i. The appointment process for hiring special counsels was not produced to audit for scrutiny.

- ii. The different rate of monthly package was not justified and rate was fixed without survey of market rate.
- iii. The renewal of agreement was not furnished
- iv. The monthly salary was paid to each special counsel without obtaining performance report of each.
- v. One month law charges of Rs 250,000 & Rs 432,000 was given in excess to Mr M. Idress Qureshi and Syed Ghulam Nabi Shah during 2015-16
- vi. The income tax was not deducted from the payments.

The matter was reported to the management during January 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides, taking remedial measures.

**(AIR#02&03)**

#### **4.4.12 Irregular expenditure on election duty – Rs 33.175 million**

According to Rule-88 of Sindh Financial Rules, Volume-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as person of ordinary prudence would exercise in respect of expenditure of his own money”.

During audit of various offices under the administrative control of Board of Revenue, Government of Sindh for the financial year 2015-16, it was observed that an amount of Rs 33.175 million was paid on account of election duty without observing the required formalities. The detail is as under:

(Rupees in million)				
Sr. #	Name office	Particulars	AIR Para#	Amount
1	DC Sujawal	1. The fund was drawn on abstract bill and kept in the DDO account instead of transfer to actual payees. 2. List of number of officials who were actually engaged in election duty was not provided to audit to ascertain the payment. 3. Details of expenditure incurred during election along with supported vouchers were not provided to audit.	04	9.507

(Rupees in million)

Sr. #	Name office	Particulars	AIR Para#	Amount
2	DC, Sanghar	1. Amount was credited in DC NBP account instead of (District Returning Officer) DRO on 15-12-2015. 2. Order of disbursement of election fund not available. 3. Cash withdrawn by DC by cheque No.29505623 instead of cross cheque while cash book shows payment to Mr Abdul Qayoom Shinwari through the same cheque DRO on 15-12-2015. 4. Any evidence of payment to DRO not found available on record.	25	23.668
<b>Total</b>				<b>33.175</b>

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides, taking remedial measures.

#### **4.4.13 Irregular payment of land compensation – Rs 33.366 million**

According to Article-84 of the Audit Code, it is an essential function of the audit to bring to light not only cases of clear irregularities but every matter which in its judgment appears to involve improper expenditure or waste of public money or stores, even though the accounts may be in order. It is thus not sufficient to see that sundry rules or orders have been observed but it is of equal importance to see that the broad principles of propriety are borne in mind not only by the DDO but by the sanctioning authority.

During audit of the office of the Deputy Commissioner, Tando Muhammad Khan under the administrative control of Board of Revenue, Government of Sindh for the financial year 2014-2015, an amount of Rs 33.366 million was paid to different land owners for land compensation but the lease of land was not obtained/ transferred from the owners to the government.

The matter was reported to the management in February 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#08)

#### **4.4.14 Irregular payment of special grant - Rs 31.135 million**

According to Para-88 of Sindh Financial Rules, Volume-I, “Every Government 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 and public money should not be utilized for the benefit of a particular person or community”.

During audit of the office of the Commissioner, Karachi under the administrative control of Board of Revenue, Government of Sindh for the financial year 2015-16, it was observed that an amount of Rs 31.135 million was disbursed to the public on the recommendation of DC concerned at the rate of Rs 5,000 and Rs 12,500 per person. The approved criterion for eligibility to assess the genuineness of the cases was not produced to the audit.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit requires inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#07)

#### **4.4.15 Non-invitation of tender - Rs 28.334 million**

Rule 17 (1) & (2) of Sindh Public Procurement Rules, 2010 states that procurement over one hundred thousand rupees and up to one million rupees shall be advertised by timely notification on the Authority’s websites and in print media in the manner and format prescribed in these rules. The advertisement shall appear in at least three widely circulated and leading daily newspapers of English, Urdu and Sindhi language.

During audit of the following offices under the administrative control of Board of Revenue, Government of Sindh for the financial years 2014-15 & 2015-16, it was observed that an expenditure of Rs 28.334 million was incurred without invitation of tenders. The details are as under:

(Rupees in million)

Sr. #	Name of office	Particulars	Financial year	AIR Para #	Amount
1	Director, Settlement, Survey and Land record Sindh, Hyderabad.	Procurement of Services	2015-16	6	13.363
2	DC Tando Muhammad Khan	Purchase of Various article	2014-15 & 2015-16	7&13	4.806
3	DC South Karachi		2015-16	20	2.521
4	DC Shaheed Benazirabad		2015-16	1	1.966
5	Director, Survey & Settlement, Hyderabad	Purchase of Survey Material	2014-15	2	1.605
6	DC Jamshoro	Purchase of Dietary item	2014-15	10&11	1.612
7	DC Shikarpur	Purchase of Various article	2014-15	9	1.303
8	DC west Karachi	Rent of containers	2015-16	10	0.792
9	DC Malir, Karachi	Repair of DC Office	2014-15	07	0.366
				<b>Total</b>	<b>28.334</b>

The matter was reported to the management during August 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures

#### **4.4.16 Bid evaluation report not hoisted on SPPRA website – Rs 235.486 million**

According to SPPRA Rule-45 on announcement of evaluation reports, procuring agencies shall announce the results of bid evaluation in the form of a report giving reasons for acceptance or rejection of bids. The report shall be hoisted on website of the authority and that of the procuring agency if its website exists and intimated to all the bidders at least seven (07) days prior to the award of contract.

During audit of the following offices, under the administrative control of Board of Revenue, Government of Sindh for the financial year 2015-16, it was observed that

an expenditure of Rs 235.482 million was incurred on account of execution of work and purchase of machinery & equipment but the department neither prepared bid evaluation report nor hoisted the results of bid evaluation report on the website of SPPRA, giving reasons for acceptance or rejection of bids. The detail is as under:

(Rupees in million)

Sr. #	Name of office	Particular	Financial Year	AIR Para#	Amount
1	Deputy Commissioner, South, Karachi	Civil Work	2015-16	15&18	17.746
2	Deputy Commissioner, West, Karachi		2015-16	18	9.640
3	PD, PMU BOR	Purchase of machinery & equipment	2015-16	11,17&21	204.675
4	DC TM Khan		2015-16	5,6,9&12	3.421
<b>Total</b>					<b>235.482</b>

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides, taking remedial measures.

#### **4.4.17 Irregular expenditure on City Survey operation work – Rs 17.503 million**

According to Sindh City Survey Rules, 1988, Rule 5 titled, Survey Operation, the survey operations of a city shall consist of (i) traversing of the land with the theodolite and establishing traverse station in such a way that the stones, iron pegs or other devices used are not exposed to any damage by the inhabitants or cattle and the next station in any direction can easily be sighted from such station with the help of the theodolite; (ii) holding of enquiry for the purpose of determining the correct limits and frontages of building sites and their ownership, careful attention being given to the encroachments and casements; (iii) mapping indicating detailed of survey work.

During audit of the office of the Director, Settlement, Survey and Land Records Sindh, Hyderabad, under the administrative control of Board of Revenue, Government of Sindh for the financial year 2015-16, it was observed that an expenditure of Rs 17.503 million was incurred on City Survey operation work in City Survey Tando Jam as detailed below:



(Amount in Rupees)

Sr. #	Head of Account	Items of Procurement				Amount
		Completion of City Survey Operation (536 Acres at the rate of Rs 9,00 per Acre)	Procurement of Survey Stones (6,915 stones at the rate of Rs 400 per stone & 800 stones at the rate of 900 per stone)	Engagement of Khalasi (25 Khalasis for 299 days at the rate of Rs 500 in eleven months)	Other	
1	Payments to service rendered	4,824,000	720,000	3,737,500	4,082,000	13,363,500
2	Cost of other Stores	0	2,699,500	0	1,296,000	3,995,500
3	Others Miscellaneous	0	144,000	0	0	144,000
<b>Total</b>		<b>4,824,000</b>	<b>3,563,500</b>	<b>3,737,500</b>	<b>5,378,000</b>	<b>17,503,000</b>

Following irregularities were noticed:

- i. Record produced to the audit did not show the compliance of provisions of Sindh City Survey Rules 1988 prescribed for City Survey Operations as necessary record, including directives of Board of Revenue, publication of notice, establishment of traverse station, holding of enquiry and mapping indicating detail of survey work was not available.
- ii. Despite availability of various technical personnel including Inspectors, City Surveyors, Survey Tapedars, Technical Assistants and Mappers in the department, the work of City Survey Operation was outsourced to private suppliers (M/s Adnan & Brothers).
- iii. As per vendor's invoice attached with the contingent bills, the work started from February 2014 as first payment was made for that month. However, work order/contract agreement was not produced to scrutinize the terms and conditions of engagement of vendors, total cost incurred and duration of work.
- iv. Submittals/Survey Record, as per provisions of City Survey Rules, 1988 as a result of City Survey Operation was not produced to audit.
- v. It was also observed that an amount of Rs 8.570 million was released by Finance Department vide U.O.No/FD(B&E-VII)3(600)BOR/2014(3019) dated 30-10-2015 under the head "Payment to other services rendered" during the financial year 2015-16 for City Survey Operation at Mithi Town taluka

and District Mithi but available record did not indicate details of payments made and work done on above assignment.

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides, taking remedial measures.

(AIR#01)

#### **4.4.18 Irregular expenditure on account of fair & exhibition– Rs 16.142 million**

As per Rule-88 of Sindh Financial Rules, Volume-I, "Every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money".

During audit of the following offices under the administrative control of Board of Revenue, for the financial year 2015-16, it was observed that an amount of Rs 16.142 million was claimed on account of fair & exhibition but the record of location and event was not produced to audit. Furthermore, invitations to VIPs and participants list were also not available on record.

(Rupees in million)

Sr.#	Name of Office	AIR Para#	Amount
1	DC Jamshoro	05	7.600
2	DC sukkur	20	6.635
3	DC Matiari	12	1.210
4	Commissioner Shaheed Benazirabad Division	02	0.697
<b>Total</b>			<b>16.142</b>

The matter was reported to the management during November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit requires inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

#### 4.4.19 Irregular expenditure on account of repair of building - Rs 6.975 million

As per defined Objectives of Buildings Department Govt of Sindh, Buildings Department is responsible for construction and maintenance of buildings including allied services for all the Departments of Sindh Government. The work plan for maintenance of buildings is prepared in consultation with the Administrative Department/user and items of work executed and paid after getting a certificate from them.

During audit of the following offices under the administrative control of Board of Revenue, for the financial year 2015-16, it was observed that an expenditure of Rs 6.975 million was incurred on account of repair of building but following shortcomings were observed:

(Rupees in million)				
Sr. #	Name of Office	Irregularity	AIR Para#	Amount
1	Commissioner Larkana	<ol style="list-style-type: none"> <li>1. Split up the work orders to avoid sanction from competent authority.</li> <li>2. Rough estimates, details estimates were not produced to audit.</li> <li>3. Measurement books were not provided.</li> <li>4. 10% income tax and 8% security deposit was not deducted while payment made.</li> <li>5. In scheme "Renovation of mosque Karbala Moula at Shikarpur" estimate shows seven different items but work was executed on only three items. Work was done on reduced rates and items were claimed excess in quantity then estimate</li> </ol>	38	5.975
2	DC Matiari	<ol style="list-style-type: none"> <li>1. The M&amp;R work was got carried out through Executive Engineer Building division Matiari without calling tender in violation to the SPPRA-2010.</li> <li>2. The contractor's ledger, Measurement Books, Administrative approval, NIT files, Bid evaluation report and sanctioned estimates relating to the work were not produced.</li> </ol>	01	1.000
<b>Total</b>				<b>6.975</b>

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

#### **4.4.20 Irregular payment of arrears/adjustment of pay & allowances – Rs 3.547 million**

According to Finance Department, Government of Sindh instructions conveyed by Board of Revenue Sindh, Hyderabad vide Para 5 (p) of letter No.2/2312/15-16/Bud-III/786 dated 20-08-2015, “liability of previous financial years may not be allowed to be cleared unless concurrence is given by Finance Department. However, last financial year (2014-15) claims of Reimbursement of Medical Charges and TA are exempted this condition”.

During audit of the office of the Director, Settlement, Survey and Land Records Sindh, Hyderabad, under the administrative control of Board of Revenue, Government of Sindh for the financial year 2015-16, it was observed that adjustment bills/arrears of pay & allowances for Rs 3.044 million and leave encashment for Rs 0.503 million was paid. The detail of the claim is as under:

(Amount in Rupees)

<b>Sr.#</b>	<b>Category of Claims</b>	<b>No. of Claims</b>	<b>Amount</b>
1	Traced with SAP data and record was available	8	851,981
2	Traced with SAP data but record was not available	12	2,191,881
3	Encashment of LPR	2	503,460
<b>Total</b>		<b>31</b>	<b>3,547,322</b>

Following irregularities were noticed:

- i. Arrears/adjustment bills include claims pertain to previous financial years, which were cleared without approval of Finance Department.
- ii. In majority of cases, place of posting was not known whereas in some cases claimants posted in other offices but paid from the budget of office under the audit.
- iii. Leave encashment cases also did not pertain to office under the audit. Besides, the relevant record i.e., personal file and leave account was not available to verify the entitlement of the claimants.

- iv. Relevant record i.e., personal files, LPCs, Service Books, previous financial years payrolls and other necessary record was not available to authenticate the claims.
- v. Evidence of acknowledgement was not available.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#12)**

#### **4.4.21 Irregular expenditure on various heads within same day – Rs 4.263 million**

Rule-88 of Sindh Financial Rules, Volume-I, states that, “Every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money”.

During audit of the office of the Deputy Commissioner Badin, under the administrative control of Board of Revenue, Government of Sindh for the financial year 2015-16, it was observed that an expenditure of Rs 4.263 million was incurred by the DDO on account of different heads and, as the cheques were issued to the DDO by the DAO, Badin. All the process completed and issuance of cheques, and posting of same cheques were made on the same day, which creates ambiguity. . The details are given at Annex-4 of Chapter-4.

The matter was pointed out to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit requires inquiry in the matter for fixing responsibility on the person(s) at fault besides, taking remedial measures.

(AIR#11)

#### 4.4.22 Excess consumption of POL over and above the ceiling- Rs 2.990 million

As per Government of Sindh Notification No.FD-B1/16(15)/99-2000(POL) on POL ceiling for officers of Government, the maximum limit of head of attached department is 180 litres per month.

During audit of the following offices under the administrative control of Board of Revenue, Government of Sindh for the financial year 2014-15 & 2015-16, it was observed that an expenditure of Rs 2.990 million was incurred for purchase of POL over and above the prescribed ceiling.

(Rupees in million)

Sr.#	Name of office	Financial Year	AIR Para#	Amount
1	Commissioner Sukkur	2015-16	21	0.836
2	DC Ghotki	2014-15	11	0.817
3	DC Dadu	2015-16	14	0.410
4	AC Tando Allahyar	2014-15	02	0.253
5	DC Qambar	2014-15	02	0.237
6	AC Jandho Mari	2014-15	02	0.226
7	DC South Karachi	2015-16	09	0.211
<b>Total</b>				<b>2.99</b>

The matter was reported to the management during October 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery from the person(s) at fault besides, taking remedial measures

#### 4.4.23 Misuse of Government vehicle

According to letter # CTC(S&GAD)5(238)/97 dated 05-04-1997, issued by the Service and General Administration Department, Government of Sindh regarding entitlement of government at Sr. # (ii) All the officers in BPS-19 and 20 like Heads of

attached Departments / Regional Heads or equivalent in Autonomous bodies / corporations and Deputy Commissioners to use 1000 cc locally manufactured cars.

During audit of office of the Deputy Commissioner Tando Muhammad Khan, under the administrative control of Board of Revenue, Government of Sindh for the financial year 2014-2015, a Government Vehicle 3000 cc (Pajero), was in use by the DC who was only entitled to use 1300cc power vehicle as per notification of finance department.

The matter was reported to the management in February 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#02)**

#### **4.4.24 Unauthorized possession of government vehicles by an ex-officer**

According to Rule-88 of Sindh Financial Rules, Volume-I, “Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as person of ordinary prudence would exercise in respect of expenditure of his own money”.

During audit of the office of the Deputy Commissioner Matiari under the administrative control of Board of Revenue, Government of Sindh for the financial year 2015-16 it was observed that two vehicles of this office were in possession of Ex-DC. The detail is as under:

<b>Name of Officer</b>	<b>Designation</b>	<b>Make &amp; Model</b>	<b>Registration No.</b>
Mr Ghulam Murtaza Shaikh	EX-DC	Suzuki Cultus-2007	GS-6923
		Toyota Corolla 2010	Un-registered

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

(AIR#09)

#### 4.4.25 Non-recovery of outstanding government dues – Rs 276.140 million

Under Section 113 to 115 of the Land Revenue Act, 1967, any sum of outstanding government dues referred to a revenue officer is required to be recovered as arrears of land revenue.

During audit of the following offices under the administrative control of Board of Revenue, Government of Sindh for the financial years 2014-15 & 2015-16, it was observed that outstanding arrears of revenue receipts for Rs 276.140 million were not recovered. The detail is as below:

(Rupees in million)

Sr. #	Name of office	Particulars	Financial Year	AIR Para #	Amount
1	DC Ghotki	Water rate, local cess, Drainage Cess land tax and land tax	2014-15	10	113.376
2	DC Shaheed Benazirabad	Water rate, local cess, Drainage Cess land tax and land tax	2015-16	10	97.52
3	DC Sujawal	Water rate, local cess, Drainage Cess land tax and land tax	2015-16	25,26,27&28	44.294
4	DC Naushehro Feroz	Jamabandi/Bebaqi	2014-15	05	20.040
5	DC Hyderabad	Water rate, local cess, and land tax	2015-16	01	0.910
<b>Total</b>					<b>276.14</b>

The matter was reported to the management during October 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

#### 4.4.26 Non-deduction of sales tax on services – Rs 28.529 million

The service provided or rendered by person engaged in contractual execution of work or furnishing supplies is taxable within the meaning of section 3(1) of the Sindh Sales Tax Act. The rate of Services provided or rendered by persons engaged in



contractual execution of work or furnishing supplies mentioned at tariff no 9809.00 during the financial year 2015 is 14%.

As per Section 3(1) of the Sales Tax Act, 1990, “There shall be charged, levied and paid a tax known as sales tax at the rate of 16% of the value of taxable supplies made by a registered person in the course a furtherance of any taxable activity carried on by him

During audit of the following offices under the administrative control of Board of Revenue, for the financial year 2015-16, it was observed that payments were made to various suppliers but Sindh sales tax and General sales tax at prescribed rate for Rs 28.529 million was not deducted. The suppliers seem to be unregistered as neither sales tax invoice was available nor sales tax registration number was printed on their bills.

(Rupees in million)

Sr.#	Name of office	Financial Year	AIR Para#	SST	GST	Total
01	PD, PMU, BOR	2015-16	07&10	20.726	0	20.726
02	Director, Settlement, Survey and Land Records Sindh, Hyderabad	2015-16	20&21	1.871	1.466	3.337
03	Commissioner Larkana	2015-16	13&14	0.222	1.558	1.780
04	DC Matiari	2015-16	06&05	0.225	1.350	1.575
05	DC Sijawal	2015-16	22&23	0.033	0.166	0.199
06	DC Shikarpur	2014-15	17	0.454	0	0.454
07	Director Anti Encroachment Force, Karachi	2015-16	2&4	0.182	0	0.182
08	DC Hyderabad	2015-16	03&05	0.035	0.094	0.129
09	DC Jamshoro	2015-16	08	0.147	0	0.147
<b>Total</b>						<b>28.529</b>

The matter was reported to the management during November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

#### **4.4.27 Non-deduction of income tax – Rs 8.919 million**

According to Section 50 (4) of Income Tax Ordinance 1979, Income Tax at a prescribed rate of 10% is required to be deducted at source from the landlords while

making payment to them, and section 153(1) of Income Tax Ordinance 2001, as amended time to time, it is the duty of the paying authority to deduct income tax at source at the rate of 6% and 4.5% on Stationery items and salaries, as revised from time to time.

During audit of the following offices under the administrative control of Board of Revenue, Government of Sindh for the financial years 2014-15 & 2015-16, it was observed that an amount of Rs 8.919 million was neither deducted nor deposited on account of income tax from the various suppliers and salaries of Government Servant.

(Amount in Rupees)

Sr. #	Name of Formation	Particulars	Financial Year	AIR Para#	Income Tax due
01	Secretary Land Utilization Hyderabad	Non-deduction from salaries	2014-15	10	4,898,500
02	Director Settlement, Survey Land Hyderabad	-do-	2015-16	19	2,506,125
03	Director Anti- Encroachment force, Karachi	-do-	2015-16	01	314,411
04	Commissioner Larkana	-do-	2015-16	15	265,252
05	DC Sanghar	-do-	2015-16	34	196,000
06	DC Sujawal	-do-	2015-16	21	186,000
07	DC East Karachi	-do-	2015-16	24 & 25	172,000
08	DC Jamshoro	Short-deduction	2015-16	09	109,930
09	DC Larkana	Non-deduction	2014-15	09	271,000
<b>Total</b>					<b>8,919,218</b>

The matter was reported to the management during August 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

## **CHAPTER-5**

### **CHIEF MINISTER'S SECRETARIAT**

#### **5.1 Introduction**

The province has a Governor, a council of ministers headed by a Chief Minister appointed by the Governor, and a provincial assembly. Members of the provincial assembly are elected by the public in an electoral polling process. Chief Minister is the head of provincial government.

Chief Minister's Secretariat includes following wings. Each one among these is separate public entity performing its own functions as defined in Sindh Rules of Business, 1986.

- (a) Chief Minister's Secretariat
- (b) Universities & Boards
- (c) Sindh Technical Educational & Vocational Training Authority (STEVTA)

Each entity as mentioned above, excluding Universities & Boards, is allocated with separate budget. The Universities & Boards under administrative control of Chief Minister's Secretariat are financially autonomous entities; however, these are financially supported with specific grants by the Provincial Government as well as Higher Education Commission (HEC).

#### **5.2 Comments on the Budget and Accounts (Variance Analysis)**

The CM's Secretariat consists of 29 formations (DDOs), out of which 02 formations were selected and audited during the Audit Year 2016-17. The accounts for the financial year 2015-16 were audited on test check basis. Following is the position of budget and expenditure of the department:

(Rupees in million)

<b>Original Budget/ Grant</b>	<b>Supplementary Grant</b>	<b>Re-appro: (+) (-)</b>	<b>Revised Budget 2014-15</b>	<b>Departmental Expenditure</b>	<b>Variation (Excess)/ Savings</b>
1,375.504	147.894	(90.050)	1,433.348	1,206.703	226.644

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs226.644 million was observed which was not surrendered in time.

### **5.3 Brief comments on the compliance of PAC directives**

This department was not included in the audit reports (1992-93 to 2009-10) discussed by the PAC.

## 5.4 AUDIT PARAS

### 5.4.1 Non-production of record – Rs 188.985 million

Section 14 (2) and (3) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of following offices of Principal Secretary to Chief Minister Secretariat for the years 2014-15 & 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 188.985 million remained unaudited.

(Rupees in million)

Sr. #	Name of Office	Financial Year	AIR Para #	Amount
1	Secretary, Benazir Bhutto Shaheed Human Resource Research & Development Board, Karachi	2015-16	01	156.822
		2014-15	01	28.754
		2014-15	4	2.135
2	Project Director, Benazir Bhutto Youth Development Project, Hyderabad.	2014-15	4	1.274
3	Sindh Higher Education Commission, Karachi	2015-16	01	0
<b>Total</b>				<b>188.985</b>

The matter was reported to the management during January to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of relevant record besides fixing responsibility on the person(s) at fault.

#### **5.4.2 Irregular payment on account of stipend of trainees-Rs 137.099 million**

According to Guidelines (Version-III) of Human Resource Research and Development Board, Benazir Bhutto Shaheed Youth Development Program.

2.23 (a) Trainees having 8% attendance or more would be eligible for full stipend and Dislocation Allowance (DA) as admissible. However, in case of attendance varying between 60% to below 85%, trainee should be eligible for 50% stipend and 50% dislocation allowance as admissible.

3.24 (c) Dislocation allowance will be considered to a trainee on production of following documents:

- i) Attested copy of Domicile.
- ii) Attested copy of CNIC
- iii) Any other proof showing that trainees have actually been displaced from hometown due to the selection in training.

During audit of office of Secretary, Benazir Bhutto Shaheed Human Resource Research & Development Board, Karachi for the year 2015-16, it was observed that an amount of Rs 137.099 million was paid to the different trainees on account of stipend. Following observations were noted:

- (i) Selection criteria were not available for the selection of the candidates on merit.
- (ii) Stipend was paid without obtaining attendance of the trainees.
- (iii) Trainees were selected by ignoring the possibility of repetitions of the candidate.
- (iv) Domicile (attested copy), CNIC (attested copy), any other proof confirmed that trainees have actually been displaced from hometown was not produced to audit to authenticate the flat rate of Rs 2,500/- per month.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#16)

#### **5.4.3 Irregular payment on account of training cost - Rs 117.566 million**

According to Contract Agreement with the institutes following conditions were levied upon the contractor for payments:

1. As per clause (c) of Financial Conditions of Appendix “C” of the contract agreement with the institutes” the service provider will submit the periodicals reports along with supporting documents and the all submitted reports shall be verified by the Client/ Third Party Validator.
2. Course completion Report (Employment Status) required within 03 months of completion of training prepared by Private sector training program and reviewed by program officer.
3. Training cost will be paid to Private Sector Training Institutes on the attendance of three (03) visits noted by Program Officer or District Monitoring Committees.
4. If any institute fails to provide 20% at least employment in Public Sector and 40 % (Private Sector) than the Black-listing of Training partner/Institutes is to be made as per agreement with the institutes

During audit of office of Secretary, Benazir Bhutto Shaheed Human Resource Research & Development Board, Karachi for the year 2015-16, it was observed that an amount of Rs 117.566 million was paid on account of training cost.

Following irregularities were noticed:

- (i) Institutes which were awarded the training task were selected without any selection criteria.
- (ii) Training task was granted to the un-registered and non-affiliated institutes.

- (iii) Verified reports by the Third Party Validator were not found available.
- (iv) Course completions reports were not available.
- (v) The work of third party validation was continued with the previous vendor despite the expiry of contract agreement.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#18)**

#### **5.4.4 Un-authorized retention of funds in DDO Account – Rs 32.862 million**

According to rule 290 of Central Treasury Rules Vol – I, “No money shall be drawn from Government Treasury unless it is required for immediate disbursement. It is not permissible to draw money from treasury in anticipation of demands or to prevent lapse of budget”.

During the audit of following offices of Principal Secretary to Chief Minister Secretariat for the year 2014-15, it was observed that funds were drawn for utilization of training programme but at the closing of financial year, the balance of Rs 32.087 million was lying in the DDO account and the same was neither surrendered nor the permission was obtained for utilization of funds in next financial year.

(Rupees in million)			
<b>Sr.#</b>	<b>Name of Office</b>	<b>AIRPara#</b>	<b>Amount</b>
1	Project Director, Shaheed Benazir Bhutto Youth Development Project, Hyderabad	9	22.775
2	Secretary, Benazir Bhutto Shaheed Human Resource Research Development Board Karachi	14	7.484
		15	2.603
<b>Total</b>			<b>32.862</b>

The matter was reported to the management during January & May 2016 but no reply was received.



Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **5.4.5 Irregular transfer of funds without justification - Rs 17.500 million**

According to the Notification issued by the Govt. of Sindh, Finance Department vide No. B-2/78(P-II)/20, dated 30-11-1981, read with para-99 of G.F.R. Vol-I, that the fund allocated for one unit of appropriation cannot utilized from other head of account without prior approval of Govt. Authority / Finance Department.

During audit of office of Project Director, Sindh Skills Development Project, Government of Sindh, Karachi for the year 2014-15, it was observed that an amount of Rs 17.500 million was transferred to DDO account # 30452 through following three cheques for disbursement on account of stipend to trainees instead of direct payment to trainees.

(Rupees in million)

<b>Cheque No. &amp; date</b>	<b>Account#</b>	<b>Particular</b>	<b>Amount</b>
1955518 &13-1-2015	3045-2	Stipend transfer to DDO account	13.000
32390283&15-5-2015	3045-2	For disbursement of stipend	2.000
25146748&30-6-2015	3045-2	For disbursement of stipend from RFA fund	2.500
<b>Total</b>			<b>17.500</b>

The matter was reported to the management in November 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#4.2.5)**

#### **5.4.6 Irregular payments into DDO account – Rs 8.396 million**

Rule-28 (2) of Central Treasury Rules volume-I, “A Government officer supplied with funds for expenditure shall also be responsible for seeing that payments are made to persons entitled to receive them”.

During audit of following offices of the Principal Secretary to Chief Minister Secretariat, Karachi for the years 2014-15 & 2015-16, it was observed that an amount of Rs 8.396 million was received in the DDO account on account of Gratuity/commutation, GPF final payment and TA/DA. These payments were required to be made to the concerned payees instead of DDO accounts.

(Rupees in million)

Sr.#	Name of Office	Financial Year	AIR Para#	Amount
1	Principal, Government College of Technology, Hyderabad	2014-15	5	5.915
			3	1.950
2	Secretary, Benazir Bhutto Shaheed, Human Resource Research & Development Board Karachi.	2015-16	9	0.531
<b>Total</b>				<b>8.396</b>

The matter was reported to the management in September 2015 & November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

#### 5.4.7 Non- inviting tender in violation of SPPR 2010 - Rs 2.852 million

As per rule-12 of the SPPRA Rules 2010, “Procurement over one hundred thousand rupees to two million rupees shall be advertised on authority’s website and in print media for open competitive bidding, so that economical rates may be obtained.”

During audit of following offices of Principal Secretary to Chief Minister Secretariat, Karachi for the years 2014-15 & 2015-16, it was observed that an expenditure of Rs 2.852 million was incurred on the purchase of various items without inviting open tender.

(Rupees in million)

Sr.#	Name of Office	Financial Year	AIR Para#	Amount
1	Project Director, Project Management Unit, Benazir Bhutto Shaheed Youth Development, Hyderabad	2014-15	03	1.746
2	Secretary, Benazir Bhutto Shaheed Human Resource Research Development Board, Karachi	2015-16	6 & 15	1.106
<b>Total</b>				<b>2.852</b>

The matter was reported to the management during April to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **5.4.8 Excess payment of pay & allowances to the officials – Rs 3.153 million**

According to the Office Memorandum issued vide No.FD(SR-III)5/29-2008(A) dated 16-02-2009 issued by the Finance Department, Government of Sindh, following standard pay package was provided for staff recruited from the market on the basis of competitive recruitment for execution of development projects/programs funded from Provincial Budget including ADP and Foreign Aided Projects/Programs:

<b>Sr. #</b>	<b>BPS equiv.</b>	<b>Pay Package in Rupees</b>
1	22	150,000 to 200,000 (5% annual increment up to maximum)
2	21	125,000 to 150,000 (5% annual increment up to maximum)
3	20	100,000 to 118,000 (5% annual increment up to maximum)
4	19	75,000 to 90,000 (5% annual increment up to maximum)

During audit of office of Secretary, Benazir Bhutto Shaheed Human Resource Research Development Board, Karachi for the year 2014-15, it was observed that payment of Rs5.554 million was made to two officials/Consultants by allowing the pay equal to maximum limit of pay of BPS-20 @ Rs 0.231 million per month instead of minimum of the pay package @ Rs 0.100 million per month contrary to above rule. Moreover, payment of Rs 80,000 per month on account of board/project allowance was also included in the pay made to the consultants hired on contract basis.

The matter was reported to the management in January 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#03)

#### **5.4.9 Irregular payment of advertisement-Rs 1.176 million**

Appendix 18 (a) Section-I of Sindh Financial Rules Volume-II, states that, “means should be devised to ensure that every Government servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part, and that he will be also held personally responsible for any loss arising from fraud or negligence on the part of any other Government servant to the extent to which it may be shown that he contributed to the loss by his own action or culpable negligence”.

During audit of office of Project Director, Sindh Skills Development Project, Government of Sindh, Karachi for the year 2014-15, it was observed that an expenditure of Rs 1.176 million was incurred on advertisement charges and payment was made to private parties instead of making payment through the Director Information, Government of Sindh.

The matter was reported to the management in November 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#4.3.5)

#### **5.4.10 Non-appointment of independent Project Director**

According to Rule No.2(263)/pd/pd/2013 Govt. of Pakistan, Planning Commission Project wing dated 3-11-2006 “ECNEC, in its meeting held on 18-2-2004 directed all the executive agencies to appoint independent Project Director for all the ongoing projects costing to Rs 100 million.

During audit of office of Project Director, Sindh Skills Development Project, Government of Sindh, Karachi for the year 2014-15, it was observed that as per PC-I

Project amounting to Rs 2,155.230 million was executed without appointing independent Project Director.

The matter was reported to the management in November 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#4.1.2)**

#### **5.4.11 Non-crediting of revenue into Government account- Rest 2.305 million**

Rule 26 of General Financial Rules Volume-I, states that, “it is the duty of controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and credited to public account.”

During audit of following offices of the Principal Secretary to Chief Minister Secretariat, Karachi for the year 2014-15, it was observed that an amount of Rest 2.305 million was realized on account of Income Tax, Sales Tax and Professional Tax but kept in the DDO account till the closing of financial year instead of crediting into Government account.

(Rupees in million)

<b>Sr.#</b>	<b>Name of Office</b>	<b>AIRPara#</b>	<b>Amount</b>
1	Secretary, Benazir Bhutto Shaheed Human Resource Research Development Board Karachi	05 & 20	1.704
2	Project Director, Skill Development Project, Karachi.	4.2.7 &4.2.3	0.601
<b>Total</b>			<b>2.305</b>

The matter was reported to the management in September 2015 to May 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

#### 5.4.12 Less deduction of Income tax Rest 2.575 million

According to section 153 (1) of Income Tax Ordinance 2001, Every prescribed person, making payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person, shall deduct income tax at source on supplies of goods and in case of rendering services at the rate of 4.5% and 10% respectively.

During audit of office of Secretary, Benazir Bhutto Shaheed Human Resource Research Development Board, Karachi, for the year 2014-15, it was observed that income tax of Rest 2.675 million was less deducted @7% instead of due income tax rate, which was 10% on rendering services from the contractor bill.

(Rupees in million)

Sr.#	Name of Office	Particular	AIR Para #	I.T due	I.T deducted	Difference
1	Secretary, Benazir Bhutto Shaheed Human Resource Research Development Board, Karachi	Training cost	07	2.250	1.52	0.722
		Rent of office building	06	1.325	Nil	1.325
		Advertisement charges	10	0.528	Nil	0.528
<b>Total</b>						<b>2.575</b>

The matter was reported to the management in January 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR# 06, 07 & 10)

## **CHAPTER - 6**

### **COOPERATION DEPARTMENT**

#### **6.1 Introduction**

The Cooperation Department was formed to manage the registration and other governmental matters of Cooperative Societies and Banks and to engage in service matters, except those entrusted to the Services, General Administration and Coordination Department.

The Cooperation Department is responsible for to organise the matters relating to registration of cooperative societies, to conduct audit and inspection of cooperative societies, to liquidate & cancel registration of dormant Cooperative Societies, to manage loans and recovery of arrears under the provisions of Land Revenue Act 1967, to arrange agriculture credit for cooperative societies, arbitrate over the cases under the Cooperative Societies Act 1925, to supersede/takeover the affairs for cooperative societies, in case of their failure/ mismanagement and to take necessary measures for the welfare & safeguard of interests of members of cooperative societies.

#### **6.2 Comments on the Budget and Accounts (Variance Analysis)**

The Department consists of 29 formations (DDOs), out of which 01 formation was selected and audited during the Audit Year 2016-17. The accounts for the financial year 2015-16 were audited on test check basis. Following is the position of budget and expenditure of the department:

(Rupees in million)

<b>Original Budget/ Grant</b>	<b>Supplementary Grant</b>	<b>Re-appro: (+) (-)</b>	<b>Revised Budget 2014-15</b>	<b>Departmental Expenditure</b>	<b>Variation (Excess)/ Savings</b>
326.865	0	(36.795)	290.070	261.068	29.002

The department was unable to spend the allocated budget in time. As a result, savings of an amount of Rest 29.002 million was not surrendered in time.

#### **6.3 Brief comments on the compliance of PAC directives**

This department was not included in the audit reports (1992-93 to 2009-10) discussed by the PAC.

## **6.4 AUDIT PARAS**

### **6.4.1 Non-production of record**

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of office of the Secretary, Cooperation Department, Government of Sindh for the year 2015-16, following auditable record was not produced to audit for scrutiny:

- (i) List of registered Cooperative Societies
- (ii) List of cancelled Cooperative Societies
- (iii) Audit and inspection reports of Cooperative Societies
- (iv) Recoveries of Cooperative loans
- (v) List of Arbitration Cases
- (vi) Statement of target of recoveries
- (vii) Recoveries from Cooperative Markets/Societies
- (viii) List of superseded /taken over cooperative societies
- (ix) Bank statement of DDO account

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of record besides fixing responsibility on the person(s) at fault.

**(AIR#11)**



**CHAPTER – 7**  
**CULTURE, TOURISM & ANTIQUITIES DEPARTMENT**

**7.1 Introduction**

The Culture Department was formed to cover all the activities being carried in libraries, museums, arts councils, studios and cultural centres at various cities and towns of the Sindh Province. This department also actively pursues the promotion of tourism and to develop the hotel and resort facilities at recreational points of the province. The department facilitates a beautiful and subtle blend of nature and knowledge.

The Tourism department was constituted for providing guidelines and making policy decisions for promotion of tourism in Sindh.

The Department of Antiquities was created to look after the archaeological, historical and physical heritage of the province. The department has three wings; Heritage, Conservation and Archaeology. The head office of this department is situated in Karachi, and sub offices in Thatta, Shikarpur, Jamshoro, Hyderabad and Sukkur.

**7.2 Comments on the Budget and Accounts (Variance Analysis)**

The Department consists of 56 formations (DDOs), out of which 04 formations were selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rupees in million)

<b>Original Budget/ Grant</b>	<b>Supplementary Grant</b>	<b>Re-appro: (+) (-)</b>	<b>Revised Budget 2014-15</b>	<b>Departmental Expenditure</b>	<b>Variation (Excess)/ Savings</b>
1,703.058	210	(296.058)	1,406.999	1,237.710	169.289

The department was unable to spend the allocated budget in time. As a result, of savings of Rest 169.289 million was observed, which was not surrendered in time.

(Rupees in million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
398.147	35.899	36.222	323.769

The department was unable to collect the estimated receipts in time, as a result, shortfall of an amount Rs323.769 million was observed.

### 7.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was Nil.

Sr. No	Audit Report	Total Paras discussed	No. of Paras requiring Compliance	Compliance of PAC directives made	Compliance of PAC directives not made	Percentage of Compliance
1	1992-93	0	0	0	0	-
2	1998-99	7	3	0	3	-
3	1999-2000	14	2	0	2	-
4	2001-02*	7	5	0	5	-
5	2004-05*	0	0	0	0	-
6	2005-06	9	7	0	7	-
7	2006-07	7	4	0	4	-
8	2007-08	16	0	0	0	-
9	2008-09	7	7	0	7	-
10	2009-10	0	0	0	0	-
<b>Total</b>		<b>67</b>	<b>28</b>	<b>0</b>	<b>28</b>	<b>-</b>

Note. Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

## 7.4 AUDIT PARAS

### 7.4.1 Non-production of record – Rs 1,661.350 million

Section 14 (2) and (3) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

Following offices of Culture, Tourism & Antiquities Department, Government of Sindh for the financial years 2014-15 & 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 1,661.350 million remained unaudited.

(Rupees in million)

Sr. #	Name of office	Particulars	Financial Year	AIR Para #	Amount
1	Secretary, Culture, Tourism & Antiquities Department, Karachi	Adjustment account of grant in aid	2015-16	1	146.000
		Supporting vouchers/bills of utility charges	2015-16	22	0.475
		Rent agreement and assessment of building	2015-16	18	0.135
2	Director General, Culture Karachi	Record of grant in aid & Cultural activities	2015-16	6	84.483
3	Director, Planning & Development Works Sindh, Karachi	Paid up challans	2015-16	7	70.973
		Unjustified payment	2015-16	3	20.00
		Detailed bills/vouchers, monitoring reports of third party and adjustment account	2015-16	6	3.780
4	Rd. N. A Baloch, Institute of Heritage Library Research, Hyderabad	Supporting vouchers of printing & publications	2014-15	2	0.137
5	Shams-ul-Ulma Dr.Umer Bin Muhammad Daudpota, Government of Sindh Library, Hyderabad	Sanction orders	2014-15	2	0.100

(Rupees in million)

Sr. #	Name of office	Particulars	Financial Year	AIR Para #	Amount
6	Director General, Gorakh Hills Development Authority Dadu at Karachi	Record of contingency, establishment & revenue collection	2014-15	4	0
7	Secretary, Arts Council of Pakistan, Karachi	Various information i.e., number of centres, theatres, published journal, books, property, membership fees etc	2012-13 & 2014-15	1	0
8	Director, Planning and Development Works Sindh, Karachi	B-I agreement	2015-16	12	1,102.686
9	Director General, Gorakh Hills Development Authority, Dadu at Karachi	Third party monitoring report	2014-15	15	153.034
10	Director General, Gorakh Hills Development Authority, Dadu at Karachi	Supporting record of works	2014-15	16	79.547
<b>Total</b>					<b>1,661.350</b>

The matter was reported to the management during February to October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit requires production of record besides fixing responsibility on the person(s) at fault.

#### **7.4.2 Irregular award of work orders - Rs 260.000 million**

As per Rule-7 of SPPRA Rules 2010, “The procuring authority shall with the approval of its Head of the Department constitute as many procuring committees, as it deems fit, each comprising of the numbers of persons and headed by a gazette officer not below the rank of BS-18 if not available, the officer of the highest grade, and shall ensure that at least one third of the members of a procurement committee are from the agencies of departments other than the procuring agency.”

During audit of the office of the Director General, Gorakh Hills Development Authority, Dadu, headquarter at Karachi for the financial year 2014-15, it was observed

that work orders for “Establishment of Summer Resorts” costing Rs 260.000 million were awarded to various contractors. Following irregularities were noticed:

1. Tender was not published in newspapers.
2. Works were awarded without constitution of procurement committee.
3. Administrative Approval was not obtained.
4. Technical Sanction from sanctioning authority was not obtained.
5. Detailed Estimate, sanctioned from competent authorities was not available.
6. Bidding documents of contractors/participants were not produced.

The matter was reported to the management during February 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#41, 42 & 43)**

#### **7.4.3 Irregular withdrawal by DDO instead of actual payee – Rs 52.827 million**

As per Rule-303 of Central Treasury Rules, “A contingent bill for payment to suppliers etc. which cannot be met from the permanent imprest may be endorsed for payment to the party concerned and the DDOs are suggested that in case of payments to the suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid un-necessary delays and risk involved in the drawal and disbursement of cash.”

During audit of the following offices of Culture, Tourism & Antiquities Department, Government of Sindh for the financial years 2014-15 & 2015-16, it was observed that an expenditure of Rs 52.827 million was incurred under various heads of accounts but the payment was made through DDO account instead of issuing cross-cheques in favour of the actual payee/vendor account.

(Rupees in million)

Sr.#	Name of Office	Particulars	Financial Year	AIR Para #	Amount
1	Director General, Culture, Karachi	Withdrawal of cash by DDO	2015-16	2	39.284
		Cheques were deposited into DDO account instead of concerned payees	2015-16	1	1.611
		POL cheques were drawn in favour of DDO instead of concerned payees.	2015-16	12	0.156
2	Pakistan Institute of Tourism & Hotel Management, Karachi	Cheques were deposited into DDO account instead of concerned payees	2011-12 to 2014-15	2	6.942
3	Director, Planning & Development Works Sindh, Karachi	Cheques were deposited into DDO account instead of concerned payees	2015-16	10	2.684
4	Secretary, Culture, Tourism & Antiquities Department, Karachi	Cash payment was made instead of cross cheques	2015-16	2	2.150
<b>Total</b>					<b>52.827</b>

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter besides fixing responsibility on the person(s) at fault.

#### **7.4.4 Un-justified expenditure on contractual & daily wages staff - Rs 39.354 million**

According to Rule-88 of S.F.R. Vol-I, "Every public officer should exercise the same vigilance in respect of expenditure incurred from Government revenues as a person of ordinary prudence would exercise in spending his own money".

During audit of the following offices of Culture, Tourism & Antiquities Department, Government of Sindh for the financial year 2014-15, it was observed that an expenditure of Rs 39.354 million was incurred on account of salaries of fixed pay employees:

(Rupees in million)

<b>Sr. #</b>	<b>Name of office</b>	<b>Particulars</b>	<b>Financial Year</b>	<b>AIR Para #</b>	<b>Amount</b>
1	Director General, Gorakh Hills Development Authority Dadu at Karachi	Appointment of officials on contract basis,	2014-15	26 & 21	30.065
2	Secretary, Arts Council of Pakistan, Karachi	Appointment of contractual, and daily wages employees	2014-15	02	8.789
3	Sir Shahnawaz Bhutto Memorial Library, Larkana	Appointment of contingent paid staff	2014-15	09	0.500
<b>Total</b>					<b>39.354</b>

Following irregularities were noticed:

1. Approval from Competent authority for fixing pay & allowances for daily wages staff was not obtained.
2. Complete record of appointment procedure i.e. advertisements, qualification, experience, written tests and interview etc. were not produced to audit for scrutiny, whether the procedure of appointment was transparent & merit-based or not.
3. Pay fixation criteria of the staff were not known; in absence of which extra remuneration beyond their entitlement could not be ruled out.
4. Appointment orders, terms & conditions of contract/fixation of pay allowances, duties & responsibilities was not produced to audit to assure either they were performing their duties or they were burden over Council.

The matter was reported to the management during February to August 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

#### **7.4.5 Irregular payment of mobilization advance - Rs 39.000 million**

As per Rule 220(c) of Sind Financial Rules in respect of works costing Rs 2.5 million or above the contractor may be allowed by the authority competent to accept tender, a mobilization advance to be paid up to 10% of the tendered amount subject to the following conditions:

- (i) The contractor shall before obtaining the advance furnish a guarantee in Form 20-A.
- (ii) The contractor shall pay interest @ 10% per annum on the advance.

During audit of the office of the Director General, Gorakh Hills Development Authority, Dadu, headquarter at Karachi for the financial year 2014-15, it was observed that an amount of Rs 39.000 million paid to various contractors on account of mobilization advance. However, bank guarantees duly verified by banks from contractors/suppliers against advance were not obtained.

The matter was reported to the management during October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

**(AIR#33)**

#### **7.4.6 Irregular expenditure without post audit – Rs 36.425 million**

As per Para-4 of revised procedure for operations of Assignment accounts circulated by Controller General of Accounts, Islamabad vide letter No.AC-II/1-39/08-Vol-V/632 dated 24-09-2014, “The drawing authorities will submit monthly account of expenditure with copies of paid vouchers to the concerned AG/DAO for post audit purpose by 15th of each month who will carry out 100% post audit.

During audit of the office of the Director Pakistan Institute of Tourism & Hotel Management, Karachi for the financial year 2014-15, it was observed that an expenditure of Rs 36.425 million was incurred from grant-in-aid received from Government of Pakistan as per financial statements but the post audit was not carried



out by AG/DAO. Furthermore, the same amount was utilized without preparation and approval of budget estimate.

The matter was reported to the management during July 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing the responsibility on the person(s) at fault.

(AIR#10)

#### 7.4.7 Irregular investment of funds - Rs 36.224 million

As per rule 88 of Sindh Financial Rules, Volume-I, "Every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money".

During audit of the office of the Director, Pakistan Institute of Tourism and Hotel Management, Karachi for the financial years 2011-12 to 2014-15, it was observed that an amount of Rs 36.224 million was invested, which was irregular as:

- i. The investment was made without open competition to avail maximum return on investment (RoI).
- ii. The investment was made for the period of three months instead of longer periods to avail higher rates of profit.
- iii. Major available amount was kept in bank or as cash instead of investing the same as indicated in below table.

(Rupees in million)

Description	2011-12	2012-13	2013-14	2014-15	Total
Short term investment	0.783	1.019	9.863	24.558	36.224
Cash & Bank Balance	15.214	13.016	4.284	19.744	52.259

The matter was reported to the management during July 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault.  
(AIR#11)

#### **7.4.8 Non-crediting of taxes into government account – Rs 25.205 million**

As per Rule-28 of General Financial Rules, Volume-I, “no amount due to Government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable the order of the competent authority for their adjustments must be sought.”

During audit of the office of the Director, Planning & Development Works Sindh, Karachi for the financial year 2015-16, it was observed that an amount of Rs 25.205 million was collected on account of income tax and withholding tax but the same were not deposited into government account.

The matter was reported to the management during October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

(AIR#8)

#### **7.4.9 Non imposing penalty for delayed work – Rs 15.326 million**

According to clause-2 of the contract agreement, in the event of contractor failing to comply with this condition, he shall be liable to pay as compensation an amount equal to one percent, or such smallest amount as the Superintending Engineer (whose decision in writing shall be final) may decide of the said estimated cost of the work remains incomplete; provided that the total amount of compensation to be paid under the provisions of this clause shall not exceed 10% of the estimated cost of the work as shown in the tender”.

During audit of the following offices of Culture, Tourism & Antiquities Department, Government of Sindh for the financial years 2014-15 & 2015-16, it was observed that various works awarded to the contractors, which were required to be completed within the stipulated time period. The contractors failed to complete the works in time but the penalty of Rs 15.326 million at the rate of 10 percent of the

contract value was not imposed by the management on account of delayed work, which tantamount to extending undue favour to the contractors.

(Rupees in million)

Sr. #	Name of office	Financial Year	AIR Para #	Work Amount	Penalty Amount
1	Director, Planning & Development Works Sindh, Karachi	2015-16	05	89.416	8.942
2	Director General, Gorakh Hills Development Authority Dadu at Karachi	2014-15	46	63.844	6.384
				<b>Total</b>	<b>15.326</b>

The matter was reported to the management during February to October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends, compliance should be made besides taking remedial measures under intimation to audit.

#### **7.4.10 Unauthorized execution of work over & above the estimated cost – Rs 12.482 million**

As per Para-532 of Public Works Department Manual, “A revised estimate containing the facts and causes of revision must be submitted when sanctioned estimate is likely to exceed by more than 5 percent either rising from the rate being found insufficient or from other cause whatsoever.”

During audit of the office of the Director General, Gorakh Hills Development Authority Dadu, headquarter at Karachi for the financial year 2014-15, it was observed that an excess expenditure of Rs 12.482 million was incurred over & above the estimated cost without approval of revised estimates.

(Rupees in million)

Name of work	Name of contractor, work order & bill. No.	Estimate Cost	Work done	Excess	Percentage
Gorakh Hills Development Project Phase-I construction of RCC Road & Retaining Wall at 35 to 42 KM	M/S. Khan Construction & Co., W/O # TC/G-55/62 dt 12-11-2013, 4 <sup>th</sup> R.A bill	34.870	47.352	12.482	35.79

The matter was reported to the management during February 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit requires inquiry into the matter for fixing responsibility on person(s) at fault.

(AIR#47)

#### 7.4.11 Un-authorized working of employees in excess of sanctioned strength – Rs 9.295 million

Section-133 of Sindh Budget Manual, states that, “no government servant should, however, without previously obtaining an extra appropriation, incur expenditure in excess of the amounts provided under the heads concerned. When a government servant exceeds the annual appropriation he runs the risk of being held responsible for the excess” During audit of the following offices of Culture, Tourism & Antiquities Department, Government of Sindh for the financial years 2014-15 & 2015-16, it was observed that an expenditure of Rs 9.295 million was incurred on the salaries of the employees working in excess of the sanctioned strength.

(Rupees in million)

Sr. #	Name of office	sanctioned strength	working strength	Excess	Financial Year	AIR Para #	Amount
1	Director General, Gorakh Hills Development Authority Dadu at Karachi	51	79	28	2014-15	37	7.338
		0	6	6	2014-15	27	1.530
	6	15	9	2014-15	28	0.214	
3	Director General, Culture Karachi	0	1	1	2015-16	09	0.213
<b>Total</b>							<b>9.295</b>

The matter was reported to the management during February to October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on person(s) at fault.

#### 7.4.12 Non-inviting tender in violation of SPPR 2010 – Rs 4.710 million

Rule 17 (1) & (2) of Sindh Public Procurement Rules, 2010, Procurement over one hundred thousand rupees and up to one million rupees shall be advertised by timely notification on the Authority’s websites and in print media in the manner and format prescribed in these rules.

During audit of the following offices of Culture, Tourism & Antiquities Department, Government of Sindh for the financial years 2014-15 & 2015-16, it was observed that an amount of Rs 4.710 million was paid to various managers of Auqaf department and contractors for development work without inviting formal tender.

(Rupees in million)

Sr. #	Name of office	Particulars	Financial Year	AIR Para #	Amount
1	Secretary, Culture, Tourism & Antiquities Department, Karachi	Annual fair of Lal Shahbaz Qalandar	2015-16	08	2.202
2	Director General, Gorakh Hills Development Authority, Dadu at Karachi	Purchase of furniture & fixture	2014-15	24	0.990
		Purchase of machinery	2014-15	25	0.537
3	Pakistan Institute of Tourism & Hotel Management, Karachi	Convocation items and other charges	2011-12 to 2014-15	07	0.981
<b>Total</b>					<b>4.710</b>

The matter was reported to the management during February to October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on person(s) at fault.

#### 7.4.13 Un-authorized retention of vehicle by Ex-Officials/Minister – Rs 4.000 million

As per Rule-13 of General Financial Rules, Volume-I, states that “every controlling officer must satisfy himself not only that adequate provisions exist within the departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers

and to guard against waste and loss of public money and stores but also that the prescribed checks are effectively applied”.

During audit of the office of the Director General, Gorakh Hills Development Authority Dadu, headquarter at Karachi for the financial year 2014-15, it was observed that some luxury vehicles were allowed to be retained by the ex-minister and ex-secretary worth Rs 4.000 million approximately. The management did not take any action regarding unauthorized retention of government vehicles from the concern(s).

The matter was reported to the management during February 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on person(s) at fault.

(AIR#22)

#### 7.4.14 Splitting up to avoid tender – Rs 4.393 million

Rule 12 (1) of SPPRA 2010, provides that, all proposed procurements for each financial year shall proceed accordingly without any splitting or regrouping of the procurements already grouped, allocated and scheduled in the Procurement Plan.

During audit of the following offices of Culture, Tourism & Antiquities Department, Government of Sindh for the financial years 2014-15 & 2015-16, it was observed that an expenditure of Rs 4.393 million was incurred through splitting of the sanction orders to avoid open tenders.

(Rupees in million)

Sr. #	Name of office	Particulars	Financial Year	AIR Para #	Amount
1	Director, Heritage Karachi	Various head of accounts	2014-15	12	2.358
2	Director, Archeology, Culture, Tourism and Antiquities Department, Government of Sindh, Karachi	Purchase of various consumable articles	2015-16	05	1.351
		Tea set & electric items		02	0.291
		Purchase of general items		03	0.226
		Repair of furniture fixture		16	0.167
				<b>Total</b>	<b>4.393</b>

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on person(s) at fault.

#### **7.4.15 Unjustified payment of salary to chairman – Rs 2.400 million**

As per Rule-13 of General Financial Rules, Volume-I, every controlling officer must satisfy himself not only that adequate provisions exist within the departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores but also that the prescribed checks are effectively applied.

During audit of the office of the Director General, Gorakh Hills Development Authority Dadu, headquarter at Karachi for the financial year 2014-15, it was observed that an amount of Rs 2.400 million (200,000/month x 12months= 2,400,000) was paid to the Chairman of GHDA on account of salary without providing criteria/record for fixation of pay and allowances to audit.

The matter was reported to the management during February 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault.

**(AIR#31)**

#### **7.4.16 Non-adjustment of advances – Rs 2.037 million**

As per Para 668 of Central Treasury Rules, “Advances granted under special orders of competent authority to government officers for departmental or allied purposes may be drawn on the responsibility and receipt of the officers for whom they

are sanctioned subject to adjustment by submission of detailed accounts supported by vouchers or by refund, as may be necessary”.

During audit of the office of the Director, Pakistan Institute of Tourism & Hotel Management, Karachi for the financial year 2014-15, it was observed that advances of Rs 2.037 million were granted for various purposes to the officers and officials but the same were not adjusted at the close of financial year.

The matter was reported to the management during July 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#1)**

#### **7.4.17 Non/short-recovery of taxes – Rs 5.701 million**

As per Para-22-A of Stamp Act 1899, “It is the duty of the competent authority to recover the stamp duty and affix the same, while execution of agreement at the rate of 0.30 paisa per hundred rupees of the value of the agreement or against tender cost.”

According to Section 153(a) & (b) of the Income Tax ordinance, 2001, “Income Tax at the rate of 6.5 percent for rendering professional Services is required to be deducted at source and deposited into Government account”.

As per Sindh Sales Tax on Services Act 2011, any person is responsible for making any payment in full or in part on account of services shall deduct tax at the rate of 15 percent of gross amount.

During audit of the following offices of Culture, Tourism & Antiquities Department, Government of Sindh for the financial years 2014-15 & 2015-16, it was observed that stamp duty, income and sales tax of Rs 5.701 million was not recovered from the contractors/suppliers in violation of above rules.



(Rupees in million)

Sr. #	Name of office	Particulars	Financial Year	AIR Para #	Amount
1	Director, Planning & Development Works, Karachi	Stamp duty was not recovered	2015-16	11	3.352
		Sindh sales tax on consultancy was not recovered	2015-16	02	2.230
2	Secretary, Culture, Tourism & Antiquities Department, Karachi	Income tax from various vendors were not recovered	2015-16	04	0.119
<b>Total</b>					<b>5.701</b>

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing of responsibility on the person(s) at fault.

#### **7.4.18 Non-recovery of government dues and excess payment – Rs 1.303 million**

As per Rule-28 of General Financial Rules, Volume-I, “no amount due to Government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable the order of the competent authority for their adjustments must be sought.”

During audit of the following offices of Culture, Tourism Department, Karachi, Government of Sindh for the financial years 2014-15 & 2015-16, it was observed that an amount of Rs 1.303 million was outstanding on close of the financial years without recovery.

(Rupees in million)

Sr. #	Name of office	Particulars	Financial Year	AIR Para #	Amount
1	Pakistan Institute of Tourism & Hotel Management, Karachi	Non-recovery of tuition fee	2014-15	13	0.978
2	Director, Planning & Development Works Sindh, Karachi	Inadmissible payment of conveyance allowance	2015-16	09	0.325
<b>Total</b>					<b>1.303</b>

The matter was reported to the management during July to October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing of responsibility on the person(s) at fault.

## CHAPTER – 8 EDUCATION AND LITERACY DEPARTMENT

### 8.1 Introduction

The department looks after the educational affairs within the province and coordinates with the federal government and donor agencies for promotion of education in the province.

The attached or sub-ordinate entities to the Education Department are;

- (i) Bureau of Curriculum and Extension Sindh
- (ii) Literacy and Non-Formal Education Sindh

### 8.2 Comments on the Budget and Accounts (Variance Analysis)

The Department consists of 520 formations (DDOs), out of which 09 formations were selected and audited during Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rupees in million)

Original Budget/ Grant	Supplementary Grant	Re-approx: (+) (-)	Revised Budget 2014-15	Departmental Expenditure	Variation (Excess)/ Savings
150,812.227	5,628.254	(10,422.409)	146,018.072	129,045.888	16,972.184

The department was unable to spend the allocated budget in time. As a result, savings of Rs. 16,972.184 million was observed which was not surrendered in time.

(Rupees in million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
430.874	398.755	388.097	10.657

The department was unable to collect the estimated receipts in time, as a result, shortfall of an amount Rs 10.657 million was observed.

### 8.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the

department is tabulated as follows. The overall compliance by the department was 22.2%.

Sr. No	Audit Report	Total Paras discussed	No. of Paras requiring Compliance	Compliance of PAC directives made	Compliance of PAC directives not made	Percentage of Compliance
1	1992-93	27	11	9	2	81.8
2	1998-99	14	7	0	7	-
3	1999-2000	20	0	0	0	-
4	2001-02*	12	6	2	4	33.3
5	2004-05*	9	9	3	6	33.3
6	2005-06	3	1	0	1	-
7	2006-07	3	2	0	2	-
8	2007-08	17	12	0	12	-
9	2008-09	8	2	0	2	-
10	2009-10	18	13	0	13	-
<b>Total</b>		<b>131</b>	<b>63</b>	<b>14</b>	<b>49</b>	<b>22.2</b>

Note. Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

## **8.4 AUDIT PARAS**

### **8.4.1 Irregular expenditure on test of students – Rs 132.509 million**

As per Para-23 of G.F.R Volume-I, “Every Government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence”

During audit of the office of Chief Program Manager, Second Sindh Education Reform Program, Government of Sindh, Karachi for the financial year 2014-15, it was observed that an amount of Rs 132.509 million was paid to Sukkur IBA, Sukkur to conduct test of standardized achievement test (SAT) students in class V and VIII across the Sindh Province.

Following irregularities were noticed;

- i. Payment was made to Sukkur IBA, Sukkur for 515,584 students on account of test, whereas 286,243 students actually appeared. Hence, excess payment was made for 229,341 students.
- ii. Selection Criteria of IBA Sukkur as a third party was not produced to audit.
- iii. SAT system review committee for improvement of activities was not constituted.
- iv. Detail of Test Centres’, list of district and taluka-wise coordinators with contact numbers was not produce to audit.
- v. Project Inspection report, pilot Test report, sample paper, question paper, authenticated attendance report, final report was not produced which were prerequisite for payment of installments.
- vi. Results of test and achievement of objectives of SAT-III was not produced to audit.

The matter was reported to the management in November 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

**(AIR #4.1.1)**

#### **8.4.2 Non-production of record – Rs 6,979.161 million**

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, provides that:

- (2) The officer in charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of various offices of Education & Literacy Department, Government of Sindh for the years 1999-2000 to 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 6,979.161 million remained unaudited. The details are given at **Annex-1** of Chapter-8.

The matter was reported to the department during November 2015 & November 2016. The management of office at Sr.No.4 above (Education Works Division, Naushehro Feroze) responded to the AIR Paras (5, 6, 18, 24 & 39) that the record was available and in support of reply produced photocopies of various documents; however, the original record as not audited during annual audit inspection was required to be produced.

The management of office at Sr.No.11 above (Sindh Text Book Board Jamshoro) replied that the record was being maintained.

Reply was not tenable as the record was not produced at the time of annual audit inspection. Reply was not received from remaining offices.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **8.4.3 Issuance of inferior quality books - Rs 222.656 million**

According to the Rule 6 of Sindh Text book board Rule regarding printing, publication and approval of book “A book approved for release as text book help and guide book by the Board shall be placed in the market in the same form, size and quality as originally submitted to and approved by the Board without any deterioration in respect of paper, printing, get up, contents or otherwise. The approval of the book or books concerned shall stand cancelled if there is any deviation, violation or infringement in any of the items mentioned in this rule”

During audit of the office of Chairman Sindh Text Book Board, Jamshoro for the financial year 2014-15 to 2015-16, it was observed that various books worth Rs 222.656 million were released for issuance as text books without rectification of errors pointed out in release orders. Neither approval of the books was cancelled nor was action taken against the contractor for supplying inferior quality books.

The matter was reported to the management in September 2016. The management replied that inferior books were rectified and for that purpose they had constituted a Rectification Committee. In support of constitution of Rectification Committee, the management produced photocopy of notification dated 24-7-2015. But detail of rectified books along with relevant record was not produced. Hence, reply of the management could not be verified.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

**(AIR #15)**

#### **8.4.4 Purchase of books on excessive rates - Rs 215.165 million**

The Sindh Text Book Board has to comply with instructions with regard to the production of books within the frame-work of its mutually approved formula exercised on “No profit no loss basis” strictly in accordance with the decision taken at the level of Interprovincial Co-ordinate committee chaired by the President of Pakistan on 26-11-1979.

During audit Sindh Text Book Board, Jamshoro for the year 2014-15 & 2015-16, it was observed that the department has purchased books on exorbitant rates through tender instead of pricing formula for fixing of price for various books which results in loss of Rs 215.165 million to the government.

The matter was reported to the management in September 2016. The management replied that tender was invited as per advice of World Bank and added that the work was awarded after completing all required formalities. However, in support of reply, the management did not produce record. Furthermore, the management did not respond about purchasing books on exorbitant rates without comparing the offered rates with the market rates. Hence, the reply of the management was not tenable.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#01)

#### 8.4.5 Advance purchase of furniture/equipment – Rs 63.699 million

According to Rule-290 of Central Treasury Rules, Volume-I, no money shall be drawn from the treasury unless it is not required for immediate disbursement. Further, it is not permissible to draw money from the treasury in anticipation of demand, or to prevent lapses of budget grant.

During audit of the office of Secretary Education & Literacy Department, Government of Sindh, Karachi for the year 2015-16, furniture and equipment of Rs 63.699 million were purchased for Public Schools in anticipation of actual demands despite the fact that buildings of the schools were under construction and not handed over as on 30<sup>th</sup> June 2016.

(Rupees in million)

ADP #	Name of the Scheme	Total cost of the P.C.I	Total cost of Capital	Total Capital Expenditure up to June 2016	% Utilization in capital	Assets purchased in Advance 2014-15	Total Assets purchased in Advance in 2015-16
157	Establishment of Public School Umerkot	249.236	234.537	191.378	81.60%	-	12.361
230	Estt: of Govt. Degree College at Bin Qasim and	326.368	305.086	246.121	80%	-	9.745



(Rupees in million)

ADP #	Name of the Scheme	Total cost of the P.C.I	Total cost of Capital	Total Capital Expenditure up to June 2016	% Utilization in capital	Assets purchased in Advance 2014-15	Total Assets purchased in Advance in 2015-16
	Landhi Town (3 units) Khi.						
168	Conversion of Selected Existing Schools	1513.44	1294.587	993.04	76.70%	22.508	9.723
158	Establishment of Public Schools (05 units) in Sindh	1332.611	1243.851	955.472	76.82%	-	9.362
<b>Total</b>		<b>3421.655</b>	<b>3078.061</b>			<b>22.508</b>	<b>41.191</b>

The matter was reported to the management during November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

**(AIR#13)**

#### **8.4.6 Improper/non-maintenance of accounts record – Rs 4,143.242 million**

As per Rule-34(b) of Sindh Financial Rules, Volume-I, “Cash book should be closed and balance each day and the balance of each column at the end of the month should be verified with the balance of cash in hand and a certificate to that effect recorded in the cash book under the signature of government servant responsible for the money”.

During audit of various offices of Education & Literacy Department, Government of Sindh, Karachi for the years 2012-13 to 2015-16, accounts record of Rs 4,143.242 million was not maintained properly. The details are given at Annex-2 of Chapter-8.

The following irregularities were noticed:

- i. Cash books were not maintained properly.
- ii. Financial statements were not prepared.
- iii. Accounts for various heads of account viz., G.P Fund & Benevolent Fund were not maintained.
- iv. Contractors' Ledger & Work Register were not maintained.

The matter was reported to the management during November 2015 & November 2016. The management of office at Sr.No.1 above (Sindh Text Book Board, Jamshoro) responded each of the AIR Para as given below:

**AIR Para #11:** The management replied that bank account with JS Bank was maintained by the Board, and added that they had attached copy of bank statement of said bank account. However, the copy of bank account of JS Bank was not found attached with the reply. Moreover, the management did not respond regarding details of bank accounts as well as funds like pension, group insurance, provident fund and benevolent fund. Hence, reply was not tenable.

**AIR Para # 12:** The management replied that they had submitted final budget and expenditure statement to the government but the same was not found attached with the reply.

**AIR Para # 9 & 8:** The management replied that separate accounts were being maintained but in support of reply, however, record was not produced.

Reply was not received from remaining offices. Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **8.4.7 Irregular investment of surplus fund - Rs 991.832 million**

According to the office memorandum issued vide No.F.4(1)/2002-BR.II Islamabad, the 2nd July, 2003, issued by Finance Division states the instructions for investing surplus working balances that:

- a. the bank/financial institution where money is deposited is holding a minimum ranking of "A" according to the rating awarded by the standard

- rating agencies on the panel of State Bank of Pakistan (Pakistan Credit Rating Agency, JCR-VIS credit rating company, Moody's Fitch's and standard and Poor's rating);
- b. prior to placing deposits with bank and in case of working balance exceeding 10 million, check that the bank selection has been made on the basis of competitive bids from at least three independent banks;
  - c. for investment in Non-Government securities, check that the investment of surplus funds in the non-Government securities/TFCs/Shares does not exceed 20% of the total funds under management. The above condition is not applicable on public sector enterprises/autonomous bodies that have statutory restrictions on their investing in non-Government securities; and

During audit of the office of Chairman Sindh Text Book Board, Jamshoro for the years 2014-15 to 2015-16, an amount of Rs 991.832 million was invested in various banks/financial institutions without obtaining competitive bids from three independent banks having considered banks' ranking and executing written agreements with the banks. In addition, over investment was made in non-Government securities for Rs 315.125 million which was more than 31% of total investment against the prescribed limit of 20%.

The matter was reported to the management in September 2016. The management replied that they had invested savings on competitive basis after observing required formalities.

The reply of the management was not found satisfactory as neither the management responded to the audit observation point-wise in detail nor produced relevant record.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault

(AIR#03)

#### **8.4.8 Procurement without observing formalities – Rs 755.372 million**

According to Rule 17(1) of SPPRA Rules 2010 "Procurements over one hundred thousand rupees and up to one million rupees shall be advertised by timely notifications on the Authority's website and may in print media in the manner and

format prescribed in these rules”. Further according to Para 146 of GFR Volume-I “Purchase orders should not be split up to avoid the necessity for obtaining the sanction of higher authority”

According to Rule 42, Sindh Public Procurement Rules 2010, “All bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the bidding documents.”

Furthermore, Rule 48 of Sindh Public Procurement Rules, 2010 states that if single bidder participates for the bidding process, the rates will be compared with market rates or last awarded contract.

During audit of various offices of Education & Literacy Department, Government of Sindh, Karachi for the years 2014-15 & 2015-16, procurement of Rs 755.372 million. The details are given at Annex-3 of Chapter-8.

Following irregularities were noticed:

- i. Works were split to avoid tenders.
- ii. Bid Evaluation Reports were not hoisted on SPPRA’s website.
- iii. Contracts were awarded despite withheld of Procurement ID by SPPRA.
- iv. Performance guarantee was not obtained prior to issuance of work orders.
- v. Offered rates were not compared with market rates in case of single bidder.

The matter was reported to the management during October 2015 & November 2016. The management of office at Sr.No.5 above (Sindh Text Book Board Jamshoro) responded AIR#34& 40 stating that they had incurred expenditure after observing codal formalities and in compliance with SPPR, 2010. However, management did not produce record in support of reply. Reply was not received from remaining offices.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

#### **8.4.9 Un-authorized retention of government money – Rs 608.893 million**

As per Rule-303 of Central Treasury Rules, “a contingent bill for payment to suppliers etc. which cannot be met from the permanent imprest may be endorsed for payment to the party concerned and the DDOs are suggested that in case of payments

to the suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid un-necessary delays and risk involved in the drawal and disbursement of cash.”

During audit of following offices of Education & Literacy Department, Government of Sindh, Karachi for the years 1999-2000 to 2015-16, it was observed that an amount of Rs 608.893 million was retained by drawing funds over and above the transactional demand from government treasury which results in blockage of government money at the close of financial year.

(Rupees in million)

Sr.#	Name of office	Financial Year	AIR Para #	Amount
1	Secretary Education & Literacy Government of Sindh, Karachi	2015-16	8	595.066
2	Second Sindh Education Sector Project (SERP-II)	2015-16	4.1.5	13.157
3	Principal Public School Hyderabad	1999-2000 to 2014-15	6	0.670
<b>Total</b>				<b>608.893</b>

The matter was reported to the management during April 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault

#### **8.4.10 Irregular payment through DDO’s account – Rs 444.895 million**

As per Rule-303 of Central Treasury Rules, “a contingent bill for payment to suppliers etc. which cannot be met from the permanent imprest may be endorsed for payment to the party concerned and the DDOs are suggested that in case of payments to the suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid un-necessary delays

During audit of following offices of Education & Literacy Department, Government of Sindh, Karachi for the financial year 2014-15 to 2015-16, funds of

Rs 444.895 million were deposited into various DDOs' accounts instead of direct crediting into accounts of actual vendors.

(Rupees in million)

Sr.#	Name of office	Financial Year	AIR Para #	Amount
1	Secretary Education & Literacy Government of Sindh, Karachi	2015-16	5	443.728
2	Director General Provincial Institute of Teacher Education Nawabshah	2015-16	13	0.658
3	Govt Degree Science College PECHS Foundation Karachi	2014-15	7	0.249
4	District Education Officer, Shaheed Benazirabad	2014-15	10	0.182
5	Govt Degree College 5L New Karachi	2013-14 & 2014-15	6	0.066
6	Govt Degree Girls Arts & Science College Baldia Town Karachi.	2014-15 & 2015-16	1	0.012
<b>Total</b>				<b>444.895</b>

The matter was reported to the management during January to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **8.4.11 Charging royalty from government – Rs 417.177 million**

According to the rule 10 of Sindh Text book board Rule regarding printing, publication and approval of book states that “the rate of royalty to be paid by the firms or dealers concerned for different types of textbooks shall be determined and notified by the Board as and when necessary”.

As describe in Wikipedia the definition of Book publishing royalties states that “All book-publishing royalties are paid by the publisher, who determines an author's royalty rate, except in rare cases in which the author can demand high advances and royalties.”

During audit of the office of Chairman Sindh Text Book Board, Jamshoro for the year 2014-15 to 2015-16, it was observed that an amount of Rs 417.177 million on account of royalty was charged from government on books purchased through tender instead charging the same from publisher.

The matter was reported to the management in September 2016. The management replied that royalty was collected on actual amount of printing cost of free text books supplied to the government as per practice since 2011-12. They added that royalty was not included in the bidding documents. They further added that government was not providing any financial support to the Sindh Text Book Board. Reply of the management was not found satisfactory as it was not supported with evidence.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#05)

#### **8.4.12 Execution of works without consultation of SMCs/CMCs – Rs 166.723 million**

As per letter issued by Works & Services Department, Government of Sindh, Karachi vide # B/1-4/ 2004 dated 19-06-2004, “active participation and monitoring of the School Management Committee is required to be made in the construction of schools.” Further read with Para3 (vii), (ix) & (x) ibid, “School Management Committees were the final authority for acceptance of tenders, payment to be released after verification of measurement by the School Management Committees, funds to be placed at the disposal of School Management Committees and cheques to be issued to contractors by the School Management Committees.”

During audit of following offices of Education & Literacy Department Government of Sindh, Karachi for the year 2014-15, it was observed that an expenditure of Rs 166.723 million was incurred on execution of various repair, renovation and rehabilitation works of Schools and Colleges without consultation with School Management Committees (SMCs) and College Management Committees (CMCs).

(Rupees in million)

Sr.#	Name of office	Financial year	AIR Para #	Amount
1	XEN, Education Works Division, Naushehroferoze	2014-15	38	143.670
2	XEN, Education Works Division, Khairpur	2014-15	20	23.053
<b>Total</b>				<b>166.723</b>

The matter was reported to the management in December 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **8.4.13 Payment of scholarship from endowment fund – Rs 117.629 million**

As per APPM4.12.1.4, “Before approval of a grant, the delegated authority must obtain an audited financial statement from the recipient body, to justify the requirement for the grant and to ensure any previous grants have been spent for the purpose intended. 4.12.1.5. once approved by the delegated authority, a claim for payment, accompanied by the relevant documentation (e.g. grant agreement, financial clearance) shall be submitted to the DAO/AG/AGPR office for certification, authorization and payment.”

During audit of the office of Secretary Education & Literacy Department, Government of Sindh, Karachi for the years 2015-16, an amount of Rs 117.629 million was paid from endowment fund for scholarship without requiring adjustment/detailed bills, the acknowledgement receipt of payees, income certificates, utility bills & students Mark Sheets in violation of rule.

(Rupees in million)

Sr. #	Particulars	Cheque No. & Date	Amount
1	IBA Sukkur (Renewal)	15656896/30.3.16	31.515
2	ISRA Islamic Foundation (Renewal)	15656914/5.4.16	19.095
3	IBA Karachi (Renewal)	15656916/30.3.16	16.254
4	ISRA Islamic Foundation (Renewal)	15656937/6.5.16	14.950
5	ISRA University Hyd. (Renewal)	15656895/1.4.16	13.470
6	Fast University Khi	15656939/3.5.16	7.855
7	C.M.C Larkana (Fresh)	15656924/26.4.16	4.362



(Rupees in million)

Sr. #	Particulars	Cheque No. & Date	Amount
8	IQRA University Khi	15656940/28.4.16	4.173
9	New port University Karachi	15656908/30.3.16	3.735
10	Sir Syed College of Medical Khi	12724211/19.11.15	1.320
11	Ziauddin University Karachi	12724201/31.8.15	0.900
<b>Total</b>			<b>117.629</b>

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#32)

#### 8.4.14 Withdrawal of funds in advance – Rs 80.800 million

According to Rule-290 of Central Treasury Rules, Volume-I, no money shall be drawn from the treasury unless it is not required for immediate disbursement. Further, it is not permissible to draw money from the treasury in anticipation of demand, or to prevent lapses of budget grant.

During audit of following offices of Education & Literacy Department, Government of Sindh, Karachi for the years 2014-15 & 2015-16, funds of Rs 80.800 million were drawn in advance to avoid lapse of funds in violation of a rule.

(Rupees in million)

Sr. #	Name of office	Head of Account	Cheque No.	Date	Financial year	AIR Para #	Amount
1	Secretary Education, Government of Sindh, Karachi	Repair of Office Building	2370503	06.06.2016	2015-16	4	50.000
			2370287	03.06.2016			30.000
2	Program Director (PMIU) Sindh Basic Education Program, Karachi	Electricity	Nil	3.6.2014	2014-15	4.2.5	0.400
		POL	157741	5.6.2014			0.400
<b>Total</b>							<b>80.800</b>

The matter was reported to the management during November 2015 & November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **8.4.15 Undue charge of fund over & above actual expenditure – Rs 72.964 million**

As per APPM at 3.3.12.6, all anticipated savings must be surrendered to the Government immediately as they are foreseen but no later than 15th May each year. Savings from funds provided after 15th May must be surrendered no later than 30 June. Stringent controls should be exercised in the spending of all potential or actual savings.

During audit of the office of Chairman Sindh Text Book Board, Jamshoro for the years 2014-15 to 2015-16, it was observed that fund of Rs 72.964 million were charged undue in excess of the actual expenditure and retained instead of surrender as detailed below:

		(Rupees in million)
Total Amount received / drawn through cheque from AG Sindh		1,740.000
Less charged expenditure		
1	Cost of Books	1,434.330
2	Income Tax	59.506
3	Royalty	220.920
4	Transportation Charges	8.890
5	Remuneration to FD Workers	2.525
6	Advertisement Charged	0.106
7	Miscellaneous	0.261
Total amount charged by STBB as per utilization Report		1,726.842
1	Less amount charged in excess in total	0.300
2	Less un-authorized charge of income tax	59.506
	Total undue charge	59.806
	Savings not surrendered	13.157
Total due amount as per calculation		1,667.035
<b>Excess amount drawn &amp; retained</b>		<b>72.964</b>

The matter was reported to the management in September 2016. The management replied that there was no budgetary allocation for salary & non-salary from the Finance Department, and added that savings were merged with next year's opening balance. However, the management did not respond about undue charge of

funds for un-authorized charge of income tax and excess charged amount due to wrong calculation.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends, inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#24)

#### **8.4.16 Non-imposition of penalty for delayed works – Rs 68.703 million**

According to clause-2 of the Contract Agreement, “the quantity of the work is to be done within particular time as specified within the proportionate limit of time, in the event of contractor failing to comply with this condition he shall be liable to pay as compensation an amount equal one per cent, or such smallest amount as the Superintending Engineer (whose decision in writing shall be final) may decide of the said estimated cost of the whole work for every day that the due quantity of work remains incomplete. Provided that the total amount of compensation to be paid under the provisions of this clause shall not exceed 10 per cent of the estimated cost of the work as shown in the tender”.

During audit of various offices of Education & Literacy Department Government of Sindh, Karachi for the years 2014-15 & 2015-16, it was observed that works awarded to various contractors were not completed within the stipulated period. Thus liquidated damages of Rs 68.703 million were required to be imposed upon the contractors, which was not done. The details are given at Annex-4 of Chapter-8.

The matter was reported to the management during October 2015& November 2016. The management of office at Sr.No.11 above (Executive Engineer Education Works Division Naushehro Feroze) replied that extension of time for completion of work was allowed to the contractors under clause-6 of the contract agreement after fulfillment of all legal formalities. In support of reply, the management produced requests submitted by M/s S.R Construction Company for extension of time and extension orders but neither the dates were mentioned on requests nor on extension orders. However, in respect of M/s ShamsuddinVighio (Government Contractor) no documentary evidence was made available. Reply was not received from remaining offices.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

#### **8.4.17 Imprudent borrowing resulting in non-utilization - Rs 57.598 million**

According to Public School Hyderabad, “Financial Rules” 1979 Clause-16 of Chapter-VII, the Principal may invest the surplus fund in the light of Board Resolutions. All the investment shall be recorded in the investment register along with the details of interest.

During audit of the office of Principal Public School Hyderabad for the financial years 1999-2000 to 2014-2015, management obtained a loan of Rs 21.700 million and Rs 35.898 million during the years 2007-08 and 2010-11 respectively, and refunded Rs 11.700 million and Rs 25.700 million without utilization in the same financial years after paying interest of Rs 1.902 million. The loans were obtained without the approval of the Board of Governors, and without assigning the reasons of obtaining loans, and this practice results in loss of Rs 1.902 million on account of interest expense to the government.

(Rupees in million)

<b>Financial Year</b>	<b>Loan amount</b>	<b>Refunded amount</b>	<b>Interest paid</b>
2007-2008	21.700	11.700	0.378
2010-2011	35.898	25.700	1.524
<b>Total</b>	<b>57.598</b>	<b>37.400</b>	<b>1.902</b>

The matter was reported to the management in November 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

**(AIR#08&34)**

#### **8.4.18 Unauthorized payment of allowances - Rs 54.829 million**

According to Rule-88 Sindh Financial Rule Volume-I, “every officer is expected to exercise the same vigilance in respect of expenditure incurred from the public money, as a person of ordinary prudence would exercise in respect of expenditure of his own money” read with notification of Finance Department Government of Sindh No.FD(SR-III) 5-27/2009 dated 5<sup>th</sup> August 2011. “Project Allowance will be admissible at the notified uniform rates with effect from 1<sup>st</sup> August 2011.”

During audit of various offices of Education & Literacy Department, Government of Sindh, Karachi for the years 2014-15 & 2015-16, an amount of Rs 54.829 million was paid on account of various allowances over & above as sanctioned by the government. The details are given at Annex-5 of Chapter-8.

The matter was reported to the management in October 2015 & November 2016. The management of office at Sr.No.1 above (Sindh Text Book Board Jamshoro) replied that they had their own rules and regulations pertaining to employees’ pay & pension.

The reply was not tenable as the management did not respond to the audit observation. Reply was not received from remaining offices.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing of responsibility on the person(s) at fault.

#### **8.4.19 Non-crediting of government Revenue – Rs 26.914 million**

According to Rule 41(a) of Sindh Financial Rules Volume-I, the Departmental Controlling Officer should see that all sums due to Government are regularly received and checked against demands and that they are paid into treasury.

During audit of following offices of Education & Literacy Department, Government of Sindh, Karachi for the years 2014-15 & 2015-16, an amount of Rs 26.914 million was recovered from contractors on various heads of account but the same was not deposited into government treasury.

(Rupees in million)

Sr. #	Name of office	Particulars	Financial Year	AIR Para #	Amount
1	Executive Engineer Education Works Division Ghotki	Misc. deposits	2014-15	7	12.691
2	Program Director (PMIU) USAID Sindh Basic Education Program, Karachi	Forfeited security	2014-15	4.2.4	8.024
3	Executive Engineer Education Works Division Sukkur	Income tax	2014-15	1	3.083
4	Executive Engineer Education Works Division Hyderabad	Income tax	2015-16	17	1.288
5	Executive Engineer Education Works Division Mirpurkhas	Income tax	2015-16	4	1.011
6	Executive Engineer Education Works Division Naushero Feroze	Misc. deposits	2014-15	8	0.590
8	Executive Engineer Education Works Division Jamshoro	Income tax	2014-15	9	0.227
<b>Total</b>					<b>26.914</b>

The matter was reported to the management during October 2015 to November 2016. The management of office at Sr.No.8 above (Executive Engineer Education Works Division Naushehro Feroz) replied that the security deposit was refunded to the contractors on expiry of three months after completion of works.

The reply was not convincing as no documentary evidence was made available. No reply was received from other institutions. Reply was not received from remaining offices.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **8.4.20 Payment of leave encashment without admissibility – Rs 24.720 million**

As per Leave Rules-1986 “a civil servant, may fifteen months before the date of superannuation or thirty years qualifying service on or after the first July, 1983, at his option, be allowed, to en-cash his earned leave preparatory to retirement if he under takes in writing to perform duty in lieu of the whole period of three hundred and sixty five days or lesser period which is due and admissible”

During audit of the office of Chairman Sindh Text Book Board, Jamshoro for the year 2014-15 to 2015-16, an amount of Rs 24.720 million was paid to various officers/officials on account of leave encashment without considering the date of superannuation or thirty years qualifying service of employees as per Leave Rules 1986.

The matter was reported to the management in September 2016. The management replied that STBB was a semi-autonomous body and governed by its own rules and regulation relating to employees pay and pension which were approved by the Board of Governors. They added that leave encashment was being paid in all boards/Universities on overall available leave balances. In support of reply, the management did not produce relevant record, i.e., Rules and Regulations of the Board approved from the competent forum. Hence, reply of the management could not be verified.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

(AIR#18)

#### **8.4.21 Expenditure without project assignment account– Rs 24.503 million**

As per Para 17.2.1 of the Accounting Policies and Procedures Manual “An assignment account is a separate bank account opened in favour of a delegated authority, into which funds are released for specified purposes. An assignment account may be drawn on by the delegated authority (located in a spending Division or Department) without the requirement for certification and authorization by the DAO/AG/AGPR. In cases where a project or other activity receives both GoP funding and foreign donor funding, separate Rupee and \$ US assignment accounts must be maintained.

During audit of the Sindh Global Partnership for Education Project for the year 2014-15, an expenditure of Rs 24.503 million was incurred under Sindh Global Partnership for Education Project without having proper & separate Assignment Account / Cost Centre for the project. Instead the expenditure was met out from the Assignment Account of the “Sindh Education Reform Program”. Moreover, project was initiated without approval of PC-I which is essential procedure for initiating the Project.

The matter was reported to the management in November 2015 but no reply was received.

Despite written request no DAC meeting was convened by the PAO.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(ML# 4.1.1 & 4.2.1)

#### **8.4.22 Non-credit of monthly pension contribution in pension fund- Rs 18.966 million**

According Para-4 of the Sindh Text Book Board, Jamshoro (Employee's Pension) Regulation 1985 issued vide notification No. STBB/ESTT/870/(85) dated 13-11-1985, there shall be a fund known as Employees Pension Fund, which shall be utilized for the grant of pension and gratuity. Any money of the fund not required for immediate use may be invested in such securities or schemes as may be approved by Government.

During audit of the office of Chairman Sindh Text Book Board, Jamshoro for the years 2014-15 to 2015-16, it was observed that an amount of Rs 18.966 million was not credited in Pension Contribution fund as per formula of monthly pension contribution.

The matter was reported to the management in September 2016. The management replied that rules and regulations relating to employees' pay & pension were approved by Board of Governors of STBB, and added that they had noted audit observation relating to maintain a separate bank account. However, the management did not produce evidence of crediting pension fund in a separate bank account.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#02)



#### **8.4.23 Cash payment instead of cross cheques - Rs 16.065 million**

As per Finance Department, Government of Sindh, Karachi letter No. FD(1-II)1(10)/2006 dated 12-09-2006 “Claims on account of purchases of material supplied and services rendered exceeding Rs 10,000 are payable through cheques to the suppliers in order to ascertain the transparency and accuracy”. Further, as per Accountant General Sindh, Karachi circular No. TM/Policy/556 dated 16-04-2007 “The salary and other personal claims of Government employees are required to be paid through their bank accounts and no payment may be made to them in cash”.

During audit of the office of Chairman Sindh Text Book Board, Jamshoro for the year 2014-15 to 2015-16, an amount of Rs 16.065 million was drawn in cash for payment to suppliers instead of direct crediting in the respective accounts of vendors through cross cheque.

The matter was reported to the management in September 2016. The management replied that adjustments of advances had already been made.

Reply of the management was not tenable as the management did not respond about cash payment instead of direct crediting in favour of payee.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

**(AIR#25)**

#### **8.4.24 Advertisement charges for politically affiliated announcements - Rs 4.477 million**

According to rule-23 of GFR Volume-I, every Government officer should realize fully and clearly that he will be personally responsible for any loss sustain by Government through fraud or negligence on his part and that he will also be responsible for any loss arisen by fraud or negligence on the part of any other Government official to the extent of which it may be shown that he contribute to the losses by his own action or negligence.

During audit of the office of Chairman Sindh Text Book Board, Jamshoro for the year 2014-15 & 2015-16, an amount of Rs 4.477 million was spent under the head of account advertisement charges pertaining to the politically affiliated announcements / slogans.

The matter was reported to the management in September 2016. The management replied that other Boards/Universities were in the practice of giving advertisement on various occasions.

The reply of the management was not tenable as the management did not respond about observation raised instead they only cited irregular acts of other entities.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

(AIR#31)

#### 8.4.25 Non-adjustment of advances – Rs 4.156 million

As per Para-668 of Central Treasury Rules, Volume- 1, "Advances granted under special orders of the competent authority to officers/officials for departmental or allied purposes may be drawn on the responsibility and receipt of the officers for whom they are sanctioned subject to adjustment by submission of detailed account supported by vouchers or by refund as may be necessary".

During audit of following offices of Education & Literacy Department, Government of Sindh, Karachi for the years 2014-15 & 2015-16, it was observed that an amount of Rs 4.156 million was paid on account of miscellaneous advances but neither the same were adjusted nor recovered.

(Rupees in million)

Sr. #	Name of offices	Financial year	AIR Para #	Amount
1	Chairman Sindh Text Book Board Jamshoro	2014-15 & 2015-16	30	2.799
2	XEN, Education Works Division, Hyderabad	2015-16	14	0.469
3	XEN, Education Works Division, Naushehroferoze	2014-15	27	0.363
4	XEN, Education Works Division, Kamber Shahdaskot	2014-15	11	0.288
5	XEN, Education Works Division, Mirpurkhas	2015-16	18	0.237
<b>Total</b>				<b>4.156</b>

The matter was reported to the management during December 2015 & November 2016. The management of office at Sr.No.1 above (Sindh Text Book Board, Jamshoro) replied that adjustments of advances had been made and added that they had directed employees to adjust their remaining advances as soon as possible. The reply is not tenable as there is contradiction in management's reply.

The management of office at Sr.No.3 above (Executive Engineer Education Works Division Naushehro Feroz) replied that advance payment was made to SEPCO. They added that the electricity charges were reconciled with SEPCO authorities but documentary evidence was not made available. Reply was not received from remaining offices.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **8.4.26 Appointment/posting of Assistant Professors/Lecturers to cadre posts – Rs 3.318 million**

Section-133 of Sindh Budget Manual, states that, “no government servant should, however, without previously obtaining an extra appropriation, incur expenditure in excess of the amounts provided under the heads concerned. When a government servant exceeds the annual appropriation he runs the risk of being held responsible for the excess.”

During audit of the office of Secretary Education & Literacy Department, Government of Sindh, Karachi for the years 2015-16, an expenditure of Rs 3.318 was incurred on account of pay & allowances of Lecturers/Asstt. Professors whose postings were made on the cadre posts of Deputy/Additional Secretaries (Technical). Following irregularities were noticed:

- i. The posts of Deputy / Additional Secretary (Technical) were not sanctioned in the budget book.
- ii. The postings were made in violation of the decision of Honorable Supreme Court of Pakistan.
- iii. Criteria of merit was not opted.

- iv. As per Second Sindh Education Sector Program (SERP-II) agreed with the World Bank and it is one of the Disbursement Linkage Indicator (DLI) that all field posts will be filled in through cadre officers but non-cadre officials were appointed on cadre posts.

(Rupees in million)

Sr. #	Name of the officials	Post Held	Amount Paid
1	Ms Aziz Fatima	Additional Secretary (Tech)	1.420
2	Iqbal Ahmed Jumani	Additional Secretary (Tech)	1.162
3	Dr. FoziaNaeem Khan	Deputy Secretary (Technical)	0.736
<b>Total</b>			<b>3.318</b>

The matter was reported to the management during November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#21)

#### **8.4.27 Hiring of retired employees – Rs 3.157 million**

According to SL No. 134 of Esta Code (c) a retired civil servant or a retired officer of the armed forces, reemployed against a higher post, may be allowed the last pay drawn.

During audit of the office of Chairman Sindh Text Book Board, Jamshoro for the year 2014-15 & 2015-16, an amount of Rs 3.157 million was paid to the various retired employees who were appointed in the board after retirement at the fixed remuneration in violation of the government rules and instructions of Apex court. In addition, the pension of the re-employed employees was required to be linked before fixation of pay of the post.

The matter was reported to the management in September 2016. The management replied that the services of four subject specialist were engaged against fixed remuneration of Rs 60,000 per month as per decision of Board of Governor, and added that the temporary engagement was discontinued in August 2016. They further added that reemployment was not allowed to retired employees of STBB. However, in

support of reply, the management did not produce relevant record, i.e., decision of Board of Governors of STBB.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

(AIR#39)

#### 8.4.28 Excess payment of leave encashment – Rs 1.778 million

As per Leave Rules-1986 “a civil servant, may fifteen months before the date of superannuation or thirty years qualifying service on or after the first July, 1983, at his option, be allowed, to encash his earned leave preparatory to retirement if he under takes in writing to perform duty in lieu of the whole period of three hundred and sixty five days or lesser period which is due and admissible”

As per office memorandum # FD(SR.IV)/1-4/82 dated 27-08-1983 issued by the Finance Department Government of Sindh, at Sr. # “Encashment of LPR upto one year (365 days) is admissible to Government Servants provided the LPR is not refused by Government in public interest”.

During audit of the office of Chairman Sindh Text Book Board, Jamshoro for the years 2014-15 to 2015-16, it was observed that an amount of Rs 3.401 million was paid to Mr.Fayyaz Hussain Qazi, Senior Publication Officers on account of encashment of earned leaves of 765 days instead of maximum limit of 365 days as admissible under the rules.

(Rupees in million)

Date	Name of Payee	Head of A/c	Cheque #	Payment for 765 days	Payment due for 365 days	Excess Payment
7/6/2016	Fayyaz HussianQazi	Leave Encashment of LPR	19550490	3.401	1.623	1.778

The matter was reported to the management in September 2016. The management replied that STBB was a semi-autonomous body and governed by its own rules and regulation relating to employees pay and pension which were approved by the Board of Governors. They added that leave encashment was being paid in all boards/Universities on overall available leave balances. In support of reply, the

management did not produce relevant record, i.e., Rules and Regulations of the Board approved from the competent forum. Hence, reply of the management could not be verified.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

(AIR#17)

#### **8.4.29 Non-utilization of funds – Rs 8,309.783 million**

As per para-12 of G.F.R Volume-I, “A controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided In order to maintain a proper control he should arrange to be kept informed not only of what has actually been spent from an appropriation but also what commitments and liabilities have been and will be incurred against it. He must be in a position to assume before Government and the Public Accounts Committee if necessary complete responsibility for departmental expenditures and to explain or justify any instance of excess or financial irregularity that may be brought to notice as a result of audit security or otherwise.”

During audit of various offices of Education & Literacy Department, Government of Sindh for the years 2014-2015 to 2015-16, it was observed that funds of Rs 8,309.783 million were not utilized for intended purposes. The details are given at Annex-6 of Chapter-8.

The matter was reported to the management during October 2015 to November 2016. The management of office at Sr.No.6 above (Executive Engineer Education Works Division Naushehro Feroz) replied that the released funds were neither utilized nor surrendered to the government due to the unavoidable technical reasons at sites. The reply was not tenable as the reasons were not mentioned clearly. However, the comments over release of funds against completed works under MPA’s Priority Program were not offered by the management. Reply was not received from remaining offices.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **8.4.30 Non-recovery of outstanding dues – Rs 84.356 million**

According to Rule 41(a) of Sindh Financial Rules Volume-I, “the Departmental Controlling Officer should see that all sums due to Government are regularly received and checked against demands and that they are paid into treasury.”

During audit of various offices of Education & Literacy Department, Government of Sindh, Karachi for the years 2014-15 & 2015-16, it was observed that an amount of Rs 84.356 million was lying outstanding which was not recovered. The details are given at Annex-7 of Chapter-8.

The matter was reported to the management during December 2015 & November 2016. The management of office at Sr.No.1 (Sindh Text Book Board Jamshoro) responded each of the AIR Para as given below:

AIR Para # 19: The management replied that recovery had been made but they had not produced challan in support of reply.

AIR Para # 13: The management did not reply.

Reply was not received from remaining offices. Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit requires recovery of dues besides fixing of responsibility on the person(s) at fault.

#### **8.4.31 Non/Less deduction of income tax – Rs 73.578 million**

According to letter No.ACIR/unit-05/WHT Zone/RTO-III/KHI/2014/178 dated 31/07/2015 regarding changes in rates of deduction under various sections of Income Tax Ordinance 2001 for the tax year 2015 for “Filers” & “Non-Filers” are payable against the rules as follows.

Description		Tax Rate from 01-07-2015 on ward	
		Filers of Tax Return	Non-Filers
<b>Sales of Goods-Section 153(1)(a)</b>			
1	Companies	4%	6%
2	Other than Companies	4.5%	6.5%
<b>Supply of Services-Section 153 (1)(b)</b>			
1	Companies	8%	12%
2	Other than Companies	10%	15%
<b>Contract payments to residents section 153 (1)(c)</b>			
1	Companies	7%	10%
2	Other than Companies	7.5%	10%
<b>Brokerage &amp; Commission Section 233</b>			
1	Advertisement agencies	10%	15%
2	Other cases	12%	15%

During audit of various offices of Education & Literacy Department, Government of Sindh, Karachi for the years 1999-2000 to 2015-16, it was observed that an amount of Rs 73.578 was not recovered on account of Income tax from the bills of contractors/suppliers at source. Thus government sustained loss of Rs 73.578 million due to non-recovery of income tax. The details are given at Annex-8 of Chapter-8.

The matter was reported to the management during November 2015 & November 2016. The management of office at Sr.No.1 above (Sindh Text Book Board Jamshoro) replied that income tax @4.5% was deducted as per past practice, and added that they had noted audit observation.

Reply of the management was not satisfactory and the amount of income tax on account of less deduction was still outstanding. Reply was not received from remaining offices.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.



#### 8.4.32 Payment to staff working in excess of sanctioned strength – Rs 44.542 million

Section-133 of Sindh Budget Manual, states that, “no government servant should, however, without previously obtaining an extra appropriation, incur expenditure in excess of the amounts provided under the heads concerned. When a government servant exceeds the annual appropriation he runs the risk of being held responsible for the excess”.

During audit of following offices of Education & Literacy Department, Government of Sindh, Karachi for the financial year 2014-15 & 2015-16, payment of Rs 44.542 million was allowed on account of Pay & Allowances to the staff working in excess of sanctioned strength.

(Rupees in million)

Sr. #	Name of office	Particulars	Financial Year	AIR Para #	Amount
1	Principal Shah Latif Girls College Hyderabad	23 lecturers and 01 Assistant working in excess over sanctioned strength	2014-15	2	32.815
2	Chairman Sind Text Book Board, Hyderabad	05 employees in BPS-19 working over & above sanctioned strength	2014-15 & 2015-16	41	11.727
<b>Total</b>					<b>44.542</b>

The matter was reported to the management during November 2015 & September 2016. The management of Sindh Text Board Jamshoro replied that the salary expenditure was increased due to up-gradation of some posts by Board of Governors of STBB but the management did not produce record in support of reply. Likewise, the management of Principal Girls College Hyderabad did not reply.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

### 8.4.33 Non-deduction of Sindh Sales Tax on Services – Rs 33.513 million

As per Section 8 (1) chapter II of The Sindh Sales Tax on Services Act, 2011 states: “ Subject to the provisions of this Act, there shall be charged, levied and collected a tax known as sales tax on the value of taxable service at the rate specified in the Schedule in which the taxable service is listed.” Further section 9 (2) chapter II states: “Where a service is taxable by virtue of sub-section (2) of section 3, the liability to pay the tax shall be on the person receiving the service.” And as per Second Schedule of The Sindh Sales Tax on Services Act, 2011, the rate of tax is 14% on services provided or rendered by persons engaged in contractual execution of work or furnishing supplies.

During audit of following offices of Education & Literacy Department Government of Sindh, Karachi for the financial year 2014-15 to 2015-16, it was observed that Sindh Sales Tax on Services of Rs 33.513 million was not deducted from the contractors’ bills.

(Rupees in million)

Sr.#	Name of offices	Financial Year	AIR Para #	Amount
1	Executive Engineer Education Works Division, Hyderabad	2015-16	15	21.171
2	Secretary Education & Literacy Government of Sindh, Karachi	2015-16	2	8.685
			29	0.209
3	District Education Officer, Shaheed Benazirabad.	2014-15	7	2.420
4	Executive Engineer Education Works Division, Shaheed Benazirabad	2015-16	3	0.601
5	Director General Provincial Institute of Teacher Education Nawabshah	2015-16	14	0.427
<b>Total</b>				<b>33.513</b>

The matter was reported to the management during December 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### 8.4.34 Non-deduction of General Sales Tax– Rs 22.035 million

According to Rule 2 (2) of S.R.O. 660(I)/2007 dated 30th June, 2007, a withholding agent shall deduct an amount equal to one fifth of the total sales tax shown in the sales tax invoice issued by the supplier and make payment of the balance amount to him.

During audit of following offices of Education & Literacy Department Government of Sindh, Karachi for the financial year 2014-15 to 2015-16, it was observed that General Sales Tax of Rs 22.035 million was not deducted from the contractors' bills.

(Rupees in million)

Sr.#	Name of offices	Financial Year	AIR Para #	Amount
1	Secretary Education & Literacy Government of Sindh, Karachi	2015-16	6	19.52
2	Project Director Sindh Elementary Teachers Training Project (CIDA)	2014-15	4.1.2	1.248
3	Director General Provincial Institute of Teacher Education Nawabshah	2015-16	15	0.928
4	Executive Engineer, Education Works Division, Nausheroferoze	2014-15	42	0.339
<b>Total</b>				<b>22.035</b>

The matter was reported to the management during December 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### 8.4.35 Non-recovery of stamp duty – Rs 6.455 million

As per Para 22-A of Stamp Act, “It is the duty of the competent authority to recover the stamp duty and affix the same, while execution of agreement @ 0.30 paisa per hundred rupees of the value of the agreement or against tender cost”.

During audit of following offices of Education & Literacy Department, Government of Sindh, Karachi for the year 2014-15-20 to 2015-16, it was observed that various agreements were executed without obtaining stamp duty of Rs 6.455 million which results in loss to government.

(Rupees in million)

Sr.#	Name of office	Financial Year	AIR Para #	Amount
1	Chairman/Secretary Sindh Text Book Board Jamshoro	2015-16	23	4.877
2	Secretary Education & Literacy Government of Sindh, Karachi	2015-16	1	1.212
3	Executive Engineer Education Works Division, Jamshoro	2014-15	8	0.247
4	Executive Engineer Education Works Division, Khairpur	2014-15	25	0.119
<b>Total</b>				<b>6.455</b>

The matter was reported to the management during January 2015 & November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **8.4.36 Non-recovery of the interest income against the offered rate– Rs 1.500 million**

As per letter No HYD/2015/112 dated 18-05-2015 of Allied Bank Limited Citizen Colony Branch Hyderabad, the rate of profit on the investment was allowed @ 8% over an investment of Rs 200.000 million.

During audit of the office of Chairman Sindh Text Book Board, Jamshoro for the years 2014-15 & 2015-16, it was observed that the bank allowed/offered interest @8% over an investment of Rs 200.000 million. However, investment of Rs 100.000 million was made with the bank and in return the bank allowed interest at reduced rate, i.e., @ 6.50% instead of 8% which results in short realization of interest income to the extent of Rs 1.500 million.

The matter was reported to the management in September 2016. The management replied that the matter was already taken up with the President of A.B.L and inquiry was being conducted by the bank against the responsible person of concerned branch.

The reply of the management was not tenable as the management did not respond about investment of Rs 200.000 million which was earlier agreed with the bank but the investment was lesser than agreed.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measure to recover the loss.

**(AIR#29)**

#### **8.4.37 Registration of official vehicle in favour of employee – Rs 1.249 million**

According to Public School Hyderabad, “Financial Rules” 1979 Chapter-VII, Clause-17 all the properties of the school shall be held in the name of Public School, Hyderabad, Departmental officers shall maintain stock registers in prescribed forms, showing the property held in the name of the School, both movable and immovable with the particulars and value of such also be recorded in the register

During audit of the office of Principal Public School Hyderabad for the years 1999-2000 to 2014-2015, a Honda Civic Car was purchased of Rs 1.249 million during the year 2003-2004 which was made registered in the name of Mr. Syed MazharTuafail Shah, Retired Principal, Public School, Hyderabad instead of in the name of Principal, Public School, Hyderabad. The car has not been made registered yet in name of school.

The matter was reported to the management in the month of November 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

**(AIR#05)**

## **CHAPTER-9**

### **ENERGY DEPARTMENT**

#### **9.1 Introduction**

Energy Department deals with strategic management of coal & energy sector, determining policies in respect of exploration and development of coal and lignite reserves, sanctioning of important projects and deciding all related issues in Sindh.

#### **9.2 Comments on the Budget and Accounts (Variance Analysis)**

The Department consists of 09 formations (DDOs), out of which 05 formations were selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget and expenditure of the department:

(Rupees in million)

<b>Original Budget/ Grant</b>	<b>Supplementary Grant</b>	<b>Re-appro: (+) (-)</b>	<b>Revised Budget 2014-15</b>	<b>Departmental Expenditure</b>	<b>Variation (Excess)/ Savings</b>
3,142.658	2,423.889	884.454	6,451.001	5,538.701	912.299

The department was unable to spend the allocated budget in time. As a result, savings of Rs 912.299 million was observed which was not surrendered in time.

#### **9.3 Brief comments on the compliance of PAC directives**

This department was not included in the audit reports (1992-93 to 2009-10) discussed by the PAC.

## **9.4 AUDIT PARAS**

### **9.4.1 Non-production of record – Rs 3,876.708 million**

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During the audit of following offices of Energy Department, Government of Sindh for the years 2014-15 & 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 3,876.708 million remained unaudited. The details are given at **Annex-1** of Chapter-9.

The matter was reported to the management during August 2015 and November 2016. The DAC meeting was held on 17 January 2017. The clarification of the management of the offices serial number-wise (refer Annex-1) and DAC directives are given below

- 1) The management clarified that all record pointed out in the Para is available for audit. The DAC directed the management to produce record for audit.
- 2) The management clarified that the record is available for audit. Audit pointed out that it was a hindrance in audit functions. The DAC decided to seek explanation at the level of concerned PAO (Secretary, Irrigation) and directed to produce record to audit.
- 3) The management clarified that their office has released the funds to Sindh Coal Authority; therefore, audit of record at the site of executing office was required being custodian of the record. The DAC decided that audit will revisit the Para to check that released funds were audited by the audit team during audit inspection of the Sindh Coal Authority.

Audit recommends compliance with DAC directives.

#### **9.4.2 Misprocurement due to non-inviting of international tenders – Rs 7,634.638 million**

As per Rule-15(2) of SPPRA, 2010, international competitive bidding shall be the default method of procurement for all procurements with an estimated cost equivalent to US \$ 10 million or above.

During audit of office of Director General, Sindh Coal Authority, Karachi for the year 2015-16, it was observed that procurement for Rs 7,634.638 million was made without calling international tender in violation of above rule. Audit was of the view that deviation from above rules tantamount to misprocurement.

The matter was reported to the management in November 2016. The DAC meeting was held on 17 January 2017. The management clarified that approval for National Competitive Bidding has been obtained from Secretary Energy Department under Rule 15(b)(iii) of SPPR, 2010, which allowed such procedure with approval of head of department. Audit pointed out that Rule 15(b) (iii) is conditional and enquired whether its conditions have been met before adopting national competitive bidding instead of international tendering. The DAC directed the management to produce record to audit for verification of observing the requirement of rules. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

**(AIR#07)**

#### **9.4.3 Payment to HESCO through double vendor numbers –Rs 3,294.149 million**

As per Rule-23 of General Financial Rules, Volume-I, every Government officer should realized fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

During audit of office of Director Electricity Monitoring & Reconciliation Cell, Energy Department for the year 2014-15 & 2015-16, it was observed that payment of Rs 3,294.149 million was made to HESCO Hyderabad through two different vendor numbers with different descriptions. The existence of two different vendor numbers



and payment of electricity bill amounts into two different vendor numbers for a single utility was irregular. The details are as under:

(Rupees in million)

<b>Payment to HESCO with 02 different vendors</b>						
<b>Token#</b>	<b>Posting Dt.</b>	<b>Doc. No.</b>	<b>Vendor No.</b>	<b>Vendor Name</b>	<b>Cheque No.</b>	<b>Amount</b>
28918	01.10.2015	1900049217	30261872	HESCO	2145041	1,000.000
50212	05.11.2015	1900079998	30261872	HESCO	2164200	997.657
108224	28.01.2016	1900188514	30075745	HESCO	2214589	960.920
211885	06.06.2016	1900437239	30261872	HESCO	2370295	310.420
172687	19.05.2016	1900381289	30261872	HESCO	2312686	25.152
<b>Total</b>						<b>3,294.149</b>

The matter was reported to the management in November 2016. The DAC meeting was held on 17 January 2017. The management clarified that issuance of vendor number is mandate of AG Sindh. The DAC directed the management to approach AG Sindh through a letter to get the matter resolved and produce record to audit for verification. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

**(AIR#01)**

#### **9.4.4 Unjustified posting of executive engineers for reconciliation of electricity consumption**

As per procedure of the Government of Sindh, Departments are required to pay the electricity bills to K-Electric, HESCO and SEPCO after the meter reading has been carried by the controlling officer of formation of the department, representatives of electric utility and the Director Electricity Monitoring & Evaluation Cell (EM&RC) of the Energy Department. The EM&RC then forwards the information to the Finance Department for the amounts of the electricity to be paid by the formation of each department.

During audit of office of Director Electricity Monitoring & Reconciliation Cell, Energy Department for the years 2014-15 & 2015-16, it was observed that the directorate created five regional centers to carry out its functions. The executive engineers in the regional centers are posted without any proper setup. Besides, it was

duplication of the functions for which the posts were created. The Electric Inspectors of the Energy department posted in the regional centers could easily serve the purpose of the Cell. Further, there was no complicated/technical nature requiring the job to be done. There is a simple proforma that the executive engineers are required to fill and dispatch to the Cell.

The matter was reported to the management in November 2016. The DAC meeting was held on 17 January 2017. The management clarified that the EM&RC is functioning to reconcile the electric billing. Audit pointed out that Electric Inspector can perform the role of reconciliation, hence, justification of appointment of XENs required. The DAC directed the management to submit revised reply elaborating the role of XENs in EM&RC for verification by audit. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

**(AIR#04)**

#### **9.4.5 Unjustified payment to K-Electric-Rs 4,981.454 million**

As per procedure of the Government of Sindh, departments are required to pay the electricity bills to K-E, HESCO and SEPCO after the meter reading has been carried by the controlling officer of formation of the department, representatives of electric utility and the Director Electricity Monitoring & Evaluation Cell (EM&RC) of the Energy Department. The EMRC then forwards the information to the Finance department for the amounts of the electricity to be paid by the formation of each department.

During audit of office of Director Electricity Monitoring & Reconciliation Cell, Energy Department, for the year 2014-15 & 2015-16, it was observed that payments of Rs 4,981.454 million were made to K-Electric on account of electricity charges for various Sindh Government offices, which were unjustified as:

- i. There was conflict of interest in payment made to K-Electric and there was lack of transparent reconciliation mechanism; the reconciliation of K-Electric bills is carried out by a consultant who already worked in K-Electric.

- ii. Further, such a huge payment was made through consultant and without participation of PAO/Director/DDO/or any other senior officer of Energy Department to ensure the transparency and sense of probity & propriety.

The matter was reported to the management in November 2016. The DAC meeting was held on 17 January 2017. The management clarified that the consultant was hired on open competition basis with the condition of 10 years experience in electric distribution company. They added that EM&RC reconciles the billing and payment is released upon verification of consultant. Upon query from Audit, the management clarified that it was not only the consultant on whose verification payment was made but there was an organizational setup to check corrections of the bills.

The DAC directed the management to submit a revised reply elaborating the procedure/approval process for verification by audit. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

(AIR#05)

#### **9.4.6 Non-crediting of interest on mobilization advance into government treasury—Rs 35.179 million**

As per Rule-23 of General Financial Rules, Volume-I, every government officer should realized fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

During audit of office of Director General, Sindh Coal Authority, Karachi for the year 2015-16, it was observed that an amount of Rs 35.179 million was deducted from the bills of contractors on account of interest on mobilization advance but same amount was not deposited in government treasury. Detail is as under:

(Amount in Rupees)

<b>Sr. #</b>	<b>Name of contractor</b>	<b>Amount of interest collected</b>
1	M/s Sharrukh	13,909,744
2	M/s Umer Jan & Co	8,459,986
3	M/s Zarghoon Enterprises (Pvt) Ltd	7,439,742
4	M/s Sachal Engineering Work	5,369,425
<b>Total</b>		<b>35,178,897</b>

The matter was reported to the management in November 2016. The DAC meeting was held on 17 January 2017. The management clarified that the interest was deducted from the bills and the cheque was sent to Secretary Finance Department but the same was returned with advice to get it deposited into treasury. The DAC directed that management to deposit the receipt into Govt. account within one week and produce record to audit for verification. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

(AIR #9)

#### 9.4.7 Irregular withdrawal by DDO instead of actual payee – Rs 4.316 million

As per Rule-303 of Central Treasury Rules, “A contingent bill for payment to suppliers etc which cannot be met from the permanent imprest may be endorsed for payment to the party concerned and the DDOs are suggested that in case of payments to the suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid un-necessary delays and risk involved in the withdrawal and disbursement of cash.”

During audit of following offices of Energy Department, Government of Sindh for the years 2014-15 & 2015-16, it was observed that expenditure of Rs 4.316 million was incurred under various heads of accounts but the payment was made through DDO account instead of cross cheques in favour of the actual payee/vender account.

(Rupees in million)

Sr. #	Name of office	Particulars	Financial Year	AIR Para#	Amount
1	Director, Electricity Monitoring & Reconciliation Cell, Karachi	Cheques were deposited into DDO account instead of concerned payees	2014-15 & 2015-16	7	2.632
2	Secretary, Energy Department, Karachi	Cash payment was made instead of cross cheques	2015-16	04	1.365
3	Special Secretary, Coal & Energy Department, Karachi	Cheques were deposited into DDO account instead of concerned payees	2015-16	10	0.319
<b>Total</b>					<b>4.316</b>

The matter was reported to the management in August and November 2016. The DAC meeting was held on 17 January 2017. The management replied that payments on emergent need basis were made through DDO. They added that re-

imbursement of POL expenses was made to field officers, which they incurred for survey in remote areas. The DAC directed the management to produce evidence of the payment to the beneficiaries for verification. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

#### **9.4.8 Irregular cash payments of salary – Rs 2.368 million**

Para 4.6.3.1 of Accounting Policies and Procedures Manual (APPM) provides that the normal method of payment of monthly salaries of all government employees shall be by credit transfer direct to a bank account nominated by the employee.

During audit of office of Managing Director, Coal Gasification Project Islamkot, Mithi, for the year 2014-15, it was observed that expenditure of Rs 2.368 million was incurred on account of salary of contingent paid staff but payment was made in cash instead of through cross-cheque.

The matter was reported to the management in April 2016. The DAC meeting was held on 17 January 2017. The management clarified that payment to contingent paid staff pertained to whole year. They added that evidence for payment was available. The DAC directed the management to produce record to audit for verification. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

**(AIR#05)**

#### **9.4.9 Unjustified payments to a single supplier for whole year purchases– Rs 2.274 million**

As per Rule-4 of Sindh Public Procurement Rules, 2010, while procuring goods, works or services, procuring agencies shall ensure that procurements are conducted in a fair and transparent manner and the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of office of Director Electricity Monitoring & Reconciliation Cell, Energy Department for the years 2014-15 & 2015-16, it was observed that an expenditure of Rs 2.274 million was incurred under 8 (eight) heads of account and payments were made to single a firm i.e. M/s Evershine Traders.

The matter was reported to the management in November 2016. The DAC meeting was held on 17 January 2017. The management clarified that all payments were below Rs 25,000; hence quotations were not required. The DAC directed the management to produce record to audit for verification. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

(AIR#14)

#### 9.4.10 Unauthorized working of employees in excess of sanctioned strength – Rs 182.533 million

Section-133 of Sindh Budget Manual, states that, “no government servant should, however, without previously obtaining an extra appropriation, incur expenditure in excess of the amounts provided under the heads concerned. When a government servant exceeds the annual appropriation he runs the risk of being held responsible for the excess”.

During audit of following offices of Energy Department, Government of Sindh for the years 2014-15 & 2015-16, it was observed that an expenditure of Rs 182.533 million was incurred on the salaries of the employees working in excess of the sanctioned strength.

(Rupees in million)

Sr. #	Name of office	Particulars	Financial Year	AIR Para#	Amount
1	Director, Electricity Monitoring & Reconciliation Cell, Karachi	Post of Director without sanction strength	2014-15 & 2015-16	15	181.211
2	Electric Inspector, Hyderabad	Payment of salaries without sanction of posts	2014-15	1	1.130
			2015-16	4	0.192
<b>Total</b>					<b>182.533</b>

The matter was reported to the management during April & November 2016. The DAC meeting was held on 17 January 2017. The management of office at Sr. No.-1 above clarified that three posts of Directors are available in the Energy Department out of which one post is being utilized for Director EM&RC which is a cell under the administrative control of Secretary Energy Department. They added that Finance Department has been approached for rectification of title of the post as Director EM&RC in the budget book. The DAC directed the management to produce record to audit for verification.

Reply of management of the office at Sr. No,2 above was not available in the working paper placed before the DAC. The DAC directed that self-contained reply may be submitted to audit. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

#### 9.4.11 Non-realization of electricity duty – Rs 3,281.024 million

According to Rule-41 (a) of Sindh Financial Rules, Volume-I, “The departmental controlling officers should see that all sums due to Government are regularly received and that they are paid into the treasury”

During audit of following offices of Energy Department, Government of Sindh, for the years 2014-15 & 2015-16, it was observed that that dues on account of electricity duty of Rs 3,281.024 million were not realized.

(Rupees in million)

Sr. #	Name of Institution	Particulars	AIR Para #	Financial Year	Amount
1	Electric Inspector-I Karachi	M/S K-Electric Limited Karachi	01	2014-15	3,031.864
2	Electric Inspector Hyderabad	WAPDA/HESCO Electricity duty not deposited	01	2015-16	154.410
		M/S Jamshoro Venture & WAPDA/HESCO	07	2014-15	93.478
		Electricity duty	02	2015-16	1.272
<b>Total</b>					<b>3,281.024</b>

The matter was reported to the management during May & November 2016. The DAC meeting was held on 17 January 2017. The management of office at Sr. No.1 clarified that electric duty payable by K-Electric has been adjusted against KW&SB electricity bills. The DAC directed the management to produce the record to audit for verification.

Reply of office at Sr. No.2 was not available in the working paper placed before the DAC. The DAC directed that self-contained reply may be produced to audit along with record or verification. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

#### **9.4.12 Non-deduction of income tax – Rs 48.000 million**

According to Section 153(a) & (b) of the Income Tax ordinance, 2001, “Income Tax at the rate of 6% for rendering professional Services is required to be deducted at source and deposited into Government account”.

During audit of office of Executive Engineer, Thar Coal Water Works Division, Hyderabad for the years 2014-15, it was observed that expenditure was incurred for the work “Construction of water carrier with capacity of 100 cusecs from Spinal Drain RD-362 (LBOD) to Nabisar” and made payment of Rs 640.000 million to M/s Pak Oasis Pvt Ltd but the income tax of Rs 48.000 million was not deducted.

The matter was reported to the management during August to November 2016. The DAC meeting was held on 17 January 2017. The management clarified that the AIR Para was discussed in the DAC meeting on DPs for AAR 2015-16. The DAC decided that Audit will revisit the Para. Upon checking of the record it was found that AIR para has not earlier been taken up with the management.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

**(AIR#11)**

#### **9.4.13 Non-recovery of stamp duty-Rs 2.119million**

As per Para 22-A of Stamp Act, 1899, "It is the duty of the competent authority to recover the stamp duty and affix the same, while execution of agreement at the rate of 0.20 paisa per hundred rupees of the value of the agreement or against tender cost".

During audit of office of Executive Engineer, Thar Coal Water Works Division Hyderabad, for the year 2014-15, it was observed that stamp duty of Rs 2.119 million was not recovered.

The matter was reported to the management in August 2015. The DAC meeting was held on 17 January 2017. The management clarified that the AIR Para was discussed in the DAC meeting on DPs for AAR 2015-16. The DAC decided that Audit will revisit the Para. Upon checking of the record it was found that AIR para has not earlier been taken up with the management.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

**(AIR#12)**



## **CHAPTER - 10**

### **ENVIRONMENT, CLIMATE CHANGE AND COASTAL DEVELOPMENT DEPARTMENT**

#### **10.1 Introduction**

Environmental & Alternate Energy Department was established in October 2002 through a cabinet order to supervise, administer and look after its subordinate directorates including Sindh Environmental Protection Agency and Alternative Energy Wing. The department is responsible for the protection, conservation, rehabilitation and improvement of environment of the province with the support of regulatory documents. On the other hand its function is to promote alternative energy resources with the judicious use of untapped resources to address the issues of energy shortage.

There are two subordinate offices of Environment and Alternative Energy Department, Government of Sindh. i.e Sindh Environment Protection Agency and Directorate of Alternate Energy. Its main functions include:

1. Enforcement of Pakistan Environmental Protection Act (PEPA) 1997
2. Enforcement National Environmental Quality Standards (NEQS)
3. Environmental Impact Assessment
4. To advise and coordinate with the government, NGOs etc. on preventive measures for abatement of pollution.
5. To assist local authorities and government departments for implementation of schemes for proper disposal of wastes to ensure compliance with NEQS
6. Attend to public complaints on environmental issues.
7. To carry out any other task related to environment assigned by the government.
8. To promote alternative energy from all natural resources such as sunlight, wind, water, bio-mass and ocean waves.
9. Disseminate information on alternative energy sources to the public and communities, private and public sector organizations.

#### **10.2 Comments on the Budget and Accounts (Variance Analysis)**

The Department consists of 09 formations (DDOs), out of which 01 formations was selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget and expenditure of the department:

(Rupees in million)

<b>Original Budget/ Grant</b>	<b>Supplementary Grant</b>	<b>Re-appro: (+) (-)</b>	<b>Revised Budget 2014-15</b>	<b>Departmental Expenditure</b>	<b>Variation (Excess)/ Savings</b>
4,514.678	0	(1,132.400)	3,382.278	2,828.388	553.889

The department was unable to spend the allocated budget in time. As a result, savings of Rs 553.889 million was observed which was not surrendered in time.

### **10.3 Brief comments on the compliance of PAC directives**

This department was not included in the audit reports (1992-93 to 2009-10) discussed by the PAC.

## **10.4 AUDIT PARAS**

### **10.4.1 Non-appointment of Project Director & other Technical staff – Rs 140.000 million**

According to Rule-1 Appendix 18-A of Sindh Financial Rules, Volume-I, Every Government servant realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government servant to the extent to which it may be shown that he contributed to the loss by his own action or culpable negligence.

During audit of the office of the Director General Environmental Protection Agency, Karachi for the financial year 2015-16, it was observed that an expenditure of Rs 140.000 million was incurred on Scheme “Strengthening of Environmental Monitoring System in EPA”. However, as per PC-I various staff (Chemist, Field Assistant, Lab Assistant, Data Operator and Project Director) were not appointed. The expenditure without key personnel seemed unjustified.

The matter was reported to the management during November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#01)**

### **10.4.2 Non-deduction of taxes- Rs 1.505 million**

According to the section 153 (1) (a) of the Income Tax Ordinance 2001, 4.5 % income tax is required to be deducted at source while making payment to suppliers / contractors. As per Section 3(1) of the Sales Tax Act, 1990, “There shall be charged, levied and paid a tax known as sales tax @ 17% of the value of taxable supplies made by a registered person in the course a furtherance of any taxable activity carried on by him”.

During audit of the office of the Director General Environmental Protection Agency, Karachi for the year 2014-15, it was observed that an expenditure of Rs 11.020 million was incurred on purchase of various items through DDO account

but Sales Tax @ 17% and Income Tax @ 4.5% at source amounting to Rs 1.505 million was not deducted. Details are as under:

(Rupees in million)

Sr.#	AIR Para#	Expenditure	Income Tax	Sales Tax
1	10	8.071	-	1.372
2	11	2.949	0.133	-
<b>Total</b>		<b>11.020</b>	<b>0.133</b>	<b>1.372</b>

The matter was reported to the management during May 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

## CHAPTER – 11 EXCISE & TAXATION DEPARTMENT

### 11.1 Introduction

Excise and Taxation Department is the main tax collecting organ of the Provincial Government. The core business of the department is to levy and collect Infrastructure Cess, Motor Vehicle Tax, Excise Duty, Professional Tax, Hotel Tax, Cotton Fee, Property Tax and Entertainment Duty.

### 11.2 Comments on the Budget and Accounts (Variance Analysis)

The Department consists of 50 formations (DDOs), out of which 05 formations were selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rupees in million)

Original Budget/ Grant	Supplementary Grant	Re-appro: (+) (-)	Revised Budget 2014-15	Departmental Expenditure	Variation (Excess)/ Savings
1,917.219	49.563	(191.225)	1,775.556	1,648.942	126.614

The department was unable to spend the allocated budget in time. As a result, saving of an amount Rs 126.614 million was observed which was not surrendered in time.

(Rupees in million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
41,852.057	43,919.606	41,688.734	2,230.871

The department was unable to collect the estimated receipts in time, as a result, shortfall of an amount Rs 2,230.871 million was observed.

### 11.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was Nil.

<b>Sr. No</b>	<b>Audit Report</b>	<b>Total Paras discussed</b>	<b>No. of Paras requiring Compliance</b>	<b>Compliance of PAC directives made</b>	<b>Compliance of PAC directives not made</b>	<b>Percentage of Compliance</b>
1	1992-93	2	1	0	1	-
2	1998-99	0	4	0	4	-
3	1999-2000	19	5	0	5	-
4	2001-02*	0	0	0	0	-
5	2004-05*	0	0	0	0	-
6	2005-06	0	0	0	0	-
7	2006-07	7	7	0	7	-
8	2007-08	11	8	0	8	-
9	2008-09	7	6	0	6	-
10	2009-10	0	0	0	0	-
<b>Total</b>		<b>46</b>	<b>31</b>	<b>0</b>	<b>31</b>	<b>-</b>

Note. Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

## **11.4 AUDIT PARAS**

### **11.4.1 Non-production of record – Rs 115.383 million**

Section 14 (2) and (3) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, states that:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules”.

During audit of various offices of Excise & Taxation Department for the years 2011-12 to 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 115.383 million remained unaudited. Details are given at **Annex-I** of Chapter-11.

The matter was reported to the management during October to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of relevant record besides fixing responsibility on the person(s) at fault.

### **11.4.2 Short realization against revenue targets - Rs 131.639 million**

As per Rule-28 of General Financial Rules, Volume-I, “No amount due to Government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable, the order of the competent authority for their adjustments must be sought.” Further, target of Property Tax, Cotton fee, Provincial Excise, Motor

vehicle tax and Professional Tax for Excise and Taxation officers was fixed by the Excise & Taxation department during the financial years 2014-15 & 2015-16.

During audit of following offices of Excise, Taxation and Narcotics Department Government of Sindh for the financial years 2014-15 and 2015-16, it was observed that an amount of Rs 131.639 million was short realized out of target of Rs 696.580 million as detailed below:

(Rupees in million)

Sr. #	Name Of Office	Particulars	Financial Year	AIR Para #	Target	Actual	Short
1	ETO Professional Tax P Division (I,II,III,IV)	Professional Tax	2014-15 to 2015-16	02	588.280	495.106	93.174
2	ETO Sanghar	Cotton Fee	2014-15	01	96.000	60.890	35.110
3	ETO (Professional Tax) Hyderabad	Professional Tax	2014-15	02	12.300	8.945	3.355
<b>Total</b>					<b>696.58</b>	<b>564.941</b>	<b>131.639</b>

The matter was reported to the management during November 2015 to October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends that appropriate measures be taken in order to achieve revenue targets.

#### **11.4.3 Unjustified expenditure on repair of machinery/equipment – Rs 39.679 million**

As per Rule 88 of Sindh Financial Rules, Volume-I, "Every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money".

During audit of the office of Secretary Excise & Taxation Department for the year 2015-16, it was observed that expenditure of Rs 39.679 million incurred on



account of repair and maintenance of machinery and equipment. Following irregularities were noticed:

- i. Record of tendering was not produced to audit.
- ii. Original/modified PC-1 were not produced.
- iii. Daily Receipt Book was not produced.
- iv. Work completion report was not produced.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing of responsibility on person(s) at fault besides taking remedial measures.

**(AIR#1,2& 8)**

#### **11.4.4 Irregular repair of hardware and software by direct contracting – Rs 36.679 million**

As per Rule 17 (1) & (2) of Sindh Public Procurement Rules, 2010, procurement over one hundred thousand rupees and up to one million rupees shall be advertised by timely notification on the Authority's websites and in print media in the manner and format prescribed in these rules. The advertisement shall appear in at least three widely circulated and leading daily newspapers of English, Urdu and Sindhi language.

During audit of office of Secretary Excise & Taxation Department for the year 2015-16, it was observed that expenditure of Rs 36.679 million was incurred on account of repair/replacement of hardware & software by direct contracting on the basis of standardization of equipment. However the management did not produce evidence to justify direct contracting.

The matter was reported to the management in November 2016 but no reply was received till.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#09)**

#### **11.4.5 Splitting up of expenditure to avoid tender - Rs 2.816 million**

As per Rule 12 (1) of Sindh Public Procurement Rules, 2010, all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements already grouped, allocated and scheduled in the Procurement Plan.

During audit of office of Secretary, Excise & Taxation Department for the year 2015-16, it was observed that an expenditure of Rs 2.816 million was incurred on account of repair of hardware and procurement of uniforms and liveries through splitting up to avoid open tenders.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter besides fixing responsibility on the person(s) at fault.

**(AIR #27 & 47)**

#### **11.4.6 Irregular hiring of legal advisor - Rs 1.050 million**

As per Rule-61 on Selection of Consultancy Services, the selection of consultants shall be guided by the following considerations:

- (1) Best quality of services available;
- (2) Need for economy and efficiency;
- (3) Need to give all qualified consultants an equal opportunity to compete;
- (4) Encouragement of local consultants without any unfair competitive advantage; and
- (5) Transparency in the selection process

During audit of office of Secretary Excise & Taxation Department for the year 2015-16, it was observed that payment of Rs 1.050 million was made to M/s Shahab Associates, legal adviser, vide cheque No. 2203703 dated 17/12/2015. Following irregularities were noticed:

- i. Record of criteria for appointment and evidence of competitive selection was not produced to audit.
- ii. Appointment committee was not constituted.
- iii. The details of legal services provided by the legal adviser were not produced.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

**(AIR#04)**

#### **11.4.7 Non-realization of professional tax - Rs 22.974 million**

According to Section-11 of the Sindh Finance Act, 1964, read with Seventh Schedule to the Sindh Finance Ordinance 2000 and Rules 7 and 15 of the Sindh Professions, Trades Callings and Employment Tax Rules 1976, "Professional Tax on professions trades callings and employment is recoverable from all persons establishments / companies engaged in activities and mentioned in schedule thereof.

During audit of following offices of Excise & Taxation Department for the years 2014-15 & 2015-16, it was observed that Professional Tax amounting to Rs 22.974 million was not recovered from certain assesses. Details are as under:

(Rupees in million)				
<b>Sr.#</b>	<b>Name of Office</b>	<b>Financial Year</b>	<b>AIR Para#</b>	<b>Amount</b>
1	ETO Professional Tax P- Division (I,II,III,IV)	2014-15 to 2015-16	03	21.206
2	ETO (Professional Tax) Hyderabad	2013-14 to 2014-15	03,04,05,06,07, 08,09,10,11&12	1.768
<b>Total</b>				<b>22.974</b>

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

#### **11.4.8 Non-deduction of sales tax on services – Rs 21.216 million**

As per Second Schedule of the Sindh Sales Tax on Services Act, 2011, the rate of tax is 16% on services provided or rendered by persons engaged in contractual execution of work or furnishing supplies.

During audit of office of Directorate, Taxes-II, Excise & Taxation Department for the years 2011-12 to 2014-15, it was observed that Sindh Sales Tax of Rs 21.216 million was not deducted from payments to suppliers.

(Rupees in million)

<b>Sr.#</b>	<b>Financial Year</b>	<b>Particulars</b>	<b>Vender Name</b>	<b>Amount</b>
1	2011-12	Service Charges	M/s PRAL	19.397
2	2012-13			35.383
3	2013-14			39.972
4	2014-15			37.849
			<b>Total</b>	<b>132.601</b>
			<b>SST @16%</b>	<b>21.216</b>

The matter was reported to the management in November 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommend srecovery of taxes besides fixing of responsibility on the person(s) at fault.

**(AIR#05)**

#### 11.4.9 Excess payment for challan processing - Rs 4.597 million

As per agreement Clause 2 of Appendix-B, 10% increase annually in the rate of computer-produced infrastructure Cess Challan (five computerized copies) for a period of three years from 1st July 2011 and onwards.

During audit of office of Directorate Taxes-II, Karachi for the years 2011-12 to 2014-15, it was observed that excess rate of Rs 9.11 per challan was allowed to the contractor for the work, “computerizing infrastructure cess challans” resulting in excess payment of Rs 4.597 million as tabulated below:

(Rupees in million)

Sr. #	Particulars	Contractor	Rate allowed/ challan	Agreed Rate per challan	Diff:	Nos. of Challans processed	Amount
1	Electronically Processed Infrastructure Cess Challans	M/s. PRAL	75.00	65.89	9.11	504,667	4.597

The matter was reported to the management in November 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

**(AIR #06)**

## CHAPTER – 12 FINANCE DEPARTMENT

### 12.1 Introduction

The Finance Department is responsible for the overall financial discipline of the Province. Preparation of annual provincial budget, formulation of financial rules and maintenance of an effective and efficient financial reporting system are the major assignments of Finance Department.

### 12.2 Comments on the Budget and Accounts (Variance Analysis)

The Department consists of 31 formations (DDOs), out of which 06 formations were selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rupees in million)

Original Budget/ Grant	Supplementary Grant	Re-appro: (+) (-)	Revised Budget 2015-16	Departmental Expenditure	Variation (Excess)/ Savings
214,091.362	10,811.784	(29,224.236)	195,678.910	300,696.721	(105,017.810)

The department was unable to control expenditure within budget allocation, as a result, excess of Rs 105,017.810 million was observed.

(Rupees in million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
612,912.007	581,896.723	676,251.447	94,354.723

The receipts during the year were more than revised revenue estimate as well as original revenue estimate. It reflect that targets were set well below the possible receipt thereby reducing opportunity for the government to plan expenditure.

### 12.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was Nil.

<b>Sr. No</b>	<b>Audit Report</b>	<b>Total Paras discussed</b>	<b>No. of Paras requiring Compliance</b>	<b>Compliance of PAC directives made</b>	<b>Compliance of PAC directives not made</b>	<b>Percentage of Compliance</b>
1	1992-93	0	0	0	0	-
2	1998-99	0	0	0	0	-
3	1999-2000	11	1	0	1	-
4	2001-02*	0	0	0	0	-
5	2004-05*	0	0	0	0	-
6	2005-06	0	0	0	0	-
7	2006-07	0	0	0	0	-
8	2007-08	4	0	0	0	-
9	2008-09	0	0	0	0	-
10	2009-10	19	0	0	0	-
<b>Total</b>		<b>34</b>	<b>1</b>	<b>0</b>	<b>1</b>	-

Note. Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

## **12.4 AUDIT PARAS**

### **12.4.1 Non-production of record – Rs 2,993.439 million**

Section 14 (2) and (3) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer in charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of following offices of Finance Department, Government of Sindh for the years 2013-14, 2014-15 & 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 2,993.439 million remained unaudited. The details are given at **Annex-1** of Chapter-12.

The matter was reported to the management during August 2015 to November 2016. The management of the offices at Sl. No. 5, 8 and 9 of the Annex responded that the record was available for audit. No reply from remaining offices was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of record besides fixing responsibility on the person(s) at fault.

### **12.4.2 Non-production of supporting vouchers/documents – Rs 459.654 million**

According to Rule 23 of Sindh Financial Rules, Volume-I, “Every payment including repayment of money previously lodged with government for whatever



purpose, must be supported by a voucher setting forth full and clear particulars of the claim”.

During audit of various offices of Finance Department, Government of Sindh for the years 2014-15 & 2015-16, it was observed that an expenditure of Rs 459.654 million was incurred but the supporting vouchers/documents were not made available to audit. The details are given at Annex-2 of Chapter-12.

The management gave justifications in their replies but did not produce documentary evidence in support of their reply.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of complete record besides fixing responsibility on the person(s) at fault.

#### **12.4.3 Irregular payment of pension/GP Fund – Rs 8,372.137 million**

According to Rule 1 Appendix 18-A of Sindh Financial Rule Volume-I, “Every Government servant realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government servant to the extent to which it may be shown that he contributed to the loss by his own action or culpable negligence”.

During audit of various offices of Finance Department, Government of Sindh for the years 2014-15 & 2015-16, it was observed that an amount of Rs 8,372.137 million was paid on account of pension payments without fulfillment of required formalities. The details are given at Annex-3 of Chapter-12.

The matter was reported to the management during August 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **12.4.4 Unjustified expenditure from Viability Gap Fund – Rs 9,299.577 million**

As per Rule-88 of Sindh Financial Rules, Volume-I, “Every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money”.

During audit of office of Secretary Finance, Government of Sindh for the year 2015-16, it was observed that an expenditure of Rs 9,299.557 million was incurred on various projects through Viability Gap Fund under Public Private Partnership (PPP) units. Following irregularities were noticed:

- a. The PPP projects are not reflected in the accounting records of Government of Sindh. The investment should be reflected in the financial statements as government asset.
- b. No Progress reports of expenditure were available on record.
- c. The terms & conditions of the projects under PPP-mode were not produced to audit.
- d. Most of the staff of PPP unit was hired on contract basis with high salary package including other benefits, which is not permissible under government rules.

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#02&05)**

#### **12.4.5 Irregular manual payment of pay and allowance – Rs 3,701.639 million**

As per Rule-28 (2) of Central Treasury Rules volume-I, “A Government officer supplied with funds for expenditure shall also be responsible for seeing that payments are made to persons entitled to receive them”.

During audit of the District Accounts Office, Kashmore at Kandhkot for the year 2014-15, it was observed that despite clear instructions that no payment of pay and allowances should be paid manually, the DAO Kashmore paid pay and allowances through manual system of NBP amounting to Rs 3,701.639 million.

The matter was reported to the management in April 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends all the payments of pay and allowances should be paid through online system besides fixing responsibility on the person(s) at fault.

**(AIR#14)**

#### **12.4.6 Payment to DDO instead of vendors – Rs 3,626.303 million**

As per Rule-28 (2) of Central Treasury Rules volume-I, “A Government officer supplied with funds for expenditure shall also be responsible for seeing that payments are made to persons entitled to receive them”.

During audit of following offices of Finance Department, Government of Sindh for the financial years 2013-14, 2014-15 & 2015-16, it was observed that an expenditure of Rs 3,626.303 million was incurred and cheques were issued in favour

of DDOs instead of vendors/actual payees. The details are given at Annex-4 of Chapter-12.

The matter was reported to the management during August 2015 to November 2016. The management at Serial No. 04 replied for para 23 of AIR that payments were made through DDO due to reason that small shop keepers and retailers exist in the periphery. However, the management did not provide the complete record in support of its contention.

The management at Serial No. 10 replied for para 04 of AIR that DDO (SSP SBA) justified that due to non-willingness of supplier for POL on cash basis, bills were claimed in DDO account. However, the management did not provide the complete record in support of its contention. No reply from other offices was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommend sinquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **12.4.7 Irregularities in payment from Grants-in-aid through assignment account – Rs 500.000 million**

According to Para 4.12.1.7 of Accounting Policies and Procedure Manual, “Where the grant is to be provided by a series of recurring payments, a separate claim shall be approved and submitted by the delegated authority, for each payment, along with the necessary documentation to show the conditions of grant have been met. The delegated authority who approved the grant shall maintain a schedule of payments made for each grant made under his/her authority.” Further, Sindh Financial Rules, volume-I, Rule-23, states that, “every payment including payment of money previously lodged with government, for whatever purpose, must be supported by a voucher setting forth full and clear particulars of the claim”.

During audit of office of District Accounts Office Jamshoro, for financial year 2014-15, it was observed that payment of Rs 500.000 million was made from Grant-in-aid through assignment account (A05206 “Non-Financial Institutions”) under cost

centre JS-4123 Liaqat University of Medical & Health Sciences (LUMHS) Jamshoro. Following irregularities were pointed out:

- (i) No adjustment against this withdrawal produced for post-audit
- (ii) Expenditure was incurred by LUMHS Jamshoro before the payment without justification (payment of Rs 256.513 million was made to officers/ officials on account of pay & allowances during July-2014 to October-2014 whereas, first release amounting to Rs 125.000 million was paid through cheque No.005144 dated: 07-11-2014)

(Rupees in million)

Sr.#	Cheque No.	Date	Amount
1	005144	7/11/2014	125.000
2	005155	27-01-2015	125.000
3	005179	15-06-2015	125.000
4	005162	5/6/2015	125.000
<b>Total</b>			<b>500.000</b>

The matter was reported to the management in January 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommend sinquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#02)

#### **12.4.8 Award of repair and purchase contract without open tender – Rs 418.885 million**

As per Rule 17 (1) & (2) of Sindh Public Procurement Rules, 2010, “Procurement over one hundred thousand rupees and up to one million rupees shall be advertised by timely notification on the Authority’s websites and in print media in the manner and format prescribed in these rules. The advertisement shall appear in at least three widely circulated and leading daily newspapers of English, Urdu and Sindhi language”.

During audit of various offices of Finance Department, Government of Sindh for the years 2014-15 & 2015-16, it was observed that an expenditure of Rs 418.885 million was incurred from various head of accounts without inviting open tenders. The details are given at Annex-5 of Chapter-12.

The matter was reported to the management during August 2015 to November 2016. The management at Serial No. 07 replied for para 02 of AIR that the funds were allocated by the Finance Department, Government of Sindh through SNE 2014-15 for procurement of plant & machinery & furniture under sub-head A09601 in cost centre NO6158 of District Health Officer Naushero Feroze. Comparative statement duly signed by the procurement committee through tender process were hoisted on SPPRA website @ S.No.6168/ D.No.1328/2015 dated 2nd June 2015. However, the management did not produce documentary evidence in support of its contentions.

The management at Serial No. 04 replied for para 03 of AIR that DDO (SSP SBA) produced all record. However, the management did not provide complete record in support of its contention. No reply from other offices was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault.

#### **12.4.9 Purchase of medicines without Drug Testing Laboratory Report – Rs 294.272 million**

As per Sindh Drug Act, “Supplier of Medicines are required to pay the fees at the rate of Rs 1,000/- per batch for the drugs to be tested at P.D.L. and pay directly to C.D.L. as per their schedule and are also required to supply an additional quantity of the supplier required for analytical test.”

During audit of following offices of Finance Department, Government of Sindh for the year 2014-15 & 2015-16, it was observed that an amount of Rs 294.272 million was allowed for payment on purchase of medicines but the same were accepted in absence of Drug Testing Laboratory Report. In absence of said test report, quality and efficacy of drugs could not be established.

(Rupees in million)

<b>Sr. #</b>	<b>Name of office</b>	<b>Financial Year</b>	<b>AIR Para #</b>	<b>Amount</b>
1	District Accounts Office Jamshoro	2015-16	06	266.626
2	District Accounts Office Kashmore @ Kandhkot	2014-15	06	19.134
3	District Accounts Office Naushero Feroze	2014-15	04	8.512
<b>Total</b>				<b>294.272</b>

The matter was reported to the management during August 2015 to April 2016. The management at serial number 3 replied that the items were purchased by the District Health Officer Naushero Feroze for dialysis center situated in Civil hospital Naushero Feroze and for testing of hepatitis control program (Chief Minister Initiative) Government of Sindh. There was no need of drug testing laboratory report. However, the management did not produce the documentary evidence in support of its contention. No reply from other offices was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends provision of documentary evidence besides fixing responsibility on the person(s) at fault.

#### **12.4.10 Unauthorized payment of inadmissible allowances – Rs 142.529 million**

According to Rule 88 of Sindh Financial Rules, Volume-I, “Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as person of ordinary prudence would exercise in respect of expenditure of his own money”.

During audit of various offices of Finance Department, Government of Sindh for the years 2013-14, 2014-15 & 2015-16, it was observed that an amount of Rs 142.529 million was paid to the officers/officials on account of inadmissible allowances. The details are given at Annex-6 of Chapter-12.

The matter was reported to the management during August 2015 to November 2016. The management at Serial No. 01 replied for para 13 of AIR that the affidavit (duly countersigned) for doctors who has been claiming NPA is available in their personal files. The management provided only 08 affidavits of previous years (not duly verified) in its contention.

The management replied for para 09 of AIR that the utility allowance is allowed to the employees of judiciary vide notification No. BUD/HC/2007-08 dated 13-2-2008, issued by Sindh High Court Karachi and employees of revenue vide notification No. BUD/HC/2007-08 dated 13-2-2008. The management provided notification No. BUD/HC/2007-08 dated 13-2-2008, issued by Sindh High Court Karachi but did not provide Finance Department's notification regarding utility allowance for employees of revenue in its contentions.

The management replied for para 17 of AIR that the said allowance was adjusted for government employees whose salary was remaining/outstanding. However, the management did not produce the documentary evidence in support of its contention.

The management replied for para 05 of AIR that the computer allowance was paid through notification number FD(SR-III)5/17-85-01 dated 18-3-87 issued by FD Govt of Sindh. However, management did not provided list of employees along with (qualifications, designations etc) in support of its contentions. No reply from other offices was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery of inadmissible allowances besides fixing responsibility on the person(s) at fault.

#### **12.4.11 Irregular payment on account of LPR – Rs 30.238 million**

According to Rule-88 of Sindh Financial Rules, Volume-I provides that every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of office of the District Accounts Office Kashmore @ Kandhkot for the year 2014-15, it was observed that DAO office allowed an amount of Rs 30.238 million on account of LPR. Following observations were noted:

- (i) LPR was paid without observing leave account.
- (ii) Amount of LPR is paid through DDO rather than employee.



- (iii) Amount was paid as lump sum amount due to which it cannot be checked that payment pertains to how many employees so the chance of excess payment may exist.
- (iv) In some cases same DDO is paid LPR amount more than one time on the same date which creates doubt of double payment.

The irregularity was pointed out to the management in April 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends irregular payment of LPR may be got verified from audit besides taking remedial measures.

(AIR#19)

#### 12.4.12 Irregularities in payment of GP Fund Advance – Rs 25.443 million

According to Rule-23 of SFR Volume-I, “Every payment including repayment of money previously lodged with Government of whatever purpose must be supported with vouchers setting forth full and clear particulars of the claims”.

During audit of following offices of Finance Department, Government of Sindh for the years 2013-14 & 2014-15 & 2015-16, payment was made on account of non-refundable GP Fund advances.

(Rupees in million)

Sr. #	Name of office	Financial Year	AIR Para #	Amount
1	District Accounts Office Sanghar	2015-16	08	25.443
		2014-15	02	0
2	District Accounts Office Larkana	2013-14 & 2014-15	21	0
3	District Accounts Office Thatta	2014-15	07	0
<b>Total</b>				<b>25.443</b>

The payment was made without observing following requirements:

- (i) Missing Credit Statements was not attached.
- (ii) Computer difference detail not attached.

- (iii) Computer sheet was not attached.
- (iv) Copy of CNIC were not attached
- (v) Application of the incumbents were not available
- (vi) Service Book/ Service Statement was not attached
- (vii) Non-drawal of Advance Certificate was not attached
- (viii) Broad Sheet not maintained

The matter was reported to the management during November 2015 to May 2016. The management at Serial No. 02 replied for para 21 of AIR that the record is available in office and will be provided as and when required. However, the management did not produce the original record in support of its contention. No reply from other offices was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **12.4.13 Irregular payment of GP fund – Rs 19.04 million**

According to Rule 1 Appendix 18-A of Sindh Financial Rule Volume-I, “Every Government servant realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government servant to the extent to which it may be shown that he contributed to the loss by his own action or culpable negligence”.

During audit of following offices of Finance Department, Government of Sindh for the year 2014-15, it was observed that an amount of Rs 19.040 million was paid on account of GP Fund manually instead of off-cycle payroll.

(Rupees in million)

Sr. #	Name of Office	Financial Year	Particulars	AIR Para #	Amount
1	District Accounts Office Shaheed Benazirabad	2014-15	Without supporting voucher, zakat not deducted	02	10.093
2	District Accounts Office Thatta	2014-15	Entry punched in SAP GP Fund off cycle	04	5.754
3	District Accounts Office Naushero feroze	2014-15	Without supporting voucher, zakat not deducted	09	2.138
4	District Accounts Office Sanghar	2014-15	Entry punched in SAP GP Fund offcycle	05	1.055
<b>Total</b>					<b>19.04</b>

The matter was reported to the management during August 2015 to November 2016. The management at Serial No. 01 replied for para 02 of AIR that all payments of GP Fund claims were made through SAP Computer system. However, the management did not produce the documentary evidence in support of its contention.

The management at Serial No. 03 replied for para 09 of AIR that all the payments of GP fund (non-refundable advance as well as final payment ) were paid through off cycle payroll system except for death cases whose cheques were issued through DDO.

The reply of the management is not tenable as documentary evidence not produced in their support.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends that payments of GP Fund advance should be paid through cheques besides fixing responsibility on the person(s) at fault.

#### **12.4.14 Payment of salaries to staff over and above sanctioned posts – Rs 13.764 million**

According to rule 73 (iv) (2) of GFR, when consolidating the detail estimates in respect of pay of officers and pay of establishments the number of posts must be carefully checked and in case of variation in numbers or the amounts of the provisions compared to those in the current years budget an explanation should be included in the estimates. If the increase is based on specific Government sanction, a copy of the sanction should be enclosed with the estimates.

During audit of office of the District Accounts Office, Badin for the financial year 2015-16, it was observed that Rs 13.764 million had been paid to the employees of different offices over and above sanctioned posts of the Finance Department, Government of Sindh, which turned whole payment as irregular.

(Rupees in million)

Sr. #	Particular	Sanctioned Posts	Working	Over/above sanctions	AIR Para #	Amount
1	Salaries to the staff without sanctioned post	Nil	11	11	03	9.234
2	Salaries to staff over & above sanctioned posts	18	30	12	04	4.530
<b>Total</b>						<b>13.764</b>

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends justification for payment of salaries over and above sanctioned posts besides fixing responsibility on the person(s) at fault.

#### **12.4.15 Wastage of public money on procurement of vehicles – Rs 10.069 million**

As per Para 10(ii) of the GFR Volume-I “The expenditure should not be prima-facie more than occasion demands”

During audit of office of the Secretary Finance, Government of Sindh for the year 2015-16, it was observed that the department purchased new vehicles costing Rs 10.069 million without any need as extra 15 vehicles were already available with them. Besides, the management did not make any effort for recovery of the 07 (seven) stolen/missing government vehicles.

(Amount in Rupees)

Paid on	Doc. No.	Vendor Name	Cheque No.	Amount
13.06.2016	5100084839	Pak Suzuki motors company ltd	2378167	6,564,000
13.06.2016	5100084844	Indus motors co. ltd	2378168	1,862,500
11.12.2015	5100068958	Indus motors co. ltd	2201432	1,642,500
<b>Total</b>				<b>10,069,000</b>

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends justification for wastage of public money on procurement of vehicles besides fixing responsibility on the person(s) at fault.

**(AIR#03)**

#### **12.4.16 Irregular payment to work charge / contingent paid staff – Rs 5.952 million**

As per finance department, Karachi letter No. FD(Exp:IX)/767/91(B)/Prov dated 23<sup>rd</sup> April 1996, “No appointment of work charge establishment / contingent paid staff be made without prior approval of Finance Department”.

During audit of following offices of Finance Department, Government of Sindh for the years 2013-14, 2014-15 & 2015-16, it was observed that vouchers of various offices amounting to Rs 5.952 million were passed for payment on account of contingent paid staff.

(Rupees in million)

Sr. #	Name of office	Financial Year	AIR Para #	Amount
1	District Accounts Office Larkana	2013-14 & 2014-15	04	3.225
2	District Accounts Office Kashmore @ Kandhkot	2014-15	25	1.160
3	District Accounts Office Naushero feroze	2014-15	07	1.000
4	Secretary Finance Karachi	2015-16	22	0.567
<b>Total</b>				<b>5.952</b>

Following shortcomings were noticed:

- (i) Approval from Finance Department was not attached with the bills.
- (ii) Attendance sheets of the daily wages staff were not available.
- (iii) Renewal of appointment orders after every three months were not found attached.
- (iv) Payment was made to DDOs instead of direct payees.

(v) Copies of CNICs were not available with record.

The matter was reported to the management during August 2015 to November 2016. The management at Serial No. 01 replied at para 4 of AIR that the payment was made to DDO due to non-regular establishment. However, the management did not provide complete record in support of its contention.

The management at Serial No. 03 replied for para 07 of AIR that the contingent staff was paid as per approval of Finance Department. However, the management did not provide complete record in support of its contention. No reply from other offices was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **12.4.17 Variation in expenditure on account of grant in aid – Rs 5.849 million**

According to Rule-88 of Sindh Financial Rules, volume-I, “Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as person of ordinary prudence would exercise in respect of expenditure of his own money”.

During audit of office of the District Accounts Office, Mirpurkhas, for the year 2014-15, it was observed that bills of grant-in-aid (medical reimbursement) were presented and subsequently passed by the DAO amounting to Rs 0.866 million, as per sanction accorded by AG Sindh, Karachi but as per SAP data, an expenditure of Rs 6.715 million was booked.

(Rupees in million)

<b>DDO Code</b>	<b>Detail object description</b>	<b>Progress June as per SAP data</b>	<b>As per bills</b>	<b>Difference</b>
Fund Centre MS5005	Grant-in-aid medical reimbursement	6.715	0.866	5.849

The matter was reported to the management in January 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry and fixing responsibility on the person(s) at fault.  
(AIR#05)

#### **12.4.18 Irregular payment to contractors not having NTN -Rs 3.179 million**

As per Rule-88 of Sindh Financial Rules, Volume-I, every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money. As per Rule-153 (1)(a) & (c), of Income Tax Ordinance 2001, every prescribed person making a payment in full or part including a payment by way of advance to a resident person for the sale of goods, shall, at the time of making the payment, deduct tax from the gross amount payable (including sales tax, if any) at the rate of 4 per cent (for 2013-14) & 4.5 per cent (for 2014-15) of the gross amount payable in case of goods and 7 per cent (for 2013-14) & 7.5 per cent (for 2014-15) in case of supply in the case of other than companies taxpayers.

During audit of office of Secretary Finance, Government of Sindh, Karachi, for the year 2015-16, it was observed that the payments amounting to Rs 3.179 million were made to M/s Al-Madina Enterprises bearing NTN No.3657038-9. Following irregularities were pointed out:

- (i) M/s Al-Madina Enterprises was registered at FBR website in the name of Ayaz Ahmed Sheikh with address of Thehri Khairpur.
- (ii) Income Tax and Sales Tax were not recovered at the specified rate.

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry for payment to unregistered contractors besides fixing responsibility on the person(s) at fault.

(AIR#13)

#### 12.4.19 Overbooking of expenditure in Assignment Account – Rs 2.446 million

According to Para 23 of GFR Volume-I, "Every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will be also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that contribution to the loss by his own action or negligence.

During audit of following offices of Finance Department, Government of Sindh for the year 2015-16, it was observed that an expenditure of Rs 2.446 million was incurred from Assignment Account.

(Rupees in million)

Sr. #	Name of Office	Financial Year	Particulars	AIR Para #	Amount
1	District Accounts Office, Hyderabad	2015-16	Expenditure overbooked and endorsed by DAO	4	1.482
2	District Accounts Office, Sukkur	2015-16	Unauthorized expenditure not endorsed by DAO	1	0.964
<b>Total</b>					<b>2.446</b>

Following irregularities were noticed:

- (i) Non-conducting of 100 % Post-Audit of Assignment Account by DAO after getting monthly account of expenditure with copies of paid vouchers by 15<sup>th</sup> of each month (revised procedure for operation of Assignment Account & instructions of AG Sindh).
- (ii) Non-submission of details of assignment account balances (a consolidated summary of assignment account used in the bank reconciliation) to their relevant AG at the end of each month (17.3.9.1 of APPM).



- (iii) Non-maintenance of separate cheque clearing account for each assignment account as a means of matching recorded expenditures to the bank scroll details of cheques actually cashed (17.3.5.5 of APPM).
- (iv) Non-maintenance of Appropriation Register to update against the relevant budget heads when assignment account expenditures are recorded (i.e. reduce available funds) (17.3.5.4 of APPM)

The matter was reported to the management during November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **12.4.20 Irregular payment of electricity charges– Rs 1.662 million**

According to Rule 1 Appendix 18-A of Sindh Financial Rule Volume-I, “Every Government servant realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government servant to the extent to which it may be shown that he contributed to the loss by his own action or culpable negligence”.

During audit of following offices of Finance Department, Government of Sindh for the years 2014-15 & 2015-16, it was observed that payment of Rs 1.662 million was made to HESCO but the bills were uncertain as no meter number, reading, payment history, consumer ID, issue and due dates were mentioned on the bills. Moreover, bills which were submitted for payment were handwritten instead of HESCO computer generated bills.

(Rupees in million)

Sr.#	Name of Office	Financial Year	AIR Para #	Amount
1	District Accounts Office, Mirpurkhas	2014-15	10	1.398
2	District Accounts Office, Hyderabad	2015-16	17	0.264
<b>Total</b>				<b>1.662</b>

The matter was reported to the management during January & November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry for payments made on fake electricity bills besides fixing responsibility on the person(s) at fault.

#### **12.4.21 Irregular payment for advertisement & publicity – Rs 1.145 million**

As per standing orders, the cases of advertisement/publicity are required to be forwarded to the Director Information, Information & Archives Department, Government of Sindh.

During audit of office of District Accounts Office, Hyderabad for the year 2015-16, it was observed that an expenditure of Rs 1.145 million was incurred on account of advertisement and publicity through advertising firms. It was in disregard of the regulation for advertisement through Information & Archives Department.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends justification for Irregular payment for advertisement & publicity besides fixing responsibility on the person(s) at fault.

**(AIR#09)**

#### **12.4.22 Non-adjustment of advances - Rs 1.000 million**

According to Article 84 of Audit Code, it is an essential function of the audit to bring to light not only cases of clear irregularities but every matter which in its judgment appears to involve improper expenditure or waste of public money or stores, even though the accounts may be in order.

During audit of office of Chairperson, Sindh Board of Investment, Karachi for the year 2014-15, it was observed that the management drew cash from assignment

account of Rs 1.000 million for visit to Canada from development scheme “Marketing of Sindh” but adjustment account was not submitted after return from tour.

The matter was reported to the management in June 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of adjustment account for verification.

**(AIR#12)**

#### **12.4.23 Decrease in loans & advances without documentation – Rs 17,775 million**

As per Generally Accepted Management Practices, the management is required to produce the financial statements of the accounts with assertions that the financial statements are valid, complete in all material respects, comply consistently with the principles and policies of the government and the same are not over- or under-stated and present proper and fair picture in all respects.

During audit of office of Secretary Finance, Government of Sindh, Karachi for the year 2015-16, it was observed from finance accounts of Government of Sindh that the balance amount of loans and advances was reduced from Rs 25,685.00 million to Rs 7,910 million. However, the details/supporting evidence for the sizable reduction of loans and advances were not produced. The audit was of the view that the reduction in receivables can only be made through recovery or the write-off. The details are as under:

(Rupees in million)

<b>Sr. #</b>	<b>Status of Loans &amp; Advances</b>	<b>Amount</b>
1	Loan and Advance as on 30 <sup>th</sup> June, 2015	25,685.00
2	Loan and Advance as on 30 <sup>th</sup> June, 2016	7,910.00
<b>Loan and advances reduced</b>		<b>17,775.00</b>

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry for unauthorized reduction of loans and advances against the prescribed procedure, along with fixing of responsibility on the person(s) at fault.

(AIR#04)

#### **12.4.24 Non-deduction of Sindh Sales Tax on services – Rs 383.344 million**

As per Second Schedule of the SST on Services Act, 2011, the rate of tax is 15% on services provided or rendered by persons engaged in contractual execution of work or furnishing supplies.

During audit of following offices of Finance Department, Government of Sindh for the years 2014-15 & 2015-16, it was observed that the DAO offices passed the bills without deducting of sales tax (as per rate mentioned above) from supplier's bills resulting into loss of Rs 383.344 million. The details are given at Annex-7 of Chapter-12.

The matter was reported to the management during January 2016 to November 2016. The management at serial no 04 replied for para 16 of AIR that SST was deducted where it became due. In respective years, the system based SST deductions were not activated. The same has been activated now and is continuously being deducted. However, the management did not provide the documentary evidence for recovery of non-deducted taxes in support of its contentions. No reply from other offices was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery of non/less deducted taxes and an inquiry may be initiated against DAO/DDO in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures (the recovery amount may be raised as advance against concerned DAO/DDO).

#### **12.4.25 Non-deduction of income tax – Rs 168.493 million**

As per Section 153 (1) of Income Tax Ordinance 2001, every prescribed person making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person- (a) for the sale of goods; (b) for the rendering of services; (c) on the execution of the contract, other than a contract for the sale of goods or the rendering service, shall, at the time of making the payment , deduct tax from the gross amount payable at the rate specified in division III of part III of the first schedule.

During audit in following offices of Finance Department, Government of Sindh for the financial years 2013-14, 2014-15 & 2015-16, it was observed that income tax of Rs 168.493 million was not deducted from the bills of the contractors. The details are given at Annex-8 of Chapter-12.

The matter was reported to the management during August 2015 to November 2016. The management at Serial No. 07 replied for para 6 of AIR that less deduction of income tax was paid to authority concerned through filing of income tax return. However, the management did not produce the documentary evidence in support of its contention.

The management at Serial No. 05 replied for para 24 of AIR that non/less deduction of income tax happened due to oversight or rush of work. However, the management did not provide the documentary evidence for deduction of income tax in support of its contention.

The management replied for para 19 that the DDO concerned had been informed for depositing of non-deducted income tax on rent of building through govt. challan. However, the management did not produce documentary evidence in support of its contention.

The management at Serial No. 06 replied for para 10 of AIR that the 5% income tax was deducted on bills of rent of building. However, the management did not produce the documentary evidence for less deduction of income tax in support of its contention. No reply from other offices was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

#### **12.4.26 Short deposit of income tax / SST into government account – Rs 170.737 million**

According to Rule 41(a) of Sindh Financial Rules Volume-I, the departmental controlling officer should see that all sums due to government are regularly received and checked against demands and that they are paid into treasury.

During audit of following offices of Finance Department, Government of Sindh for the year 2015-16, it was observed that taxes were deducted at source from contractors/suppliers of Rs 170.737 million but the same was not remitted into government treasury.

(Rupees in million)

<b>Sr. #</b>	<b>Name of office</b>	<b>Financial Year</b>	<b>AIR Para #</b>	<b>IT Receipts</b>	<b>SST Receipts</b>	<b>Paid to FBR/SRB</b>	<b>Short Deposited Amount</b>
1	District Accounts Office Hyderabad	2015-16	3	1389.318	-	1256.514	132.803
2	District Accounts Office Jamshoro	2015-16	41	19.458	-	-	19.458
3	District Accounts Office Sukkur	2015-16	7	9.639	-	-	9.639
4	District Accounts Office Sanghar	2015-16	18	271.249	-	263.875	7.374
			09	-	1.463	-	1.463
<b>Total</b>							<b>170.737</b>

The matter was reported to the management in January to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

#### 12.4.27 Non-deduction of GST – Rs 24.789 million

As per Section 3(1) of the Sales Tax Act, 1990, “There shall be charged, levied and paid a tax known as sales tax @ 16% of the value of taxable supplies made by a registered person in the course a furtherance of any taxable activity carried on by him”.

During audit of following offices of Finance Department, Government of Sindh for the years 2013-14, 2014-15 & 2015-16, it was observed that an amount of Rs 24.789 million was not deducted as GST from the bills of the contractors/supplies.

(Rupees in million)

Sr. #	Name of office	Financial Year	Particulars	AIR Para #	Amount
1	District accounts office Jamshoro	2015-16	Misc. heads of account	34	18.679
2	District Accounts Office Larkana	2013-14 & 2014-15	Furniture and fixtures	10	5.695
3	District Accounts Office Kashmore @ Kandhkot	2014-15	Uniform and liveries	33	0.220
4	District Accounts Office TandoAllahyar	2014-15	Misc. head of accounts	01	0.195
<b>Total</b>					<b>24.789</b>

The matter was reported to the management during August 2015 to November 2016. The management at Serial No. 02 replied for para 10 that the GST deduction may be due to oversight in rush of work. However, the management did not provide relevant reply in support of its contention. No reply from other offices was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

#### 12.4.28 Irregular payment of un-attractive area allowance – Rs 8.074 million

According to Government of Sindh Finance Department letter No.FD(TR)1(38)/2003(Prov) dated 15-04-2009, it was stated that the Government of Sindh allowed unattractive area allowance to the teachers serving in the unattractive

areas of Talukas of Mithi, Umerkot, Chachro, Nagarparkar, Diplo, Desert area of Taluka Khipro of Sanghar District and Kohistan of Dadu district only under letter No.FD(SR-III)5/21-75-11 dated 10-08-1987 and 25-04-1992.

During audit of following offices of Finance Department, Government of Sindh for the years 2013-14, 2014-15 & 2015-16, it was observed that an amount of Rs 8.074 million was paid to the officers/officials on account of unattractive area allowance to the officials/officers which was not admissible to them as per above referred letter.

(Rupees in million)

Sr. #	Name of office	Financial Year	AIR Para #	Amount
1	District Accounts Office Larkana	2013-14 & 2014-15	01	3.539
2	District Accounts Office Jamshoro	2015-16	28	2.872
3	District Accounts Office Sukkur	2015-16	23	1.663
<b>Total</b>				<b>8.074</b>

The matter was reported to the management during May 2015 to November 2016. The management at Serial No 01 replied for para 01 of AIR that the unattractive area allowance was paid as per notification vide No. FD(SR-III)5/12-94 dated 8-11-94, which was in vogue in respective year, issued by FD Government of Sindh to the employees of Education Department. However, the record analyzed and the necessary recovery had been processed if anyone was drawing this allowance.

Reply was not tenable as the management did not produce the documentary evidence for recovery against the persons who were receiving unattractive area allowance in support of its contention. No reply from other offices was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.



#### 12.4.29 Non-recovery of stamp duty – Rs 6.061 million

According to Sub: 22-A of Stamp Act, it was the duty of the Competent Authority to recover the Stamp Duty and affix the same, while execution of agreement @ 0.30 paisa per hundred rupees of the value of the agreement or against tender cost.

During audit of office of Chairperson, Sindh Board of Investment, Karachi for the year 2014-15, it was observed that stamp duty of Rs 6.061 million was not recovered.

(Rupees in million)

Sr.#	Particulars	Payee	Amount	Stamp duty
1	Revival of sick industrial units in rural Sindh phase-II	Sindh Bank Ltd	2,000.000	6.000
2	Booking for livestock, dairy, fisheries, poultry & agro exhibition/seminar 2015 (30-31 May) at Karachi expo/centre	M/s Badar Expo Solutions	20.461	0.061
			<b>Total</b>	<b>6.061</b>

The matter was reported to the management in June 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

**(AIR#04)**

#### 12.4.30 Unauthorized drawal of conveyance allowance despite facility of vehicles – Rs 5.199 million

As per Government of Sindh, Services, General Administration & Co-ordination Department (S&GAD) Notification No. PA-DS (G)/41133/76 dated: 27-07-1977 and No. SO (INSP) S& GAD VI (3) /79 dated: 20-07-1979, “the conveyance allowance is an allowance paid to employees to enable them to reach the office. The conveyance allowance is not required to be paid to those officers, who have been provided with government transport facilities and / or have gone on vacations.

During the audit of following offices of Finance Department, Government of Sindh for the years 2014-15 & 2015-16, it was observed that an amount of Rs 5.199

million was drawn by the officers on account of conveyance allowance who were already availing the facility of government vehicles.

(Rupees in million)

<b>Sr. #</b>	<b>Name of office</b>	<b>Financial Year</b>	<b>No. of officers</b>	<b>AIR Para #</b>	<b>Amount</b>
1	District Accounts Office Sukkur	2015-16	46	17	3.778
2	Chairperson Sindh Board of Investment Karachi	2014-15	12	09	0.587
3	District Accounts Office Jamshoro	2014-15	07	08	0.420
4	Secretary Finance, GOS Karachi	2015-16	10	15	0.414
<b>Total</b>					<b>5.199</b>

The matter was reported to the management during January to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

## CHAPTER – 13 FOOD DEPARTMENT

### 13.1 Introduction

The objective of the department is to run Wheat (Procurement and Sale) State Trading Scheme in a manner that food security is provided to common man. The Food Department's activities are mainly focused on:

- a) Procurement of wheat from growers during harvesting period at supporting price fixed by the Provincial Government,
- b) Opening of wheat procurement centres throughout the province at the provincial reserves centres/places with establishment of temporary bank booth to make payment to the growers on the spot,
- c) Handling and transportation of surplus wheat to the wheat deficit areas/non-procurement areas,
- d) Safe storage of wheat in covered godowns and to maintain revolving / strategic reserves of wheat in order to meet out shortage at the time of emergency,
- e) Release of wheat to flour mills and *chakkies* at the subsidized rate in order to trickle down the benefit to general public at an affordable/ reasonable price,
- f) Stabilise the wheat market price by directly intervening in the commercial market to mitigate the risk of hoarding by maintaining equilibrium.

### 13.2 Comments on the Budget and Accounts (Variance Analysis)

The Department consists of 26 formations (DDOs), out of which 5 formations were selected and audited during Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rupees in million)

Original Budget/ Grant	Supplementary Grant	Re-appro: (+) (-)	Revised Budget 2014-15	Departmental Expenditure	Variation (Excess)/ Savings
56,716.435	-	(394.769)	56,321.665	44,794.130	11,527.535

The department was unable to control the expenditure as per allocated budget, as a result, excess expenditure of Rs 11,527.535 million was incurred.

(Rupees in million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
47,890.000	42,040.000	37,233.202	4,806.797

The department was unable to collect the estimated receipts in time, as a result shortfall of an amount Rs 4,806.797 million was observed.

### 13.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was 10.3%.

Sr. No	Audit Report	Total Paras discussed	No. of Paras requiring Compliance	Compliance of PAC directives made	Compliance of PAC directives not made	Percentage of Compliance
1	1992-93	9	7	7	0	100
2	1998-99	8	3	0	3	-
3	1999-2000	5	5	0	5	-
4	2001-02*	9	0	0	0	-
5	2004-05*	19	16	1	15	6.3
6	2005-06	22	17	1	16	5.9
7	2006-07	11	11	0	11	-
8	2007-08	12	9	0	9	-
9	2008-09	15	11	0	11	-
10	2009-10	8	8	0	8	-
<b>Total</b>		<b>118</b>	<b>87</b>	<b>9</b>	<b>78</b>	<b>10.3</b>

Note. Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

## 13.4 AUDIT PARAS

### 13.4.1 Non production of record – Rs 1,087.673 million

Section 14 (2) and (3) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of following offices of Food Department, Government of Sindh, for the year 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 1,087.673 million remained unaudited.

(Rupees in million)

Sr. #	Name of Offices	Financial Year	AIR Para #	Amount
1	District Food Controller, Nausheroferoze.	2014-15 & 2015-16	4	1,077.064
2	District Food Controller, Badin	2013-14 & 2014-15	4,10	9.909
3	District Food Controller, Shaheed Benazirabad.	2015-16	8	0.700
4	District Food Controller, Hyderabad.	2015-16	6	-
5	Secretary, Food Department, Karachi.	2015-16	1	-
			<b>Total</b>	<b>1,087.673</b>

The non-production of record was reported to the management in August 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of record besides fixing of responsibility on the person (s) at fault.

#### **13.4.2 Issuance of supply order on forged registration certificate – Rs 53.196 million**

According to Rule-1 Appendix 18-A of Sindh financial rule volume-I, “Every Government servant realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government servant to the extent to which it may be shown that he contributed to the loss by his own action or culpable negligence”.

During audit of office of Director Food, Karachi for the year 2014-15, it was observed that tender for procurement of bardana (Jute bags) was invited on dated 11-01-15, M/s Indus Jute Mills Ltd. participated in tendering process and was awarded the supply order for Rs 53.196 million. The firm produced “Renewal for Pre-Qualification Certificate with the Industries Department” vide No. DISK/PQ/REG/M-5352, as evidence for registration with the Industries Department. The renewal certificate was for the year ending 30th June 2015. The year 2015 was found recorded by erasing the year previously written on the certificate. However, the management did not take notice of the forgery.

The matter was reported to the management in August 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of record besides fixing responsibility on the person(s) at fault.

**(AIR#19)**

#### **13.4.3 Unauthorized acceptance of tender without obtaining valid registration certificate – Rs 25.740 million**

As per Para – 11 of G.F.R. Volume – I each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations, both by his own office and by sub-ordinate disbursing officer.

During audit of office of Director Food, Karachi, it was observed that tender for procurement of gunny (Jute) bags was invited on dated 11-01-15. M/s Madina Jute Mills Ltd. participated in the tender and was awarded the supply order for Rs 25.740 million. The firm could not provide “Renewal for Pre-Qualification Certificate with the Industries Department” and stated “applied for renewal”. Thus, the supply order was issued without obtaining valid registration certificate. In the absence of valid certificate of registration, the acceptance of tender and issue of supply order is therefore unauthorized.

(Rupees in million)

Name of firms	Rates quoted by firms before negotiation	Rates quoted by firms after negotiation	Quantity as per Supply order	Amount of Supply order
Madina Jute Mills	146.76 per bag	143.00 per bag	180,000 bags	25.740

The matter was reported to the management during August 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides dispensing with the practice in future.

**(AIR#16)**

#### **13.4.4 Storage of wheat in open space – Rs 756.564 million**

As per para 07 of policy guideline for wheat procurement campaign 2011 issued by the section officer(Wheat) ,Government of Sindh ,Food Department vide letter no SO(W)7(18) 2011 Dated:22-03-2011 which stated that “procured Wheat shall be stored properly keeping in view safety and security of wheat stocks.

During audit of office of District Food Controller, Ghotki at Mirpur Mathelo for the year 2015-16, it was observed that the wheat valuing Rs 756.564 million was lying in the open space at various wheat procurement centers as detailed below without any precautionary measures. Thus the chances of wheat theft and wheat damage could not be ruled out.

(Rupees in million)

Sr. #	Name of PRCs	Wheat in Jute Bags each of 100 kgs	PP Bags each of 50 Kgs	Purchase Rate	Value Amount
01	Ghotki PRC	3447	166165	3250 per 100 kgs	756.564
02	MirPur Mathelo PRC	86429	57607		
<b>Total</b>		<b>120903</b>	<b>223772</b>		

The matter was reported to the management in September 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

(AIR#05)

#### **13.4.5 Un-authorized storage of wheat at private flour mill's premises – Rs 78.139 million**

As per para-09 of policy guide line for wheat procurement campaign 2011 issued by the Section Officer (Wheat) Government of Sindh, Food Department vide letter No. SO(W)7(18)2011 dated. 22-03-2011. "No wheat stocks should be kept in the premises of any private/flour mills/other private place without approval of the Government,"

During audit of office of District Food Controller, Badin for the years 2013-14 to 2014-15, it was observed that 24043 bags of procured wheat valuing Rs 78.139 million were kept at a private flour mill, M/s Shaheen Corp. Roller Flour Mill without approval of the competent authority. Due to storage of wheat at private flour mills, chances of replacement of old wheat stock with new one could not be ruled out. Moreover, agreement with the flour mill to safeguard the government interest was not available on record.

The matter was reported to the management in September 2015 but no reply was received.



Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#01)

#### 13.4.6 Irregular payments into DDO account – Rs 2.879 million

As per Rule-303 of Federal Treasury Rules, “a contingent bill for payment to suppliers etc which cannot be met from the permanent imprest may be endorsed for payment to the party concerned and the DDOs are suggested that in case of payments to the suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid un-necessary delays and risk involved in the drawal and disbursement of cash.”

During audit of the following offices of Food Department for the year 2015-16, it was observed that an expenditure of Rs 2.879 million was incurred on various head of accounts but the payment was made into DDO account instead of actual payees.

(Rupees in million)

Sr. #	Name of office	AIR Para #	Amount
1	DFC Shaheed Benazirabad	4	1.637
2	Director Food, Karachi	7	1.048
3	Secretary, Food Department, Karachi.	9	0.194
<b>Total</b>			<b>2.879</b>

The matter was reported to the management in August 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter besides fixing responsibility on the person(s) at fault.

#### **13.4.7 Short realization of cost of wheat – Rs 22.168 million**

As per Rule-28 of General Financial Rules, Volume-I, “No amount due to Government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable, the order of the competent authority for their adjustments must be sought.

During audit of the office of District Food Controller Ghotki at Mirpur Mathelo for the year 2015-16, difference amount of Rs 22.168 million was observed against the sale proceed of wheat stock held by the formation as detailed below.

(Rupees in million)

No. of Bags	Qty (M.Tons)	Rate per M.Ton	Total Amount Recoverable	Total Amount Realized	Difference Amount
383,934	38,799.810	33,400	1,295.914	1,273.746	22.168

The matter was reported to the management in September 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing of responsibility on the person(s) at fault.

**(AIR#02)**

#### **13.4.8 Non-recovery of shortage of wheat – Rs 1.834 million**

According to Appendix-18-A, Section-I of Sindh Financial Rules, Volume-II, “Means should be devised to ensure that every Government servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part, and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government servant to the extent to which it may be shown that he contributed to the loss by his own action or culpable negligence”.

During audit of office of District Food Controller, Shaheed Benazirabad for the year 2015-16, it was observed that while transporting wheat from WPC to PRC,

shortage of wheat worth Rs 1.834 million occurred. However, no action of recovery was taken by the management.

The matter was reported to the management in September 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter besides fixing responsibility on the person (s) at fault.

**(AIR#01)**

## CHAPTER – 14 FOREST & WILDLIFE DEPARTMENT

### 14.1 Introduction

The Forest & Wildlife Department is responsible for preservation of existing forests of the province of Sindh and Afforestation of forest lands for climatic, commercial and local needs. It also carries out research to develop new and improved species of plants and trees, suitable to the local climate and soil. Moreover, the Department also works for preserving endangered species of wildlife and constructing sanctuaries for them.

The forests of Sindh are being managed on the universal recognized principle of multiple land use system. The Forest Department also contributes to income generation for the government. In order to fill the gap of forest cover and to increase the fuel wood/ timber, fodder and livestock, various development schemes are being implemented depending on the availability of the resources. Besides normal forestry, development operations also focus on diversified fields like coconut plantation, sericulture, apiculture etc.

Core functions of the department include:

1. To increase the forests' covered area,
2. To provide substitutes to firewood in the wooded mountains,
3. To reduce political interference in the Forestry and Wildlife Departments,
4. To provide adequate control against flooding in the riverine areas,
5. To develop Policies for fragile Eco-systems,
6. To retrieve lands under encroachment,
7. To renovate and invigorate the institutions of RNR.

### 14.2 Comments on the Budget and Accounts (Variance Analysis)

The Department consists of 72 formations (DDOs), out of which 02 formations were selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rupees in million)

Original Budget/ Grant	Supplementary Grant	Re-appro: (+) (-)	Revised Budget 2014-15	Departmental Expenditure	Variation (Excess)/ Savings
2,324.602	52.456	(248.352)	2,128.705	1,734.534	394.170

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 394.170 million was observed which was not surrendered in time.

(Rupees in million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
236.903	145.316	211.998	(66.682)

### 14.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was 16.7%.

Sr. No	Audit Report	Total Paras discussed	No. of Paras requiring Compliance	Compliance of PAC directives made	Compliance of PAC directives not made	Percentage of Compliance
1	1992-93	6	1	0	1	-
2	1998-99	12	2	0	2	-
3	1999-2000	21	7	0	7	-
4	2001-02*	5	5	3	2	60
5	2004-05*	13	11	2	9	18.2
6	2005-06	17	14	2	12	14.3
7	2006-07	8	3	0	3	-
8	2007-08	18	0	0	0	-
9	2008-09	9	0	0	0	-
10	2009-10	10	5	1	4	20
<b>Total</b>		<b>119</b>	<b>48</b>	<b>8</b>	<b>40</b>	<b>16.7</b>

Note. Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

## 14.4 AUDIT PARAS

### 14.4.1 Non-reconciliation under various suspense heads and the deferred liabilities (G.P. Fund) – Rs 393.322 million

The Forest Department is a self-accounting entity. It is required to submit monthly accounts to the Accountant General and reconcile its figures with the concerned Accountant General accordingly.

During Certification Audit of the office of Chief Conservator of Forest, Forest Department, Hyderabad, for the Financial Year 2015-16, it was observed that the management did not reconcile the balances as recorded in net results under various suspense heads and the deferred liabilities (G.P. Fund). The management produced statement showing the net result under various suspense heads as on 30-06-2016 of Rs 254,180,844 vide Annexure-C to the Appropriation Accounts, Statement showing the closing balance of deferred liabilities (GP Fund) as on 30-06-2016 of Rs 139,140,823 vide Annexure-D to the Appropriation Accounts. The balances appearing in the above annexures to the Appropriation Accounts even did not match with the trial balance presented by the Department as Annexure-B to the Appropriation Accounts. A comparison of figures relating to deferred liabilities as appearing in the Appropriation Accounts of the Forest department and Finance Accounts of the Government of Sindh is as under:

(Amount in Rupees)

Description	Opening	Receipt	Payments	Closing
Forest Deptt	119,965,081	35,149,996	15,974,254	139,140,823
AG Sindh	89,704,170	53,669,020	45,905,871	97,467,319
<b>Difference</b>	<b>30,260,911</b>	<b>(18,519,024)</b>	<b>(29,931,617)</b>	<b>41,673,504</b>

The comparison indicates overstatement of Rs 30,260,911 in the opening balance and understatement of Rs 18,519,024 in receipts and understatement of Rs 29,931,617 in payments. Resultantly, the closing balance has been overstated by Rs 41,673,504 at the end of the year.

The mater was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on person(s) at fault and compliance of rules be made.

**(ML 4.2.1)**

#### 14.4.2 Irregular payments under ADP funds through DDOs Account – Rs 258.926 million

According to Para 23 of GFR Volume-I, Every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will be also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that contribution to the loss by his own action or negligence.

During certification audit of accounts maintained by Forest & Wildlife Department, Government of Sindh for the financial year 2015-16, it was observed that advances of Rs 258.926 million were drawn from ADP funds (Forest Receipts) against various officials and deposited into DDOs/officials account instead of payments directly to payees' concerned.

(Rupees in million)

Sr. #	Name of the office	OM #	Amount
1	Various offices	114	58.831
2	DFO (SF) Karachi	116	57.554
3	DFO (A) Benazirabad	116	45.497
4	DFO (D) Hyderabad	113	33.125
5	DFO (A) Thatta	116	28.339
6	DFO (A) Hyderabad	112	20.332
7	DFO (Coastal) Karachi	113	13.288
8	DFO (A) Sukkur	116	1.960
<b>Total</b>			<b>258.926</b>

The mater was reported to the management in October 2016. The management replied that as per provision under the West Pakistan Forest Manual and accounting procedure laid down in the Department, the works are being carried out through engagement of Labour Jamadar/Petty contractors deploying their trained and experienced labour on forestry works. The works carried out through those experienced labour are checked by Beat Guard, Block Forest Officer as well as Range Forest Officer. They added that a cheque of pre-audited bills is issued in favour of Range Forest Officer for disbursement of payment to concerned labour under due attestation. The reply of the management was not convincing as observation related to payment through DDO account which has not been responded.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit written request fixing of responsibility on person(s) at fault and compliance of rules be made.

(ML 4.4.11)

#### 14.4.3 Un-authorized cash withdrawal from bank account – Rs 14.342 million

As per Rule 303 of Federal Treasury Rules, “Contingent bill for payment to Suppliers etc. which cannot be met from the permanent imprest may be endorsed for payment to the party concerned and the DDOs are suggested that in case of payments to the Suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid un-necessary delays and risk involved in the drawal and disbursement of cash.”

During certification audit of accounts maintained by Forest & Wildlife Department, Government of Sindh for the financial year 2015-16, it was noticed that funds amounting to Rs 14.342 million were drawn from DDO bank accounts of following offices by presenting open cheques instead of cross cheques in favor of payees.

(Rupees in million)

Sr. #	Name of Office	OM #	Amount
1	DFO (D), Hyderabad	133	9.877
2	SDFO (SF), Umerkot	132	4.465
<b>Total</b>			<b>14.342</b>

The matter was reported to the management during the month of October 2016. The management of office at Sr. No.1 replied that various other staff members were issued DDO cheques on account of their salaries to avoid cash transaction but contrary to filtering out the figures, audit has incorrectly taken entire amount. The management of office at Sr. No.2 replied all required formalities were properly fulfilled.

The reply of the management of both offices was not tenable as no bifurcation of amount of salaries and other expenses besides justification of amount in DDO account were provided to audit to support their contention.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on person(s) at fault and compliance of rules be made.

(ML 4.4.22 & 4.4.23)



#### 14.4.4 Non-production of record – Rs 32.049 million

As per Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of office of the Secretary Forest & Wild life Department Karachi for the financial years 2012-13 and 2013-14, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 32.049 million remained unaudited.

(Rupees in million)

Sr.#	Particulars	AIR Para #	Financial year	Amount
1	Pay & Allowances and Contingencies including Cash Book KA4456	06	2012-13	15.398
2	Pay & Allowances and Contingencies including Cash Book, List of Govt. Vehicles and their Allocation Orders KA4456		2013-14	10.651
3	Section Officer-I Forest Deptt & Wildlife A09501-Purchase of Transport KR9593		2013-14	6.000
<b>Total</b>				<b>32.049</b>

The matter was reported to the management during November 2015. The management replied that upon shifting of Environment Department from Korangi office to Secretariat, the record of cost center, KA-4456 was misplaced which is now available.

The reply was not tenable as the management by not producing record at the time of annual audit, hindered the audit function.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of record besides fixation of responsibility on the person(s) at fault.

#### **14.4.5 Non-utilization of SAP system for payroll – Rs 613.149 million**

The CGA Office has adopted sub-modules in SAP system containing Payroll/Hiring, GP Fund and Pension. After the adoption of the HR module and its sub-modules by the controlling authority, any manual payment of payroll is unauthorized and may severely impact the payroll control system.

During certification audit of accounts maintained by Forest & Wildlife Department, Government of Sindh for the financial year 2015-16, it was observed that despite connectivity of Budget and Accounts Section of the department with the SAP system, salary of the employees to the tune of Rs 613.149 million were drawn through manual bills.

The matter was reported to the management in October 2016. The management replied that DDOs submit their quarterly requirement of funds under employees related expenses showing the name-wise actual requirement of funds under the head “Pay and Allowances”. They further added that after due verification of requirement, the funds were released to DDO for disbursement of salary through Bank Accounts of respective incumbents.

The reply of the department was not tenable, as the management did not clarify the observation for non-using SAP system.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on person(s) at fault besides taking remedial measure.

**(ML 4.4.1/ OM#95)**

#### **14.4.6 Loss of revenue due to encroachment of land – Rs 228.718 million**

As per Para 1 of Clauses 81-82 of the West Pakistan Land Revenue Act, 1997, it is the responsibility of the Executive Agency to recover the amount of Government

dues from the persons concerned. Furthermore, As per Para 21 of Conditions of Agro-Forestry lease in the forests of Sindh, In case of belated payment of Government dues, the lease amount should include compound interest at the rate of 10% per annum. The compound interest may be calculated for delay of each month taking 15 days and above as full month.

During certification audit of accounts maintained by Forest & Wildlife Department, Government of Sindh for the financial year 2015-16, the data of land pertaining to 10 offices was furnished according to which the 26,275.08 acres of forest land was under encroachment and 39,073 acres land were under litigation for which department was not taking any efforts in the court of law. Documentary evidence regarding steps taken by the department for vacating the forest land from un-authorized encroachers was not furnished to audit. Due to inaction, recurring loss of Rs 228.718 million was being suffered.

Sr.#	District	Total Area of Land	Encroached Land	OM #
1	TM Khan	18,689.20	1358	42
2	Khairpur	173,337.96	16839.18	
3	GBA Mirpur Mathelo	22,701.63	2305.1	
4	RM Karachi	96,169.21	700	
5	Sanghar @ Khipro	22,804.10	4881.5	
6	RM Mirpurkhas	273,518.50	191.3	
			26275.08 Acres	
	The calculation is based on considering the IP land rate i-e 3500 per acre		<b>91,962,780</b>	
<b>Sub Total -A</b>			<b>91.962</b>	

Sr.#	District	Total Area of Land	Land Under litigation	OM
1	Khairpur	173,337.96	30391.52	41
2	GBA Mirpur Mathelo	22,701.63	2044.77	
3	Sanghar @ Khipro	22,804.10	6637	
	Total land		39073.29 Acres	
	The calculation is based on considering the IP land rate i-e 3500 per acre		136,756,515	
<b>Sub Total-B</b>			<b>136.756</b>	
<b>Grand Total (A+B)</b>			<b>228.718</b>	

The matter was reported to the management in October 2016. The management of office at Sr. No.1 at table No.1 furnished irrelevant reply as they intimated the

bifurcation of the land in their jurisdiction instead of providing clarification about the encroached area of 1358 acres.

The management of remaining offices under audit observation in their reply highlighted their efforts to vacate the encroached land through litigation; however, the final progress of vacating the land was yet to be reported by them.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on person(s) at fault and compliance of rules be made.

(ML 4.6.11)

#### **14.4.7 Non-inviting tender in violation of SPPR 2010 – Rs 104.706 million**

According to Rule 17(1) of SPPRA Rules 2010 “Procurements over one hundred thousand rupees and up to one million rupees shall be advertised by timely notifications on the Authority’s website and may in print media in the manner and format prescribed in these rules”.

During certification audit of accounts maintained by Forest & Wildlife Department, Government of Sindh for the financial year 2015-16, it was observed that an expenditure of Rs 104.706 million was incurred without inviting open tenders. The details are given at **Annex-1** of Chapter-14.

The matter was reported to the management in October 2016. The management of office at Serial No.4 replied that the Rules and procedure as provided under SPPRA 2010 were properly followed. However, the reply was not supported with evidence of observance of tender process.

The management of offices at Sr. No.1, 2, 3, 5, 6, 13 and 16 defended their act of non-tendering for one or other reason. However, their reply was not tenable as SPPR 2010 was to be followed. The management of remaining office did not reply.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on person(s) at fault besides taking remedial measures.

(ML 4.4.28 & 4.5.1)

#### **14.4.8 Less allocation of budget against Schedule of Authorized Expenditure - Rs 77.559 million**

As per Para 3.3.11.1 of Accounting Policies and Procedures Manual, “After the budget is passed by the legislature, together with sums tabled for charged expenditure, the Finance Department must formally communicate the budgets, as set out in the Schedule of Authorized Expenditure, to each ministry and to the respective Accountant Generals.”

During certification audit of accounts maintained by Forest & Wildlife Department, Government of Sindh for the year 2015-16, it was observed that despite approved budget of the offices in the Schedule of Authorized Expenditure, the budget of Rs 77.559 million was less allocated to 29 Divisional Forest offices.

The matter was reported to the management in October 2016. The management replied that the Forest Department releases the budget on quarterly basis and according to the actual requirements of the DDO in the relevant code heads. The competent authority has checked the demand/ requirements and released the budget in the light of the ground position of the expected expenditure on actual calculation of working strength of staff. Therefore, there is little difference in the sanctioned budget and the actual releases of budget.

The reply of the management was not tenable as funds allocated to any DDO by the Finance department cannot be altered without permission from Finance Department.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on person(s) at fault besides taking remedial measures.

(ML 4.1.2/OM#03)

#### **14.4.9 Unjustified expenditure without allocation of budget - Rs 54.719 million**

According to para 3.3.12.4 of Accounting Policies & Procedure Manual, any spending entity required to undertake work or incur expenditure on behalf of another

is required to exercise proper budgetary control over the funds provided by the principal authority.

During certification audit of accounts maintained by Forest & Wildlife Department, Government of Sindh for the financial year 2015-16, it was observed that Finance Department released an amount of Rs 122.456 million to eight (08) offices under B-Conservancy head of account (A13370 & A13470). It was noticed that 44 different offices of forest department incurred an expenditure of Rs 54.719 million without allocation of funds under B-Conservancy head of account.

The matter was reported to the management in October 2016. The management replied that the 44 Officers as pointed out by Audit were not released funds directly to their cost centre and placed at the disposal of Chief Conservator of Forests Sindh, which were further distributed and allocated to those DDOs for carrying out essential forestry operation.

The reply of the management was not tenable as the audit holds the view that the funds cannot be allocated at own discretion without concurrence of finance department.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on person(s) at fault besides taking remedial measures.

**(ML 4.4.7/ OM#04)**

#### **14.4.10 Irregular expenditure on mangrove plantation – Rs 52.461 million**

Rule 17 (1) & (2) & 50 of Sindh Public Procurement Rules, 2010 states that procurement over one hundred thousand rupees and up to one million rupees shall be advertised by timely notification on the Authority's websites and in print media in the manner and format prescribed in these rules.

During certification audit of accounts maintained by Forest & Wildlife Department, Government of Sindh for the financial year 2015-16, while reviewing of account of DFO Coastal ADP Scheme # 344, it was observed that Rs 52.461 million was spent on account of mangrove plantation in frontage back-water by DFO (Coastal) Karachi without open competitive process as per SPPRA Rules, 2010.

Following irregularities were noticed:

- i. Assignment was carried out without detailed report of Research and Development.
- ii. The work was done by non-professional Labour Jamadarnot register with tax authority.
- iii. An amount of Rs 37.840 million (including maintenance & restocking of Rs 3.890 million) out of Rs 52.461 million were spent by DFO Coastal Karachi in plantation of mangrove in frontage back-water in Shah Bandar & Rohri sites which were not approved in the P.C.I.
- iv. Third party validation on account of physical verification of work done was not carried out.

The matter was reported to the management in October 2016. The management submitted irrelevant reply as it did not contain point-wise response to the audit observation.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry to ascertain the factual position.

**(ML 4.5.13/ OM#86)**

#### **14.4.11 Non-deduction of Income tax– Rs 29.975 million**

According to Section 153(a) & (b) of the Income Tax ordinance, 2001, “Income Tax @ 6% for rendering professional Services is required to be deducted at source and deposited into Government account”. According to Rule 2 (2) of S.R.O. 660(I)/2007 dated 30th June, 2007 issued by FBR, a withholding agent shall deduct an amount equal to one fifth of the total sales tax shown in the sales tax invoice issued by the registered suppliers and make payment of the balance amount to him.

During certification audit of accounts maintained by Forest & Wildlife Department, Government of Sindh for the financial year 2015-16, it was observed that taxes were not deducted at source in various offices. This resulted loss to Government of Rs 29.975 million. The details are given at Annex-2 of Chapter-14.

The matter was reported to the management in October 2016. The reply of the management in respect of each office and rebuttal thereof is given in the Annex mentioned above.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on person(s) at fault and compliance of rules be made.

**(ML 4.7.3)**

#### **14.4.12 Excess allocation of budget to DDOs – Rs 26.243 million**

As per Para 3.3.11.1 of Accounting Policies and Procedures Manual, “After the budget is passed by the legislature, together with sums tabled for charged expenditure, the Finance Department must formally communicate the budgets, as set out in the Schedule of Authorized Expenditure, to each ministry and to the respective Accountant Generals.”

During certification audit of accounts maintained by Forest & Wildlife Department, Government of Sindh for the financial year 2015-16, it was observed that the office allocated excess budget of amounting to Rs 26.243 million to its sub-offices/DFOs in comparison to the budget authorized by the Provincial Assembly.

The matter was reported to the management in October 2016. The management replied that actual requirement was received from the respective DDOs. The competent authority after checking the demand/requirements released the budget in the light of the ground position of the expected expenditure on actual calculation of working strength of staff.

The reply of the management was not tenable as funds allocated to any DDO should be at par with release by the Finance Department.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on person(s) at fault.

**(ML 4.1.3/OM#05)**



#### **14.4.13 Irregular installation of Solar system without provision in the PC-I – Rs 2.497 million**

Under rule 15.22 a (i) west Pakistan Forest Manual volume-II same vigilance should be executed in respect of expenditure incurred from government revenues as person of ordinary prudence would exercise in respect of the expenditure of his money.

During certification audit of accounts maintained by Forest & Wildlife Department, Government of Sindh for the financial year 2015-16, it was observed that in the office of DFO Afforestation Division, Shaheed Benazirabad an expenditure of Rs 2.497 million was incurred on installation of solar system from development scheme “Mass Scale Tree Planting Out Side Areas of Mitigate Climate Changes in Sindh” without provision of funds in the PC-I.

The matter was reported to the management in October 2016. The management replied that the funds have been allocated by the competent authority (Chief Conservator of Forests Sindh at Hyderabad) from Development scheme titled “Mass Scale Tree Planting Outside Area of Mitigate Climate Change in Sindh” and the expenditure has been incurred as per release of funds for beautification of Pai Game Reserve. The reply of the management is not tenable as no documentary evidences of provision in the PC-I were produced.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on person(s) at fault

**(ML 4.5.15/ OM#93)**

#### **14.4.14 Non-transfer of Revenue from EMD to PLA account – Rs 2.357 million**

As per instructions contained in the Para 5.2.2.1 of Accounting Policies and Procedures Manual (APPM), “All monies received as revenue of the Government, must be banked in the name of the Government without delay and included in the Consolidated Fund of the respective Federal or Provincial Government”.

During certification audit of accounts maintained by Forest & Wildlife Department, Government of Sindh for the financial year 2015-16, while reviewing of accounts of DFO (A & S/F) Khairpur Mirs, it was observed that lease money of Rs 2.035 million were found as opening balance as on 1-7-2015 as per EMD Register

July 2015 and kept in EMD till June 2016 without any reason. Moreover, Rs 0.424 million received in August 2015 but kept in EMD till June 2016. Thus a total amount of Rs 2.357 million was not realized as revenue. It is worth mentioning that Chief Conservator has to sanction the lease within three months from the date of auction. Therefore, an understatement on account of revenue by Rs 2.357 million was made.

The matter was reported to the management in October 2016. The management in its reply stated that the opening balance of DFO-A Khairpur as on 01-07-2015 was Rs 6.733 million instead of Rs 2.035 million. The management further added that against OM No.50 that the amount received in end days of current fiscal year 2015-16, hence deposited as EMD and same was transferred from EMD to PLA account during the month of October 2016.

The reply was not tenable as the opening balance of listed lease holders on 1-7-2015 was Rs 2.035 million, which was neither returned during the whole year nor transferred from EMD to revenue/PLA account. Also, other listed lease holders' lease money of Rs 0.424 million was received in August 2015 and was kept in EMD account till June 2016 instead of either depositing in revenue/PLA account or returning to the lease holders in case of unsuccessful bidding. Moreover, 2nd and 8th years' lease money was to be deposited into revenue/PLA account.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on person(s) at fault and compliance of rules be made.

**(ML 4.2.5/ OM#49 & 50)**

#### **14.4.15 Outstanding recoveries from contractors – Rs 14.914 million**

As per Para 21 of Conditions of Agro-Forestry lease in the forests of Sindh, In case of belated payment of Government dues, the lease amount should include compound interest at the rate of 10% per annum. The compound interest may be calculated for delay of each month taking 15 days and above as full month.

During certification audit of accounts maintained by Forest & Wildlife Department, Government of Sindh for the financial year 2015-16, it was observed that lease money of forest land amounting to Rs 14.914 million was outstanding as closing balance as on 30-06-2016 against various contractors/lease for many years.

(Rupees in million)

Sr. #	Nature of recovery	OM #	Amount
1.	Lease money	27	11.178
2.	-do-	18	3.736
<b>Total</b>			<b>14.914</b>

The matter was reported to the management in October 2016. The management replied that notices have been issued to the concerned lessees for payment of lease money and the same shall be recovered shortly before ending of financial year.

The reply of the management is not tenable as no progress in recovery was reported.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on person(s) at fault.

**(ML 4.7.1)**

#### **14.4.16 Partial recovery of compensation amount – Rs 2.554 million**

As per Rule 23 of GFR, every Government officer should realize fully and clearly that he will be personally responsible for any loss sustain by Government through fraud or negligence on his part and that he will also be responsible for any loss arisen by fraud or negligence on the part of any other Government official to the extent of which it may be shown that he contribute to the losses by his own action or negligence.

During certification audit of accounts maintained by Forest & Wildlife Department, Government of Sindh for the financial year 2015-16, it was observed that following offices realized revenue of Rs 2.554 million.

(Rupees in million)

Sr. #	Name of office	OM #	Amount
1	DFO (A) Shikarpur	52	1.394
2	DFO (GBA) MPM	51	1.16
<b>Total</b>			<b>2.554</b>

Following irregularities were noticed:

- i. The land was encroached and crop was cultivated by the outsiders not by the lessee, hence crop was required to be forfeited but DFO applied compensation.

- ii. This act of nominal compensation may enhance the culture of encroachment.
- iii. The land was not leased out timely.
- iv. The public exchequer was deprived of 20% block plantation.
- v. The department did not take any legal action against defaulters.

The matter was reported to the management in October 2016. The management of office at Serial No. 01 replied that an amount of Rs 3.600 million was recovered and remitted into Government Treasury. The management of office at Serial No. 02 replied that as decided in the PVC meeting held on 05.06.2015 an amount of Rs 1.170 million was recovered and remitted into Government Treasury.

The reply of the management was not tenable as supporting evidences of recovered amount were not produced.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on person(s) at fault.

**(ML 4.4.40)**

#### **14.4.17 Non-recovery of leased amount – Rs 1.604 million**

As per rule 88 of Sindh Financial Rules, Volume-I, "Every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money".

During audit of office of the Divisional Forest Officer, Afforestation Division, Sanghar at Khipro for the financial year 2014-15, it was observed that an amount of Rs 1.604 million was not recovered/deposited from lessee/contractor.

The matter was reported to the management in January 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibly on the person(s) at fault.

**(AIR#11)**

## **CHAPTER-15**

### **HEALTH DEPARTMENT**

#### **15.1 Introduction**

The main functions of the department under the Sindh Government Rules of Business, 1986 are:

1. To control medical drugs and dangerous drugs (Drugs Act & Rules),
2. To manage medical education, including medical schools, colleges, institutions for dentistry and medical social welfare projects,
3. Regulation of medical and other professional qualifications and standards; medical registration, including medical council; indigenous system of medicines; medical attendance on government servants; and levy of fee,
4. Pharmacy and nursing councils,
5. Prevention and control of infectious and contagious diseases; like tuberculosis, malaria, rabies, etc., Safety from adulteration of food stuffs and acquiring nutrition; vaccination and inoculation; and maternity and child welfare and primary health.

#### **15.2 Comments on the Budget and Accounts (Variance Analysis)**

The Department consists of 212 formations (DDOs), out of which 22 formations were selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rupees in million)

<b>Original Budget/ Grant</b>	<b>Supplementary Grant</b>	<b>Re-appro: (+) (-)</b>	<b>Revised Budget 2014-15</b>	<b>Departmental Expenditure</b>	<b>Variation (Excess)/ Savings</b>
76,069.468	-	683.303	76,752.771	67,584.299	9,168.472

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 9,168.472 million was observed which was not surrendered in time.

(Rupees in million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
300.000	157.222	147.605	9.616

The department was unable to collect the estimated receipts in time, as a result, shortfall of an amount Rs 9.616 million was observed.

### 15.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was 32.1%.

Sr. No	Audit Report	Total Paras discussed	No. of Paras requiring Compliance	Compliance of PAC directives made	Compliance of PAC directives not made	Percentage of Compliance
1	1992-93	21	11	11	0	100
2	1998-99	16	11	0	11	-
3	1999-2000	23	3	0	3	-
4	2001-02*	13	5	0	5	-
5	2004-05*	36	36	19	17	52.8
6	2005-06	25	19	5	14	26.3
7	2006-07	8	5	0	5	-
8	2007-08	14	3	0	3	-
9	2008-09	13	7	0	7	-
10	2009-10	11	9	0	9	-
<b>Total</b>		<b>180</b>	<b>109</b>	<b>35</b>	<b>74</b>	<b>32.1</b>

Note. Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

## **15.4 AUDIT PARAS**

### **15.4.1 Discretionary powers to the Technical Evaluation Committee resulting in rejection of technically qualified bids (Systemic Issue)**

As per Rule-4 of Sindh Public Procurement Rules, 2010, while procuring goods, works or services, procuring agencies shall ensure that procurements are conducted in a fair and transparent manner and the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of the office of the Secretary Health Department, Govt. of Sindh for the year 2015-16, it was observed through system of central procurement, medicines/drugs worth Rs 13,914.672 million were purchased. However, bid documents provided discretionary powers to the Technical Evaluation Committee vide 2.13 & 2.14 of General Conditions & Instructions of as reproduced below:

2.13: The Technical Evaluation carried out by the Committee will be final, which will be assessed on clinical experience basis of the consultant(s) in the relevant specialty.

2.14: Only items approved by the Committee will be considered by the Control Procurement Committee.

By exercising above discretionary powers, financial bids of technically qualified bidders who had obtained passing 70 marks out of 100 in the technical evaluation were not opened treating them technically disqualified; whereas, there was no threshold to measure the rejection of bids. The list of the firms securing 70 marks and the rejected offered items on the basis of clinical experience of the members of technical committee is provided at **Annex-1** of chapter-15. On the other hand, it was also noticed that some products of the rejected firms were also accepted by the Technical Committee.

The matter was taken up to the management in November 2016 but no reply was received.

Despite written request no DAC meeting was convened by the PAO.

Audit recommends review of the procurement process to make it transparent.

**(AIR#02)**

#### **15.4.2 Defective process of central procurement of medicines – Rs 857.863 million (Systemic Issue)**

As per Sindh Public Procurement Rules, 2010, “while procuring goods, works or services, procuring agencies shall ensure that procurements are conducted in a fair and transparent manner and the object of procurement brings value for money to the agency and the procurement process is efficient and economical.”

During audit of the office of the Medical Superintendent, Civil Hospital, Karachi for the year 2015-16, it was observed that an expenditure of Rs857.863 million (excluding Local Purchase worth Rs.151.39 million from a firm M/s Civil Hospital Pharmacy) was incurred on purchase of medicines/drugs through centralized tender by the Secretary, Health Department (85% of total budgetary allocation under medicines/drugs head as informed by the officials of local office). Audit could not check authenticity of the original bids offered by the vendors, as production of original bids along with other relevant record was requested but the same was not produced. However, following shortcomings were noticed from uploaded data of centralized tenders:

- i. The approved lowest bidder who belongs to Karachi was unable to come into contact with hospitals for supply of medicines in faraway cities like Kashmore, Kandhkot, Mithi, etc.
- ii. Few lowest bid articles were rejected on the basis of inferior quality but there were too many medicines which were not of reputed firms (below standard medicines) and were selected as lowest bid. This reflected extending undue favour to the vendors and un-healthy competition.
- iii. It was revealed during discussion with management that purchase of low quality medicines was made to avoid sale of Government medicines in local market. Thus, management focused on quantity of medicines instead of quality.

The matter was taken up with the management in the month of November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends review of the procurement process to ensure that value for the money is received.

**(AIR#06)**



#### **15.4.3 Purchase of medicines with short shelf life – Rs 10.493 million (Systemic Issue)**

According to Rule-23 of General Financial Rules, Volume-I, every Government officer should realized fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

During audit of the office of the Medical Superintendent, Civil Hospital, Karachi for the year 2015-16, it was observed that an expenditure of Rs 10.493 million was incurred on account of purchase of medicines/drugs/kits with short shelf life. The standard / approved criterion was not followed before procurement of medicines i.e. 70% & 80% for local and imported medicines respectively (the documentary evidence regarding standard shelf life was not produced to audit). The medicines/kits have expiry date w.e.f. April 2016 to November 2016. This was a serious issue which should be addressed appropriately.

The matter was taken up with the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends exercising due diligence to ensure procurement of medicine with adequate shelf life.

**(AIR#15)**

#### **15.4.4 Defective procurement process of drugs/medicines for Malaria Control Program - Rs 5.553 million (Systemic Issue)**

According to Rule 11 (1) of SPPR 2010 “Mandatory Provision of Procurement Plan - All procuring agencies shall devise a mechanism for planning in detail for all proposed procurements, determining the requirement of the procuring agency, within its available resources, and prepare an annual or a longer term rolling plan, detailing the procurement methods applicable for specific procurements;”

According to Rule 39 of SPP Rules 2010 “(1) Procuring Agency shall, in all procurement of goods, works and services, carried out through open competitive bidding, require security in the form of pay order or demand draft or bank guarantee, an amount sufficient to protect the procuring agency in case of breach of contract by the contractor or supplier or consultant, provided that the amount shall not be more than 10% of contract price; (2) The security shall be provided in an appropriate form and amount, as provided in the bidding documents; (3) Validity of performance security shall extend at least ninety days beyond the date of completion of contract to cover defects liability period or maintenance period subject to final acceptance by the procuring agency.

During audit of the office of Director, Malaria Control Program Sindh, Hyderabad for the financial year 2015-16, it was observed that medicines/drugs amounting to Rs 5.553 million were purchased. However process of procurement for above medicines and drugs was found defective on the following grounds:-

- i. According to available record, neither management of Malaria Control Program obtained the requirements of end users nor Central Procurement Committee of Health Department obtained the requirement of Malaria Control Program while preparation of bidding documents. Resultantly, medicines were purchased in excess of demand during the year 2015-16.
- ii. The medicines have been shown procured under Rate Contract Basis approved by Central Purchase Committee of Health Department, Government of Sindh, Karachi but approval of Health Department along with list of approved rates was not found in available record. However, the management produced photocopies of lists obtained through other sources by them.
- iii. Neither the medicines were got tested from Drug Laboratory nor clinical efficacy report was being obtained.
- iv. The supply of medicine was not made through specified packing.
- v. Necessary information about batch number and expiry date of medicines was not mentioned on the invoice of M/s Zafa Pharmaceuticals.

The matter was taken up with the management during November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends necessary steps by the management to ensure effective procurement process.

**(AIR#10)**

#### **15.4.5 Issuance of expired kits (Systemic Issue)**

As per Rule-4 of Sindh Public Procurement Rules, 2010, while procuring goods, works or services, procuring agencies shall ensure that procurements are conducted in a fair and transparent manner and the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of the office of the Medical Superintendent, Civil Hospital, Karachi for the year 2015-16, it was observed that the expired HCV PCR kits costing Rs 0.856 million (4 units @ Rs 214,000 per kit) were issued to Laboratory, which may cause false results of the patient's diagnostics risking their life. Irrespective of the amount involved in this procurement, the issue is prevalent in other institutions as well as recurrence in subsequent years could not be ruled out.

The matter was taken up with the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends exercising due diligence to ensure procurement of items with adequate shelf life.

**(AIR#08)**

#### **15.4.6 Weakness in function of hospitals resulting in deficient services (Systemic Issue)**

The mission statement of Health Department, Government of Sindh, provides as under:

“The overall vision is based on “Health for All” the new Health Policy aims to implement this strategy of protecting peoples against hazardous Disease promoting public health, upgrading curative health facilities, enhancing equity, efficiency and effectiveness in health sector.”

During audit of the two major hospitals under administrative control of Health Department, Government of Sindh, viz., National Institute of Child Health (NICH), Karachi and Jinnah Postgraduate Medical Centre (JPMC) Karachi for the financial year 2015-16, various weaknesses in the function of both hospitals were observed. Those

weaknesses are not limited to both hospitals but similar issues are identical for other hospitals under administrative control of Health Department Government of Sindh, as elaborated below:

#### **A. Deficient Strength**

- i. The sanctioned and working strength of NICH revealed that only 566 posts are filled out of 815 thus 249 posts were lying vacant, adversely affecting performance of the hospital, by:
  - a. Double assignment to the available strength of doctors
  - b. Non availability of expertise provided in the unfilled strength
  - c. Noadministrative officer working in the hospital
- ii. The sanctioned and working strength of JPMC revealed that 1,786 posts were filled against 2,646 leaving 860 vacant posts emanating same problems as elaborated above

#### **B. Administration**

- i. **NICH:**
  - a. Organizational chart of the NICH revealed that:
    - No P & D and Procurement Departments exist, resulting absence of specialized services.
    - No Security and Transport Department exist for exclusive watch and technical support respectively.
  - b. Doctors rooms were situated at 1<sup>st</sup> floor instead of locating the same near wards.
  - c. Job Descriptions not properly implemented
  - d. Lack of internal communication of administrative directives.
  - e. Facility of Bio-medical workshop but is not being utilized
  - f. Uncontrolled expenditure on electric and gas, resulting in expenditure of Rs 22.214 million on electricity and Rs 5.985 million on gas during financial year 2015-16)
- ii. **JPMC**
  - a. No security cameras were installed in the premises.
  - b. Lack of waiting areas for patients attendants
  - c. Lack of proper security
  - d. Poor cleanliness prevailing in the premises especially deteriorated condition of attached toilets of wards.
  - e. Improper waste management
  - f. No uniform to kitchen staff

- g. Free movement of medical representatives resulting diversion of attention of doctors from patients.
- h. Free late coming and early leaving of duty by the employees.
- i. Low quality of food served to patients.
- j. Unchecked provision of electric and gas facilities to the accommodated employees and other institutions, located within the premises of the JPMC, resulting in uncontrolled expenditure (Rs 240.597 million on electricity and Rs 30.00 million on gas during financial year 2015-16)

### **C. Manual system of record keeping**

#### **i. JPMC**

Despite heavy expenditure of Rs 1,808.063 million on the hospital during financial year 2015-16, the management of JPMC was being run with manual record keeping of procurement, consumption of medicines and other consumable stores, maintenance of accounts and land management.

#### **ii. NICH**

The maintenance of medicines stock register was also manual at the wards in NICH which was not up to the standards and required capacity building, as following shortcomings were noticed:

- a. Corrections without initials of the writer and counter signature of supervising officers were found recorded
- b. Use of erasure whitener (fluid) was made often
- c. Date wise Receipts and issue of medicine was not recorded
- d. No cut-off procedure was applied on the year and date.

### **D. Non-utilization of Bio-metric system**

The bio-metric system was found installed in few wards/departments of the JPMC to control the daily attendance of employees but the same was not being utilized as the relevant record was not produced to audit.

The matter was taken up with the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends improvement in the service delivery to the patients through effective steps for all hospitals of the province.

(AIR#25)

#### **15.4.7 Weak internal controls in District Health Offices (Systemic Issue)**

According to GFR Vol-I Rule 11, “Each head of department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers”.

During audit of the office of the District Health Officer, Jamshoro for the year 2015-16, following shortcomings in function of the office were noticed due to prevailing weaknesses of internal controls. On the other hand, the formation was entrusted with the released funds of Rs 508.029 million which warranted strengthening of controls for proper utilization of the funds. The issue is identical with other DHOs as well. The formation in question may be taken as an illustration.

- i) The vendor name is not updated as it is running with the previous name, i.e., Executive District Officer Health instead of District Health Officer as it appears in SAP data as well as in office correspondence references
- ii) 12 different cost centres (04 Salary and 08 salary plus non-salary) dealt with through one cashbook recording.
- iii) Filing of paid vouchers was mixed under various heads and cost centers.
- iv) Vouchers were missing and could not be traced easily.
- v) Medicines procurement of 85% central rate contract and 15% local purchase could not be identified as the record of vouchers is not separated.
- vi) The bills/vouchers submitted without any reference of Rate Contract or local purchase.
- vii) Procured medicines were issued without Drug Testing Laboratory report.
- viii) Most of the medicines in stock register were out of stock.
- ix) Expenditures on account of TA/DA, POL, repair of vehicle, purchase of medicine, others, etc., were made from different cost centres instead of using the allocated cost centres.
- x) Expenditure on medicines was greater as compared to Taluka Hospitals.
- xi) Almost half of the procured medicines were issued to Free Medical Camps without maintaining record.
- xii) Due share of health facilities could not be worked out as a single medicine stock register was available for all cost centres.
- xiii) DDOs payments were also noticed instead of vendors.

- xiv) POL expenditure without maintaining vehicles log book.
- xv) Almost all the operating expenditures other than rate “contract medicine” and “cost of other stores” were made through a single vendor, i.e., M/S SA Enterprises.
- xvi) An amount of Rs 1.40 million was earmarked for purchase of medicine vide letter No.EDO(H) J/Shoro (E-I)/-1648/50 dated 07-06-2016 issued by the office of the DHO, Jamshoro and addressed to the DG Health Services Sindh, Hyderabad against which expenditure of Rs 1.701 million was incurred. Thus, expenditure of Rs 0.301 million was incurred in excess over the released budget.

The matter was taken up with the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends review of functioning of DHOs to ensure that value for the money is received.

**(AIR#15&22)**

#### **15.4.8 Wasteful payment on sub-standard work - Rs 121.208 million**

As per Appendix 18-A of Sindh Financial Rules, Volume-I, “Every officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part and that he will also be held responsible for any loss arising from fraud and negligence on the part of any other government office to the extent to which it may be shown that he contributed to the loss by his own actions or negligence.”

During audit of the Project, Benazir Institute of Urology Transplantation (BIUT) at Nawabshah for the financial year 2014-15, it was observed that an amount of Rs 121.208 million was paid to contractor for the work of Main Building of BIUT. In the light of Monitoring Report issued by of Sector Monitoring Officer of Monitoring & Evaluation Cell (MEC) P&D Department, the work conducted by the contractor was sub-standard and amount paid proved to be wastage of Government Funds. It was mentioned in the Monitoring Report that:

- a. The Steel was placed on ground without suitable plate form.

- b. The crush used in concreting was not well graded to ensure the desired strength.
- c. Dense bitumen coat was applied to columns and footings which should have been less dense to act as primer.
- d. Earth filling inside plinth area was not being done in specified 6"-8" thick layer rather dumping was being done in one go.

The matter was reported to the management in January 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#02)

#### 15.4.9 Shortage of medicines stock –Rs 14.002 million

According to Rule-23 of General Financial Rules, Volume-I, every Government officer should realized fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

During audit of the office of the Medical Superintendent, Civil Hospital, Karachi for the year 2015-16 it was observed that following stock of medicine worth Rs 14.002 million was short. The action taken by the management to recover the loss was not available on record.

(Rupees in million)

AIR Para #	Medicine	Missing Quantity	Rate	Amount
01	Injection Ultravists 370 (100 ml)	3955	1,699	6.720
02	HBV PCR Kits	10	0.216	2.160
	HCV PCR Kits	10	0.214	2.140
03	Injection Ultravists 370 (100 ml)	1755	1.699	2.982
<b>Total</b>				<b>14.002</b>

The matter was taken up with the management in November 2016 but no reply was received.



Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit requires inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **15.4.10 Over payment to contractor due to higher rate allowed - Rs 13.797 million**

As per Appendix 18-A of Sindh Financial Rules, Volume-I, “Every officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part and that he will also be held responsible for any loss arising from fraud and negligence on the part of any other government office to the extent to which it may be shown that he contributed to the loss by his own actions or negligence.”

During the course of audit of the Project Director, Benazir Institute of Urology Transplantation (BIUT) at Nawabshah, for the financial year 2014-15, it was observed that an amount of Rs 13.797 million was paid to contractor in excess due to allowing higher rate on steel than the rate prevailing in the market, on the work of “Establishment of Benazir Institute of Urology Transplantation (BIUT) at Nawabshah” It is worth mentioning that since 2010-11 to date rates of steel never crossed the price level of Rs 85,000 per ton; however, the contractor was paid up to Rs 105,000 per ton at the cost of public funds.

The matter was reported to the management in January 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

**(AIR#05)**

#### **15.4.11 Short supply inprocurement of drugs & medicines - Rs 11.21 million**

According to Rule-88 of Sindh Financial Rules Volume-I, every 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 and the expenditure should not be prima facie more than the occasion demands.

During audit of the following offices of Health Department, Government of Sindh, for the financial years 2014-15 & 2015-16, it was observed that expenditure of Rs 11.21 million was incurred on account of purchase of medicines but the same were neither consumed nor issued and also not available in store. It is apprehended that medicines were actually not purchased and payments were made to the supplier just to utilize the funds.

(Rupees in million)

Sr. #	Name of office	Particulars	Financial Year	AIR Para #	Amount
1	DHO Shikarpur	Medicines were missing in stock register	2014-15	07	9.142
2	Director, Jacobabad Institute of Medical Sciences Jacobabad	Medicines neither consumed nor issued and not found in store	2014-15 & 2015-16	03	2.068
<b>Total</b>					<b>11.21</b>

The matter was reported to the management in February 2015 and November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **15.4.12 Procurement of ORS on higher rates – Rs 5.525 million**

As per rule 88 of Sindh Financial Rules, Volume-I, "Every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money".

During audit of office of Project Director, Control of Diarrhoeal Diseases (CDD) Sindh, Hyderabad for the financial year 2015-16, it was observed that Oral Rehydration Salt (WHO recommended) "Low Osmolar" was purchased on higher rates, detailed as under causing loss of Rs 5.525 million to the Government.

- i. A consignment of 1.700 million sachet of ORS was purchased @ Rs 8.75 per sachet in 2015-16. However, according to page of comparative list provided by CDD Project, the bidder had quoted Rs 9.35 as Trade Price despite the fact that Retail Price per packet of 20 sachets was Rs180 (as printed on the packet) and Rs 8.75 as Quoted Price per sachet offered by a firm M/s Paras Enterprises was accepted. Thus, approved rates of Rs 8.75 were only 2.78% less than retail price of Rs 9 despite the fact that a 10% common discount is offered by an ordinary medical store to its customers even on low quantities.
- ii. However, during subsequent year 2016-17, another consignment of 1.700 million sachets of ORS was purchased from the same firm @ 5.50 per sachet. This subsequent purchase indicated the higher rates transaction of the preceding year at the cost of public funds. The comparison of both transactions is as follows.

(Rupees in million)

Name of firm	Details of procurement/ payment	Financial Year	Qty	Rate	Amount
M/s Paras Enterprises	Oral Rehydration Salt (WHO recommended) Low Osmolar	2015-16	1,700,000	8.75	14.875
		2016-17	1,700,000	5.50	-9.350
<b>Total</b>					<b>5.525</b>

The matter was taken up with the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

**(AIR#06)**

#### **15.4.13 Irregular expenditure on POL & Stores - Rs 4.349 million**

As per rule 88 of Sindh Financial Rules, Volume-I, "Every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money".

**(1) Irregular expenditure on POL - Rs 0.265 million**

During audit of office of the Project Director, Control of Diarrheal Diseases (CDD) Sindh, Hyderabad for the financial year 2015-16, it was observed that POL amounting to Rs 264,606 was purchased detailed as under:

Sr. #	Vehicle #	Details of POL purchased								Total
		HSD/Petrol (Liters)		Motor Oil (each)		Air Filter (each)		Oil Filter (each)		
		Qty	Amount	Qty	Amount	Qty	Amount	Qty	Amount	
1	GS-4065 HSD	905	73,337	12	22,272	12	6,000	12	4,800	106,409
2	GSA-528 PH	1,673	126,217	12	22,020	12	5,400	12	4,560	158,197
<b>Total</b>		<b>2,578</b>	<b>199,554</b>	<b>24</b>	<b>44,292</b>	<b>24</b>	<b>11,400</b>	<b>24</b>	<b>9,360</b>	<b>264,606</b>

Following irregularities were noticed:-

- i. Average mentioned on logbook for Vehicle No.GSA-528 PH was 10 Km per liter since purchase of vehicle, whereas, was 5 Km per liter mentioned for vehicle No. GS-4065. However, same averages were not found fixed after proper examination of vehicles.
- ii. Difference of 563 liters POL consumed in Vehicle # GSA 528 PH could not be authenticated upon comparison of total running/average with actually consumed POL.
- iii. It was also noticed that the POL was being shown filled or in balance against Vehicle No.GSA 528 PH in excess of its tank capacity.
- iv. Vehicle No.GSA-528 PH was under the use of Project Director CDD Sindh whereas the other vehicle GS-4065 was shown allotted for official work of Additional Project Director CDD, Accounts and Store Sections. However, not as single journey/entry was signed by the user of the vehicle.
- v. Logbook of Vehicle No.GSA-528 PH and GS-4065 did not contain even signature of driver for journeys performed during the period from 03-11-2015 to date and 13-08-2015 to last journey/running i.e., till 20-06-2016 respectively.
- vi. Logbook of Vehicle No.GSA-528 PH did not contain meter reading for the period from 03-11-2015 to 14-01-2016.

The irregularity was pointed out to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

(AIR#01)

**(2) Irregular expenditure on account of POL - Rs 0.125 million**

During audit of the office of the District Health Officer Kamber-Shahdaddkot @ Kamber for the year 2015-16, it was observed that an expenditure of Rs 125,000 was incurred on account of POL.

(Rupees in million)

AIR Para #	Vendor	Cost Centre	Particulars	Cheque #	Amount
23	M/S Brohi Petroleum Service Kamber	SH6106	50tin mobil oil 1600/- each	2392077	0.080
	M/S Brohi Petroleum Service Kamber	SH6106	25 tin mobil oil 1800/- each	2392077	0.045
<b>Sub-Total</b>					<b>0.125</b>
34	Dua Photostat & Others	Various	Photo copy charges	--	<b>0.047</b>
<b>Grand Total</b>					<b>0.172</b>

Following irregularities were noticed:

- i. On closing month of (June 2016) of financial year, Mobil oil was purchased in bulk quantity without showing reasons, prima facie, to utilize the budget.
- ii. Difference in rate per tin was found, as described below.
- iii. Log book was not produced to audit.
- iv. Expenditure was incurred just to utilize the budget seems to be doubtful.
- v. Expenditure on photo copy charges was incurred despite availability of photocopier machine.

The matter was taken up with the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

### **(3) Irregular expenditure on purchase of POL for Generator – Rs 0.119 million**

During audit of office Project Director, Control of Diarrhoeal Diseases (CDD) Sindh, Hyderabad for the year 2015-16, it was observed that an amount of Rs 0.119 million was claimed on account of purchase of POL for generator vide Sanction Order No.640 dated 16-06-2016, Contingent Bill No. 49 dated 16-06-2016 and paid to M/s Ezee Filling Station vide Cheque # 2469185 dated 24-06-2016. As per 75 Cash Memos of M/s Ezee Filling Station enclosed with above claim, lump sum amounts from the range of Rs 900 to Rs 2,000 were claimed during the period from 01-10-2015 to 15-06-2016. The expenditure seemed doubtful on following grounds:

- i. Above office does not own any Generator. As per Page No. 57 of Stock Register for Equipment/Furniture/Linen, 5 KV Yamabishi Generator was received by above office from M/s Paramount Traders, Hyderabad on loan basis. No record pertaining to receipt and terms and conditions of receipt/usage/return of Generator was available.
- ii. The permission to receive Generator on Loan Basis was also not produced to audit.
- iii. M/s Paramount Traders was also engaged by above office in procurement of various items by splitting up the sanction orders to avoid the open tenders. Thus, receipt of Generator from above firm was conflict of interest.
- iv. Justification for purchase of POL for the Generator owned by above firm was not available.
- v. Out of 75 Cash Memos of M/s Ezee Filling Station, not a single cash memo contains the quantity and rate of POL.
- vi. Consumption account of POL was available.
- vii. Above Generator was not found available or functioning during the currency of audit.

The matter was taken up with the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

**(AIR#02)**

### **(4) Irregular issuance of articles from main store – Rs 3.840 million**

During audit of the office of the Medical Superintendent, Civil Hospital, Karachi for the year 2015-16, it was observed that the medicines worth Rs.3.840 million were issued without indent from the concerned section. The chances of misuse could not be ruled out. Moreover, various articles of medicines and drugs were not properly accounted for in the stock registers. The details are as under:

- i. The daily indented articles were not accounted for timely and on a single date the same were recorded as issued in bulk, which reflected doubtful issuance.
- ii. When audit enquired for non-issuance/blockage of articles, the entries in the stock registers recording issue w.e.f. 01-07-15 to 30-06-16 were made without considering the actual issuance date of articles as per indents.
- iii. The entries were not certified by the RMO & Addl. M.S.
- iv. The stock register was reflecting Nil balance for Cefixime medicine but the store official subsequently recommended issuance of issued the articles without considering the availability of articles and symmetry of date.
- v. The Inspection report of Internal Audit viz. Local Audit & Physical Verification were not produced to audit.

The matter was taken up with the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

**(AIR#16)**

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures

#### **15.4.14 Non-production of record – Rs 16,202.966 million**

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of the various offices of Health Department, Government of Sindh, for the financial years 2014-15 & 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 16,202.966 million remained unaudited. The details are given at Annex-2 of Chapter-15.

The non-production of record was reported to the management during August 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **15.4.15 Purchase of medicines without constitution of monitoring committee – Rs 214.978 million**

According to Health Department, Govt. of Sindh, Karachi Notification No. SO(MS) 3-13/88-Med dated 02-08-2004, a Monitoring Committee has been constituted comprising officers of Health Department to evaluate and justify the procurement and to check the record pertaining to purchase of medicines and machinery and equipment as well as to identify any mis-appropriation / irregularities for appropriate action.

Moreover as per procurement monitoring guideline issued by the Health Department dated 04-12-2014, it is mandatory that to make payment of Drugs and Medicine after joint inspection report to authenticate the quality and quantity of the drugs.

During audit of the following offices of Health Department, Government of Sindh, for the financial years 2014-15 & 2015-16, it was observed that expenditure of Rs 214.978 million was incurred on purchase of medicines. However, in disregard of above regulation neither the procurement committee was constituted nor the joint inspection report obtained. Thus the delivery and quality of medicines could not be authenticated.

(Rupees in million)

<b>Sr. #</b>	<b>Name of office</b>	<b>Financial Year</b>	<b>AIR Para #</b>	<b>Amount</b>
1	Civil Surgeon, Civil Hospital Mithi	2014-15	10	21.886
2	Executive Director National Institute of Cardiovascular Diseases	2015-16	11	156.742
3	MS Taluka Hospital Sajawal	2014-15	01	14.245
4	MS Taluka Hospital Mirpur Sakro	2014-15	07	9.525
5	Civil Surgeon Civil Hospital Thatta	2014-15	03	6.774
		2015-16	13	5.806
<b>Total</b>				<b>214.978</b>



The matter was reported to the management during August 2015 to March 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **15.4.16 Irregular supply of medicines without specific packing – Rs 191.111 million**

As per Sindh Drug Act 2012“ Supplier are required to supply the medicines in special green colour (flag colour) packing meant for Government as per Presidential directives, and print “Sindh Govt. Property”. “Not for Sale” in Urdu & Sindhi on the outer side as well as inner packing.

During audit of the following offices of Health Department, Government of Sindh for the financial years 2014-15 & 2015-16, it was observed that medicines worth Rs 191.111 million were purchased without packing in special green colour (flag colour) and print “Sindh Govt. Property”. “Not for Sale” in Urdu & Sindhi.

(Rupees in million)

<b>Sr. #</b>	<b>Name of office</b>	<b>Financial Year</b>	<b>AIR Para #</b>	<b>Amount</b>
1	National Institute of Child Health, Karachi, Karachi	2015-16	13	77.888
2	DHO Hyderabad	2015-16	9&16	75.765
3	PD Control of Diarrheal Diseases (CDD), Hyderabad	2014-15	06	16.500
4	DHO Kambar Shahdaskot at Kambar	2015-16	29	15.423
5	Town Health Officer, Bin Qasim Town, Karachi	2014-15	03	2.795
6	MS Taluka Hospital, Manjhand District, Jamshoro	2015-16	04	2.740
<b>Total</b>				<b>191.111</b>

The matter was reported to the management in September 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### 15.4.17 Imprudent purchase of short expiry medicine – Rs 50.034 million

According to Para-3 of the Letter No.SO(M&I)2-1/2015-16(Main)CPC Government of Sindh Health Department (Procurement Monitoring & Inspection cell Dated:15-09-2015 “The date of manufacturing of the Drugs and Medicines Expiry thereof batches numbers must be printed in Red on labels of bottles / containers / packages / vials / ampoules / bags etc. The shelf life for National Manufacturer’s and imported Drugs / Medicines & allied items should not in any case be less than 70% at the time of supply / receipt.

During audit of office of the Program Manager, Hepatitis Prevention & Control Program (Chief Minister’s Initiative) Hyderabad for the financial year 2015-16, it was observed that an expenditure of Rs 50.035 million was incurred on purchase of short expiry medicines from a firm M/s paras Enterprises. As worked out below, the procured medicines’ residual life was only 15 months as against required 24.5 months. Details are as under:

(Rupees in million)

Sr. #	Drug	Batch No	Mfg Date	Exp. Date	Delivery Date	Residual life (months)	Rate	Qty	Amount
1	HSB Vaccine Child dose 0.5ml 10 mcg (Amvax)	088 -to- 098	07-2014	06-2017	07-03-16	15	119.0	331,280	39.422
2	HSB Vaccine Adult dose 1ml 20 mcg (Amvax)	163 -to- 167	07-2014	06-2017	07-03-16	15	143.9	73,750	10.612
<b>Total</b>									<b>50.034</b>

#### Computation for 70% Shelf Life:

Shelf Life between MFG & Exp. Date----- 35 Month  
70% of shelf life time----- 24.5 Month

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

**(AIR#03)**

#### **15.4.18 Imprudent expenditure on medicine - Rs 17.949 million**

As per SPPR 2010 Rule 11 (1) All procuring agencies shall devise a mechanism for planning in detail for all proposed procurements, determining the requirement of the procuring agency, within its available resources, and prepare an annual or a longer term rolling plan, detailing the procurement methods applicable for specific procurements;

During audit of the office of the District Health Officer, Jamshoro for the year 2015-16, it was observed on review of expenditure statements, SAP data and stock register of medicines that huge expenditure was made on procurement of drug/medicine through Central Rate Contract (CRC) as well as Local Purchases without proper procurement plan. Following irregularities were noticed after review of stock register of medicine worth Rs 17.949 million. The details are given at Annex-3 of Chapter-15.

- i. The medicines procured against each cost centres were not planned.
- ii. Medicines were procured without considering cost centre-wise needs.
- iii. Funds were utilized as a whole for all cost centers instead of cost centre-wise expenditure.
- iv. Most of the medicines were issued to Free Medical Camps (FMCs)
- v. Review of stock register indicated that most of essential medicines were out of stock

The matter was taken up with the management in November 2016 but no reply was received.

Despite written request no DAC meeting was convened by the PAO.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#13)

#### **15.4.19 Increase in Diarrhea cases due to inadequate monitoring and evaluation**

As per Job description of posts described for the project “Control of Diarrhea Disease (CDD)” the officers of CDD have to “monitor and evaluate CDD activities in Sindh Province and to ensure the availability of ORS and Zinc in health facilities of Sindh”.

During audit of the office of Project Director, Control of Diarrhoeal Diseases (CDD) Sindh, Hyderabad for the year 2015-16, it was observed that following posts for performing the function of monitoring and evaluation were provided:

- |  |                         |
|--|-------------------------|
| 1. Project Director (BPS-19) CDD Sindh             | One post                |
| 2. Additional Director (BPS-19) CDD Sindh          | One post                |
| 3. Programme Officer (BPS-17) CDD Sindh<br>region) | Four posts (one in each |

The project was entrusted with the released funds of Rs 34.888 million for the year under audit. However, following shortcomings in the mandatory activities of monitoring and evaluation were noticed. It was observed that:-

1. As per record no evidence of monitoring and evaluation of CDD activities in Sindh and assurance of availability of ORS and Zinc in health facilities of Sindh was available in the record produced to audit.
2. There was no proper location of posting and attendance mechanism of field staff including Programme Officers to ensure monitoring and evaluation of CDD activities.
3. There was no contribution of field staff or any evaluation study in planning procurement and distribution of medicines.
4. As a result of above shortcomings, number of Diarrheal Diseases patients was increasing, according to data compiled by District Health Information System (DHIS) for the year 2014-15 and 2015-16. The detailed district-wise data of 24 districts of the province, however, summary position of the adverse performance is as under.
  - i. There was increase in cases of Diarrhea/Dysentery in respect of the categories in “under 5 years children” and in “above 5 years” by more than 14% and 15% respectively.
  - ii. Almost all of 24 districts except 1 for category “under 5 years” and 3 districts under category “above 5 years” witnessed increase in Diarrhea/Dysentery cases.

The matter was taken up with the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#04)

#### **15.4.20 Inaction against the alleged fake degree/suspicious activity**

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, state that: (1)The officer in charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.(2) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of National Institute of Child Health (NICH) for the year 2015-16, it was observed that there was a news report published in national daily (Jang) on 2 June 2016 regarding following irregularity with respect to an officer of the hospital:

- i. The officer did not possess requisite qualification but obtained a degree, Master in Public Health (MPH) from an un-recognized dubious foreign university.
- ii. The officer earlier being a contract employee in another department managed to get transfer to NICH and irregularly absorbed in the NICH on regular basis as Deputy Director.
- iii. The officer was playing leading role of transferring new born babies to private hospital on the pretext of artificial non-availability of incubators, thus minting money in collusion with private hospitals.

In order to examine, the personal record, audit demanded personal file of the officer as well as fact finding inquiry, if conducted against news report. However, the management despite pursuance did not supply the record.

The matter was taken up with the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#26)

#### **15.4.21 Un-justified payment to PPHI Sindh - Rs 2,379.300 million**

Rule 13 of General Financial Rules, volume-I, states that “every controlling officer must satisfy himself not only that adequate provisions exist within the departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores but also that the prescribed checks are effectively applied”.

During audit of office of the Secretary Health Department for the year 2014-15 it was observed that an amount of Rs 2,379.300 million was paid to an organization, Peoples Primary Health Care Initiative (PPHI) Sindh for provision of management for Health Facilities and Mother Child Health Care (MCHC) in various districts. However, the expenditure was incurred on account of salaries of employees (BPS-01 to 20) posted in “Basic Health Units (BHUs)”, Rural Health Centres (RHCs) and Taluka Hospitals under administrative control of PPHI without executing any agreement between Govt. of Sindh and PPHI as the same was not produced to audit.

Moreover, the expenditure was being made through DAOs and booked in Account-I of Government of Sindh instead of charging of PPHI, therefore, the payment of salaries by PPHI could not be verified due to non-production of agreement.

Furthermore, the cheques from Special Deposit Account (SDA) were issued to PPHI without obtaining utilization report, bills, vouchers and other relevant record for audit purpose. Hence, payment made to PPHI without agreement and record could not be authenticated.

The matter was reported to the management in August 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#14)

#### **15.4.22 Purchase of medicines without drug test laboratory/Inspection reports – Rs 1,612.414 million**

As per Sindh Drug Act 2012, “Supplier of Medicines are required to pay the fees at the rate of Rs1,000/- per batch for the drugs to be tested at P.D.L. and pay directly to C.D.L. as per their schedule and are also required to supply an additional quantity of the supplier required for analytical test.”

During audit of various offices of the Health Department, Government of Sindh for the year 2015-16, it was observed that an expenditure of Rs 1,612.414 million was incurred on account of purchase of medicines without getting tested by Drug Testing Laboratory, in absence of the test reports, purchase of sub-standard/poor quality of medicines could not be ruled out. The details are given at Annex-4 of Chapter-15.

The matter was reported to the management during August 2015 to November 2016 but no reply was received. Despite written request no DAC meeting was convened by the PAO.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **15.4.23 Irregular awards of works without approval by ECNEC – Rs 1,204.993 million**

According to Guidelines/Regulations for Procurement of works, “PC-I/PC-II of schemes/Projects by the administrative department is required to be placed before the ECNEC for approval/clearance in case cost of scheme is above Rs.1billion”

During audit of the Project, Establishment of Shaheed Mohtarma Benazir Bhutto Medical College, Lyari, Karachi for the financial year 2014-15 it was observed that revised PC-I (Construction of Shaheed Mohatarma Benazir Bhutto Medical College Lyari, Karachi) costing Rs 1,204.993 million was not placed before ECNEC for approval. Furthermore, original PC-I was also not produced to audit for scrutiny.

The matter was reported to the management in September 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#03)

#### **15.4.24 Irregular drawal by DDO instead of actual payee – Rs 434.537 million**

Rule-28 (2) of Central Treasury Rules volume-I, “A Government officer supplied with funds for expenditure shall also be responsible for seeing that payments are made to persons entitled to receive them”.

During audit of the various offices of Health Department, Government of Sindh, for the financial years 2014-15 & 2015-16, it was observed that payments on various heads of account an amount of Rs 434.537 million were made; however, payments were routed through DDO instead of direct beneficiaries. Thus, the misuse of public funds could not be ruled out. The details are given at Annex-5 of Chapter-15.

The irregularity was reported to the management during January 2014 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **15.4.25 Irregular expenditure in closing month of the financial year – Rs 425.076 million**

According to Para 95 of General Financial Rules Volume-I, all anticipated savings should be immediately surrendered to Government without waiting till the end of the year.

As per Rule 13 of General Financial Rules, volume-I, “Every controlling officer must satisfy himself not only that adequate provisions exist within the Departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores but also that the prescribed checks are effectively applied.

During audit of the office of the Medical Superintendent, Civil Hospital, Karachi for the year 2015-16, it was observed that contingency expenditure of



Rs 425.076 million was incurred in the closing month of the financial year i.e. June 2016. It reflected that there were no immediate genuine requirements but the expenditure was incurred to avoid the lapse of funds.

(Rupees in million)

Sr. #	Head of Account	Expenditure in closing moth	Percentage of expenditure for June 2016
1	Medicines & Drugs	324,662,029	38%
2	Office Buildings -Repair	52,680,897	84%
3	Furniture & Fixture	499,910	67%
4	Hardware	499,926	100%
5	IT Equipment	2,773,115	92%
6	Machinery & Equipment	5,864,775	29%
7	Other Store – Tear Gas/ Computer stationery	2,039,517	68%
8	Others – stipends	30,350,633	33%
9	Uniform & Protective Clothing	3,969,774	40%
10	Software	995,600	100%
11	Telephone & Trunk Calls	351,585	51%
12	Transport	388,000	46%
	<b>Total</b>	<b>425,075,761</b>	

Due to incurrence of expenditure in haste, following managerial weaknesses were noticed:

- i. All M&R works were executed without Technical Sanctions and Administrative Approval.
- ii. The funds were drawn in DDO account un-authorizedly.
- iii. The competitive tendering process was not observed due to split up of expenditure.
- iv. The doubtful/false entries were made in consumption account / stock registers.
- v. The due taxes were not deducted.

The irregularity was pointed out with the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#12)

#### **15.4.26 Non-inviting tender in violation of SPPR 2010 – Rs 256.038 million**

As per Rule-17 (1) & (2) of Sindh Public Procurement Rules, 2010, Procurement over one hundred thousand rupees and up to one million rupees shall be advertised by timely notification on the Authority's websites and in print media in the manner and format prescribed in these rules.

During audit of various offices of Health Department, Government of Sindh, for the financial years 2014-15 & 2015-16, it was observed that expenditure of Rs 256.038 million was incurred for procurement of goods/services under different heads of accounts without invitation of tender. Due to non-invitation of open tender, the government was deprived of benefit of competitive procurement process. The details are given at Annex-6 of Chapter-15.

The matter was reported to the management during September 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **15.4.27 Non-hoisting of bid evaluation report on SPPRA website - Rs 164.795million**

According to Rule 45 of SPPRA Rules, 2010, "Procuring agencies shall announce the results of bid evaluation in the form of a report giving reasons for acceptance or rejection of bids. The report shall be hoisted on website of the Authority and that of the procuring agency if its website exists and intimated to all the bidders at least seven (07) days prior to the award of contract".

During audit of the following offices of Health Department, Government of Sindh for the financial years 2014-15 it was observed that NITs involving tender of Rs 164.795 million were published but the result of bid evaluation showing reasons for acceptance or rejection of bids were not hoisted on Authority's website.

(Rupees in million)

Sr.#	Name of office	Particular	AIR Para #	Amount
1	PD Ghulam Muhammad Maher Medical College, Sukkur	Various Development works	01	125.544
2	DHO Sanghar	Purchase of medicines	09	25.006
3	MS Taluka Hospital, Sajawal	Purchase of medicines	02	14.245
<b>Total</b>				<b>164.795</b>

The matter was reported to the management in September 2015 to March 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **15.4.28 Excess purchase of medicines / equipment – Rs 152.120million**

According to Para 96 of GFR Volume-I, “It is contrary to the interest of the state that money should be spent hastily or in as ill-considered manner merely because it is available or that the lapse of grant could be avoided. In the possible interest, grants that cannot be predictably utilized should be surrendered”

During audit of the following offices of Health Department, Government of Sindh, for the financial years 2014-15 & 2015-16, it was observed that medicines and various other items worth Rs 152.120 million were purchased in excess of the required quantity despite the fact that there were already sufficient un-issued items/medicines were laying in balance. The balance in large quantity indicated that purchases were made to utilize the released funds. Furthermore, there were chances that excess purchased items may become expired/obsolete. The details are given at Annex-7 of Chapter-15.

The matter was reported to the department during August 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **15.4.29 Un-justified payment of salary to officers/staff – Rs 146.973 million**

Rule 13 of General Financial Rules, volume-I, states that “every controlling officer must satisfy himself not only that adequate provisions exist within the departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores but also that the prescribed checks are effectively applied”.

During audit of the following offices of Health Department, Government of Sindh, for the financial years 2014-15 & 2015-16, it was observed that expenditure of Rs 146.973 million incurred on the salaries of the officers/officials. Audit noticed various irregularities. The details are given at Annex-8 of Chapter-15.

The matter was reported to the management in August 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **15.4.30 Irregular payment of salary to employees on detailment – Rs 144.314million**

According to Services and General Administration Department letter No.SO-1/S&GAD/92 dated 26th May 1992, “the staff should be posted at the places for which the post were sanctioned, and in no any circumstances any officer/official may be allowed to work on detailment basis on any other place other than their original place of posting”.

During audit of the following offices of Health Department, Government of Sindh for the financial years 2014-15 & 2015-16, it was observed that an expenditure of Rs 144.314 million was incurred on account of payment of pay and allowances to

employees appointed/working against the various posts on detailment basis to other institutions in disregard of the regulation.

(Rupees in million)

Sr. #	Name of office	Particular	Financial Year	AIR Para #	Amount
1	DHO, Karachi	91 doctors working on detailment basis in other Hospitals / towns	2014-15	11	134.505
2	Civil Surgeon Service Hospital, Hyderabad	16 Number of Lady Doctors promoted and posted on detailment basis on other hospitals	2014-15	02	5.280
3	MS Urban Health Centre 5C-3, North Karachi	04 doctors working on detailment basis	2013-14	02	3.916
4	M.S Sir Cowasji Institute of Psychiatry, Hyderabad	03 officials working on detailment basis	2014-15	07	0.613
				<b>Total</b>	<b>144.314</b>

The matter was reported to the management in November 2014 to November 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **15.4.31 Irregular expenditure on purchase of Medical Gases - Rs 70.837million**

According to rule 57(1) of SPPR, on completion of works enabling the supplier or contractor to submit final bill and the procuring agency to carry out any inspection of goods, works or services related thereto, as provided in the contract agreement.

During audit of the following offices of Health Department, Government of Sindh for the financial years 2014-15 & 2015-16, it was observed that expenditure of Rs 70.837million was incurred on purchase of Medical Gases.

(Rupees in million)

Sr. #	Name of office	Financial Year	AIR Para #	Amount
1	National Institute of Child Health, Karachi	2015-16	16	34.615
2	Executive Director National Institute of Cardiovascular Diseases	2015-16	14	23.711

(Rupees in million)

Sr. #	Name of office	Financial Year	AIR Para #	Amount
3	Medical Superintendent, Civil Hospital, Karachi	2015-16	23	11.926
4	MS Urban Health Centre 5C-3 North Karachi	2013-14	01	0.585
<b>Total</b>				<b>70.837</b>

Following irregularities were noticed:

- i. Inspection of the supplies was not made.
- ii. No consumption account of the gas was maintained in any unit / ward of the hospital.
- iii. Requisitions from concerned quarters for re-fill of gases were not found.
- iv.
- v. Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

The matter was reported to the management in November 2014 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **15.4.32 Un-authorized retention of government money – Rs 67.659 million**

According to Rule-290 of Federal Treasury Rules Volume-I, “no money shall be drawn from Government Treasury until and unless it is required for immediate disbursement or need”

During audit of the following offices of Health Department, Government of Sindh for the financial years 2014-15 & 2015-16, it was observed that funds amounting to Rs 65.659 million were drawn from government account, retained un-authorizedly and lying in DDO account till the end of financial year.

(Rupees in million)

Sr. #	Name of office	Financial Year	AIR Para #	Amount
1	Secretary Health, Government of Sindh, Karachi	2015-16	01	65.525
2	District Health Officer, Mirpurkhas	2014-15	01	2.134
<b>Total</b>				<b>67.659</b>

The matter was reported to the management in March 2016 and November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **15.4.33 Irregular purchase of machinery, equipment and furniture – Rs 64.017 million**

As per Govt. of Sindh, Health Department notification No. SO (PM&I)2-1/2014-15/PP-14(SIOVS), dated 19<sup>th</sup> March 2015, the procurement committee was re-constituted on four members and one Chairman with following TORs. The TORs/functions/Responsibilities of the procurement committee in accordance with Rule-8 of SPP Rule 2010 shall be as under:

- a) Preparing bidding documents.
- b) Carrying out technical as well as financial evaluation of the bids.
- c) Preparing evaluation report as provided in Rule-45
- d) Making recommendations for the award of contract to the competent authority.
- e) Perform any other function ancillary and incidental to the above.

During audit of the office of Director, Sindh Institute of Ophthalmology and Visual Sciences, Hyderabad, for the financial year 2014-15, it was observed expenditure of Rs 64.017 million was incurred on procurement of machinery equipment, furniture and other Assets. In this regard, following shortcomings were noticed:

- i. Scrutiny of dead stock register of main store, Wards, OTs & Other units revealed that required formalities mentioned in TORs were not completed.

- ii. Delivery challans and inspection report of procurement committee was not available.
- iii. The assets mentioned above were neither accounted for in stock registers nor issued to wards.
- iv. The advertisement on website of Authority and Institute was not hoisted.

The matter was reported to the management in December 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

**(AIR#13&14)**

#### **15.4.34 Un-authorized encroachment of land measuring 11.58 acres**

According to Rule-23 of General Financial Rules, volume-I states that “every government officer should realized fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence”.

During audit of the office of Executive Director, Jinnah Postgraduate Medical Centre, Karachi, for the year 2015-2016, it was observed that 11.58 acres of land of hospital has been illegally encroached by various individuals since long. It was evident that management has not taken efforts to vacate the government land from illegal occupants.

The matter was taken up with the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.



Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#16)

#### 15.4.35 Unauthorized cash payments through DDO account – Rs 60.745 million

According to Sr. # 4.3.1 (Mode of payment) of the Accounting Policies & Procedure Manual, “All expenditures apart from the following and those met from imprest account will be paid through cheque:

- i. inter-government transfers
- ii. certain salaries payments
- iii. certain pension payments
- iv. GP Fund payments

During audit of following offices of Health Department, Government of Sindh, Karachi for the year 2015-16, it was observed that payments of Rs 60.745 million were made through open cheques facilitating cash withdrawal from the DDO bank account. Due to cash payments, misuse of public money could not be ruled out.

(Rupees in million)

Sr. #	Name of office	Financial Year	AIR Para #	Amount
1	District Health Officer, Thatta	2015-16	02	33.257
2	Civil Surgeon Civil hospital, Thatta	2015-16	03	13.076
3	Secretary, Health Department, Karachi	2014-15	16	7.690
		2015-16	15	4.642
4	Principal SMBB Medical College Lyari	2015-16	03	0.702
5	District Health Officer, Benazirabad	2015-16	01	1.378
<b>Total</b>				<b>60.745</b>

The matter was taken up with the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **15.4.36 Irregular expenditure by splitting up to avoid tender – Rs 63.661 million**

According to Rule 12 (1) of SPPRA 2010, Save as otherwise provided and subject to the regulations made by the Authority, a procuring agency shall prepare, in accordance with Rule 11 above, all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements already grouped, allocated and scheduled in the Procurement Plan.

During audit of the various offices of Health Department, Government of Sindh for the financial years 2014-15 & 2015-16, it was observed that an expenditure of Rs 63.661 million was incurred on purchase of various items through splitting to avoid invitation of tenders. The details are given at Annex-9 of Chapter-15.

The matter was reported to the management during September 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **15.4.37 Irregular payment on account of financial assistance – Rs 52.600 million**

According to Rule-88 of Sindh Financial Rules Volume-I, every 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 and the expenditure should not be prima facie more than the occasion demands.

During the audit of Secretary Health Department, Government of Sindh for the financial year 2014-2015, it was observed that an amount of Rs 52.600 million was paid on account of payment of financial assistance to the bereaved families of deceased employees without obtaining evidence i.e. service books, heirship certificate, CNIC, death certificate from NADRA and medical reports. Moreover, acknowledgment receipts from the actual payees, Non-marriage Certificates, Non-payment Certificate were also not available on record.

The matter was reported to the management in August 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#01)

#### **15.4.38 Un-justified purchase of insecticides, consumable kits & equipment from ineligible bidders - Rs 50.135 million**

The bidding documents for procurement of Consumable Kits & Regents and Microscopes during the year 2015-16 issued by Directorate of Malaria Control Program to bidders provided as under:

2.2 The Agents/Suppliers/Importers must possess valid authorization from the Manufacturer. In case of Manufacturers, they should have documentary proof to the effect that they are the original Manufacturers of the required specifications of the goods.

15.3 Manufacture's certificate of product must be verified by respective Government otherwise offer will be rejected/Ignored.

During audit of office of the Director, Malaria Control Program Sindh Hyderabad for the financial year 2015-16, it was observed that expenditure of Rs 50.135 million was incurred on following procurement:

(Rupees in million)

<b>Sr.#</b>	<b>AIR Para #</b>	<b>Particulars</b>	<b>Amount</b>
1	04	Procurement of Impregnated Bed Nets and Spray Pumps	28.712
2	05	Procurement of Insecticides	13.311
3	09	Procurement of Consumable Kits & Regents and Microscope	8.112
<b>Total</b>			<b>50.135</b>

Following irregularities were noticed:

- i. Despite various deficiencies in technical proposal against the criteria notified in bidding documents, the firms were technically qualified and procurements were made.

- ii. The technically qualified bidders did not meet the requirement of submission of manufacturer's certificate.
- iii. Allied record for the procurement i.e. inspection certificate, contract agreement, consumption account of the procured items and security deposit register were not produced to audit.
- iv. The tender under ID No. 2147483647 was withheld by SPPR 2010 but the record of submission of compliance to SPPRA was not available on record.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault

#### **15.4.39 Unjustified expenditure on various heads through two selected firms – Rs 29.013 million**

According to Rule-23 of General Financial Rules, volume-I states that “every government officer should realized fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence”.

During audit of the office of Executive Director, Jinnah Postgraduate Medical Centre Karachi for the year 2015-2016, the scrutiny of SAP data revealed that the payments of Rs 29.013 million under various head of account were made to two firms viz. M/s Rehan Traders and M/s Hadi Enterprises who supplied stationery, medicines, furniture & fixture, uniform etc. Further, the record regarding registration of both firms for Income Tax and Sales Tax was not produced to audit. Thus chances of extending undue favour to the same firms at the cost of public funds could not be ruled out.

The irregularity was pointed out to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#45)

#### **15.4.40 Irregular payment of electricity charges – Rs 22.762 million**

According to Rule-34 (d) of Sindh Financial Rules Volume-I, in the case of payment into treasury or the bank, the head of the office making such payments into treasury or bank should compare the same from the treasury officer or bank.

During audit of the office of the Medical Superintendent, Civil Hospital, Karachi for the year 2015-16, it was observed that excess payment of Rs 22.762 million was made to M/s K Electric on account of electricity charges over the billed amount. The excess amount was worked out by Audit upon scrutiny of the payments made to M/s K-Electric through two cheques dated 19-04-2016 (RS 14.685 million) and dated 30-05-2016 (Rs 17.845 million) against two meters (A/c # 2107102 & 2105983 respectively).

Moreover, during scrutiny of consumption details of electricity charges, difference of Rs 2.294 million was noticed from electricity bills of March 2016 & April 2016. Similarly, the difference of Rs 2.122 million was also noticed for the electricity charges of April 2016 & June 2016 bills. However, the justification for the same difference amount was not furnished to audit.

The matter was taken up with the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#18)

#### **15.4.41 Defective procurement of ORS/Medicine–Rs 20.625 million**

According to Rule 11 (1) of SPPR 2010 “All procuring agencies shall devise a mechanism for planning in detail for all proposed procurements, determining the requirement of the procuring agency, within its available resources, and prepare an

annual or a longer term rolling plan, detailing the procurement methods applicable for specific procurements;"

According to Rule 50 of SPPR 2010 "Within seven days of the award of contract, procuring agency shall publish on the website of the Authority and on its own website:

1. Evaluation Report;
2. Form of Contract and Letter of Award;
3. Bill of Quantities or Schedule of Requirement.

During the audit of office of Project Director, Control of Diarrhoeal Diseases (CDD) Sindh, Hyderabad for the year 2015-16, it was observed that medicines/drugs amounting to Rs 20.625 million were purchased.

(Rupees in million)

Sr. #	Name	Details of procurement/ payment	Qty	Rate	Amount
1	M/s Paras Enterprises	Oral Rehydration Salt (WHO recommended) Low Osmolar	1,700,000	8.75	14.875
2	M/s M.I Enterprises Pharmaceuticals	Roxithromycin 60 ml 50 mg/5 ml)	44,230	130	5.750
<b>Total</b>					<b>20.625</b>

Process of procurement for above medicines and drugs found to be defective on the following grounds:-

- i. Security Deposit @ 2.5% of the value of contract refundable after completion of contract as required under Para 05 of Supply Order issued by CDD Project was not found obtained.
- ii. According to Health Department letter No.SO (M&I)2-1/2015-16(Main)/CPC dated 17-09-2015, procurement of Oral Rehydration Salt (ORS) was stopped till the Complaint Reversal Committee (CRC) decides the objections/complaints of aggrieved bidders forwarded by SPPRA. But no decision of CRC was available on record. However, the management made procurement of ORS.
- iii. Neither the medicines were got tested from Drug Laboratory nor clinical efficacy report was being obtained.
- iv. Neither penalty clause was not inserted in Supply orders nor was penalty imposed on late delivery.
- v. Contrary to conditions of Supply Order, the suppliers did not deliver the medicines in prescribed packing meant for Government.

- vi. Sachets inside the packing were also in commercial packing available in medical stores and do not contain any remarks of “Sindh Government Property Sale Prohibited”.
- vii. Proper Policy for issuance of medicines to end users was also not found devised as medicines were being issued without any set criteria. Resultantly, medicines purchased in previous years i.e., 2014-15 and 2015-16 worth Rs14,840,986 were lying in stores on close of audit i.e., 04-11-2016, some of them were near to expiry. It was also noticed that no medicine was issued during 2015-16 from the stock of two medicines i.e., Syp. Fluconzale and Syp. Roxithromycin purchased during 2014-15 and 2015-16 respectively.

The matter was taken up with the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

**(AIR#05)**

#### **15.4.42 Irregular expenditure on repair of building – Rs 19.601 million**

According to Rule-4 of SPPR 2010 “While procuring goods, works or services, procuring agencies shall ensure that procurements are conducted in a fair and transparent manner and the object of procurement brings value for money to the agency and the procurement process is efficient and economical.”

During audit of the office of the Medical Superintendent, Civil Hospital, Karachi for the year 2015-16, it was observed that an expenditure of Rs 19.601 million was incurred on repair of building. Following irregularities were noticed:

- i. The Administrative approvals and Technical sanctions were not accorded before start of works. The work was awarded to non-professional contractors. The same could have been done through XEN, Building Division concerned.
- ii. The work orders were defective. There was no penalty clause in work order or in agreement. Thus, undue favour to the contractors was extended.
- iii. The Non-scheduled items of works for Rs 2.027 million were executed without approval of competent authority and no rate analysis was made.
- iv. The contractor’s bills were not prepared on standard format.

- v. The measurement book was not produced, thus possibility of payment without measurement could not be ruled out.
- vi. The 10% security deposit of Rs 1.960 million was not deducted.

The irregularity was taken up with the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

**(AIR#09)**

#### **15.4.43 Expenditure on immunization of the whole year in closing months of the financial year – Rs 80.500 million**

According to Rule-88 of Sindh Financial Rules Volume-I, “Every Government 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 and public money should not be utilized for the benefit of a particular person or community”,

During audit of the office of the Project Director, Expanded Program on Immunization, Karachi for the year 2015-16, it was observed that entire contingent expenditure of Rs 80.500 million in respect of the project was incurred in the closing months of the financial year i.e. May & June 2016, whereas, DHOs/THOs utilized about Rs 18.198 million from their regular funds for EPI activities. It was beyond comprehension as to how the management performed its operations throughout the year without release of a single penny for operational expenses.

Following irregularities were noticed:

- i. The whole expenditure was incurred without administrative approval.
- ii. The funds were drawn in DDO account and utilized/dispensed in next financial year i.e. 2016-17 un-authorizedly.
- iii. The Utilization report of funds transferred to DHOs/THOs was not available.
- iv. The competitive process was not observed.
  - v. The consumption account of vaccines/syringes/medicines, etc was not produced.
- vi. The due taxes were not deducted.



The irregularity was pointed out to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

**(AIR#01&05)**

**15.4.44 Excess expenditure on purchase of drugs due to allowing higher rates – Rs 16.647 million**

According to Rule-88 of Sindh Financial Rules Volume-I, every 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 and the expenditure should not be prima facie more than the occasion demands.

During audit of office of the Program Manager, Hepatitis Prevention & Control Program (Chief Minister’s Initiative), Hyderabad for the financial year 2015-16, it was observed that an excess expenditure of Rs 16.647 million was incurred on purchase of syringes and Elisa Test Kits on higher rates. Details are as under:

(Rupees in million)

Sr#	AIR Para #	Particulars of Purchases				Offer by lowest bidder		Difference Excess Amount
		Drug	Rate/ Unit (Rs)	Qty	Amount	Rate/ Unit	Amount	
1	10	Anti-HCV Elisa Test Kit	6750	2380	16.065	2400	5.712	10.353
		HBS as Elisa Test Kit	5140	2100	10.794	2880	6.048	4.746
2	07	Insulin Syringe (Alpha)	6.02	1998000	12.028	5.35	10.689	1.338
		2ml Autodestruct Syringe (Alpha)	5.29	1506000	7.967	5.15	7.756	0.210
<b>Total</b>								<b>16.647</b>

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **15.4.45 Irregular expenditure on consultancy charges – Rs 14.883million**

According to Rule-61 of SPPR 2010, “the selection shall be guided by the following considerations:

- (1) Best quality of services available;
- (2) Need for economy and efficiency;
- (3) Need to give all qualified consultants an equal opportunity to compete;
- (4) Encouragement of local consultants without any unfair competitive advantage;
- (5) Transparency in the selection process.

During audit of the following offices of Health Department, Government of Sindh, for the financial years 2014-15, it was observed that an amount of Rs 14.883 million was paid on account of consultancy charges.

(Rupees in million)

<b>Sr. #</b>	<b>Name of office</b>	<b>AIR Para #</b>	<b>Amount</b>
1	Secretary Health Department, Govt. of Sindh Karachi	22	12.391
2	Project Director, Benazir Institute of Urology Transplantation (BIUT) at Nawabshah	09	2.492
<b>Total</b>			<b>14.883</b>

Following irregularities were noticed:

- i. The consultant firm was selected without competitive process.
- ii. Arbitrary consultancy charges were fixed in the absence of competition.
- iii. Agreement with the consultant was not produced to audit.
- iv. Reports regarding the work progress of the consultant were not available on record.

The matter was reported to the management during August 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

**15.4.46 Excess payment due to allowing excess rate than scheduled rates – Rs 14.656 million**

According to Para-07 of Schedule of Rates for finished items of work volume-III, Part-III of October 2004 “All works shall be executed adopting composite rates as per schedule of rates.”

During audit of the following offices of Health Department, Government of Sindh, for the financial years 2014-15 it was observed that payment amounting to Rs 14.656 million was made to contractors by allowing excess rates than Schedule of Rates on various items.

(Rupees in million)

Sr. #	Name of office	Particulars of Payment	AIR Para #	Amount
1	Secretary Health Department, Govt. of Sindh, Karachi	Deformed bar work	28	8.250
2	Project Director, Benazir Institute of Urology Transplantation (BIUT) at Nawabshah	Execution of Concrete earth slabs	17	3.823
		Execution of Concrete works	16	1.238
		Bitumen	18	0.765
		Providing & Laying excavation of earth work	15	0.580
<b>Total</b>				<b>14.656</b>

The matter was reported to the management in August 2015 & July 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

#### **15.4.47 Irregular payment and non-adjustment of advance –Rs14.000 million**

As per Rule-88 of Sindh Financial Rules Volume-I, "Every Government 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 and public money should not be utilized for the benefit of a particular person or community".

During audit of the office of the Secretary Health Department, Govt. of Sindh for the year 2015-16, it was observed that Rs 14.000 million was paid to Sindh Rangers Hospital Sukkur for purchase of Plant & Machinery vide Cheque No. 9560457 dated 6.6.2016. Following irregularities were noticed:

- i. The funds were firstly transferred to DDO Account and subsequently advance payment was made to Sindh Rangers Hospital Sukkur without any approval as the funds were not allocated as grant in aid.
- ii. Record of adjustment of advance including tender file, inspection report were not produced to audit.

The irregularity was pointed out to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#7)

#### **15.4.48 Acceptance of X-Ray films without clinical efficacy report – Rs 13.428 million**

According to Clause-18.3 of contract agreement, "All stores items of drugs and medicines may be got tested from testing laboratory"

During audit of the following offices of Health Department, Government of Sindh, for the financial years 2014-15 & 2015-16, it was observed that X-Ray films

worth Rs 13.428 million were procured but clinical efficacy report was not obtained. In absence of the report, the authenticity of results of X-Ray films was doubtful.

(Rupees in million)

Sr.#	Name of office	Financial Year	AIR Para #	Amount
1	National Institute of Child Health, Karachi	2015-16	14	4.775
2	DHO Karachi	2014-15	08	3.547
3	National Institute of Cardiovascular Diseases, Karachi	2015-16	12	2.906
		2014-15	12	2.200
			<b>Total</b>	<b>13.428</b>

The matter was reported to the management during September 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **15.4.49 Irregular expenditure on contingent paid staff – Rs 11.971 million**

As per Rule-7 of General Financial Rule, Volume-I, states that, “unless otherwise expressly authorized by any term of rule/order having the force of law, money may not be removed from the public account to invest or deposit elsewhere without the consent of Ministry of Finance”.

During the audit of following offices for the financial year 2014-15, it was observed that expenditure of Rs 11.971 million was made on contingent paid staff/seasonal labour on account of salary. Following irregularities were noticed:

(Rupees in million)

Sr. #	Name of office	Irregularities	Financial Year	AIR Para #	Amount
1	Director Malaria Control Program Sindh, Hyderabad	Record of actual work done as per provision of PC-I was not produced. Record of appointment of labour, CNIC and evidence of payment was not produced. Justification of appointment of spray man and mixer, despite of	2015-16	08	10.504

(Rupees in million)

Sr. #	Name of office	Irregularities	Financial Year	AIR Para #	Amount
		availability of regular staff was not produced.			
2	National Institute of Cardiovascular Diseases, Karachi	Salary paid to 146 contingent paid staff without provision in budget approval from Finance department	2014-15	13	1.467
<b>Total</b>					<b>11.971</b>

The matter was reported to the management in December 2015 and November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

#### **15.4.50 Non-installation of meters despite advance payment to K-Electric – Rs 9.403 million**

As per Rule 88 of Sindh Financial Rules, “Every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.”

During audit of the office of Executive Director, Jinnah Postgraduate Medical Centre, Karachi for the year 2015-2016, it was observed that Finance department Govt. of Sindh through a sanction order dated 30-09-2015 released funds amounting to Rs. 9.403 million for advance payment to K-Electric for installation of individual/separate electric meters at the residential area of JPMC Karachi. However, till close of audit in November 2016, the adjustment of advance/progress of installation of meters was not available on record.

The matter was taken up with the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#28)

#### 15.4.51 Irregular procurement of various items - Rs 10.966 million

As per Rule-48 of Sindh Public Procurement Rules, 2010 (SPPRA), if single bidder participates for the bidding process, the rates will be compared with market rates or last awarded contract.

During audit of the office of the Secretary Health Department, Govt. of Sindh for the year 2015-16, it was observed that Rs 10.966 million was spent on procurement of various items.

(Rupees in million)

Sr. #	Items	Cheque # & Date	AIR Para #	Amount
1	Furniture & Fixture	2457192 25.06.16	03	5.434
2	Drugs/Medicine	--	06	00
3	Purchased of Hardware	2457191 25-06-16	22	3.305
4	Purchased Plant & Machinery items	2457190 25-06-16		2.227
<b>Total</b>				<b>10.966</b>

Following irregularities were noticed:

- i. The single bid was accepted in procurement of Furniture & Fixture and Medicines and Drugs by the Procurement Committee without comparison with market or with last awarded contract. Further, qualifying marks was not defined in the bid documents.
- ii. An undue favor to the contractor was allowed due to non-obtaining of Performance Guarantee @ 5% Rs 271,682 in case of Furniture & Fixture and Rs 276,610 in case of Plant & Machinery.
- iii. The SPPRA has required the above documents and ID was withheld in procurement of all above cases due to serious violations despite the payment was released to the contractor.

The irregularity was pointed out to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **15.4.52 Unauthorized retention of vehicles by various ex-officials – Rs 5.200 million**

According to rule-88 of Sindh Financial Rules, volume-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as person of ordinary prudence would exercise in respect of expenditure of his own money”.

During audit of office of Secretary Health, Government of Sindh, Karachi, for the year 2015-16, it was observed that official vehicles, detailed below, were in the custody of ex-officers. The management did not take any step for return of the same vehicles. Thus, possibility of loss to Government amounting to Rs 5.200 million could not be ruled out.

(Rupees in million)

<b>Sr.#</b>	<b>Designation</b>	<b>Name of Vehicle</b>	<b>Registration#</b>	<b>Amount (Approx.)</b>
1	Ex- Addl. Secy(PH)	Suzuki Cultus	GSA-7567	1.000
2	Ex- Minister health	Suzuki Cultus	GS-9441	1.000
3	Ex-MNCH	Suzuki Cultus	un-registered	1.000
4	Ex- P.S to Minister	Suzuki Cultus	GSA-7566	1.000
5	Ex-Secretary health	Toyota corolla GLI 2009	GS-7901	1.200
<b>Total</b>				<b>5.200</b>

The matter was taken up with the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

**(AIR#19)**



#### **15.4.53 Un-justified expenditure on electricity without meters – Rs 4.555 million**

According to Rule-88 of Sindh Financial Rules Volume-I, every 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 and the expenditure should not be prima facie more than the occasion demands.

During audit of the office of Civil Surgeon, Civil Hospital Dadu, for the year 2014-15, it was observed that an expenditure of Rs 4.555 million was incurred on electricity charges. However during physical verification, it was noted that all electric meters were found dis-connected and bills were being charged on average. The management was paying the bills without any verification of load and units consumed.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

**(AIR#07)**

#### **15.4.54 Irregular & un-justified payment on Earth Filling - Rs 4.547 million**

As per Appendix 18-A of Sindh Financial Rules, Volume-I, “Every officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part and that he will also be held responsible for any loss arising from fraud and negligence on the part of any other government office to the extent to which it may be shown that he contributed to the loss by his own actions or negligence.”

During audit of the Project Director, Benazir Institute of Urology Transplantation (BIUT) at Nawabshah, for the financial year 2014-15, it was observed that an amount of Rs 4.547 million was paid on account of earth filling, whereas in the Monitoring Report dated 21-03-13 issued by Sector Monitoring Officer of Monitoring & Evaluation Cell (MEC) P&D Department, it was mentioned that earth filling inside plinth area was not being done in specified 6”-8” thick layer rather dumping was being

done in one go without considering the issue whether the layer will achieve its desired compaction or not. The report added that some debris was also being used as filling material inside plinth. The record revealed no corrective steps were taken by the management to improve the work quality and the payment was made to contractor without any action. The inaction by the management was indicative of undue favour to the contractor.

The matter was reported to the management in January 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

**(AIR#08)**

#### **15.4.55 Purchase of inferior cooking oil in disregard of bid - Rs 3.369 million**

According to Rule-88 of Sindh Financial Rules, Volume-I, "Every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money".

During audit of the office of Executive Director, Jinnah Postgraduate Medical Centre, Karachi for the year 2015-2016, it was observed from the tender list of Diet articles that the brand "Soya Supreme Cooking oil" at the cost of Rs 3.369 million was approved; however, an inferior matching name brand i.e. Supremeo Cooking Oil was purchased and the same was available in the kitchen. Purchase of low quality oil in disregard of the tender specification was an undue favour to the supplier.

The matter was taken up with the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

**(AIR#36)**

#### **15.4.56 Irregular expenditure on TA/DA by using different cost centres – Rs 2.551 million**

As per rule 88 of Sindh Financial Rules, Volume-I, "Every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money".

During audit of the office of the District Health Officer, Jamshoro for the financial year 2015-16 it was observed through SAP data that 31 officers/officials were paid 114 TA/DA claims of Rs 2.551 million during the year, out of which 16 officers/officials were paid 93 claims from more than one cost centers. Moreover, the record of TA/DA was not produced. The details are given at Annex-10 of Chapter-15

The matter was pointed out to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

**(AIR#12)**

#### **15.4.57 Misuse of funds on repair of renovated building - Rs 2.500 million**

According to Rule-88 of Sindh Financial Rules Volume-I, every 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 and the expenditure should not be prima facie more than the occasion demands.

During audit of the office of Director, Sindh Institute of Ophthalmology and Visual Sciences, Hyderabad, for the financial year 2014-15, it was observed that an expenditure of Rs 2.500 million was incurred on repair of buildings without maintaining record of repair on the building. It was revealed that there was no need of M&R of the building because repair and renovation work costing Rs 40.913 million was already carried out from the capital budget of ADP allocation during 2013-14 & 2014-15. The expenditure in question seemed to be incurred just to avoid lapse of budget allocation.

Following irregularities were also noticed:

- i. Estimates were not produced despite pursuance.
- ii. Technical sanction was not available.
- iii. Tender record was not produced.
- iv. Work order showing actual date of work started and completed was also not produced.
- v. Satisfactory report after completion of works was not available.
- vi. The agreement not executed to safeguard the government interests, and the same also resulted in loss on account of Stamp duty Rs 7500.

The matter was reported to the management in December 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#07)

#### **15.4.58 Irregular purchase of vehicle without provision in PC-1 – Rs 1.864 million**

“Every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money” according to rule-88 of Sindh Financial Rules, volume-I.

During audit of the office of the National Maternal, Neonatal & Child Health Programme Sindh, Karachi for the year 2014-15, it was observed that an expenditure of Rs 1.864 million was incurred on account of purchase of a vehicle “Toyota Corolla GLI” without provision in PC-I. Moreover, the advance payment was made through a cheque dated 18-03-15 but delivery was not received till close of audit in July 2015.

The matter was taken up with the management in July 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#4.3.5)

#### **15.4.59 Irregular purchase of motor cycles for malaria control project –Rs 1.501 million**

According to Rule-50 of SPPR 2010, "Within seven days of the award of contract, procuring agency shall publish on the website of the Authority and on its own website, if such a website exists, the results of the bidding process, identifying the bid through procurement identifying number, if any, and the following information:

- (1) Evaluation Report;
- (2) Form of Contract and Letter of Award;
- (3) Bill of Quantities or Schedule of Requirement.

During the audit of office of the Director, Malaria Control Program Sindh, Hyderabad for the financial year 2015-16, it was observed that expenditure of Rs 1.501 million was incurred on account of purchase of thirty three 70 cc motorcycles @ Rs 37,765 per unit. Following irregularities were noticed:-

- i. As per requirement of bidding documents (advertisement on 08-04-16), financial soundness of the firm should be worth around Rs 10 million during last three years but the successful bidder M/s Mafh Distributor Hyderabad did not meet the same requirement of financial capability on following grounds:
  - a. According to audited accounts for the year 2014-15, there was no sale during the year 2014-15.
  - b. According to bank statement of the firm, the closing balance was only Rs 45.05 as on 16-04-2016.
- ii. Inspection Certificate of delivered motorcycles was not available
- iii. Contract Agreement was not produced to audit.
- iv. SPPRA withheld the ID #2147483647 of above tenders with the remarks, "infirmities of Rule 50 required"; however, no compliance thereof was produced to audit.
- v. Record about existing motorcycles and justification of additional requirement of motorcycles was not produced to audit.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#14)

#### **15.4.60 Unilateral payment of lab charges without reconciliation – Rs 3.900 million**

According to Para-88 of Sindh Financial Rules Volume-I, “Every Government 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 and public money should not be utilized for the benefit of a particular person or community”

During audit of the office of the District Health Officer, Jamshoro for the year 2015-16 it was observed that expenditure of Rs 3.900 million (Rs 2.400 million in preceding year) was made under the head “A05270 - To others”. The payments were made to the Molecular Laboratory, Health Department, Mirpurkhas on account of HCV, HBV and HDV tests on the samples collected from the District Headquarter Hospital, Kotri Health Department. Following irregularities were noticed:

- i. The payment for the year 2015-16 was made through cheque dated 27-06-16 without reconciling the number of samples sent by DHQ Hospital, Kotri, as there was no monthly reporting system between DHO office and the DHQ Hospital for reconciliation of the claims by the Molecular laboratory.
- ii. The bills submitted by The Molecular Laboratory, Mirpurkhas for payment were just equal to the funds released by the Finance Department through a sanction dated 07-06-2016, which indicated hypothetically billing meant to use released funds.
- iii. All quarterly bills for the year 2015-16 of total tests were submitted by the Molecular Laboratory at once in June, 2016.
- iv. Similarly, Rs 2.400 million was paid during financial year 2014-15 to the Molecular Laboratory without any evidence through cheque dated 30-06-2015.

The matter was taken up with the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#05)

#### **15.4.61 Irregular expenditure on account of repair of building – Rs 1.195 million**

As per defined Objectives of Buildings Department Govt of Sindh, Buildings Department is responsible for construction and maintenance of buildings including allied services for all the Departments of Sindh Government. The work plan for maintenance of buildings is prepared in consultation with the Administrative Department/user and items of work executed and paid after getting a certificate from them.

During audit of the office of the Executive Director National Institute of Cardiovascular Diseases Karachi, for the financial year 2015-16, it was observed that expenditure of Rs 1.195 million was incurred on account of repair and maintenance of building by the office itself instead of Building Division, W&S department. Following irregularities were also noticed:

- i) Government schedule of rates was not followed
- ii) Work was awarded without sanction of Estimates.
- iii) Measurement book was not provided.
- iv) Expenditure was split up.
- v) Payment was made without completion certificate
- vi) Work register was also not maintained.

The matter was taken up with the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#16)

#### **15.4.62 Expenditure on contingent paid staff – Rs 1.086 million**

According to Para-88 of Sindh Financial Rules Volume-I, “Every Government 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 and public money should not be utilized for the benefit of a particular person or community”.

During audit of the office of the District Health officer, Jamshoro for the financial year 2015-16 it was observed that the contingent paid staff was hired and paid through a firm M/S Qambrani Traders, Kotri to run the Thalassemia Center at DHQ, Hospital, Kotri. The expenditure of Rs 1.086 million was incurred through issuance of three cheques dated 29-06-16 to the firm.

Following irregularities were noticed.

- i. Approval from Finance Department for contingent paid staff was not available.
- ii. The agreement was not made available to audit.
- iii. Monthly attendance sheet verified by incharge of Thalassemia centre DHQ Hospital, Kotri was not attached with the bills submitted for payment.
- iv. Payment of Rs 1.086 million in a single month for expenditure of whole year was doubtful.
- v. No arrangement to run the Thalassemia Centre was made at own resources.
- vi. Contingent paid employees terms and conditions were not define.
- vii. The employees of the DHQ Hospital/Other employees were not got trained.

The irregularity was pointed out to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.



Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#21)

#### **15.4.63 Excess charges of food for patients – Rs 1.060 million**

According to Rule-88 of Sindh Financial Rules Volume-I, every 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 and the expenditure should not be prima facie more than the occasion demands.

During audit of the office of Jinnah Postgraduate Medical Center, Karachi for the financial year upto 2014-2015, it was observed from the record of selected 8 months that excess charges of feeding for Rs 1.060 million were paid to the supplier as there was difference in the figures between number of patients as per record of kitchen and as per bed occupied data.

The matter was reported to the management during May 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#04)

#### **15.4.64 Non disposal/auction of condemned vehicles/machinery & equipment**

According to rules 25 for the use of staff cars 1980, 5 (a) No vehicle will be replaced before the completion of the prescribed life fixed on the basis of mileage / number of years used. (b) Prescribed life and mileage laid down for condemnation of vehicles, and rule 26 vehicles shall be disposed of by Ministry / Division concerned through public auction.

During audit of the following offices of the Health Department, Government of Sindh for the year 2015-16, it was observed that various assets including vehicles/Furniture/machinery & Equipment e.t.c. were lying condemned but no efforts

were made for disposal of the same by the authorities. Since the disposal process was not initiated, the assessed value was also not worked out on record.

Sr.#	Name of Office	AIR Para #	Particular	Condition
1	Civil Surgeon Civil Hospital Thatta	23	Mercedes Ambulance/ Various vehicles	Damaged
2	P.D CDD Hyderabad	14	Toyota Lite-Ace Van & Toyota Hiace unregistered	Off road since 1993 and 1996 respectively
3	Executive Director JPMC Karachi	20	Various Furniture / Machinery & Equipment	Un-serviceable

The irregularity was pointed out to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **15.4.65 Non/less recovery of taxes and duties – Rs 274.176 million**

According to Section 153 (1) of Income Tax Ordinance 2001, every prescribed person, making payment in full or part, shall deduct income tax at source on supplies of goods and services at the rate of 4% and 6.5% respectively.

As per Section 3(1) of the Sales Tax Act, 1990, “There shall be charged, levied and paid a tax known as sales tax @ 16% of the value of taxable supplies made by a registered person in the course a furtherance of any taxable activity carried on by him”.

As per Second Schedule of The Sindh Sales Tax on Services Act, 2011, the rate of tax is 17% on services provided or rendered by persons engaged in contractual execution of work or furnishing supplies.

During audit of the various offices of Health Department, Government of Sindh, for the financial years 2014-15 & 2015-16, it was observed that an amount of Rs 274.176 million on account of various taxes and duties were not deducted or less deducted at the time of making payments resulting in loss of revenue to the government. The details are given at Annex-11 of Chapter-15.

Non-recovery was pointed out to the management during August 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing of responsibility on the person(s) at fault.

#### **15.4.66 Non-recovery of government dues – Rs 117.888 million**

According to Rule 41(a) of Sindh Financial Rules Volume-I, the Departmental Controlling Officer should see that all sums due to Government are regularly received and checked against demands and that they are paid into treasury.

According to Para-22-A of Stamp Act, “it is the duty of the competent authority to recover the stamp duty and affix the same, while execution of agreement @ 0.30 paisa per hundred rupees of the value of the agreement or against tender cost.”

During audit of the following offices of Health Department, Government of Sindh, for the financial years 2014-15 & 2015-16, it was observed that an amount of Rs 117.888million was not recovered on account of inadmissible allowances, laboratory charges, rent, penalty, stamp duty, etc. The details are given at Annex-12 of Chapter-15.

The matter was reported to the department during November 2014 to November 2016 but no reply was received till finalization of this report.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

#### **15.4.67 Unauthorized payment of inadmissible allowances – Rs 42.853 million**

According to Rule-88 of Sindh Financial Rules, volume-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from

public money as person of ordinary prudence would exercise in respect of expenditure of his own money”.

During audit of various offices of the Secretary Health, Government of Sindh, Karachi, for the year financial year 2014-15 & 2015-16, it was observed an amount of Rs 42.853 million was paid to the officers & staff on account of inadmissible allowances. The details are given at Annex-13 of Chapter-15.

The matter was reported to the management during August 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **15.4.68 Un-authorized utilization of funds of Taluka Hospitals by DHOs – Rs 6.261 million**

According to Rule-88 of Sindh Financial Rules Volume-I, every 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 and the expenditure should not be prima facie more than the occasion demands.

During audit of the following offices of Health Department, Government of Sindh, for the financial years 2014-15, it was observed that the funds of Drugs and Medicines worth Rs 6.261 million were unauthorizedly used by DHO, as detailed below. Further, the record of expenditure was also not given to the concerned hospital for audit purpose.

(Rupees in million)				
Sr. #	Name of office	Particulars	AIR Para #	Amount
1	MS Taluka Hospital, Tando Bago, Badin	DHO Badin utilized the fund of medicines of Taluka hospital	11	5.808
2	M.S. Taluka Hospital, Kot Ghulam Muhammad	DHO Mirpurkhas utilized the fund of medicines of Taluka hospital	01	0.453
<b>Total</b>				<b>6.261</b>

The matter was reported to the management in August 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **15.4.69 Non-deduction of Income Tax from salary & honorarium - Rs 3.643 million**

According to Rule-149(1) of Income Tax Ordinance 2010, Every [person responsible for] paying salary to an employee shall, at the time of payment, deduct tax from the amount paid at the employee's average rate of tax computed at the rates specified in Division I of Part I of the First Schedule.

During audit of the following offices of the Health Department, Government of Sindh for the year 2015-16, it was observed that an amount of Rs 29.066 million was paid but the income tax amounting Rs 3.643 million was not deducted from salary & honorarium at the time of making payments resulting in loss of revenue to government.

(Rupees in million)

Sr. #	Name of Office	AIR Para #	Nature of Payment	Amount Paid	Income Tax
1	Secretary, Health Department	12&17	Salary	11.184	2.677
		14	Honorarium	2.834	0.283
2	DHO Kambar Shahdadkot at Kambar	36	Salary	15.048	0.683
<b>Total</b>				<b>3.643</b>	

The non-recovery was pointed out to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### 15.4.70 Expenditure on POL for vehicles not on strength - Rs 2.106 million

According to rule-88 of Sindh Financial Rules, volume-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as person of ordinary prudence would exercise in respect of expenditure of his own money”.

During audit of following offices of the Health Department, Government of Sindh for the year 2015-16, it was observed that expenditure on POL for Rs 2.106 million was incurred for vehicles which were not on the strength of the respective office.

(Rupees in million)

Sr. #	Name of Office	AIR Para #	Financial Year	Amount
1	Secretary Health Department	18	2015-16	0.997
2	DHO Badin	05	2015-16	0.622
		09	2015-16	0.024
		15	2015-16	0.302
3	P.D EPI Karachi	14	2015-16	0.161
<b>Total</b>				<b>2.106</b>

The irregularity was pointed out to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#18)

#### 15.4.71 Non-imposition of penalty due to defective supply orders for medicines – Rs 1.226 million

Rule 13 of General Financial Rules, volume-I, states that “every controlling officer must satisfy himself not only that adequate provisions exist within the departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores but also that the prescribed checks are effectively applied”.

During audit of the office of the Medical Superintendent, Civil Hospital, Karachi for the year 2015-16, it was noticed that various articles worth Rs 12.258

million were purchased specially medicines/drugs but the same were not delivered within stipulated time period by the vendors. The management did not impose a penalty of Rs 1.226 million while making payment. It is worth mentioning that the standard penalty clause was not included in the work orders/agreement only to extend undue financial aid to vendors at the cost of public exchequer.

The matter was taken up with the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#22)

#### **15.4.72 Non-maintenance of consumption account/stock register – Rs 886.717 million**

According to Rule-113 of Sindh Financial Rules, Volume-I, “All materials received should be examined, counted, measured or weighed, as the case may be, when delivery is taken and these should be kept in charge of a responsible government servant who should be required to give a certificate that he actually received the materials and recorded them in his appropriate stock registers”.

During audit of the various offices of Health Department, Government of Sindh, for the financial years 2014-15 & 2015-16, it was observed that various articles including medicines, equipment and other stores worth Rs 886.717million were purchased but the same were neither accounted for in relevant stock registers nor their consumption account was maintained. The details are given at Annex-14 of Chapter-15.

The matter was reported to the management during November 2014 to March 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit req recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

## **CHAPTER – 16**

### **HOME DEPARTMENT**

#### **16.1 Introduction**

Home Department plays a pivotal role in devising the policy leading towards the maintenance of law and order and internal security of the province.

The departments attached with the Home Department are:

- (i). Police
- (ii). Civil Defence
- (iii). Prisons

Core functions of the department include:

1. All matters relating to eradication, prevention and control of crime,
2. Administration of justice, constitution and organization of courts, except the high courts, civil courts and special tribunals,
3. Procurement of arms, ammunition and military stores,
4. All matters of police establishment and administration,
5. Powers and functions as provided for in the Police Order-2002,
6. Civil Defence and air raid precaution,
7. Compensation for loss of property or life due to civil commotion or while on duty,
8. To collect fines,
9. Civil security schemes,
10. Liaison with civil armed forces, including Pakistan Rangers,
11. Provide evidence and oaths,
12. Extraditing and deportation,
13. Enforcement of provision of Provincial Motor Vehicles Ordinance, 1965, and the rules there under relating to control of traffic and inspection and checking of motor vehicles for the purpose of traffic control,
14. Liaison with defence authorities,
15. Matters related to public order and internal security,
16. Political intelligence and censorship,
17. Public amusement control over places, performances and exhibitions
18. Preventive detention and administration of press laws except regularity of publication of newspapers, periodicals and magazines,
19. Prosecution in respect of newspapers and other publications,
20. Registration of foreigners,



21. Recovery of missing persons,
22. Smuggling,
23. Daily situation report on crime, political and general situation.

## 16.2 Comments on the Budget and Accounts (Variance Analysis)

The Department consists of 153 formations (DDOs), out of which 17 formations were selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rupees in million)

Original Budget/ Grant	Supplementary Grant	Re-appro: (+) (-)	Revised Budget 2014-15	Departmental Expenditure	Variation (Excess)/ Savings
71,185.244	63.898	(2,042.816)	69,206.325	62,285.359	6,920.966

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 6,920.966 million was observed which was not surrendered in time.

(Rupees in million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
2,054.680	1,753.001	1,756.806	(3.805)

## 16.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was 6.5%.

Sr. No	Audit Report	Total Paras discussed	No. of Paras requiring Compliance	Compliance of PAC directives made	Compliance of PAC directives not made	Percentage of Compliance
1	1992-93	34	12	0	12	-
2	1998-99	20	4	0	4	-
3	1999-2000	23	11	0	11	-
4	2001-02*	7	7	2	5	28.6
5	2004-05*	11	6	2	4	33.3
6	2005-06	0	0	0	0	-
7	2006-07	12	8	0	8	-

<b>Sr. No</b>	<b>Audit Report</b>	<b>Total Paras discussed</b>	<b>No. of Paras requiring Compliance</b>	<b>Compliance of PAC directives made</b>	<b>Compliance of PAC directives not made</b>	<b>Percentage of Compliance</b>
8	2007-08	23	16	0	16	-
9	2008-09	24	14	0	14	-
10	2009-10	25	14	2	12	14.3
<b>Total</b>		<b>179</b>	<b>92</b>	<b>6</b>	<b>86</b>	<b>6.5</b>

Note: Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

## **16.4 AUDIT PARAS**

### **16.4.1 Non-production of record - Rs 517.779 million**

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (1) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (2) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of various offices of Home Department, Government of Sindh for the financial years 2013-14 to 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 517.779 million remained unaudited. The details are given at **Annex-1** of Chapter-16.

The matter was reported to the management during January 2016 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of record besides fixing responsibility on the person(s) at fault.

### **16.4.2 Unauthorized payment through DDO account - Rs 307.556 million**

As per Rule-303 of Central Treasury Rules, "Contingent bill for payment to Suppliers, etc. which cannot be met from the permanent imprest may be endorsed for payment to the party concerned and the DDOs are suggested that in case of payments to the suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid unnecessary delays and risk involved in the drawal and disbursement of cash".

During audit of various offices of Home Department, Government of Sindh, for the years 2013-14 to 2015-16, it was observed that payments of Rs 307.556million were made through DDO account instead of crossed-cheques to payees. Counter folios of cheques were also not produced to audit. The details are given at Annex-2 of Chapter-16.

The matter was reported to the management during January 2016 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault.

#### **16.4.3 Irregularities in expenditure on Repair of Buildings - Rs 40.296 million**

As per defined Objectives of Communication and works Department, Govt of Sindh, Buildings Division is responsible for construction and maintenance of buildings including allied services for all the Departments of Sindh Government. The work plan for maintenance of buildings is prepared in consultation with the Administrative Department/user and items of work executed and paid after getting a certificate from them.

During audit of various offices of Home Department, Government of Sindh, for the years 2014-15 & 2015-16, it was observed that an expenditure of Rs 40.296 million was incurred on repair of building. The details are given at Annex-3 of Chapter-16.

Following irregularities were noticed:

- i. The management itself carried out the repairs, instead of through Works & Services Department.
- ii. Payment was made through DDO instead of cross cheques to the contractors;
- iii. Evidence of open competition through tender was not produced
- iv. Estimates and technical sanctions were not produced to audit.
- v. Measurement books and completion report were not produced to audit.

The matter was reported to the management during March 2016 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

#### **16.4.4 Non-inviting tender in violation of SPPR 2010 - Rs 57.471 million**

Rule 17 (1) & (2) of Sindh Public Procurement Rules, 2010 states that procurement over one hundred thousand rupees and up to one million rupees shall be advertised by timely notification on the Authority's websites and in print media in the manner and format prescribed in these rules. The advertisement shall appear in at least three widely circulated and leading daily newspapers of English, Urdu and Sindhi language.

During audit of various offices of Home Department, Government of Sindh for the years 2014-15 to 2015-16, it has been observed that expenditure of Rs 57.471 million was incurred on purchase of various items without invitation of tenders. The details are given at Annex-4 of Chapter-16.

The matter was reported to the management during August 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **16.4.5 Non-reconciliation of electricity charges - Rs 972.072 million**

As per procedure of the Government of Sindh, Departments are required to pay the electricity bills to K-Electric, HESCO and SEPCO after the meter reading has been carried by the controlling officer of formation of the department, representatives of electric utility and the Director Electricity Monitoring & Evaluation Cell (EM&RC) of the Energy Department. The EM&RC then forwards the information to the Finance Department for the amounts of the electricity to be paid by the formation of each department.

During audit of various offices of Home Department, Government of Sindh, for the years 2014-15 & 2015-16, it was observed that an amount of Rs 972.072 million was paid on account of electricity charges. However, evidence of reconciliation of consumed electricity with the billed figures was not available on record. The details are given at Annex-5 of Chapter-16.

The matter was reported to the management during January 2016 to November 2016. The Management at Sr.No 09 (DIGP, Hyderabad Range) replied that the electricity bills have been reconciled with HESCO and produced statement of payments.

The reply was not tenable as evidence of reconciliation of electricity consumption was not produced. Remaining offices did not reply.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends reconciliation statements besides fixing responsibility on the person(s) at fault.

#### **16.4.6 Irregularities in expenditure on repair of furniture and machinery - Rs 10.693 million**

Rule 17 (1) & (2) of Sindh Public Procurement Rules, 2010 states that procurement over one hundred thousand rupees and up to one million rupees shall be advertised by timely notification on the Authority's websites and in print media in the manner and format prescribed in these rules. The advertisement shall appear in at least three widely circulated and leading daily newspapers of English, Urdu and Sindhi language.

During audit of various offices of Home Department, Government of Sindh, for the financial years 2013-14 to 2015-16, it was observed that expenditure of Rs 10.693 million was incurred on repair of furniture and machinery. The details are given at Annex-6 of Chapter-16.

Following irregularities were noticed:

- i. The sanction was split up to avoid tender.
- ii. The requisition for repair was not available in record.

- iii. The repair registers were not maintained.
- iv. Acknowledgement receipt was not obtained.
- v. Satisfactory work completion certificate not obtained.

The matter was reported to the management during January 2016 to November 2016. The Management at Sr.No.04, (DIGP, Hyderabad Range) replied that the compliance of objections may be seen at the time of next audit. Other office did not reply.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends an inquiry into the matter and fixing of the responsibility on the person(s) at fault.

#### **16.4.7 Purchase of medicines without drug test laboratory report - Rs 20.321 million**

As per Sindh Drug Act, 1976 “Supplier of Medicines are required to pay the fees at the rate of Rs 1,000 per batch for the drugs to be tested at P.D.L. and pay directly to C.D.L. as per their schedule and are also required to supply an additional quantity of the supplier required for analytical test.”

During audit of office of Inspector General of Prisons Sindh, Hyderabad for the years 2014-15, it was observed that expenditure of Rs 20.321 million was incurred on purchase of medicines but the same were accepted in absence of drug testing laboratory report.

The matter was reported to the management during January 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **16.4.8 Splitting up purchases to avoid tender - Rs 27.383 million**

As per Rule 12(1) of SPPR 2010, Save as otherwise provided and subject to the regulations made by the Authority, a procuring agency shall prepare, all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements already grouped, allocated and scheduled in the Procurement Plan.

During audit of various offices of Home Department, Government of Sindh, for the financial years 2014-15 to 2015-16, it was observed that an expenditure of Rs 27.383 million was incurred on supply of various items without inviting open tenders and whole procurement was done through splitting of the sanction orders. The details are given at Annex-7 of Chapter-16.

The matter was reported to the management during May 2016 to December 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **16.4.9 Unjustified expenditure on hiring of carpets - Rs 1.300 million**

As per Rule 29(3) of SPPR 2010, for the purposes of Part II of the Rules, bidders shall include all those contractors or suppliers and providers of services related thereto or consultants that are registered or incorporated in Pakistan, irrespective of the nationality of their owners and of their professional staff.

During audit of the office of Senior Superintendent of Police Larkana for the year 2015-16, it was observed that an expenditure of Rs 1.300 million was incurred on account of hiring of 16,250 carpets @ Rs 80 per day on death anniversary of Shaheed Muhtarma Benazir Bhutto, Khalid Mehmood Soomro and birthday of Shaheed Muhtarma Benazir Bhutto was unjustified as:

- i. Carpets were supplied by an unregistered supplier.
- ii. Sanction orders were split up to avoid the tender process.
- iii. Sindh Sales Tax was not deducted & expenditure was misclassified
- iv. Same invoice was claimed in different bills with different sanction orders



- v. Invoices were claimed without showing invoice No.
- vi. Funds were released by Finance Department Govt. of Sindh to Deputy Commissioner Larkana for all kinds of arrangements for above event but expenditure was incurred by SSP Larkana.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#24)

**16.4.10 Irregular collection of charges for driving license and utilization - Rs 46.042 million**

According to the Rule 5 of Motor Vehicles Rule 1969, Superintendent of Police or other Gazetted Police Officer nominated by the to act as such on his behalf shall be licensing authority. (g) If he passed the competency driving tests, application shall be endorsed by the DSP and then the applicant will report at lamination counter where he payRs 250 and get slip / snap shot counter.

During audit of office of Deputy Inspector General of Police, Traffic (Licensing & Training) Karachi for the year 2014-15, it was observed that the management collected Rs 46.042 million on account of cost of lamination charges @ Rs 250 per license and medical charges @ Rs 100 per person. Moreover, expenditure of Rs 42.581 million was incurred from the same collected funds for providing services to the general public on account of driving licenses. However, any formal legal cover for levy of charges and utilization of collected amount was not available to authenticate the transactions. Moreover the criteria for fixing the same charges were not available.

(Rupees in million)

Revenue collection plus OBs			Major expenditure / payments from collected revenue		
Sr. #	Particulars	Amount	Particulars	Cheque No.	Amount
1.	Lamination charges	20,668,750	M/s SBF Enterprises,	2467180 dt.19-07-14	1.500

(Rupees in million)

Revenue collection plus OBs			Major expenditure / payments from collected revenue		
Sr. #	Particulars	Amount	Particulars	Cheque No.	Amount
2.	Medical Charges	12,152,900	Karachi on account of cost of Lamination, etc.	2467182 dt.19-07-14	1.000
3.	Lamination charges – IDPs	1,598,000		2467184 dt.15-08-14	1.823
Available Opening Balances				2467191 dt.04-10-14	0.900
				2467202 dt.08-12-14	0.173
				2467203 dt.15-12-14	0.186
4.	Lamination charges	6,857,276		2467207 dt.09-12-14	0.300
5.	Medical Charges	3,083,831		2467063 dt. 19-07-14	8.500
				2467064 dt. 19-07-14	5.232
6.	Lamination charges – IDPs	1,680,923	Funds transferred to Police Hospital Fund Account	2467066 dt.14-05-15	22.967
<b>Total</b>		<b>46,041,680</b>	<b>Total</b>		<b>42.581</b>

The matter was reported to the management in November 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#01)

#### **16.4.11 Irregular procurement of uniform & liveries from the rejected bidder - Rs 7.512 million**

According to Sindh Public Procurement rule 46, Procedures of open competitive bidding Second Stage (i) bidders who are willing to conform to the revised technical specifications and whose bids have not already been rejected shall submit a revised technical proposal and supplementary financial proposal, according to the revised technical requirement

During audit of office of Inspector General of Police (IGP) Sindh, for the year 2015-16, it was observed that uniform & liveries of Rs 7.512 million were procured from a contractor whose bid was rejected by the procurement committee. Moreover, payment was made to the contractor on pre-receipt bill. The uniform & liveries so procured were not inspected by any committee.

The matter was reported to the management in November, 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#02)

#### **16.4.12 Irregular expenditure on repair of building - Rs 3.994 million**

As per defined Objectives of Communication and works Department Govt of Sindh, Govt of Sindh, Buildings Division is responsible for construction and maintenance of buildings including allied services for all the Departments of Sindh Government. The work plan for maintenance of buildings is prepared in consultation with the Administrative Department/user and items of work executed and paid after getting a certificate from them.

During audit of office of the Senior Superintendent of Police, Mirpurkhas for the financial year 2014-15, it was observed that repair work of office building was awarded to a contractor, M/s Fazal-ur-Rehman in contravention of the above quoted rule. Following irregularities were also noticed:

- i. Technical sanction / estimate /approval was not obtained from competent authority and Contract agreement, bidding documents were not produced
- ii. Documentary evidence(s) of works executed previously was not produced
- iii. Earnest money was not deposited.
- iv. Registration certificates with Income Tax, Sales Tax and Pakistan Engineering Council were not obtained.
- v. As per bills, work was shown as work-in-progress whereas, it was stated as completed in report furnished by SHOs of Police Stations.

The matter was reported to the management in January 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

**(AIR#01)**

#### **16.4.13 Irregularities in payment of cash reward - Rs 5.296 million**

As per memorandum by Govt. of Sindh Vide No, B1/22(1) / 19998-99 dated 3-8-1999, issued by the secretary to Govt., of Sindh, Finance Department, the cash reward shall be awarded to those officers / officials who performed extra ordinary duties / work assigned by the office other than their own duties, and the same should be recorded in service book of the officials.

During audit of Inspector General of Police (IGP) Sindh, for the year 2015-16 it was observed that an amount of Rs 5.296 million paid as cash reward was unauthorized as:

- i. The payment was made through DDO instead of the officials/officers.
- ii. The payment was made without mentioning their extraordinary works/duties performed by the officers and officials other than their own assigned work.
- iii. The certificates of good performance were not produced.
- iv. The acknowledgment was not obtained for the reward so disbursed.
- v. The cash reward was allowed to the employees without deducting Income Tax.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

**(AIR#12)**

#### 16.4.14 Unauthorized expenditure on purchase of machinery & furniture - Rs 2.800 million

Rule-13 of General Financial Rules, Volume-I, states that, “Every controlling officer must satisfy himself not only that adequate provisions exist within the departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores but also that the prescribed checks are effectively applied”.

During audit office of the Deputy Inspector General of Police, Hyderabad Range, Hyderabad, for the year 2014-15, it was observed that an expenditure of Rs 2.800 million incurred on purchase of machinery / equipment and furniture / fixture as detailed below:

(Rupees in million)

Sr. #	Particulars	Amount
1.	M/s Wannia Enterprises, Hyderabad – Purchase of Furniture / Fixture – vide cheque No.1898625 dt.05-01-15	1.000
2.	M/s Al-Razzaq Computers Hyderabad – Purchase of Machinery / Equipment – vide cheque No.1898626 dt.05-01-15	1.800
	<b>Total</b>	<b>2.800</b>

Following irregularities were noticed:

- i. Supply order was awarded by way of pooling, the same banks consecutive serial numbered on pay orders for earnest money received from different contractors.
- ii. The received articles were not as per the work order quantities. The copy of inspection note was seen but not produced to audit.
- iii. The stock register was not produced to verify receipt of the articles.
- iv. Income tax of Rs 0.065 million at the rate of 6.5 % was not deducted from the payment of furniture / fixture work / supply.
- v. The split A.C of Mitsubishi (1.5 ton) was purchased for Rs 77,900 (total 08 No's in Rs 623,200), whereas same specifications split A.C of Mitsubishi (1.5 ton) was purchased for Rs 64,500 from M/s Wannia Enterprises during execution of work “Renovation of DIGP office adjacent to PS Bhattai Nagar Hyderabad” (claim entertained vide cheque No.1961182 dated 06-02-15).

The matter was reported to the management in January 2016. The management produced copies of some record alongwith point-wise justification however, reply of

the management required verification from original record; whereas, the applicable tax rate was 6.5% contrary to the applied rate of 5%, hence, reply was not tenable.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

(AIR#03)

#### 16.4.15 Non-adjustment of advance payment - Rs 11.300 million

As per Para 668 of Central Treasury Rules, “Advances granted under special orders of competent authority to government officers for departmental or allied purposes may be drawn on the responsibility and receipt of the officers for whom they are sanctioned subject to adjustment by submission of detailed accounts supported by vouchers or by refund, as may be necessary”.

During audit of following offices of Home Department for the years 2014-15 & 2015-16, it was observed that an amount of Rs 11.300 million was paid as advance but adjustment account was not produced to audit.

(Rupees in million)

Sr.#	Name of office	Financial Year	AIR Para #	Head of Account	Amount
1	Additional Inspector General of Police, Karachi	2014-15 to 2015-16	04	Repair of building	7.500
2	Inspector General of Police (IGP) Sindh	2015-16	09	Payment to PTCL	3.700
3	Deputy Inspector General of Police, Traffic (Licensing & Training) Karachi	2014-15	03	Lamination fee	0.100
<b>Total</b>					<b>11.300</b>

The matter was reported to the management during November 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **16.4.16 Unauthorized expenditure on cost of investigation - Rs 42.463 million**

As per Rule-23 of Sindh Financial Rules, “Every payment including repayment of money previously lodged with government for whatever purpose, must be supported by a voucher setting forth full and clear particulars of the claim”.

During audit of various offices of Home Department, Government of Sindh, for the years 2014-15 & 2015-16, it was observed that payment of Rs 42.463 million was made to investigating police officers on account of cost of investigation but record of orders for conducting investigation, certificate from motor transport officer for use of private vehicle, final report of disposal of case and acknowledgements were not available on record. The details are given at Annex-8 of Chapter-16.

The matter was reported to the management during August 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **16.4.17 Unauthorized retention of funds in DDO account - Rs 177.095 million**

According to Rule-290 of Central Treasury Rules, Volume-I, “No money shall be drawn from the treasury unless it is not required for immediate disbursement. Further, it is not permissible to draw money from the treasury in anticipation of demand or to prevent lapses of budget grant”.

During audit of following offices of the Home Department, Government of Sindh for the years 2014-15 & 2015-16, it was observed that an amount of Rs 177.095 million was retained in DDO account till close of the financial year.

(Rupees in million)

<b>Sr.#</b>	<b>Name of office</b>	<b>Financial year</b>	<b>AIR Para#</b>	<b>Amount</b>
1.	Secretary Home, Karachi	2015-16	07	172.483
2.	Additional Inspector General of Police, Karachi	2014-15 to 2015-16	20	3.846
3.	SSP Mirpurkhas	2014-15	17	0.766
<b>Total</b>				<b>177.095</b>

The matter was reported to the management during January 2016 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **16.4.18 Non-recovery of police guards charges & misc. recoveries - Rs 133.478 million**

As per Rule 41 (a) of Sindh Financial Rules, “The Department Controlling Officers should see that all sums due to Government are regularly received and checked against demand and that they are paid into the Treasury.”

During audit of the various offices of Home Department, Government of Sindh for the years 2012-13 to 2015-16, it was observed that police guards were provided to various departments/agencies/officers/individuals but service charges and other miscellaneous recoveries of Rs 133.478 million were not recovered from them. The details are given at Annex-9 of Chapter-16.

The matter was reported to the management during January 2016 to November 2016 but no reply was received. Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **16.4.19 Non-obtaining security deposit from suppliers - Rs 426.852 million**

As per Rule-37(1) of SPPR 2010, the procuring agency shall require the bidders to furnish a bid security not below one percent and not exceeding five percent of the bid price, which shall remain valid for a period of 28 days beyond the validity period for bids, in order to provide the procuring agency reasonable time to act, if the security is to be called.

During audit of following offices of Home Department, Government of Sindh for the years 2015-16, it was observed that an expenditure of Rs 426.852 million



incurred on purchase of medicines and equipment was irregular due to non-obtaining security deposit.

(Rupees in million)

Sr.#	Name of office	Financial Year	AIR Para#	Amount
1	Inspector General of Police, Sindh	2015-16	25	426.403
2	SSP, Benazirabad	2015-16	11	0.250
3	SSP, Badin	2015-16	24	0.199
			<b>Total</b>	<b>426.852</b>

The matter was reported to the management during July 2016 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **16.4.20 Non-realization of Stamp Duty - Rs 12.792 million**

As per Section 22-A of Stamps Act, 1899, it is the duty of competent authority to recover the Stamps Duty and affix the same on the value of agreement, sale deed or gift during its execution.

During audit of office of IGP, Sindh for the year 2015-16, it was observed that stamp duty of Rs 12.792 million was not realized from various suppliers/contractors.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery of stamp duty besides fixing of responsibility on person(s) at fault.

**(AIR#21)**

#### **16.4.21 Non-deduction/short-deduction of Income Tax - Rs 3.541 million**

According to the section 153 (1) (a) of the Income Tax Ordinance 2001, 4.5 % to 6.5 %, income tax is required to be deducted at source while making payment to suppliers / contractors.

During audit of various offices of Home Department, Government of Sindh for the year 2014-15 & 2015-16, it was observed that income tax of Rs 3.541 million was not deducted/less deducted. The details are given at Annex-10 of Chapter-16.

The matter was reported to the management during January 2016 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **16.4.22 Non-deduction of Sales Tax on Services - Rs 7.098 million**

As per Chief Minister Instructions vide letter No.DS (Staff)/CMS/12/01/2012 dated 29.11.2012 wherein all Administrative Secretaries and their respective DDOs/Officers of all institutions/departments to comply with provision of SST Special Procedure (Withholding Rule, 2011).

During the audit of various offices of Home Department, Government of Sindh for the financial year 2015-16, it has been observed that expenditure of Rs 7.098 million was incurred on various services rendered by consultants, employees but Sales Tax on Services amounting to Rs 7.098 million was not deducted. The details are given at Annex-11 of Chapter-16.

The matter was reported to the management during October 2016 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **16.4.23 Non-deduction of General Sales Tax on Supplies - Rs 2.923 million**

According to Notification issued by Sales Tax Department for sales Tax Special procedure (withholding) rules, 2007 vide letter No.S.R.O 77 (I) 2008 dated 23-01-2008, that withholding agent shall deduct an amount equal to 1/5 of the total sales tax shown in the sales tax invoice issued by the supplier and make payment of the balance amount to him. If sales tax invoice is not provided then 17% tax would be deducted.

During the audit of various offices of Home Department, Government of Sindh for the years 2014-15 to 2015-16, it has been observed that an expenditure of Rs 17.645 million was incurred on various supplies but the Sales Tax on Supplies of Rs 2.923 million was not deducted. Details are as under:

(Rupees in million)

<b>Sr. #</b>	<b>Name of office</b>	<b>Financial Year</b>	<b>AIR Para #</b>	<b>Head</b>	<b>Expenditure</b>	<b>Amount of GST</b>
1	SSP Larkana	2015-16	14	Others & Uniform	8.423	1.432
2	SSP Benazirabad	2015-16	8	Various heads of A/Cs	3.843	0.576
3	DIGP, Hyderabad Range, Hyderabad	2014-15	10	Purchase of Furniture / machinery	2.799	0.476
4	SSP Hyderabad	2015-16	5	Various heads of A/Cs	2.580	0.439
<b>Total</b>					<b>17.645</b>	<b>2.923</b>

The matter was reported to the department in January 2016 to November 2016. The management at Sr. No 03, (DIGP, Hyderabad Range) furnished photocopy of the tax invoice. However verification was required from original record. Reply from remaining offices was not received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

#### **16.4.24 Payment of inadmissible allowances - Rs 18.360 million**

According to Rule-88 of Sindh Financial Rules, Volume-I, “ Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as person of ordinary prudence would exercise in respect of expenditure of his own money”.

During audit of various offices of the Home Department ,Government of Sindh for the years 2014-15 & 2015-16, it was observed that an amount of Rs 18.360 million was paid to the officers/officials on account of inadmissible allowances. The details are given at Annex-12 of Chapter-16.

The matter was reported to the management during January 2016 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **16.4.25 Non-recording of physical assets in Fixed Assets Register - Rs 3,753.000 million**

As per para 13.4.5.1 of Accounting Policies and Procedures Manual (APPM), all PAOs shall prepare a fixed assets report, by DDO-wise, from the Fixed Assets Register on a quarterly basis. This quarterly report, in a prescribed form (see section 2.2.7 of FRM), shall be sent to the concerned Accountant General. As per para 13.4.4.1 of APPM, a GL account for fixed assets shall be kept by the DAO/AG to record transactions relating to fixed assets. As per para 13.4.5.4 of APPM, the Accountant General shall consolidate the information for including into the Annual Accounts.

During audit of office of Inspector General of Police (IGP) Sindh, for the year 2015-16, it was observed that the procurements of fixedassets worth of Rs 3,753.000 million were made but the items were not entered into assets register.

(Rupees in million)

<b>Detail Object Description</b>	<b>Releases</b>	<b>Actual Expenditure</b>
Transport	1,752.426	1,752.426
Plant & Machinery	498.913	498.913
Furniture & Fixtures	57.719	57.719
Others Assets	1,443.940	1,443.940
	<b>Total</b>	<b>3,753.000</b>

The matter was reported to the management in November, 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#33)

#### **16.4.26 Expenditure through open rather than cross cheque - Rs 100.372 million**

As per Rule-303 of Central Treasury Rules, “Contingent bill for payment to Suppliers etc. which cannot be met from the permanent imprest may be endorsed for payment to the party concerned and the DDOs are suggested that in case of payments to the Suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid unnecessary delays and risk involved in the drawal and disbursement of cash.”

During audit of the following offices of the Home Department Government of Sindh, for the year 2014-15 & 2015-16, it was observed that payment of Rs 100.372 million were made in cash through DDO.

(Rupees in million)

<b>Sr. #</b>	<b>Name of office</b>	<b>Financial Year</b>	<b>AIR Para #</b>	<b>Amount</b>
1	SSP Mirpurkhas	2014-15	04	60.953
2	Inspector General of Police, Sindh	2015-16	14	24.300
3	SSP Benazirabad	2015-16	03	11.480
4	SSP Badin	2015-16	05	1.772
5	Commandant Rapid Response Force, Karachi	2014-15	02	1.538
6	SP Umerkot	2014-15	09	0.329
			<b>Total</b>	<b>100.372</b>

Following irregularities were noticed:

- i. The amount was paid by presenting open cheques instead of crossed cheques.
- ii. Payee's acknowledgments were not available.
- iii. Fidelity / Surety bond of persons who drew money from bank accounts were not shown to audit.

The matter was reported to the management during January 2016 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **16.4.27 Irregular expenditure on feeding charges - Rs 10.500 million**

According to Rule-23 of Sindh Financial Rules, Volume-1, every payment including repayment of money previously lodged with Government for whatever purpose must be supported by the voucher setting forth full and clear particulars of the claim.

During audit of office of Senior Superintendent of Police, Larkana for the year 2015-16, it was observed that an expenditure of Rs 10.500 million was incurred on feeding charges of total 4,200 dixies (*daigs*) for different events (major expenditure incurred on death anniversary/birthday of Shaheed Muhtarma Benazir Bhutto, local government. election duty and Muharram duty).

Following irregularities were noticed:

- i. Sanction orders were split up to avoid the tender process.
- ii. Sindh Sales Tax/ General Sales Tax were not deducted.
- iii. No details of officials available who performed emergency duties.
- iv. Deployment order with CNIC & belt No. of estimated persons (168,000) who consumed diet was not produced.
- v. The payments were made to unregistered firms.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#01)

#### **16.4.28 Irregular expenditure on account of POL - Rs 54.471 million**

According to Rule-23 of General Financial Rule Volume-1, “Every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud and negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence”.

During audit of accounts record of office of the Senior Superintendent of Police Larkana for the year 2015-16, it was observed that an expenditure of Rs 54.471 million on account of POL through fleet card and on monthly credit basis from supplier was doubtful as:

<b>Amount paid</b>	<b>Through fleet cards</b>	<b>Through POL slips</b>
54,471,420	24,044,110	29,427,130

- i. Expenditure on same vehicle incurred on account of POL through fleet cards as well as through manual POL slips.
- ii. POL was purchased through fleet cards & manual POL slips for district Larkana from fuel stations situated in Larkana city whereas Police mobiles pertained to Police stations of sub divisions which are away from Larkana city approx. 30 to 60 Kilometers, i.e., Police stations of Bاده, Airport (Moen-jo-Daro) & Ratodero etc.
- iii. Expenditure incurred through manual POL slips for Rs 29.427 million on monthly credit basis, justification was not produced to audit.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

(AIR#25)

#### 16.4.29 Irregular expenditure on account of repair/renovation - Rs 7.539 million

As per defined Objectives of Buildings Department Govt of Sindh, Buildings Department is responsible for construction and maintenance of buildings including allied services for all the Departments of Sindh Government. The work plan for maintenance of buildings is prepared in consultation with the Administrative Department/user and items of work executed and paid after getting a certificate from them.

During audit of office of Additional Inspector General of Police Karachi for the financial years 2014-15 & 2015-16, it was observed that an expenditure of Rs 7.539 million was incurred on account of “repair/renovation of conversion of police barracks into family quarter at West Headquarters Naval, Karachi”

(Rupees in million)

Sr.#	Cheque No.& Dt.	M/S Name	Particulars	Amount
1	1952752 dt. 26/03/2015	Climax Co	Repair & renovation of Building	7.539
<b>Total</b>				<b>7.539</b>

The following irregularities were noticed:

- i. Eligibility criteria i.e. financial, professional status of contractor was not available, as M/S Climax is general order supplier, work was to be carried out through Project Director Police & Prison Works department govt. of Sindh
- ii. Expenditure was booked in the accounts of local office in spite of sending funds/release direct in the accounts of S.S.P District West accounts which is a separate DDO.
- iii. Repair work was not executed by obtaining approval from Committee duly constituted by C.P.O Sindh Karachi.
- iv. Detail whereabouts/requisition of total quarters/flats to be repaired was not produced
- v. Stamp duty was not deducted
- vi. Inspection report of supervisory committee regarding satisfactory repair work completion as per required specifications were not obtained



- vii. Work order issued vide No.SSP/W/AB/34512 Dated. 19/11/2014, was to be completed within 60 days, bills submitted in the month of March 2015 but no Liquidity damages @ 2% per month fixed was not deducted.
- viii. Invoice of supplier M/S Climax Co. was without invoice no, reference no of work order, sales tax, income tax registration no etc.
- ix. Dismantled material was neither accounted for nor sale proceed of the same was made
- x. Govt. schedule rates were not followed, furthermore, rate analysis duly supported with fair market rates were not obtained due to which excess rates allowed could not be ruled out.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

**(AIR#01)**

## CHAPTER – 17 INDUSTRIES & COMMERCE DEPARTMENT

### 17.1 Introduction

The Industries and Commerce Department was created for control and monitoring of industry sector in Sindh Province. The department is responsible for issuance of trade licences, collection of fees, registration of trademarks and ancillary matters. This department also monitors and controls the following:

1. All cases relating to Boilers Act, Patents and Design Act, Explosives Act and Companies Ordinance 1984,
2. Distribution of iron and steel; and also to conduct industrial researches.

The functions of Industries and Commerce Department also include:

1. Registration of Joint Stock Companies, firms and societies under their respective Ordinances and Acts,
2. Inspection and registration of Boilers under the Boiler Ordinance, 2002 and Rules, 1941 to administer and control the working of boilers,
3. Conduct examination of boiler engineers and attendants,
4. Purchase of stores for Government Printing Press and Stationery Department,
5. Provide assistance to procurement committees of various provincial Departments,
6. To conduct the census of manufacturing industries as per instructions of Bureau of Statistics, Government of Pakistan, Islamabad,
7. To collect information from the companies/industries as and when required by the Federal or Provincial Government.

### 17.2 Comments on the Budget and Accounts (Variance Analysis)

The Department consists of 12 formations (DDOs), out of which 02 formations were selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rupees in million)

Original Budget/ Grant	Supplementary Grant	Re-appropriation: (+) (-)	Revised Budget 2014-15	Departmental Expenditure	Variation (Excess)/ Savings
1,227.193	-	(149.665)	1,077.528	920.589	156.939

The department was unable to control the expenditure as per allocated budget, as a result, excess expenditure of Rs 156.939 million was observed.

(Rupees in million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
637.400	136.855	214.762	(77.906)

### 17.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was Nil.

Sr. No	Audit Report	Total Paras discussed	No. of Paras requiring Compliance	Compliance of PAC directives made	Compliance of PAC directives not made	Percentage of Compliance
1	1992-93	0	0	0	0	-
2	1998-99	0	0	0	0	-
3	1999-2000	7	0	0	0	-
4	2001-02*	0	0	0	0	-
5	2004-05*	0	0	0	0	-
6	2005-06	0	0	0	0	-
7	2006-07	0	0	0	0	-
8	2007-08	0	0	0	0	-
9	2008-09	0	0	0	0	-
10	2009-10	0	0	0	0	-
<b>Total</b>		<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	-

Note: Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

## 17.4 AUDIT PARAS

### 17.4.1 Non-production of record - Rs 138.165 million

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 states that:

- “(2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules”.

During audit of following offices of Industries and Commerce Department, Government of Sindh for the years 2014-15 and 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 138.165 million remained unaudited.

(Rupees in million)

Sr. #	Name of Office	Particulars	Financial Year	AIR Para #	Amount
1	Managing Director, Sindh Industrial Trading Estate, Karachi	All auditable record.	2014-15	03	129.736
		All record pertaining to development scheme under Cost Centre KR/A-9968.	2015-16	02	-
		All auditable record.	2015-16	01	-
		Record of earnest money collected	2015-16	08	8.429
2	Secretary, Industries and Commerce Department, Karachi	Auditable record of purchase of Hardware and Plant & Machinery. Lists of Assignment Account, ADP Schemes & Cost Centers	2015-16	01	-
<b>Total</b>					<b>138.165</b>

Non-production of record was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of auditable record besides fixing responsibility on the person(s) at fault.

#### **17.4.2 Non-hoisting of bid evaluation reports on SPPRA website – Rs 421.464 million**

As per Rule-45 of SPPR, 2010, “procuring agencies shall announce the results of bid evaluation in the form of a report giving reasons for acceptance or rejection of bids. The report shall be hoisted on website of the Authority and that of the procuring agency if its website exists and intimated to all the bidders at least seven (07) days prior to the award of contract.”

During audit of development scheme executed by Sindh Industrial Trading Estate, Industries and Commerce Department, Karachi for the year 2015-16, it was observed that 12 different works worth Rs 421.464 million were awarded to eight (8) contractors but bid evaluation reports were not hoisted on the website of SPPRA.

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#07)

#### **17.4.3 Security Deposit deducted but not accounted for – Rs 16.604 million**

As per Rule-39 of Sindh Public Procurement Rules 2010, “Procuring Agency shall, in all procurement of goods, works and services, carried out through open competitive bidding, require security in the form of pay order or demand draft or bank guarantee, an amount sufficient to protect the procuring agency in case of breach of contract by the contractor or supplier or consultant, provided that the amount shall not be more than 10% of contract price”.

During audit of development scheme executed by Sindh Industrial Trading Estate, Industries and Commerce Department, Karachi for the year 2015-16, it was observed that the security deposit @ 8% of work done amounting to Rs 16.604 million

was from contractor bills. However, the same was not accounted for in security deposit register. Moreover the record of retention of security deposit was not produced to audit.

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#09)

#### 17.4.4 Excess expenditure on extra items without sanction – Rs 9.199 million

According to Rule 14 of Sindh Public Procurement all procuring agencies shall provide clear authorization and delegation of powers for different categories of procurement and shall only initiate procurements once approval of the competent authorities concerned has been accorded.

During audit of development scheme executed by Sindh Industrial Trading Estate, Industries and Commerce Department, Karachi for the year 2015-16, it was observed that an excess expenditure of Rs 9.199 million was incurred on extra items of work without sanction of competent authority.

(Amount in Rupees)

Sr. #	Name of work	Name of contractor, W.O & bill no.	Extra Item of work	Quantity Executed	Rate	Amount
1	Rehabilitation of various Road & Drainage System at SITE, Hyderabad	M/S. Irshad Hussain, W/O # 11756 dt 31-12-2015, final bill	Preparing sub-grade earth excavation	115,200	5.26	605,952
2	Rehabilitation of Various Road at SITE, Nooriabad Package A	M/S. HBZ Construction Co, W/O # 11550 dt 18-12-2016, 1 <sup>st</sup> R. A bill	Earthwork of embankment from bars on pits i/c laying in 6" layer	93,933	8.975	843,049
			All kinds of jungle clearance	146,118	4.75	694,061

(Amount in Rupees)

Sr. #	Name of work	Name of contractor, W.O & bill no.	Extra Item of work	Quantity Executed	Rate	Amount
			Carriage of 100 CFT stones	37,350	5.79	216,257
3	Rehabilitation of Various Road at SITE, Karachi	M/S. Haji Sirajud Din & Brothers, W/O # 119 dt 06-01-2016, 3 <sup>rd</sup> R. A bill	Removal of existing garbage material from Road	855,000	8	6,840,000
<b>Total</b>						<b>9,199,319</b>

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#10)

#### 17.4.5 Irregular execution of work over & above the tender cost without approval – Rs 6.623 million

As per Para-532 of Public Works Department Manual, “A revised estimate containing the facts and causes of revision must be submitted when sanctioned estimate is likely to exceed by more than 5% either rising from the rate being found insufficient or from other cause whatsoever.”

During audit of development scheme executed by Sindh Industrial Trading Estate, Industries and Commerce Department, Karachi for the year 2015-16, it was observed that excess expenditure of Rs 6.623 million was incurred over & above the tender cost. Furthermore, detailed estimate and technical sanction were also not produced to audit.

Name of work	Work Order No. & Job No.	Tender Cost	Upto date Payments	Excess Amount	% of Excess
Rehabilitation of various Roads & Drainage System at SITE, Hyderabad	Work Order # 11756 dt 31-12-2015, Job # HD/01/2015-16	28.862	35.486	6.624	23

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#11)**

**17.4.6 Un-authorized payment to consultant without provision in PC-I – Rs 3.658 million**

According to Sindh Public Procurement Rule 54, all procuring agencies shall make payments to suppliers, consultants and contractors against their invoices or running bills within the time given in the conditions of the contract.

During audit of development scheme executed by Sindh Industrial Trading Estate, Industries and Commerce Department, Karachi for the year 2015-16, it was observed that an amount of Rs 3.658 million was paid to a consultant without having provision in PC-I, It was also observed that an amount of Rs 3.658 million was paid to consultant against the executed work of Rs 204.116 million, instead of Rs 3.061 million ( $204.116 \times 1.5\% = 3.061$ ), resulting into excess payment of Rs 0.597 million consultant. The consultancy charges @ 1.5% of gross amount of verified bill was payable to the consultant.

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#06&14)**



#### 17.4.7 Irregular payments through DDO – Rs 2.660 million

As per Rule-303 of Treasury Rules, “A contingent bill for payment to suppliers etc, which cannot be met from the permanent imprest may be endorsed for payment to the party concerned and the DDOs are suggested that in case of payments to the suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid un-necessary delays and risk involved in the drawal and disbursement of cash”.

During audit of office of the Secretary, Industries and Commerce Department, Government of Sindh, Karachi for the year 2015-16, it was observed that cash withdrawal of Rs 2.660 million was made from the DDO Bank account instead of issuing cross cheques to payees/vendors.

(Rupees in million)

Sr. #	Details	Financial Year	AIR Para #	Amount
1	Payments in cash instead of crossed cheque	2015-16	08	2.002
2	Payments under various heads through DDO Account	2015-16	07	0.658
			<b>Total</b>	<b>2.660</b>

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

#### 17.4.8 Non-deduction of Sindh Sales Tax – Rs 29.057 million

As per to Section 3 (1) of the Sindh Sales Tax Act, “the service provided or rendered by person engaged in contractual execution of work or furnishing supplies is taxable. The rate of service provided or rendered by person engaged in contractual execution of work or furnishing supplies mentioned at tariff No 9809.00 during the financial year 2015-16 was applicable @ 14%”.

During audit of development scheme executed by Sindh Industrial Trading Estate, Industries and Commerce Department, Karachi for the year 2015-16, it was

observed that payments of Rs 207.554 million were made to contractors/suppliers but Sindh Sales Tax @ 14% of Rs 29.057 million was not deducted at source.

The non-recovery was pointed out to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

(AIR#12)

#### 17.4.9 Less deduction of Income Tax – Rs 5.354 million

As per letter No.ACIR/Unit-05/WHT-Zone/RTO-III/KHI/2014/178 dated: 31/07/2015 issued by the office of the Assistant Commissioner Inland Revenue, Withholding Tax Zone, Unit-05, RTO-III FBR Karachi regarding changes in rates of deduction under various sections of Income Tax Ordinance 2001 for the tax year 2015 for “Filers” & “Non-Filers” as follows:

Sr. #	Description	Tax Rate from 01-07-2015 onwards	
		Filers of Tax Return	Non-Filers
Contract Payments to Residents (Section 153(1)(c))			
1	Companies	7%	10%
2	Other than Companies	7.5%	10%

During audit of development scheme executed by the Sindh Industrial Trading Estate, Industries & Commerce Department, Karachi for the year 2015-16, it was observed that 12 different works of Rs 421.464 million were awarded to various contractors. As per record of payment to the contractors, the work costing Rs 207.554million was executed. The payment was made to the contractors after deduction of 7.5% income tax as applicable for “Filer”. However, the evidence in support of same deduction under category of “Filer” was not produced to audit. In the absence of the evidence, less deduction of income tax by 2.5% as against the prescribed rate of Income Tax @ 10% for “Non-Filer” to the extent of Rs 5.354 million was apprehended. The details are given at **Annex-1** of Chapter-17.

The recovery was pointed out to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

**(AIR#13)**

## CHAPTER – 18 INFORMATION & ARCHIVES DEPARTMENT

### 18.1 Introduction

The department of Information and Archives was created for projection of Sindh Government activities, public relation and relations with press. The department is also responsible for checking/monitoring the regularity of publication of newspapers, periodicals, magazines and building up working relationship with television/broadcasting networks, including PTV, Private TV Channels and Radio Pakistan for publicity of Government activities in different spheres of social uplift.

### 18.2 Comments on the Budget and Accounts (Variance Analysis)

The Department consists of 12 formations (DDOs), out of which 04 formations were selected audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget and expenditure of the department:

(Rupees in million)

Original Budget/Grant	Supplementary Grant	Re-appro: (+) (-)	Revised Budget 2014-15	Departmental Expenditure	Variation (Excess)/Savings
4,726.267	0	(177.194)	4,549.073	4,487.162	61.911

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 61.911 million was observed, which was not surrendered in time.

(Rupees in million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
142.045	160.409	184.448	(24.039)

### 18.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was Nil.

<b>Sr. No</b>	<b>Audit Report</b>	<b>Total Paras discussed</b>	<b>No. of Paras requiring Compliance</b>	<b>Compliance of PAC directives made</b>	<b>Compliance of PAC directives not made</b>	<b>Percentage of Compliance</b>
1	1992-93	1	1	0	1	-
2	1998-99	0	0	0	0	-
3	1999-2000	5	2	0	2	-
4	2001-02*	0	0	0	0	-
5	2004-05*	0	0	0	0	-
6	2005-06	2	0	0	0	-
7	2006-07	0	0	0	0	-
8	2007-08	0	0	0	0	-
9	2008-09	0	0	0	0	-
10	2009-10	0	0	0	0	-
<b>Total</b>		<b>8</b>	<b>3</b>	<b>0</b>	<b>3</b>	-

Note: Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

## 18.4 AUDIT PARAS

### 18.4.1 Irregular payment to vendors through irrelevant heads of accounts – Rs 2.865 million

According to Sindh Public Procurement Rule 54, all procuring agencies shall make payments to suppliers, consultants and contractors against their invoices or running bills within the time given in the conditions of the contract.

During audit of the following offices of Information & Archives Department, Government of Sindh, Karachi for the financial year 2015-16, it was observed from the SAP data that payment of Rs 2.865 million was made to private firms through the head of account which were irrelevant as detailed below. The irrelevant head of account charged in these cases raised doubt over the authenticity of payment.

(Rupees in million)

Sr. #	Name of Office	AIR Para #	Financial Year	Head of Account	Amount
1	Director, Publication & Public Relation, Karachi	18	2015-16	Essay writing & copy right	1.891
2	Secretary, Information & Archives Department, Karachi	20	2015-16	Telephine & Trunk Call	0.545
3	Director, Public Relations (Head Quarters), Karachi	26	2015-16	Telephine & Trunk Call	0.429
<b>Total</b>					<b>2.865</b>

The matter was reported to the management in August & November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault; besides taking remedial measures.

### 18.4.2 Non production of record – Rs 3,402.962 million

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for

information in as complete a form as possible and with reasonable expedition.

- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of the office of the Secretary, Information and Archives Department, Government of Sindh, Karachi for the financial years 2014-15 and 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 3,402.962 million remained unaudited.

(Rupees in million)

Sr. #	Name of office	Particulars	AIR Para #	Financial Year	Amount
1	Secretary, Information and Archives Department, Karachi	i. Sub-vouchers of invoices of advertisement (cutting of newspapers) ii. Cheque books / list/ counter folios iii. Details of available machinery iv. Pay bills/ pay rolls v. Service books/personal files vi. Losses/ defalcation report vii. Cash book viii. Details of revenue realization of advertising charges paid by various departments of Government of Sindh	01	2015-16	3,396.087
2	Director, Publication (Information & Archives),	Delivery challan of printing and publication	02	2014-15	4.568
3	Information & Archives Department	Execution of contract agreement	01	2014-15	1.952
4	Director, Publication & Public Relation, Karachi	Sub-vouchers of utility charges	12	2015-16	0.355
<b>Total</b>					<b>3,402.962</b>

The non-production of record was reported to the management in August and November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of auditable record besides fixing responsibility on the person(s) at fault.

#### **18.4.3 Non-competitive award of advertisement work – Rs 1,002.246 million**

As per Rule-17 of Sindh Public Procurement Rules, “(1) Procurements over one hundred thousand rupees and up to one million rupees shall be advertised by timely notifications on the Authority’s website and may in print media in the manner and format prescribed in these rules. (2) The advertisement in the newspapers shall appear in at least three widely circulated leading dailies of English, Urdu and Sindhi languages.”

During audit of the office of the Secretary, Information and Archives Department, Government of Sindh, Karachi for the financial year 2015-16, it was observed that an expenditure of Rs 1,002.246 million was incurred on various advertisements without inviting open tender / prequalification.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#14)**

#### **18.4.4 Unjustified expenditure on advertisement – Rs 601.266 million**

As per Rule-88 of Sindh Financial Rules, Volume-I, "Every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money".



During audit of the office of the Secretary, Information and Archives Department, Government of Sindh, Karachi for the financial year 2015-16, it was noticed that an expenditure of Rs 601.266 million was incurred on '*Baqay Jamhoriat Anniversary*'. The justification for expenditure from public money for a political event was not available on record.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

(AIR#19)

#### **18.4.5 Irregular payment of advertisement charges – Rs 132.172 million**

According to Sindh Public Procurement Rule 54, all procuring agencies shall make payments to suppliers, consultants and contractors against their invoices or running bills within the time given in the conditions of the contract.

During audit of office of the Secretary, Information and Archives Department, Government of Sindh Karachi, for the financial year 2015-16, it was observed that an amount of Rs 132.172 million was paid to the Director Information (Advertisement). The department had already ten (10) different prequalified advertising agencies, whereas the payment to Director Information (Advertisement) was beyond comprehension. The justification of expenditure on this account was not available on record.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

(AIR#04)

#### 18.4.6 Non-inviting of tender and splitting up of expenditure – Rs 69.713 million

As per Rule 12(1) of SPPR 2010, Save as otherwise provided and subject to the regulations made by the Authority, a procuring agency shall prepare, all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements already grouped, allocated and scheduled in the Procurement Plan. And as per Rule 17 (1) *ibid*, procurements over one hundred thousand rupees and up to one million rupees shall be advertised by timely notifications on the Authority's website and may in print media in the manner and format prescribed in these rules.

During audit of the following offices of Information & Archives Department, Government of Sindh, Karachi for the financial year 2015-16, it was observed that an expenditure of Rs 69.713 million was incurred without calling tender or by splitting up expenditure to avoid the formal tender:

(Rupees in million)

Sr. #	Name of Office	Nature of Irregularity	AIR Para #	Financial Year	Amount
1	Secretary, Information & Archives Department, Karachi	No tender	17	2015-16	36.188
		Split up	16	2015-16	4.467
2	Director, Publication & Public Relation, Karachi	No tender	17	2015-16	17.697
3	Director, Public Relation (Head Quarter), Karachi	Split up	04	2015-16	11.361
<b>Total</b>					<b>69.713</b>

The matter was reported to the management in August & November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

#### **18.4.7 Unauthorized expenditure on account of contractual employees – Rs 18.420 million**

The Services, General Administration and Coordination Department, Government of Sindh, Karachi notification No. SOV (S&GAD) X-15/90-98 dated 12-02-2008 states: “Advertisement should be given for all vacant posts”.

During audit of office of the Director, Public Relations (Head Quarter), Karachi for the financial year 2015-16, it was observed that an amount of Rs 18.420 million was paid to 43 employees hired in BPS-17 as Information Officers purely on contract basis. Each employee was paid Rs 420,000 lump sum in the month of April 2016. The following auditable record was not produced to audit for scrutiny

- i. Complete record of appointment process including advertisement.
- ii. List of appointed employees/ Office order by the competent authority.
- iii. Period of appointment /purpose of appointment.
- iv. Place of posting /personal files of appointed employees.

The matter was reported to the management in August 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

(AIR#2)

#### **18.4.8 Irregular payment to officers without sanctioned posts – Rs 11.903 million**

As per Rule-88 of Sindh Financial Rules, Volume-I, "Every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money".

During audit of the office of the Secretary, Information and Archives Department, Government of Sindh, Karachi for the financial year 2015-16, it was

observed that an amount of Rs 11.903 million was paid to different officers but following posts were not included in the sanctioned strength.

(Rupees in million)

Sr. #	Name	Designation	Amount
1	Abdul Rasheed Channa	Media Consultant	6.635
2	Mr.Zulifqar Ali Shalwani	Director General	1.913
3	Mr.Nazeer Hussain Jamali	Chairman	1.774
4	Mr.Muzafar Ali Sangi	Additional Secretary	0.832
5	Pir Suleman Shah Rashdi	Information Officer	0.749
<b>Total</b>			<b>11.903</b>

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#10)**

#### **18.4.9 Irregular payments through DDO – Rs 5.621 million**

As per Rule-303 of Central Treasury Rules, “Contingent bill for payment to Suppliers etc. which cannot be met from the permanent impress may be endorsed for payment to the party concerned and the DDOs are suggested that in case of payments to the Suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid un-necessary delays and risk involved in the drawal and disbursement of cash.”

During audit of the following offices of Information & Archives Department, Government of Sindh, Karachi for the financial years 2014-15 & 2015-16, it was observed that an expenditure of Rs 5.621 million was incurred on account of various heads but the payment was made through DDO account instead of direct payment to concerned vendors/suppliers.

(Rupees in million)

Sr. #	Name of Office	AIR Para #	Financial Year	Amount
1	Director, Archives Sindh, Karachi	04	2015-16	2.371
2	Secretary Information & Archives Department, Karachi	06	2015-16	2.032
3	Director Publication & Public Relation, Karachi	01	2015-16	0.891
4	Director, Public Relation (Head Quarter), Karachi	01	2015-16	0.327
<b>Total</b>				<b>5.621</b>

The matter was reported to the management during May 2016 to August 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

#### **18.4.10 Expenditure in excess of sanctioned strength – Rs 2.827 million**

According to rule 73 (iv) (2) of GFR, when consolidating the detail estimates in respect of pay of officers and pay of establishments the number of posts must be carefully checked and in case of variation in numbers or the amounts of the provisions compared to those in the current years budget an explanation should be included in the estimates. If the increase is based on specific Government sanction, a copy of the sanction should be enclosed with the estimates.

During audit of the office of the Secretary, Information & Archives Department, Government of Sindh, Karachi for the financial year 2015-16, it was observed that an amount of Rs 2.827 million was incurred in excess over and above the sanctioned strength.

(Amount in Rupees)

Personal No.	Name of officials with designation	Sanctioned Post	Working Posts	Excess	Total Salary from July-15 to June-16
10754692	Abdul Sattar, Driver	2	3	1	228,636
10744884	Ghous Bux, Driver				230,600
10043395	Imdad Khan, Driver				331,887

(Amount in Rupees)

Personal No.	Name of officials with designation	Sanctioned Post	Working Posts	Excess	Total Salary from July-15 to June-16
10100050	Haroon Aijaz, Private Secretary	2	3	1	989,238
10212031	Mohammad Ismail, Private Secretary				128,934
10046038	Muhammad Nazeer Ahmed, Private Secretary				918,438
<b>Total</b>					<b>2,827,733</b>

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

(AIR#21)

#### **18.4.11 Un-authorized payment of various allowances – Rs 1.681 million**

As per Government of Sindh S & GAD Notification No. PA-DS (G)/41133/76 dated: 27-07-1977 and No. SO (INSP) S& GAD VI (3) /79 dated: 20-07-1979, “The conveyance allowance is an allowance paid to employees to enable them to reach the office. The conveyance allowance is not required to be paid to those officers, who have been provided with government transport facilities and / or have gone on vacations”.

As per order by Finance Department, Government of Sindh vide # FD(SR-III)-5-145-2012 dated 02-03-2012, sanction of Government of Sindh is hereby accorded for grant of utility allowance to the regular employees of Sindh Civil Secretariat and Provincial Assembly Sindh.

During audit of the following offices of Information & Archives Department, Government of Sindh, Karachi for the financial year 2015-16, it was observed that an amount of Rs 1.681 million was paid to officials on account of various allowances who were not eligible for payment.

(Rupees in million)

Sr. #	Name of Office	AIR Para #	Financial Year	Particulars	Amount
1	Director, Archives Sindh, Karachi	6	2015-16	Conveyance Allowance	0.555
2	Director, Public Relation Head Quarter, Karachi	11	2015-16	Conveyance Allowance	0.520
		19	2015-16	Utility Allowance	0.174
		14	2015-16	C.M Secretariat Allowance	0.120
		13	2015-16	M. Phil allowance	0.055
		12	2015-16	Deputation Allowance	0.041
3	Director Archives Sindh, Karachi	8	2015-16	Utility Allowance	0.216
<b>Total</b>					<b>1.681</b>

The matter was reported to the management during August to September 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides recovery of excess payment.

#### **18.4.12 Non/less-deduction of income and sales tax – Rs 75.506 million**

As per Section 153 (1) of Income Tax Ordinance 2001, every prescribed person making a payment in full or part shall, at the time of making the payment, deduct tax from the gross amount payable at the rate specified in division III of part III of the first schedule.

As per Section 3(1) of the Sales Tax Act, 1990, “There shall be charged, levied and paid a tax known as sales tax @ 16% of the value of taxable supplies made by a registered person in the course a furtherance of any taxable activity carried on by him”.

During audit of the following offices of Information & Archives Department, Government of Sindh, Karachi for the year 2015-16, it was observed that an amount of Rs 75.506 million was not/short deducted at source from the payment to contractors/suppliers in violation of the above rules.

(Rupees in million)

<b>Sr. #</b>	<b>Name of office</b>	<b>AIR Para #</b>	<b>Financial Year</b>	<b>Particulars</b>	<b>Amount</b>
1	Secretary, Information & Archives Department, Karachi	22	2015-16	Sales tax	71.652
2	Director, Public relations (Head Quarter), Karachi	20	2015-16	Sales tax	1.694
		21	2015-16	Income tax	0.283
3	Director, Publication & Public Relation, Karachi	2	2015-16	Income tax	1.176
4	Director, Achieves Sindh, Karachi	20	2015-16	Sales tax	0.532
		19	2015-16	Income tax	0.169
<b>Total</b>					<b>75.506</b>

Non-deduction of income and sales tax was reported to the management during August to September 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery of taxes besides fixing of responsibility on the person(s) at fault.



## CHAPTER – 19 INFORMATION, SCIENCE & TECHNOLOGY

### 19.1 Introduction

The Information, Science & Technology Department, Government of Sindh, is working with a vision “The rapid development of a Knowledge-based Society is vital to the success and progress of the province.” and with the mission for:

- Optimal attainment of e-Governance culture in the Government Departments for attaining required integrated efficiency and effectiveness by promoting paperless environment,
- Promoting the number of users impliedly increasing demand of e-Governance,
- Implementation of e-Projects.
- Capacity enhancement of government agencies for public service delivery benefiting common citizens,
- Information Sharing,
- e-Democracy i.e. Promotion of e-election system, and
- Sustainability – Enabling government departments to initiate and sustain the I.T projects in Education, Health, Police, Security, Judiciary, Land Records, and Agriculture.

### 19.2 Comments on the Budget and Accounts (Variance Analysis)

The Department consists of 12 formations (DDOs), out of which 01 formation was selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget and expenditure of the department:

(Rupees in million)

Original Budget/ Grant	Supplementary Grant	Re-appro: (+) (-)	Revised Budget 2014-15	Departmental Expenditure	Variation (Excess)/ Savings
547.744	25.552	(370.671)	202.624	68.981	133.642

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 133.642 million was observed, which was not surrendered in time.

### 19.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was Nil.

Sr. No	Audit Report	Total Paras discussed	No. of Paras requiring Compliance	Compliance of PAC directives made	Compliance of PAC directives not made	Percentage of Compliance
1	1992-93	0	0	0	0	-
2	1998-99	0	0	0	0	-
3	1999-2000	0	0	0	0	-
4	2001-02*	0	0	0	0	-
5	2004-05*	5	3	0	3	-
6	2005-06	0	0	0	0	-
7	2006-07	0	0	0	0	-
8	2007-08	0	0	0	0	-
9	2008-09	0	0	0	0	-
10	2009-10	0	0	0	0	-
<b>Total</b>		<b>5</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>-</b>

Note: Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

## 19.4 AUDIT PARAS

### 19.4.1 Non-production of record – Rs 130.433 million

Section 14 (2) and (3) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 states that:

- “(2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules”.

During audit of the office of the Secretary, Information, Science & Technology Department, Government of Sindh for the financial year 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 130.433 million remained unaudited.

(Rupees in million)

Sr. #	Name of office	Particulars	Financial Year	AIR Para #	Amount
1	Secretary, Information, Science & Technology Department, Karachi	Detail of completion of command & Control Center at Chief Minister House such as PC-III, PC-IV, handing and taking over of the scheme besides details of equipment warrantee, operating expenses and staff employment	2015-16	06	114.500
		Detail of employees / appellant mentioned in CP of Supreme Court of Pakistan, acknowledgement receipt etc	2015-16	04	14.213
		Vouchers for the payment on electronic communication	2015-16	18	1.090
		Detailed bills, cheques counter folio etc	2015-16	23	0.630
<b>Total</b>					<b>130.433</b>

The matter was reported to the management in August 2016. The DAC meeting was held on 12 January 2017. The management clarified that all auditable record was

produced to the audit team at the time of audit and the same is now available. The DAC directed the management to produce the record/evidence for audit/verification.

Audit recommends compliance with DAC directives.

#### **19.4.2 Irregular award of work of electronic communication – Rs 12.236 million**

As per Rule 17 (1) & (2) of Sindh Public Procurement Rules, 2010, procurement over one hundred thousand rupees and up to one million rupees shall be advertised by timely notification on the Authority's websites and in print media in the manner and format prescribed in these rules.

During audit of the office of the Secretary, Information, Science & Technology Department, Government of Sindh for the financial year 2015-16, it was observed that an expenditure of Rs 12.236 million was incurred on electronic communication work awarded to a firm, M/s. Sat Com on account of internet setup/networking. Following irregularities were noticed:

- i. The open tender (NIT) was not invited and multiple extensions were given to the same contractor.
- ii. The renewal of agreement was made on demand of contractor rather than on the need of the department and no tender was invited for renewed period.
- iii. PC-I, PC-II, PC-III and PC-IV were not available on the record.

The matter was reported to the management in October 2016. The DAC meeting was held on 12 January 2017. The management clarified that due to paucity of time, the department resorted to similar contractor to ensure uninterrupted supply of mandatory internet/video conference services. Tendering process could not be initiated due to transformation of scheme from development to non-development which took place in 30<sup>th</sup> June, 2015. Audit was of the view that department could have initiated tendering process much earlier than the completion of project in order to avoid non-invitation of open tender.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#02)**

## CHAPTER – 20 IRRIGATION DEPARTMENT

### 20.1 Introduction

Irrigation Department came into being in 1970 with the dissolution of One Unit. Major tasks performed by the Irrigation Department are operation and maintenance of the irrigation and flood protection system, regulation of flows of River Indus and canal systems, covering Inter-Provincial and Intra-Provincial Systems. Execution of development schemes and mega projects is also one of the major responsibilities. Major objectives and functions of the department are:

- a) Operation and maintenance of the irrigation and flood protection system,
- b) Regulation of flows of River Indus and canal systems, covering Inter Provincial and Intra Provincial Systems,
- c) Execution of development schemes and mega projects,
- d) Dealing with the administrative matters, financial matters, Public Accounts Committee's issues irrigation cases, court cases and assembly business etc,
- e) Operation, maintenance, development and management of irrigation network,
- f) Operation, maintenance, development and management of surface drainage system and tube-wells,
- g) Flood control along River Indus and hill torrents.

### 20.2 Comments on the Budget and Accounts (Variance Analysis)

The Department consists of 197 formations (DDOs), out of which 05 formations were selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rupees in million)

Original Budget/ Grant	Supplementary Grant	Re-appro: (+) (-)	Revised Budget 2014-15	Departmental Expenditure	Variation (Excess)/ Savings
60,583.374	6,376.017	(11,098.300)	55,861.090	48,647.155	7,213.935

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 7,213.935 million was observed, which was not surrendered in time.

(Rupees in million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
595.000	321.059	244.746	76.312

The department was unable to collect the estimated receipts in time, as a result, shortfall of an amount Rs 76.312 million was observed.

### 20.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was 24.5%.

Sr. No	Audit Report	Total Paras discussed	No. of Paras requiring Compliance	Compliance of PAC directives made	Compliance of PAC directives not made	Percentage of Compliance
1	1992-93	79	30	8	22	26.7
2	1998-99	21	16	5	11	31.3
3	1999-2000	43	20	0	20	-
4	2001-02*	14	12	2	10	16.7
5	2004-05*	40	24	19	5	79.2
6	2005-06	22	14	0	14	-
7	2006-07	14	4	0	4	-
8	2007-08	28	5	0	5	-
9	2008-09	27	0	0	0	-
10	2009-10	19	14	0	14	-
<b>Total</b>		<b>307</b>	<b>139</b>	<b>34</b>	<b>105</b>	<b>24.5</b>

Note: Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

## **20.4 AUDIT PARAS**

### **20.4.1 Release of funds to cost centres by PAO instead of Finance Department (Systemic Issue)**

According to Para-209 of GFR “Unless it is otherwise ordered by Government, every grant made for specific object is subject to the implied conditions:

- (i) that the grant will be spent upon the object within a reasonable time, if no time limit has been fixed by the sanctioning authority and
- (ii) that any portion of the amount which is not ultimately required for expenditure upon that object, should be duly surrendered to Government.

During audit of office of Secretary, Irrigation Department, Government of Sindh, Karachi for the year 2015-16, it was observed that release of funds in respect of the approved budget allocation is made by Finance Department through channel of PAO instead of direct release to the respective cost center of the Development Scheme. As a result of this procedure, huge funds are firstly parked with PAO who ultimately make releases to the respective development schemes. For example Rs 12,610.012 million was released to PAO during financial year 2015-16 for onward releases to respective development schemes. Due to this procedure, the possibility of delay in release of funds by involving intermediary channel of PAO cannot be ruled out. Moreover, the chances of retention of funds with PAO resulting in delayed execution of schemes also cannot be ruled out.

Audit was of the view that system of releasing of funds for approved Development Schemes need to be improved by direct releases to respective cost centre and the PAO may be kept on board for such releases by Finance Department through endorsement of the advices of the releases.

The matter was taken up with the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends review of the funds’ release system for improvement.

**(AIR#14)**

#### 20.4.2 Execution of works without laboratory test reports (Systemic Issue)

As per ASTM (American Society for Testing and Materials) A615/A615M-12 Standard Specification for Deformed and Plain Carbon-Steel Bars for Concrete Reinforcement, the steel bars used in the reinforcement of concrete, pipe and boulder has to be tested and should be upto the standards.

During audit of various offices of Irrigation Department for the year 2014-15 and 2015-16, it was observed that an amount of Rs 4,076.159 million was paid to the contractors for the executed works without obtaining the required laboratory/test reports.

(Rupees in million)

Sr. #	Name of office	AIR Para #	Financial Year	Nature	Cost of the Work
1	XEN, Water Carrier Works Division, Mirpurkhas	08	2014-15	Installing of pipe	3,331.341
2	XEN, Northern Dadu Division, Larkana	22		Boulder testing	657.221
3	XEN, Small Dam-I, Kohistan, Dadu	10	2015-16	Concrete reinforcement test	74.730
		09		Compaction test	4.839
4	XEN, Kohistan-II, Jamshoro	08	2014-15	Concrete reinforcement test	8.028
<b>Total</b>					<b>4,076.159</b>

The matter was taken up with the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

This matter being of repetitive nature was recurring one which may occur in subsequent years if remedial measures are not taken. Therefore, action is required from the PAO.

#### 20.4.3 Mis-statement of figures in monthly account – Rs 25.954 million

According to Para-542 of CPW-A Code, “the Divisional Officer should review from time to time the several registers/books and Accounts as are maintained in the Division he may scrutinize and initial the individual entries on sets of entries therein. To this end he may require these records to be laid before him through the Divisional



Accountant monthly and such other intervals fact of such review should be placed on records in all cases preferably in form 96 (memo of review).”

During audit of office of Executive Engineer, Lower Mechanical Division, Jamshoro for the year 2014-15, it was observed that closing balance of Rs 25.954 million booked in the monthly account Form-78 of June 2015 was miscalculated due to which the figures provided by the local office could not be authenticated. Following errors were observed:

- (i) An amount of Rs 821,965 was paid to the contractors during December, 2014 on account of deposit work but same was not debited to monthly account Part-III of form-78 which resulted into variation of the identical amount of deposit work in the closing balance of June, 2015.
- (ii) An amount of Rs 2,412,410 was realized during December, 2014 on account of auction of scrap/junk machinery but monthly account form-78 Part-V(e) was credited with an amount of Rs 1,835,525 leaving a difference of Rs 576,885 in the closing balance of June, 2015.
- (iii) The total of closing balance Rs 25,954,666 was neither tallied with the figures neither provided by the department nor agreed with corrected figures as shown in the attached comparative statement.
- (iv) The monthly account including deposit account was also not reconciled with District Account Office in order to know the authenticity of figures provided by the local office.

The matter was reported to the management in May 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

(AIR#21)

#### **20.4.4 Irregular utilization of funds – Rs 12.855 million**

According to Appendix-18-A, Section-I of Sindh Financial Rules, Volume-II, “Means should be devised to ensure that every Government servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part, and that he will also be held

personally responsible for any loss arising from fraud or negligence on the part of any other Government servant to the extent to which it may be shown that he contributed to the loss by his own action or culpable negligence”.

During audit of various offices of Irrigation Department for the year 2014-15, it was observed that funds amounting to Rs 12.855 million were expended irregularly. The details are as under:

(Rupees in million)

Sr. #	Name of office	AIR Para #	Nature of irregularity	Amount
1	XEN, Johi Division, Dadu	01	The bill pertained to XEN, Southern Division, Dadu, Cost Centre DU 4022 but it was paid through Cost Centre DU4340 of XEN Johi Division, Dadu as revealed from SAP	6.975
2	XEN, Northern Dadu Division, Larkana	01	Closing balance (July 2014) on account of deducted income tax was not reflected as opening balance in the next month (August 2014)	5.296
3	XEN, Rice Canal Division, Mehar	05	Electricity expenditure of office premises charge against development head instead of non-development budget	0.584
<b>Total</b>				<b>12.855</b>

The matter was reported to the management during January to May 2016. The management of office at Sr. #02 (XEN, Northern Dadu Division, Larkana) stated that the said amount was submitted by DAO to T.O. Larkana directly due to SAP system and that the same was not debited by local office in relevant month. They added that there was clerical mistake in Form 78 resulting in the amount standing in balance and same was rectified through Transfer Entry. The contention of the management required verification from original record. No reply was received from other offices.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

#### 20.4.5 Double payment of GP fund – Rs 2.328 million

According to Rule 4 of General Provident Fund all Government servants in permanent, temporary or officiating service (including probationary service) irrespective of the class to which they belong; whose conditions of service the President is competent to determine, shall be eligible to join the Fund:

According to Appendix-18-A, Section-I of Sindh Financial Rules, Volume-II, “Means should be devised to ensure that every Government servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government...”

During audit of office of Secretary, Irrigation Department, Government of Sindh, Karachi for the year 2015-16, it was observed that final payment of General Provident Fund (GP) was paid two times to an employee, i.e., one transaction of the full & final payment of General Provident (GP) Fund through vendor bank account No.100360 of MCB and the other through Drawing & Disbursing Officer (DDO). This resulted into final payment of General Provident (GP) Fund two times for Rs 2.328 million. The details are as under:

(Rupees in million)

Personal No.	Name of official	Start Date	Cost Center	Job	Payment Method	Bank Account	Amount
10422249	Muhammad Hassan Sangi	19.05.2016	KA4479	S.E	M.C.B	1000360	1.164
10422249		19.05.2016			DDO Account	1000360	1.164
<b>Total</b>							<b>2.328</b>

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

**(AIR#04)**

#### **20.4.6 Non-production of record – Rs 5,615.371 million**

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of various offices of Irrigation Department, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 5,615.371 million remained unaudited. The details are given at **Annex-1** of Chapter-20.

The matter was reported to the management during September 2015 to November 2016. The management of office at Sr. #01 (Secretary, Irrigation Department, Karachi) submitted replies except AIR Para-01. However, the contention was found irrelevant.

The management of office at Sr. #08 (XEN, Northern Dadu Division, Larkana), in respect of AIR Para-11, replied that the requisite record was related to NHA and was lying with NHA. The contention about record relating to NHA was not supported with evidences.

The management of office at Sr.#08(XEN, Northern Dadu Division, Larkana), Sr.#24 (XEN, Small Dam-I, Kohistan, Dadu) and Sr.#26 (XEN, Chotiari Reservoir Division, Sanghar) in reply stated that the record was made available to audit. However, evidence in support of contention was not produced.

The management of office at Sr.#25 (PD, Scarp, Sukkur) replied that missing record pertained to the Telephone & Trunk Calls charges and the payment was made to the NTC Accounts officer. The reply was not tenable as paid bills were not produced to authenticate the payment made.No reply was received from other offices.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of record besides fixing responsibility on the person(s) at fault.

#### **20.4.7 Non-inviting international bids in violation of SPPR 2010 – Rs 14,272.682 million**

As per No. (ii) of 15 of SPPRA 2010, “International Competitive Bidding shall be the default method of procurement for all procurements with an estimated cost equivalent to US\$ 10 million or above”.

During audit of office of Executive Engineer, Water Carrier Works, Mirpurkhas, for the year 2014-15, it was observed that invitation of tenders of “Construction of HDPE pipes works” costing Rs 14,272.682 million were published in the national newspapers instead of adopting the international competitive bidding. During audit inspection, the management replied that they could not wait for 15 days more for international bidding.

The matter was reported to the management in the month of November 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of record besides fixing responsibility on the person(s) at fault.

**(AIR # 02)**

#### **20.4.8 Expenditure without inviting tender – Rs 679.937 million**

As per Rule 17(1) of SPPR 2010, procurements over one hundred thousand rupees and up to one million rupees shall be advertised by timely notifications on the Authority’s website and may in print media in the manner and format prescribed in these rules.

During audit of various offices of Irrigation Department for the year 2014-15 and 2015-16, it was observed that an expenditure of Rs 679.937 million was incurred on procurement but the tenders were not called for. Further, no purchase committee was formed for that purpose. The details are given at Annex-2 of Chapter-20.

The matter was reported to the management during November 2015 to November 2016. The management of office at Sr.#02 (XEN, Northern Dadu Division, Larkana), Sr.#06 (Secretary, Irrigation Department, Karachi), Sr.#09 (XEN, Tube Well Division-I, Hala), Sr.#16 (XEN, NARA Project Division Sanghar at Hyderabad), Sr.#21 (XEN, Rice Canal Division, Larkana) and Sr.#22 (XEN, Feeder Division, Hyderabad) responded to the audit observation. In their reply either they defended non-inviting of tender for one and other reason and in certain cases of AIR paras, they claimed observance of tendering process.

Audit was of the view that the reasoning for non-tendering was not tenable as it was violation of the rules. In case of claimed observance of tendering process, the reply was also not tenable as relevant tendering record was not produced to the audit team at the time of annual audit. No reply was received from other offices.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

#### **20.4.9 Unjustified expenditure on left over works – Rs 1,404.541 million**

According to Rule 4 of SPPR 2010, while procuring goods, works or services, procuring agencies shall ensure that procurements are conducted in a fair and transparent manner and the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

According to PPRA Rule IB.34 under caption “General Performance of the Bidders” the employer reserves the right to obtain information regarding performance of the bidders on their previously awarded contracts/works. The employer may in case of consistent poor performance of any bidder as reported by the employers of the

previously awarded contracts, inter alia, reject his bid and/or refer the case to the Pakistan Engineering Council (PEC). Upon such reference, PEC in accordance with its rules, procedures and relevant laws of the land take such action as may be deemed appropriate under the circumstances of the case including black listing of such Bidder and debarring him from participation in future bidding for similar works.

During audit of various offices of Irrigation Department for the year 2013-14 and 2014-15, it was observed that various works amounting to Rs 1,404.541 million were abandoned/left over by the contractors. Audit was of the view that neither those works were re-awarded nor action was taken against defaulting contractors as per clause-3 of contract agreement. Furthermore, security deposit was neither forfeited nor contractors have been blacklisted.

(Rupees in million)

Sr. #	Name of office	AIR Para #	Financial Year	Amount
1	Secretary, Irrigation Department, Karachi	02	2013-14	999.935
2	XEN, RBOD Division-III, Thatta	07	2014-15	404.606
<b>Total</b>				<b>1,404.541</b>

The matter was reported to the management during September 2014 to September 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

#### **20.4.10 Non-adjustment of miscellaneous P.W. Advances – Rs 458.193 million**

According to Para 360 of CPWA Code, items in the Misc Public Works Advances “accounts are cleared either by actual recovery or by transfer under proper sanction or authority to some other head of account, stores or balances which may become irrecoverable should not be transferred to some other heads of accounts until order to write off.”

During audit of various offices of Irrigation Department for the year 2014-15, it was revealed that advances of Rs 458.193 million were granted for various purposes but the same were not adjusted.

(Rupees in million)

Sr. #	Name of office	AIR Para #	Amount
1	XEN, Upper Sindh Mechanical Division, Sukkur	03	444.506
2	XEN, Southern Dadu Division, Dadu	08	7.355
3	XEN, Mirpur Division, MirpurMathelo	01	5.030
4	XEN, Warah Division, Larkana	32	1.302
<b>Total</b>			<b>458.193</b>

The matter was reported to the management during February to May 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends adjustment of advances besides fixing responsibility on the person(s) at fault.

#### **20.4.11 Non adjustment of mobilization advance and interest – Rs 557.178 million**

As Per Rule 9.3 (2)(b) of SPPRA Rules 2010, Financial assistance is given to the contractor to enable him to overcome \ financial encumbrances and shall be made available by adopting any one of the following methods:-

Mobilization advance is extended to the contractors, up to 10% of contract cost stated in the letter of acceptance, usually for the projects worth Rs 2.5 million and above to enable them to make initial arrangements for starting work on various conditions which included:

- i. contractor has furnished the irrevocable bank guarantee of amount equal to mobilization advance in specified form from a scheduled bank in Pakistan in favor of the procuring agency;
- ii. contractor shall pay interest on the mobilization advance at the rate of 10% per annum on the advance as prescribed in *Sindh Financial Rules..*



During audit of various offices of Irrigation Department for the year 2014-15 and 2015-16, it was revealed that mobilization advance for Rs 557.178 million was paid to contractors on account of mobilization advance but neither the advance was adjusted nor was the due interest amounting to Rs 2.349 million recovered. Moreover, the irrevocable bank guarantee and performance security was also not obtained before grant of advances.

(Rupees in million)

Sr. #	Name of office	AIR Para #	Financial Year	Nature	Amount
1	XEN, Water Carrier Works Division, Mirpurkhas	04	2014-15	Mobilization Advance	441.288
2	XEN, RBOD Division-III, Thatta	06			23.205
		08			23.059
		10			18.619
		04			17.975
3	XEN, RBOD Division-II, Jamshoro	06			18.162
4	Flood Emergency Reconstruction Project	4.2.1			9.400
		4.2.2	Interest on Mobilization Advance	1.792	
5	Secretary, Irrigation Department, Karachi	13	2015-16	Mobilization Advance	3.121
6	XEN, Thar Coal Water Works Division, Hyderabad	14		Interest on Mobilization Advance	0.557
<b>Total</b>					<b>557.178</b>

The matter was reported to the management during November 2015 to November 2016. The management of office at Sr. #06 (Secretary, Irrigation Department, Karachi) stated that the mobilization advance was paid to departmental division not to the contractors; hence 10% interest could not be charged and that the same was allowed in pursuance of FDs notifications.

The reply was not tenable as the FDs notification did not allow issuance of any kind of mobilization advances; however, just allowed issuance of special cheques of 50% value of work to be done in advance to Mechanical divisions. The management was unable to clarify the objections raised by the audit. No reply was received from other offices.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

#### 20.4.12 Non-hoisting of tenders on the authority’s website – Rs 501.237 million

Rule 17 (1) & (2) of Sindh Public Procurement Rules, 2010 states that procurement over one hundred thousand rupees and up to one million rupees shall be advertised by timely notification on the Authority’s websites and in print media in the manner and format prescribed in these rules. The advertisement shall appear in at least three widely circulated and leading daily newspapers of English, Urdu and Sindhi language.

During audit of various offices of Irrigation Department for the year 2012-13 and 2014-15, it was observed that an expenditure of Rs 501.237 million was incurred on procurement but the advertisement was not hoisted on the authority’s website.

(Rupees in million)

Sr. #	Name of office	AIR Para #	Financial Year	Amount
1	XEN, Warah Division, Larkana	03	2014-15	446.862
2	XEN, Rice Canal Division, Larkana	02	2014-15	49.321
3	XEN, Irrigation West Division, Khairpur	06		1.637
4	XEN, Nusrat Division, S. Benazirabad	06		1.497
5	XEN, Barrage Division, Sukkur	05		1.043
6	XEN, Mechanical Division, Guddu Barrage, Sukkur	19	2012-13 to 2014-15	0.877
<b>Total</b>				<b>501.237</b>

The matter was reported to the management during September 2014 to November 2016. The management of office at Sr. #02 (XEN, Rice Canal Division, Larkana) stated that bid evaluation report was hoisted on SPPRA website at ID No.1481/2015 on 08-06-2015.

The reply was not tenable as only one bid was shown uploaded for work “Stone Pitching” without evidence of compliance required on website/remarks. No reply was received from other offices.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

#### **20.4.13 Non completion of a scheme despite delay of six years – Rs 300.097 million**

As per revised PC-I, the Project Revamping/Rehabilitation of Irrigation & Draining System in Sindh was required to be completed up to 2010-11.

During audit of office of the Secretary, Irrigation Department, Government of Sindh, Karachi for the year 2015-16, it was observed that funds of Rs 300.097 million were released for the project “Revamping/Rehabilitation of Irrigation & Draining System in Sindh” which had stipulated time of completion in Financial Year 2010-11. The project had not been completed till close of audit in October 2016.

The irregularity was reported to the management in October 2016. The management in its reply stated that progress was bogged down due to release of funds not in accordance to PC-I phasing and that Govt. regulations permit for delay without any restrictions of completion period.

The reply was not tenable as the scheme was required to be completed till 2010-11. The management was unable to produce the genuine reasons for abnormal delay in completion of work.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

**(AIR#09)**

#### **20.4.14 Splitting up to avoid tender – Rs 201.400 million**

As per Rule 12(1) of SPPR 2010, Save as otherwise provided and subject to the regulations made by the Authority, a procuring agency shall prepare, all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements already grouped, allocated and scheduled in the Procurement Plan.

During audit of various offices of Irrigation Department for the year 2014-15 and 2015-16, it was observed that an expenditure of Rs 201.400 million was incurred on heads of account by splitting up to avoid sanction of competent authority and calling of tender. The details are given at Annex-3 of Chapter-20.

The matter was reported to the management during September 2015 to November 2016. The management of office at Sr. #06 (XEN, Feeder Division, Hyderabad) replied that the works were carried out as per sanctioned estimates duly approved by the competent authority and as per procurement plan in PC-I. The reply was not tenable as the approval of the competent authority was not produced in all the cases reported by audit.

The management of office at Sr. #08 (XEN, Rohri Division, Kandiaro) replied that the works were carried out at different sub-divisions at various locations after obtaining approval from competent authority on lowest rates.

The reply was not tenable as the SPPRA rules required the procurement planning, which was not observed and resulted in splitting of expenditure. No reply was received from other offices.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

#### **20.4.15 Non-adjustment of advances – Rs 96.200 million**

As per Para 668 of Central Treasury Rules, “Advances granted under special orders of competent authority to government officers for departmental or allied purposes may be drawn on the responsibility and receipt of the officers for whom they are sanctioned subject to adjustment by submission of detailed accounts supported by vouchers or by refund, as may be necessary”.

During audit of various offices of Irrigation Department for the year 2014-15 and 2015-16, it was observed that advances of Rs 96.200 million were granted but the same were not adjusted.

(Rupees in million)

Sr. #	Name of office	AIR Para #	Financial Year	Nature of irregularity	Amount
1	XEN, Thar Coal Water Works Division, Hyderabad	15	2015-16	Advance payment of Land compensation	68.910
		20	2015-16	Advance payment to DAO Pakistan Railways	4.917
2	XEN, Kalri Baghar Division, Thatta	18	2015-16	Advance payment of consultancy charges	10.000
		15	2015-16	Advance payment of slit clearance	9.039
3	XEN, Johi Division, Dadu	20	2014-15	Advance payment on desilting work	2.000
4	XEN, Khesana Mori Division, Hyderabad	07	2014-15	Advance payment on desilting work	1.000
5	XEN, Tube Well Division, Ghotki	09	2014-15	Advance payment on telephone charges	0.169
6	XEN, Jamrao Irrigation Division, Mirpurkhas	13	2014-15	Advance payment to HESCO	0.165
<b>Total</b>					<b>96.200</b>

The matter was reported to the management in November-2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault.

#### **20.4.16 Irregular expenditure without obtaining performance guarantee – Rs 34.339 million**

As per Rule 39 of Sindh Public Procurement Rules, 2010, “(1) Procuring Agency shall, in all procurement of goods, works and services, carried out through open competitive bidding, require security in the form of pay order or demand draft or bank guarantee, an amount sufficient to protect the procuring agency in case of breach of contract by the contractor or supplier or consultant, provided that the amount shall not be more than 10% of contract price.

During audit of office of Project Director, Flood Emergency Reconstruction Project, Hyderabad for the year 2014-15, it was observed that payment of Rs 34.339 million was made to the contractors for execution of works but the performance guarantee was not obtained.

The matter was reported to the management in the month of October 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault.

**(AIR # 4.1.1)**

#### **20.4.17 Non-deduction on account of voids from payments - Rs 17.102 million**

According to the standing rates committee No. Rate/60/948/42/66 dated 29<sup>th</sup> October 1969, "25% voids is required to be deducted from the bills of the contractors."

During audit of office of Executive Engineer, Northern Dadu Division, Larkana for the year 2014-15, it was observed that an expenditure of Rs 68.408 million was incurred on account of Stone boulder but the voids i.e. @ 25% amounting to Rs 17.102 million of the quantity executed was not deducted from the bills of the contractors

The matter was reported to the management in the month of April 2016. The management in its reply stated that stone boulder was got supplied through contractors during emergency of flood fighting along Akil Loop Bund and same was got dumped in the running water in order to save the 1st protection bund and there was no need of deduction on account of voids.

The reply was not tenable as evidence in support of reply was not produced for scrutiny.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault.

**(AIR#16)**

#### 20.4.18 Irregular payment through DDO– Rs 17.059 million

As per Rule 303 of Central Treasury Rules, “Contingent bill for payment to Suppliers etc. which cannot be met from the permanent imprest may be endorsed for payment to the party concerned and the DDOs are suggested that in case of payments to the Suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid un-necessary delays and risk involved in the drawal and disbursement of cash.”

During audit of various offices of Irrigation Department for the year 2015-16, it was observed that payments of Rs 17.059 million on account of purchase of various items from suppliers were made through cheques/cash from DDO bank account instead of direct payment from concerned Districts Accounts Office.

(Rupees in million)

Sr.#	Name of office	AIRPara #	Amount
1	XEN, Drainage Division, Thatta	27	7.042
2	XEN, Kalri Baghar Division, Thatta	11	5.308
		03	0.404
3	Secretary, Irrigation Department, Karachi	03	2.639
		11	1.666
<b>Total</b>			<b>17.059</b>

The matter was reported to the management during January to November 2016 but no reply was received from the management.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

#### 20.4.19 Irregular expenditure on land acquisition – Rs 17.000 million

According to Para 110 (iii) of Sindh Financial Rules, Volume-I, “the office who settles the price should draw up Form-A appendix 5 prescribe for use in the case of an award and this should be made on the basis of subsequent payment”.

During audit of various offices of Irrigation Department, for the year 2014-15, it was observed that an amount of Rs 17.000 million was paid to Land Acquisition Officer for acquiring land under Land Acquisition Act 1894 but the Land Award

Statement and disbursement account were not produced to ascertain the authenticity of payment.

(Rupees in million)

Sr. #	Name of office	AIR Para #	Particulars	Amount
1	XEN, Chotiari Reservoir Division, Sanghar	02	Land award statement	15.000
2	XEN, RBOD Division-II, Jamshoro	01	Possession and transfer of land	1.000
		03	Land award statement	1.000
<b>Total</b>				<b>17.000</b>

The matter was reported to the management during November 2015 and January 2016. The management of office at Sr. #01 (XEN, Chotiari Reservoir Division, Sanghar) above stated that the obligatory requirements were fulfilled and land statement & disbursement account duly reconciled by DAO, Sanghar are available with the office.

The reply was not tenable as the tampering of amount was noticed on the letter attached/issued by the Assistant Commissioner Khipro. The contention of the management needed verification from original record. No reply was received from other office.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

#### **20.4.20 Non-deduction of sales tax on services – Rs 241.956 million**

According to the Sindh Sales Tax on Services Act, 2011, issued by the provincial assembly Sindh, vide notification NO.PAS/Legis-B-19/2011 dated 10<sup>th</sup> of June 2011, and come into force w-e-f 1<sup>st</sup> July 2011, As per part-B of Second Schedule (Taxable Service) Sales Tax @ 16% is applicable on Services provided or rendered by persons engaged in contractual execution of work or furnishing supplies.



During audit of various offices of Irrigation Department for the year 2014-15 and 2015-16, it was observed that sales tax on services was not deducted causing loss to government of Rs 241.956 million.

(Rupees in million)

Sr. #	Name of office	AIR Para #	Financial Year	Amount
1	XEN, Small Dam-I, Kohistan, Dadu	01	2015-16	121.362
2	XEN, Warah Division, Larkana	04	2014-15	29.124
3	XEN, Water Carrier Works Division, Mirpurkhas	06		24.288
4	XEN, Johi Division, Dadu	10		24.049
5	XEN, Drainage Division, Thatta	18	2015-16	13.850
6	XEN, Thar Coal Water Works Division, Hyderabad	08	2015-16	8.202
7	XEN, Nusrat Division, S. Benazirabad	07	2014-15	8.076
8	XEN, Rice Canal Division, Larkana	05		3.888
9	XEN, RBOD-I Sann @ Jamshoro	02		2.555
10	XEN, Tube Well Division, Ghotki	01		2.526
11	XEN, Feeder Division, Hyderabad	11		1.758
12	XEN, KalriBaghar Division, Thatta	17	2015-16	1.600
13	XEN, Barrage Division, Sukkur	12	2014-15	0.458
14	XEN, G.B Division, Kashmore	14		0.220
<b>Total</b>				<b>241.956</b>

The matter was reported to the management during September 2015 to November 2016. The management of office at Sr. #01 (XEN, Small Dam-I, Kohistan, Dadu) in its reply produced a photo copy of registration certificates with SRB of two contractors i.e. M/s Mumtaz & Co and M/s KMC & Co. The registration of M/S KMC was temporary valid only for one month w.e.f. 12-01-2015.

The management of office at Sr. #08 (XEN, Rice Canal Division, Larkana) replied that there was no separate work of supply of Gates to be presumed a supply work but indeed it is purely a civil & mechanical work which did not require deduction of GST. The reply was not tenable as no documentary evidence was produced.

The management of office at Sr. #11 (XEN, Feeder Division, Hyderabad) replied that the parts manufactured from steel are exempted from sales tax.

The reply was not tenable as no documentary evidence in support of reply was produced. No reply was received from other offices.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

#### **20.4.21 Non-recovery of utility charges from contractor – Rs 235.709 million**

As per Para 28 of General Financial Rules, “no amount due to Government needs to be left outstanding without sufficient reason and where any dues appear to be irrecoverable the orders of competent authority for their adjustment must be sought”.

During audit of various offices of Irrigation Department for the year 2014-15, it was observed that an amount of Rs 235.709 million was not recovered on account of water and electricity charges from contractor.

(Rupees in million)

<b>Sr. #</b>	<b>Name of office</b>	<b>AIR Para #</b>	<b>Nature of irregularity</b>	<b>Amount</b>
1	XEN, Kotri Barrage Division, Jamshoro	03	Water charges	173.259
2	XEN, Phuleli Canal Division, Badin	12	Electricity charges	60.216
3	XEN, KalriBaghar Division, Thatta	04	Water charges	1.234
4	XEN, G.B Division, Kashmore	12	Water charges	1.000
<b>Total</b>				<b>235.709</b>

The matter was reported to the management during December 2015 to March 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person (s) at fault.

#### **20.4.22 Non-recovery of government dues from contractors – Rs 81.260 million**

As per Para 22-A of Stamps Act, “It is the duty of the competent authority to recover the stamp duty and affix stamp @ 0.30 paisa per hundred rupees of the value of the agreement or against tender cost before execution of the agreement.

According to Section 50(4) of Income Tax Ordinance 1979, an amount from time to time any person responsible for making any payment in full or in part on account of supply of goods or services sanctioned to the auction of contract with government or local authorities, etc., shall deduct advance tax at the time of making payments at the rate of 3.5% on supply & 6% on services of gross amount.

During audit of various offices of Irrigation Department for the year 2014-15 and 2015-16, it was observed that government dues amounting to Rs 81.260 million were not recovered from the contractors. The details are given at Annex-4 of Chapter-20.

The matter was reported to the management during September 2014 to November 2016. The management of office at Sr. #02 (XEN, Northern Dadu Division, Larkana), Sr. #15 (XEN, Rice Canal Division, Larkana), Sr. #17 (Secretary, Irrigation Department, Karachi), Sr. #18 (XEN, Chotiari Reservoir Division, Sanghar), and Sr. #24 (XEN, Small Dam-I, Kohistan, Dadu) contested the audit observation in their detailed reply. However, it needed verification from original record.

in respect of AIR Para-20, accepted the matter and stated that stamp duty is still outstanding. In respect of AIR Para # 04, the management stated that as per FBR office Sukkur letter dated 25-08-2015, the tax was levied at the rate of 6.5%.

The reply was not tenable as the due rate is 7.5% in this case. No reply was received from other offices.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person (s) at fault.

### 20.4.23 Inadmissible payment on account of project allowance – Rs 11.977 million

As per Para-1 of Notification No.FD(SR-III)5-85/2012 dated: 18-May-2012 of Government of Sindh Finance Department “Finance Division, Islamabad vide its Memo No.F.16(1)Reg-14/2003, dated 18-04-2012 has discontinued the project allowance and incentive allowance to the officers/staff appointed in PSDP funded development projects w.e.f. 18.4.2012 hence Finance Department, Government of Sindh hereby notified such order for implementation also in the Province of Sindh w.e.f. 18-04-2012”.

During audit of following offices of Irrigation Department, for the year 2014-15, it was observed that inadmissible payment of Rs 11.977 million was allowed to various employees on account of payment of project allowance who were not entitled for the same.

(Rupees in million)

Sr.#	Name of office	AIR Para #	Amount
1	Managing Director, SIDA, Hyderabad	10	11.136
2	XEN, NARA Project Division Sanghar @ Hyderabad	05	0.536
3	XEN, Shahbaz Irrigation Division, Sewhan	09	0.305
<b>Total</b>			<b>11.977</b>

The matter was reported to the management during November 2015 to May 2016. The management of office at Sr. #02 (XEN, NARA Project Division Sanghar @ Hyderabad) stated that Project Allowance was paid to staff for period of 03 months after approval of technical estimate & payments were released on receipt of funds.

The reply was not tenable as the claim pertains to previous financial year and drawal could not be authenticated from the documents produced. The reasons of delay in payments were also not justified in the reply. No reply was received from other offices.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person (s) at fault.

#### **20.4.24 Non recovery of pay & allowances – Rs 1.465 million**

As per Para 28 of General Financial Rules, “no amount due to Government needs to be left outstanding without sufficient reason and where any dues appear to be irrecoverable the orders of competent authority for their adjustment must be sought”.

During audit of office of the Managing Director, SIDA, Hyderabad, Irrigation Department, for the year 2014-15, it was observed that the pay & allowances of Rs 1.465 million were paid to various staff on account of dearness allowance which was not admissible.

The matter was reported to the management during December 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

**(AIR # 08)**

#### **20.4.25 Irregular payment of conveyance allowance – Rs 1.709 million**

According to Notification of Finance Department, Government of Sindh No FD (SR-IV) (12)/77 dated 13.05.1997 read with Para-7(a) of Finance Division (Regulation wing) OM No.I(D)imp/2008 dated 30-6-2008. The office cum residence conveyance allowance is an allowance to facilitate Government officers/officials to reach the office and not admissible to those officer/officials who have been provided with government transport facility or residing within work premises

During audit of following offices of Irrigation Department, it was observed that several employees were allowed conveyance allowance of Rs 1.709 million which was not allowed as per above rules.

(Rupees in million)

<b>Sr. #</b>	<b>Name of office</b>	<b>AIR Para #</b>	<b>Financial Year</b>	<b>Amount</b>
1	Managing Director, SIDA, Hyderabad	01	2014-15	0.824
2	XEN, Mechanical Division, Guddu Barrage, Sukkur	20	2012-13 to 2014-15	0.540
3	XEN, Small Dam-I, Kohistan, Dadu	08	2015-16	0.180
4	XEN, Shahbaz Irrigation Division, Sehwan	10	2014-15	0.165
<b>Total</b>				<b>1.709</b>

The matter was reported to the management during November 2015 to May 2016. The management of office at Sr. #03 (XEN, Small Dam-I, Kohistan, Dadu) replied that government vehicles are allotted to field staff for field work and they are not using government vehicle while attending the office. The evidence was required to verify the reply. No reply was received from other offices.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person (s) at fault.

## **CHAPTER –21**

### **KATCHI ABADIES AND SPATIAL DEVELOPMENT DEPARTMENT**

#### **21.1 Introduction**

Sindh Katchi Abadis Authority (SKAA) was established in 1987 under Sindh Katchi Abadi Act 1987 for regularization and up-gradation of katchi abadis in the Province.

The Authority is a corporate body. Its' headquarter is at Karachi. The general direction and administration of the Authority and its affairs vests in a Governing Body headed by the Minister for katchi abadis as its Chairman. Director General is the chief executive of the Authority.

#### **Powers and Function of the Authority**

- Implement policies formulated by government for the development or improvement of the areas of the katchi abadis and regularization of such katchi abadis.
- Lay-down guidelines for the implementation of such policies by the concerned authorities.
- Identify the katchi abadis or areas thereof which may be developed, improved or regularized under this Act and also identify the katchi abadis or areas which cannot be regularized as katchi abadis.
- Arrange or carry out detailed physical surveys, census of occupants of the katchi abadis and prepare or cause to be prepared plans and amelioration plans and designs of infrastructure works in connection with the regularization and development of the katchi abadis.
- Formulate development and financial programmes in respect of the katchi abadis and determine implementation strategy of such programmes.
- Oversee the operation of the fund.
- Evict or cause to be evicted unauthorized person or remove or cause to be removed encroachments from a katchi abadi or any area which is not regularizable as katchi abadi in accordance with the law.

## 21.2 Comments on the Budget and Accounts (Variance Analysis)

The Department consists of 80 formations (DDOs), out of which 01 formation was selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rupees in million)

<b>Original Budget/ Grant</b>	<b>Supplementary Grant</b>	<b>Re-appro: (+) (-)</b>	<b>Revised Budget 2014-15</b>	<b>Departmental Expenditure</b>	<b>Variation (Excess)/ Savings</b>
44.115	-	99.074	143.189	132.573	10.616

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 10.616 million was observed, which was not surrendered in time.

## 21.3 Brief comments on the compliance of PAC directives

This department was not included in the audit reports (1992-93 to 2009-10) discussed by the PAC.



## **21.4 AUDIT PARAS**

### **21.4.1 Non-production of record – Rs 6.828 million**

As per Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance,

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of office of Secretary, Sindh Katchi Abadies & Spatial Development Department, Government of Sindh, Karachi for the years 2014-15 & 2015-16, it was observed that 8% security deposit for Rs 6.828 million was deducted from the bills of contractors and transferred to DDO but the management did not produce the auditable record i.e bank statement. Due to non-production, the transection remained unaudited.

The matter was reported to the management in October 2016. The DAC meeting was held on 29<sup>th</sup> December 2016. The management clarified that the bank statement of DDO Account is available. The management further clarified that a separate bank account for deposit of security deposit has been maintained as per advice of Finance Department. Upon perusal of the bank statement placed before the DAC, the amount of Rs 4.461 million was not found credited in the account. The management clarified that the net payment of bills to contractor was made and the remaining amount of security deposit was retained in the Assignment Account. The DAC directed the management to produce record to audit for verification. However, the progress was awaited till finalization of this report

Audit recommends compliance with DAC directives.

**(AIR#14)**

#### **21.4.2 Irregular payments through DDO – Rs 177.455 million**

Rule-28 (2) of Central Treasury Rules volume-I, “A Government officer supplied with funds for expenditure shall also be responsible for seeing that payments are made to persons entitled to receive them”.

During audit of office of Secretary, Sindh Katchi Abadies & Spatial Development Department, Karachi for the years 2014-15 & 2015-16, it was observed that a cumulative expenditure of Rs 177.455 million was incurred under various heads of accounts but the payment was made through DDO instead of cross cheque crediting into the actual person account.

The matter was reported to the management in October 2016. The DAC meeting was held on 29<sup>th</sup> December 2016. The management clarified that the amount of Rs 177.455 million included Rs 176 million pertaining to Grant-in-Aid released to SKAA, which stood audited under the SKAA Budget. They added that Rs 76 million and Rs 100 million pertained to FY 2014-15 and 2015-16 respectively against the same grant-in-aid. Audit pointed that Rs 1.455 million still remains as DDO payment, if the grant-in-aid amount is deducted. The management clarified that out of Rs 1.455 million, a payment of Rs 500,000 pertained to financial assistance to heirs of a deceased employee and remaining amount pertains to petty cash. The DAC directed the management to submit revised reply along with record to audit for verification of the contention that the remaining amount of Rs 0.955 million was petty cash expenditure incurred to meet day to day expenses. However, the progress was awaited till finalization of this report

Audit recommends compliance with DAC directives.

**(AIR#04)**

#### **21.4.3 Unjustified expenditure on development schemes – Rs 55.769 million**

According to Rule-96 of General Financial Rules, Volume-I, “It is contrary to the interest of the State that money should be spent hastily or in an ill considered manner merely because it is available or that the laps of a grant could be avoided”.

During audit of office of Secretary, Sindh Katchi Abadies & Spatial Development Department, Karachi for the years 2014-15 & 2015-16, it was observed

that an expenditure of Rs 55.769 million was incurred development schemes. However, dates of measurements were not mentioned by the sub-engineer at the time of recording in the measurement books. Moreover, entire expenditure incurred in closing month of the financial year (June 2016). Thus, the chances of advance payment cannot be ruled out.

The matter was reported to the management in October 2016. The DAC meeting was held on 29th December 2016. The management clarified that nine different works were executed at different locations by different contractors. The management added that the funds were transferred in assignment account in June 2016, therefore, payment was made in the same month. They added that Finance Department had released the funds in January 2016, however, they transferred the released amount in the assignment account in June 2016. They further added that the works on original allocation/release were awarded to the contractors in April 2016 following due tender procedure. The DAC directed the management to produce record to audit for verification. However, the progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

(AIR#17)

#### **21.4.4 Irregular expenditure on works in disregard to provision in PC-I –Rs 20.193 million**

As per Clause-8 on Reduced Rates of the standard bidding document for the works, provides that, in cases where the items of work are not accepted as so completed, the Engineer-in-charge may make payment on account of such items at such reduced rates as he may consider reasonable in the preparation of final or on running account bills with reasons recorded in writing.

During audit of office of Secretary, Sindh Katchi Abadies & Spatial Development Department, Karachi for the years 2014-15 & 2015-16, review of combined PC-I of various schemes revealed that the management incurred expenditure of Rs 20.193 million on execution of items of works in disregard of the provision of PC-I as summarized below:

(Rupees in million)

Sr. #	Particulars	AIR Para #	Amount
1	Payments for items of works over & above PC-I rates	10	8.094
2	Less execution of items of work as compared to PC-I	16	6.313
3	Payment on items without provision of PC-I	19	2.598
4	Payment on execution of items of work on reduced rates	18	1.720
5	Excess execution of items of works above admissible 30% ceiling	11	1.063
6	Payment for cartage of RCC pipes without provision of PC-I	13	0.405
<b>Total</b>			<b>20.193</b>

The matter was reported to the management in October 2016. The DAC meeting was held on 29th December 2016. The management in respect of audit observation at Sr.No.(i) to (v) clarified that subsequent to approval of PC-I, the technical sanctions were obtained from the Chief Engineer, PHE Department. They added that development works (sewerage, surface drains and C.C. Topping) were executed as per technical sanction. Upon query from Audit, the management clarified that the overall cost did not exceed from approved cost of the PC-I and remained within Govt. scheduled rates. They further added that in certain areas the rates were below than those mentioned in PC-I and the quantity of items were reduced as per technical sanction obtained from PHE Department on the basis of actual ground requirement of the SITE. For audit observation at Sr.No.(vi), the management clarified that the cartage was provided in the Technical Sanction, as it was inadvertently missed in the PC-I. The DAC directed the management to produce record to audit for verification. However, the progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

#### **21.4.5 Non-deduction of income tax on rent of building – Rs 1.659 million**

As per Section 153 (1) of Income Tax Ordinance 2001, every prescribed person making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person- (a) for the sale of goods; (b) for the rendering of services; (c) on the execution of the contract, other than a contract for the sale of goods or the rendering service, shall, at the time of making the payment, deduct tax from the gross amount payable at the rate specified in division III of part III of the first schedule.

During audit of office of Secretary, Sindh Katchi Abadies & Spatial Development Department, Karachi for the years 2014-15 & 2015-16, it was observed that income tax for Rs 1.659 million at the rate of 10 % was not deducted at the time of payment of Rs 16.589 million on account of rent of building.

(Amount in Rupees)

Posting Date	Cheque No.	Vendor Name	Cost Center	Amount
23.10.2014	1866000	M/S WARIS & CO	KA5757	1,725,000
24.02.2015	1941401	M/S WARIS & CO	KA5757	575,000
18.05.2015	2026359	M/S WARIS & CO	KA5757	2,875,000
30.12.2015	2205374	M/S WARIS & CO	KA5757	1,725,000
10.06.2016	2375628	M/S WARIS & CO	KA5757	3,450,000
17.06.2016	2384535	Malik Umer Din S/o Zahoor Din	KA5757	6,239,060
<b>Total</b>				<b>16,589,060</b>
<b>At the rate of 10 percent income tax</b>				<b>1,658,906</b>

The matter was reported to the department in October 2016. The DAC meeting was held on 29th December 2016. The management clarified that due amount of tax had been deducted by AG Sindh and cheques for net amount have been issued. They added that the Tax Certificate were also available. The DAC directed the management to produce evidence of deduction of tax to audit for verification. However, the progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

**(AIR#2)**

## CHAPTER –22 LABOUR & HUMAN RESOURCES DEPARTMENT

### 22.1 Introduction

The Labour & Human Resources Department consists of following attached departments:

- i. Labour Department headed by Secretary Labour,
- ii. Labour Appellate Tribunal headed by Chairman,
- iii. Minimum Wages Board headed by Chairman,
- iv. Manpower & Training Department headed by Director,
- v. Sindh Employees Social Security Institutions headed by Commissioner,
- vi. Inspectorate of Mines headed by Chief Inspector

The main role of the Department is:

1. All matters relating to labour in general, including
  - a. Welfare and conditions of labour (including mine labour)
  - b. Labour Laws;
  - c. Labour Courts; and
  - d. Social Security.
2. Employment Exchanges (Provincial Liabilities only),
3. Minimum Wages Board,
4. Rehabilitation and employment of demobilized personnel.

### 22.2 Comments on the Budget and Accounts (Variance Analysis)

The Department consists of 80 formations (DDOs), out of which 01 formation was selected and audited during the Audit Year 2016-11. The accounts for the financial year 2015-16 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rupees in million)

Original Budget/ Grant	Supplementary Grant	Re-appro: (+) (-)	Revised Budget 2014-15	Departmental Expenditure	Variation (Excess)/ Savings
1,041.702	28.210	(31.746)	1,038.165	914.460	123.705

The department was unable to spend the allocated budget in time. As a result, savings of an amount of Rs 123.705 million was observed which was not surrendered in time.

(Rupees in million)

<b>Revenue Estimates</b>	<b>Revised Revenue Estimates</b>	<b>Actual Receipts</b>	<b>Variation</b>
8.800	2.300	10.834	(8.534)

### 22.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was Nil.

<b>Sr. No</b>	<b>Audit Report</b>	<b>Total Paras discussed</b>	<b>No. of Paras requiring Compliance</b>	<b>Compliance of PAC directives made</b>	<b>Compliance of PAC directives not made</b>	<b>Percentage of Compliance</b>
1	1992-93	0	0	0	0	-
2	1998-99	0	0	0	0	-
3	1999-2000	6	0	0	0	-
4	2001-02*	0	0	0	0	-
5	2004-05*	0	0	0	0	-
6	2005-06	0	0	0	0	-
7	2006-07	2	1	0	1	-
8	2007-08	0	0	0	0	-
9	2008-09	0	0	0	0	-
10	2009-10	0	0	0	0	-
<b>Total</b>		<b>8</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>-</b>

Note: Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

## **22.4 AUDIT PARAS**

### **22.4.1 Non-production of record – Rs 1.062 million**

Section 14 (2) and (3) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of office of the Secretary, Labor & Human Resources Department, Government of Sindh, Karachi for the year 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 1.062 million remained unaudited.

Non-production of record was reported to the management in August 2016. The DAC meeting was held on 19th January 2017. The management clarified that all the record pointed out in the Para is available for audit. The DAC directed the management to produce the record for audit. However, the progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

**(AIR#24)**

### **22.4.2 Un-authorized deposit of funds into DDO Account – Rs 2.952 million**

As per Rule 28 (2) of Central Treasury Rules, Volume-I, “A Government officer supplied with funds for expenditure shall also be responsible for seeing that payments are made to person entitled to receive them”.

During audit of office of the Secretary, Labour & Human Resources Department, Government of Sindh, Karachi for the year 2015-16, it was observed that an amount of Rs 2.952 million was drawn from various head of accounts inclusive of Rs 2.87 million pertaining to pension claims of the officials/officers and the funds were deposited into DDO account instead of payment directly to the payees.



The matter was reported to the management in August 2016. The DAC meeting was held on 19<sup>th</sup> January 2017. The management clarified that the amount pertained to commutation of different officers/officials retired during the financial year 2015-16. They also added that the amount had been disbursed to the beneficiaries. The DAC directed the management to produce the record for verification to audit. However, the progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

(AIR#07)

### 22.4.3 Irregular expenditure by splitting up to avoid tender – Rs 2.485 million

As per Rule 12(1) of SPPR 2010, Save as otherwise provided and subject to the regulations made by the Authority, a procuring agency shall prepare, all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements already grouped, allocated and scheduled in the Procurement Plan.

During audit of office of the Secretary, Labor & Human Resources Department, Government of Sindh, Karachi for the years 2014-15 and 2015-16, it was observed that an expenditure for Rs 2.485 million was incurred by splitting up to avoid tender.

(Rupees in million)

Sr.#	Particulars	Financial Year	AIR Para #	Amount
1	Stationery, other Miscellaneous items, Printing, uniform & clothing	2014-15	03	1.406
2	Printing & Stationery items	2015-16	14	0.499
3	Fixed assets	2015-16	01	0.461
4	Uniforms and Liveries	2015-16	16	0.119
<b>Total</b>				<b>2.485</b>

The matter was reported to the management in August 2015 and August 2016. The DAC meeting was held on 19<sup>th</sup> January 2017. The management did not clarify the audit observations in working paper placed before the DAC. The DAC directed the management to provide detailed revised reply alongwith supporting documents and justification for verification by audit. However, the progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

## CHAPTER –23

### LAW, PARLIAMENTARY AFFAIRS & HUMAN RIGHTS DEPARTMENT

#### 23.1 Introduction

The main role of the Law, Parliamentary Affairs & Human Rights Department is:

1. To monitor and control the activities of legal system of the province,
2. To provide infrastructure for the courts and other law department functions,
3. To charge expenditure of the legal framework in government of Sindh Budget,
4. To advice to department in all legal matters, including interpretations of laws, including rules and orders having enforced in law,
5. To appoint Administrator General, Official Trustee, and Official Assignee,
6. To prepare civil law, procedures and constitutional legislations.

#### 23.2 Comments on the Budget and Accounts (Variance Analysis)

The Department consists of 90 formations (DDOs), out of which 02 formations were selected and audited during the Audit Year 2016-17. The accounts for the financial year 2015-16 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rupees in million)

Original Budget/ Grant	Supplementary Grant	Re-appro: (+) (-)	Revised Budget 2014-15	Departmental Expenditure	Variation (Excess)/ Savings
8,571.021	1,237.874,	(1,060.637)	8,748.258	7,761.223	987.034

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 987.034 million was observed, which was not surrendered in time.

### 23.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was 11.1%.

Sr. No	Audit Report	Total Paras discussed	No. of Paras requiring Compliance	Compliance of PAC directives made	Compliance of PAC directives not made	Percentage of Compliance
1	1992-93	1	1	1	0	100
2	1998-99	0	0	0	0	-
3	1999-2000	10	4	0	4	-
4	2001-02*	0	0	0	0	-
5	2004-05*	0	0	0	0	-
6	2005-06	0	0	0	0	-
7	2006-07	1	1	0	1	-
8	2007-08	3	3	0	3	-
9	2008-09	5	0	0	0	-
10	2009-10	0	0	0	0	-
<b>Total</b>		<b>20</b>	<b>9</b>	<b>1</b>	<b>8</b>	<b>11.1</b>

Note: Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

## 23.4 AUDIT PARAS

### 23.4.1 Un-authorized retention of government money in DDO Account – Rs 28.731 million

As per Rule 303 of Treasury Rules, “Contingent bill for payment to Suppliers etc., which cannot be met from the permanent imprest may be endorsed for payment to the party concerned and the DDOs are suggested that in case of payments to the suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid unnecessary delays and risk involved in the drawal and disbursement of cash”.

During audit of following offices of Law, Parliamentary Affairs & Human Rights Department for the year 2015-16, it was observed that an amount of Rs 28.731 million was drawn from government treasury and kept into DDO bank account instead of payee.

(Rupees in million)

Sr. #	Name of office	Particulars	AIR Para#	Amount
1	Secretary, Law, Parliamentary Affairs & Human Rights	Law charges	06	17.750
2	Advocate General, Law, Parliamentary Affairs & Human Rights	Law charges	15	10.981
<b>Total</b>				<b>28.731</b>

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing of responsibility on person(s) at fault besides taking remedial measures.

### 23.4.2 Irregular expenditure on account of conference & seminar – Rs 23.700 million

As per Rule-1, Appendix 18-A of Sindh financial Rule Volume-I, “every Government servant realize fully and clearly that he will be held personally responsible for any loss sustained by Government...”

During audit of following offices of Law, Parliamentary Affairs & Human Rights Department for the years 2014-15 and 2015-16, it was observed that an amount of Rs 23.700 million was incurred on account of conference & seminar without observing formalities as mentioned below:

(Rupees in million)

Sr.#	Name of office	Irregularities	AIR Para #	Financial Year	Amount
1	Director Human Rights Karachi	Expenditure incurred Without inviting tender, record of attendance of participants was not produced , payments were made in cash	03	2014-15	2.826
2	Director Human Rights Karachi	Record showing purpose, attendance of participants, invitation letters was not produced, and payments were made in cash	13	2014-15	1.068
3	Advocate General Sindh Karachi	Splitting of expenditure to avoid tender		2015-16	19.806
<b>Total</b>					<b>23.700</b>

The matter was reported to the management in December 2015 and October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing of responsibility on person(s) at fault besides taking remedial measures.

#### **23.4.3 Irregular expenditure on account of law charges - Rs 142.212 million**

According to Rule 4 of SPPR, while procuring goods, works or services, procuring agencies shall ensure that procurements are conducted in a fair and transparent manner and the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of office of the Secretary, Law, Parliamentary Affairs & Human Rights for the year 2015-16, it was observed that payment of Rs 142.212 million was made to law firm (M/s Farooq H. Naek) on account of law charges for pleading of

cases before honorable courts but criteria for selection of firms was not available on record. Furthermore, sales tax amounting to Rs 8.532 million was not deducted at source.

The matter was reported to the management in October 2016, no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides, taking remedial measures.

**(AIR#2&5)**

#### **23.4.4 Non-adjustment of advances – Rs 27.000 million**

As per Government of Sindh, Finance Department vide letter No.B-I/7-I/98-99 dated 13-07-98, letter No FD/B&E-I/4-I/88/2006(P) dated 30-10-2006 as well as letter of even no dated 26-04-2007 “No advance should be drawn on abstract bill without prior approval of Finance Department.”

During audit of the office of the Secretary, Law, Parliamentary Affairs & Human Rights Department for the year 2015-16, it was observed that the expenditure of Rs 27.000 million was irregular due to non-adjustment of funds. The funds were drawn from A.G Sindh on the abstract bill and transferred to various institutions, which were not adjusted till the close of financial year.

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides, taking remedial measures.

**(AIR#3)**

#### **23.4.5 Irregular withdrawal by DDO instead of actual payee – Rs 5.298 million**

As per Rule-303 of Treasury Rules, “A contingent bill for payment to suppliers which cannot be met from the permanent imprest may be endorsed for payment to the

party concerned and the drawing & disbursing officers (DDOs) are suggested that payments to the suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid unnecessary delays and risk involved in the withdrawal and disbursement of cash”.

During audit of the office of the Secretary, Law, Parliamentary Affairs & Human Rights Department, for the year 2015-16, it was observed that an expenditure of Rs 5.298 million was incurred on account of various heads but the payment was made through DDO account instead of direct payment to vendors/suppliers.

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#4)**

#### **23.4.6 Misuse of government vehicles**

As per Appendix 18-A of Sindh Financial Rules (SFR), Volume-I, “Every officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government.

During audit of the office of the Secretary, Law, Parliamentary Affairs & Human Rights Department for the year 2015-16, it was observed that following government vehicles were allotted to the Ministers which is unauthorised because they were having government vehicles from their own offices.

<b>Sr. #</b>	<b>Vehicle #</b>	<b>Make model</b>	<b>Allotted to:</b>
1	GS-333	Toyota Corolla	Law Minister
2	GSA-333	Toyota Corolla	Parliamentary Minister

Misuse of government vehicles was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides, taking remedial measures.

**(AIR #20)**

#### **23.4.7 Non-recovery of taxes – Rs 6.427 million**

According to Para 28 of GFR Volume-I “No amount due to Government should be left outstanding without sufficient reason, and where any dues appear to be irrecoverable, the orders of competent authority for their adjustment must be sought”.

During audit of office of the Advocate General, Law, Parliamentary Affairs & Human Rights Department, Government of Sindh for the year 2015-16, it was observed that an amount of taxes of Rs 6.427 million was not deducted at prescribed rate. The details are as under:

(Rupees in million)

<b>Sr. #</b>	<b>Head of Account</b>	<b>Amount Paid</b>	<b>Rate</b>	<b>Tax Amount</b>
1	Sales Tax	34.638	14%	4.849
2	Income Tax	35.070	4.5%	1.578
			<b>Total</b>	<b>6.427</b>

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on person(s) at fault.

**(AIR#16)**



**CHAPTER – 24**  
**LIVESTOCK AND FISHERIES DEPARTMENT**

**24.1 Introduction**

The main role of the Livestock & Fisheries Department is:

1. Collection and compilation of Livestock statistics,
2. Improvement of the livestock including poultry and introduction of new breeds,
3. Livestock farms,
4. Prevention of animal diseases,
5. Prevention of cruelty to animals,
6. Veterinary,
7. Fisheries.

**24.2 Comments on the Budget and Accounts (Variance Analysis)**

The Department consists of 90 formations (DDOs), out of which 12 formations were selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rupees in million)

<b>Original Budget/ Grant</b>	<b>Supplementary Grant</b>	<b>Re-appro: (+) (-)</b>	<b>Revised Budget 2014-15</b>	<b>Departmental Expenditure</b>	<b>Variation (Excess)/ Savings</b>
4,028.219	13.000	(641.286)	3,399.932	2,882.568	517.363

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 517.363 million was observed which was not surrendered in time.

(Rupees in million)

<b>Revenue Estimates</b>	<b>Revised Revenue Estimates</b>	<b>Actual Receipts</b>	<b>Variation</b>
38.500	19.948	25.605	(5.657)

### 24.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was 12%.

Sr. No	Audit Report	Total Paras discussed	No. of Paras requiring Compliance	Compliance of PAC directives made	Compliance of PAC directives not made	Percentage of Compliance
1	1992-93	20	1	0	1	-
2	1998-99	11	4	0	4	-
3	1999-2000	0	0	0	0	-
4	2001-02*	0	0	0	0	-
5	2004-05*	6	6	2	4	33.3
6	2005-06	0	0	0	0	-
7	2006-07	3	3	0	3	-
8	2007-08	8	4	0	4	-
9	2008-09	3	3	0	3	-
10	2009-10	4	4	1	3	25
<b>Total</b>		<b>55</b>	<b>25</b>	<b>3</b>	<b>22</b>	<b>12</b>

Note: Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

## **24.4 AUDIT PARAS**

### **24.4.1 Non-production of record – Rs 32.281 million**

Section 14(2) & (3) of the Auditor General’s (Functions, Powers & Terms & Conditions of the Service) Ordinance, 2001, state that;

- (1) The officer in charge of any office or department shall afford all facilities and provide record for audit inspection and comply with request for information in as complete a form as possible and with responsible expedition.
- (2) Any person or authority hindering the auditorial functions of the Auditor General regarding inspection of accounts shall be subjected to disciplinary action under efficiency and discipline rules.

During audit of various offices of Livestock & Fisheries Department, Government of Sindh for the years 2014-15 and 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 32.281 million remained unaudited. The details are given at **Annex-1** of Chapter-24.

The matter was reported to the management during January to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of relevant record besides fixing responsibility on the person(s) at fault.

### **24.4.2 Unjustified procurement of medicines and other stores - Rs 42.792 million**

According to Appendix 18-A of Sindh Financial Rules, Volume-I, “every officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part and that he will also be held responsible for any loss arising from fraud and negligence on the part of any other government office to the extent to which it may be shown that he contributed to the loss by his own actions or negligence”.

During audit of following offices of Livestock & Fisheries Department, Government of Sindh for the year 2015-16, it was observed that expenditure was incurred under the head, purchase of medicines and cost of other stores worth Rs 42.729 million. The irregularities noticed by audit are detailed at Annex-2 of Chapter-24, which included irrational procurement of semen does, excess procurement of medicine, and purchase of short shelf life medicine.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

#### **24.4.3 Irregularities in procurement of veterinary drugs/medicines - Rs 7.385 million**

According to Rule-11 (1) of Sindh Public Procurement Rules 2010 read with Livestock and Fisheries Department Notification No.SO(G)/L&F/2(70)/14-15/3561 dated 10-09-2015 regarding constitution of Procurement Committee for procurement of Medicines/Vaccines/Feed/machinery & Equipment/Transport/Furniture & Fixture, etc. for the department.

During audit of office of Deputy Director, Livestock/Animal Husbandry, Jamshoro for the year 2015-16, veterinary drugs/medicines, vaccines and hospital tools amounting to Rs 7.385 million were procured detailed as under:

(Rupees in million)

<b>Head of Account</b>	<b>Account Description</b>	<b>Expenditure</b>
A03927	Purchase of drug and medicines	2.361
A03942	Cost of other stores	5.024
<b>Total</b>		<b>7.385</b>

Following irregularities were noticed:

- i. Drugs and medicines were purchased from head “Cost of other stores” by misclassification despite availability of separate head of account, medicines.

- ii. Not a single bidder quoted bid price on bid price schedule as required under clause 5.1 of bidding documents. Prices were not compared with Maximum Retail Price (MRP) to verify the competitiveness of quoted prices with market prices and discount (if any).
- iii. Agreements were not executed.
- iv. Neither the medicines were got tested from Drug Laboratory nor clinical efficacy report was being obtained. Inspection of items was also not conducted.
- v. Consumption account of end user was not produced.
- vi. Medicines were not supplied in a Special Green Color (Flag Color) packing.
- vii. Neither Drug License Number was mentioned on the invoices nor was such certificate available. Batch number & expiry date of medicines were not mentioned on the invoices.
- viii. Vaccines of Rs 0.380 million were procured, out of which vaccines of Rs 0.333 million remained undelivered.
- ix. The details of drugs/medicines received from Directorate of Animal Husbandry, Hyderabad were not produced to audit.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

**(AIR #05)**

#### **24.4.4 Non-transparent technical evaluation of bidders**

As per directives issued by the DG Livestock Sindh vide letter dated 31-08-2015 that purchase of veterinary drugs/vaccines/instruments from the budget allocation under cost of other stores, that all the DDOs of the department are directed to collect the rates of items from local market through survey before inviting tenders.

During audit of office of Director Animal Breeding Sindh, Hyderabad for the year 2015-16, it was observed that the following group of companies/bidders received more share in business through collusive tendering.

- (i) M/S B.S. Bukhari Traders, Hyd.
- (ii) M/S Latif Office Products, Hyd.
- (iii) M/S Muzamil Medical & General Store, Hyd.
- (iv) M/S Panjtan Traders, Hyd.
- (v) M/S Panjtan Enterprise, Hyd.

Above mentioned suppliers had almost same business addresses and held major supply through tender or through regular supply on quotation basis. Tenders were accepted in disregard of the condition of submission of last three years audit reports by the bidders. Moreover, record of call deposit record was not made available to audit. Following firms without producing necessary documents for technical evaluation were qualified and received sufficient supply orders:

Sr. #	General Evaluation	M/S Norsal Pharma, Khi.	M/S Mahnoor Enterprises, Hyd.
1	Bank Statement	No	No
2	Return	No	No
3	Professional Tax	No	No
4	Audit Report	No	No

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

**(AIR #17)**

#### **24.4.5 Non-hoisting of Bid Evaluation Report – Rs 162.589 million**

Rule 45 of Sindh Public Procurement Rules, 2010 states that “Procuring agencies shall announce the results of bid evaluation in a form of a report giving reasons of acceptance or rejection of bid. The report shall be hoisted on website of the

authority and that of the procuring agency if its website exists and intimated to all the bidders at least seven days prior to the award of contract”.

During audit of following offices of Livestock & Fisheries Department, Government of Sindh for the years 2014-15 & 2015-16, it was observed that expenditure of Rs 162.589 million was incurred on purchase of medicine through inviting open tender but bid evaluation report of the works were not hoisted on website of the authority prior to award of contract.

(Rupees in million)

Sr. #	Name of Office	AIR Para #	Financial Year	Amount
1	Director, Animal Husbandry, Hyderabad	05	2015-16	145.203
2	Deputy Director, Livestock/Animal Husbandry, Khairpur	05	2015-16	14.952
3	Deputy Director, Livestock/Animal Husbandry, Kamber	05	2014-15	2.434
<b>Total</b>				<b>162.589</b>

The matter was reported to the management in March 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

#### **24.4.6 Irregular expenditure on purchase of medicines – Rs 74.391 million**

As per Rule-113 of Sindh Financial Rules, Volume-I “All materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken and they should be taken by a responsible government officer who should see that the quantities are correct and their quality is good, and record a certificate that he has actually received the materials and recorded them in the appropriate stock register”

During audit of various offices of Livestock & Fisheries Department, Government of Sindh for the years 2014-15 & 2015-16, it was observed that an expenditure of Rs 74.391 million was incurred on account of purchases of medicines.

The details of offices and irregularities are given at Annex-3 of Chapter-24. Major were non-availability of support record of expenditure (registration certificates of the suppliers, joint inspection report & delivery challans) and non-maintenance of consumption accounts of medicine.

The matter was reported to the management during December 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

#### **24.4.7 Non-inviting tender in violation of SPPR 2010 – Rs 61.217 million**

As per Rule 17(1) of SPPR 2010, procurements over one hundred thousand rupees and up to one million rupees shall be advertised by timely notifications on the Authority's website and may in print media in the manner and format prescribed in these rules.

During audit of following offices of Livestock & Fisheries Department, Government of Sindh for the years 2014-15 & 2015-16, it was observed that an expenditure of Rs 61.217 million was incurred on different heads of accounts without invitation of tender.

(Rupees in million)

<b>Sr. #</b>	<b>Name of Office</b>	<b>Particulars</b>	<b>Financial Year</b>	<b>AIR Para #</b>	<b>Amount</b>
01	Director, Animal Husbandry, Hyderabad	Misc Items	2015-16	01	38.900
		Printing, stationery & Exhibition		02	1.765
02	Director, Animal Breeding Sindh, Hyderabad	Cost of other stores	2015-16	01	7.563
		Liquid nitrogen gas		13	1.387
03	Deputy Director, Livestock/Animal Husbandry, Thatta	Misc Items	2015-16	02	2.707
04	Deputy Director, Livestock/Animal Husbandry, Khairpur	Misc Items	2015-16	03	0.692
05	Director, Fisheries Sindh (Inland), Hyderabad	Uniform & Liveries	2015-16	01	0.653



(Rupees in million)

Sr. #	Name of Office	Particulars	Financial Year	AIR Para #	Amount
06	Deputy Director, Livestock/Animal Husbandry, Jamshoro	Exhibition & Fair	2015-16	13	0.135
07	Director, Animal Husbandry, Umerkot	Purchase of medicines	2014-15	06	4.513
08	Deputy Director, Poultry Production, Sukkur	Purchase of medicines	2014-15	02	2.902
<b>Total</b>					<b>61.217</b>

The matter was reported to the management in December 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

#### **24.4.8 Irregular payments through DDO– Rs 56.473 million**

As per Rule-303 of Central Treasury Rules, “a contingent bill for payment to suppliers, etc. which cannot be met from the permanent imprest may be endorsed for payment to the party concerned, and the DDOs are suggested that in case of payments to the suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid un-necessary delays and risk involved in the drawal and disbursement of cash.”

During audit of the various offices of Livestock & Fisheries Department, Government of Sindh for the financial years 2014-15 & 2015-16, it was observed that a cumulative expenditure of Rs 56.473 million was incurred under various heads of accounts but the payment was made through DDO instead of issuing crossed cheque to the vendors. The details are given at Annex-4 of Chapter-24.

The matter was reported to the management during December 2015 & November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

#### **24.4.9 Splitting up to avoid calling tender - Rs 34.530 million**

As per Rule 12(1) of SPPR 2010, Save as otherwise provided and subject to the regulations made by the Authority, a procuring agency shall prepare, all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements already grouped, allocated and scheduled in the Procurement Plan.

During audit of various offices of Livestock & Fisheries Department, Government of Sindh for the years 2014-15 & 2015-16, it was observed that a cumulative expenditure of Rs 34.530 was incurred on purchase / repair works by splitting up of the work orders to avoid invitation of open tenders. The details are given at Annex-5 of Chapter-24.

The matter was reported to the management during December 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

#### **24.4.10 Non-utilization of procured items – Rs 10.236 million**

According to Rule-290 of Treasury Rules, Volume-I, “No money shall be drawn from the treasury unless it is not required for immediate disbursement. Further, it is not permissible to draw money from the treasury in anticipation of demand or to prevent lapses of budget grant”.

During audit of office of Deputy Director, Livestock / Animal Husbandry, Jamshoro for the year 2015-16, it was observed that an expenditure of Rs 10.236 million was incurred on purchase of medicines but the same were lying in the store since 01-07-2015 and were not utilized/distributed.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#04)**

#### **24.4.11 Irregularities in appointment of veterinary officers**

According to Livestock & Fisheries Department, Government of Sindh, Karachi Notification No.SO(I) L&F/Appointment-Contract/2014 dated 07-04-2015, various persons were appointed as Veterinary Officers in Animal Husbandry Wing of the department under three (03) years District Wise Veterinary Services Program on contract basis for a period of three years on fix pay of Rs 60,000 per month for Lady Veterinary Officer and Rs 50,000 per month for Male Veterinary Officer.

During audit of following offices of Livestock & Fisheries Department, Government of Sindh for the years 2014-15 & 2015-16, it was observed that various veterinary officers were appointed vide notification referred above.

<b>Sr. #</b>	<b>Name of Office</b>	<b>AIR Para #</b>	<b>Financial Year</b>	<b>Particulars</b>
01	Deputy Director, Animal Husbandry, Jamshoro	14	2015-16	Appointment of 10 veterinary officers
02	Deputy Director, Animal Husbandry, Larkana	05	2014-15	Appointment of 05 veterinary officers

Following irregularities were noticed:

- i. The record pertaining to recruitment process was not produced to audit.
- ii. The monthly pay of Rs 60,000 was mentioned in respect of Female Veterinary Officer in above notification despite the fact that according to Livestock and Fisheries Departments notification endorsed by the Finance Department, Government of Sindh, Karachi vide No.FD/B&E-III/33-2/2013-14(Doctor) dated 29-04-2015, monthly salary of Rs 50,000 was fixed to each Veterinary Officer irrespective of their gender.

- iii. The educational qualification of the officers appointed on contract basis were not got verified from concerned institutions.

The matter was reported to the management in January & November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing of responsibility on person(s) at fault besides taking remedial measures.

#### 24.4.12 Unauthorized possession of government vehicle

According to Rule 88 of Sindh Financial Rules, Volume-I, “Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as person of ordinary prudence would exercise in respect of expenditure of his own money”.

During audit of following offices of Livestock & Fisheries Department, Government of Sindh for the year 2015-16, it was observed that following vehicles were in possession of officers of the other offices:

Sr. #	Name of Office	AIR Para #	Vehicle possession	Particulars	Vehicle detail
1	Director Animal Breeding Sindh, Hyderabad	24	Mr. Ali Akbar Soomro	DirectorGeneralLivestock SindhHyderabad.	GS-0363 Toyota Corolla (2007 White)
			Mr. Abdul Qadir Junejo	Ex-Director Animal Breeding Sindh, Hyderabad	GSB-107 Suzuki Swift (2012)
2	Director Fisheries Research & Development Karachi	04	Director General Fisheries	Suzuki Potohar	GS-2219
			Section Officer (Gen)	Suzuki Cultus	GS-6535
			Director Fisheries (Marine)	Nissan Pickup, Hundai Shehzore single cabin	GL-5515 GS-7499

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery of vehicles besides fixing of responsibility on the person(s) at fault.

#### **24.4.13 Non-recovery of taxes/duties – Rs 56.768 million**

According to letter No.ACIR/unit-05/WHT Zone/RTO-III/KHI/2014/178 dated 31/07/2015 regarding changes in rates of deduction under various sections of Income Tax Ordinance 2001 for the tax year 2015 for “Filers” & “Non-Filers” are payable against the rules as follows.

Description		Tax Rate from 01-07-2015 on ward	
		Filers of Tax Return	Non-Filers
<b>Sales of Goods-Section 153(1)(a)</b>			
1	Companies	4%	6%
2	Other than Companies	4.5%	6.5%
<b>Supply of Services-Section 153 (1)(b)</b>			
1	Companies	8%	12%
2	Other than Companies	10%	15%
<b>Contract payments to residents section 153 (1)(c)</b>			
1	Companies	7%	10%
2	Other than Companies	7.5%	10%
<b>Brokerage &amp; Commission Section 233</b>			
1	Advertisement agencies	10%	15%
2	Other cases	12%	15%

As per Para-22-A of Stamp Act 1899, “It is the duty of the competent authority to recover the stamp duty and affix the same, while execution of agreement at the rate of 0.30 paisa per hundred rupees of the value of the agreement or against tender cost.”

As per Section 3(1) of the Sales Tax Act, 1990, “There shall be charged, levied and paid a tax known as sales tax at specified rate, of the value of taxable supplies made by a registered person in the course a furtherance of any taxable activity carried on by him”.

During audit of the various offices of Livestock & Fisheries Department, Government of Sindh for the years 2014-15 & 2015-16, it was observed that an amount of Rs 56.768 million was not recovered on account of income tax, sales tax and stamp duty from the bills of contractors/suppliers at source. The details are given at Annex-6 of Chapter-24.

The matter was reported to the management during September 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

**CHAPTER –25**  
**MINES & MINERALS DEPARTMENT**

**25.1 Introduction**

The Mines and Minerals Department, Government of the Sindh aims for the development of mineral resources to enhance the exploration, exploitation of mines and mineral resources in a safe and environmentally sound manner in order to support a more productive economy in the province.

**25.2 Comments on the Budget and Accounts (Variance Analysis)**

The Department consists of 03 formations (DDOs), these 02 formations were selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rupees in million)

<b>Original Budget/ Grant</b>	<b>Supplementary Grant</b>	<b>Re-appro: (+) (-)</b>	<b>Revised Budget 2014-15</b>	<b>Departmental Expenditure</b>	<b>Variation (Excess)/ Savings</b>
11,085.500	-	(6,576.963)	4,508.536	4,506.760	1.776

The department was unable to utilize the funds as per allocated budget. As a result, saving of Rs 1.776 million was observed.

(Rupees in million)

<b>Revenue Estimates</b>	<b>Revised Revenue Estimates</b>	<b>Actual Receipts</b>	<b>Variation</b>
1,049.649	695.271	705.053	(9.782)

**25.3 Brief comments on the compliance of PAC directives**

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was 16.7%.

<b>Sr. No</b>	<b>Audit Report</b>	<b>Total Paras discussed</b>	<b>No. of Paras requiring Compliance</b>	<b>Compliance of PAC directives made</b>	<b>Compliance of PAC directives not made</b>	<b>Percentage of Compliance</b>
1	1992-93	0	0	0	0	-
2	1998-99	0	0	0	0	-
3	1999-2000	0	0	0	0	-
4	2001-02*	0	0	0	0	-
5	2004-05*	14	11	2	9	18.2
6	2005-06	0	0	0	0	-
7	2006-07	3	1	0	1	-
8	2007-08	0	0	0	0	-
9	2008-09	5	0	0	0	-
10	2009-10	0	0	0	0	-
<b>Total</b>		<b>22</b>	<b>12</b>	<b>2</b>	<b>10</b>	<b>16.7</b>

Note: Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.



## 25.4 AUDIT PARAS

### 25.4.1 Non-production of record – Rs 3.312 million

Section 14 (2) and (3) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of office of Director General, Mines & Minerals Development, Karachi for the years 2014-15 & 2015-16, it was observed that management did not produce the following auditable record. Due to non-production, the record involving financial impact of Rs 3.312 million remained unaudited.

(Rupees in million)

Sr. #	Particulars	Financial Year	AIR Para #	Amount
1	Expenditure on ADP Scheme “e-government”	2015-16	15	1.907
2	i. Fact finding/inquiry report on corruption reported by Samaa TV & 92 Channels ii. Lease agreements of Mines and Minerals iii. Minutes of meeting of the Standing Committee on Mines and Minerals for leased and cancelled sites	2015-16	31	1.158
3	Sub vouchers of POL and other-miscellaneous items	2014-15	07	0.247
			<b>Total</b>	<b>3.312</b>

The non-production of record was reported to the management in August 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of record besides fixing responsibility on the person(s) at fault.

#### **25.4.2 Irregular award of royalty collection rights – Rs 185.780 million**

As per Condition-3 (v) of Open Auction Notice, the income tax registration certificate was required to be provided.

During audit of office of Director General, Mines & Mineral Development, Karachi for the year 2014-15, it was observed that royalty collection rights amounting to Rs 185.780 million for various districts in Sindh were awarded to the contractors without obtaining FBR registration certificate in violation of above condition of the auction notice, thus the award of royalty collection rights are irregular.

(Rupees in million)

<b>Region / District</b>	<b>Reserved price</b>	<b>Receipts</b>
Karachi	43.680	22.288
Thatta	47.178	41.514
Dadu/ Jamshoro	64.822	57.245
Sukkur	38.622	39.000
Khairpur	24.801	25.091
Qambar	0.621	0.642
<b>Total</b>	<b>219.724</b>	<b>185.780</b>

The matter was reported to the management in September 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

(AIR#20)

#### **25.4.3 Award of sites on lease without competitive bidding – Rs 52.164 million**

As per Para-4 (e) of Sindh Mining Concession Rules 2002, it is one of the ToR of the Mines Committee to invite the competitive bids for the leasing sites.

During audit of office of Director General, Mines & Mineral Development, Karachi for the year 2015-16, it was observed that 819 sites amounting to Rs 52.164 million were allowed for leasing without inviting competitive bids at the rates revised in 2002. Due to non-inviting competitive bidding government was deprived of competitive rates.

The matter was reported to the management in September 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#24)**

#### **25.4.4 Irrational fixation of reserved price of royalties – Rs 37.214 million**

According to Licences, Leases & Permits under Sindh Mining Concession Rules-2002, the core function of Mines & Mineral Development Department is receiving of Rent & Royalty levied on Minerals.

Government of Sindh fixed target of reserved price of royalties for Karachi, Thatta and Dadu/Jamshoro region as under:

(Rupees in million)		
<b>Name of region</b>	<b>Year 2013-14</b>	<b>Year 2014-15</b>
Karachi	Rs 50.700	43.680
Thatta	Rs 62.050	47.177
Dadu/Jamshoro	Rs 80.143	64.822
<b>Total</b>	<b>Rs192.893</b>	<b>155.679</b>

During audit of office of Director General, Mines & Mineral Development, Karachi for the year 2014-15, it was observed that an amount of Rs 37.214 million was fixed less than previous year. During the year 2013-14 auctions were not materialized and the royalties were collected through departmental mechanism and the collections fell down to Rs 119.029 million. The reserved price was fixed to Rs 155.679 million for the year 2014-15 which was Rs 37.213 million less than the previously fixed in 2013-14.

(Rupees in million)

Region	Reserved Price		
	2013-14	2014-15	Difference
Karachi	50.700	43.680	7.020
Thatta	62.050	47.177	14.873
Dadu/Jamshoro	80.143	64.822	15.321
<b>Total</b>	<b>192.893</b>	<b>155.679</b>	<b>37.214</b>

The matter was reported to the department during August 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#05)

#### **25.4.5 Loss due to non-lease of sites – Rs 1.700 million**

According to Para-23 of GFR Volume-I, Every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will be also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that contribution to the loss by his own action or negligence.

During audit of office of Director General, Mines & Mineral Development, Karachi for the year 2015-16, it was observed that 131 sites totaling 24,831 acres were not leased for generating revenue amounting to Rs 1.700 million. The matter was not placed before Mines Committee in order to make publication of the sites in the newspapers for lease.

The matter was reported to the management in August 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

(AIR#12)

#### 25.4.6 Irregular payment from DDO account – Rs 1.417 million

As per Rule-303 of Treasury Rules, “A contingent bill for payment to suppliers etc, which cannot be met from the permanent imprest may be endorsed for payment to the party concerned and the DDOs are suggested that in case of payments to the suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid un-necessary delays and risk involved in the drawal and disbursement of cash”.

During audit of following offices of Mines & Minerals Development Department, Government of Sindh for the year 2015-16, it was observed that an expenditure of Rs 1.417 million was incurred on account of various heads but the payment was made through DDO instead of direct payment to concerned vendors/suppliers through cross cheque.

(Rupees in million)

Sr.#	Name of office	AIR Para #	Amount
1	Secretary, Mines & Minerals Development Department, Karachi	01	0.572
2	Director General, Mines & Mineral Development, Karachi	22	0.845
<b>Total</b>			<b>1.417</b>

The matter was reported to the management in August to September 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

#### 25.4.7 Non-recovery of income tax – Rs 75.899 million

According to Section 153(a) & (b) of the Income Tax ordinance, 2001 and rates amended from time to time that “Income Tax @ 10% from the contractors who have awarded the auction of royalty in Sindh to be obtained at the time of award and

deposited into Government account”. Also as per ToR of the Auction Notice 10% income tax to be deposited at the time of award.

During audit of office of Director General, Mines & Mineral Development, Karachi for the years 2014-15 & 2015-16, it was observed that an amount of Rs 75.899 million was not recovered on account of income tax @ 10% from the contractors who were awarded auction of royalty in Sindh in violation of above rule.

(Rupees in million)

Sr.#	Financial Year	AIR Para #	Amount
1	2015-16	3	34.556
			22.829
2	2014-15	3	18.514
<b>Total</b>			<b>75.899</b>

Non-recovery of income tax was reported to the management in August 2015 to August 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person (s) at fault.

#### **25.4.8 Non-recovery of lease rent – Rs 45.515 million**

As per instructions contained in the Para 5.2.2.1 of Accounting Policies and Procedures Manual (APPM), “All monies received as revenue of the Government, must be banked in the name of the Government without delay and included in the Consolidated Fund of the respective Federal or Provincial Government”.

During audit of office of Director General, Mines & Mineral Development Karachi during the year 2015-16, it was observed that an amount of Rs 45.515 million was not recovered on account of lease rent of sites from lease holders.

The matter was reported to the management in September 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person (s) at fault.

(AIR#11)

#### **25.4.9 Non-recovery of outstanding dues from the contractor – Rs 20.935 million**

As per instructions contained in the Para 5.2.2.1 of Accounting Policies and Procedures Manual (APPM), “All monies received as revenue of the Government, must be banked in the name of the Government without delay and included in the Consolidated Fund of the respective Federal or Provincial Government”.

During audit of office of Director General, Mines & Mineral Department Karachi for the year 2015-16, it was observed that royalty dues amounting to Rs 20.935 million were not recovered from M/s. Rashid Ali Chandio on account of royalty contract of District Karachi (excluding District Malir). Moreover, M/s. Rashid Ali filed petition in the High Court Sindh for which judgment was passed in the favour of department. The NAZIR of High Court was ordered to recover the amount but the management did not made efforts to recover the said amount. Moreover, security deposit of Rs 2.200 million was also not forfeited.

The matter was reported to the management in September 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person (s) at fault.

(AIR#05)

#### **25.4.10 Short-recovery of royalty– Rs 19.446 million**

Government of Sindh fixed target through departmental recovery mechanism for reserved price of royalties for the financial year 2013-14 for Karachi, Thatta and Dadu/Jamshoro region amounting to Rs35.927 million.

During audit of office of Director General, Mines & Mineral Development Karachi for the years 2014-15 and 2015-16, it was observed that an amount of Rs 19.446 million was short recovered on account of reserved price of royalty.

(Rupees in million)

Sr. #	Particulars	Financial Year	AIR Para #	Amount
1	Short recovery of royalties	2014-15	4	12.813
2	Less recovery of royalties	2015-16	2	6.633
<b>Total</b>				<b>19.446</b>

The matter was reported to the management in August 2015 and September 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

#### **25.4.11 Non-deposit of royalty into government account – Rs 2.400 million**

As per instructions contained in the Para 5.2.2.1 of Accounting Policies and Procedures Manual (APPM), “All monies received as revenue of the Government, must be banked in the name of the Government without delay and included in the Consolidated Fund of the respective Federal or Provincial Government”.

During audit of office of Director General, Mines & Mineral Development, Karachi for the year 2015-16, it was observed that royalty amounting to Rs 2.400 million was not deposited into government account as no challan was produced to audit.

The matter was reported to the management in September 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person (s) at fault.

**(AIR#09)**



#### 25.4.12 Non recovery of conveyance allowance & utility charges – Rs 1.458 million

As per Government of Sindh S & GAD Notification No. PA-DS (G)/41133/76 dated: 27-07-1977 and No. SO (INSP) S& GAD VI (3) /79 dated: 20-07-1979, “The conveyance allowance is an allowance paid to employees to enable them to reach the office. The conveyance allowance is not required to be paid to those officers, who have been provided with government transport facilities and / or have gone on vacations”.

During audit of following offices Mines & Minerals Development Department, Government of Sindh, Karachi for the year 2015-16, it was observed that an amount of Rs 1.458 million was paid to the officers/officials on account of conveyance allowance who have availed leave with full pay (LFP) and vehicle facility and utility charges to whom were not admissible.

(Rupees in million)

Sr. #	Name of Office	AIR Para #	Financial Year	Particulars	Amount
1	Secretary, Mines & Mineral	13	2015-16	Conveyance Allowance	0.684
2	Director General, Mines & Mineral	17	2015-16	Conveyance Allowance	0.658
		23	2015-16	Utility charges	0.116
<b>Total</b>					<b>1.458</b>

The matter was reported to the management during August to September 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person (s) at fault.

## CHAPTER – 26

### MINORITIES AFFAIRS DEPARTMENT

#### 26.1 Introduction

The major functions of the department are:

- To safeguard the rights of minorities,
- To promote welfare of minorities,
- To hold meetings of the Provincial/District Minorities Committee,
- Coordination with the Federal Government on matters relating to welfare of minorities,
- All other matter relating to minorities.

#### 26.2 Comments on the Budget and Accounts (Variance Analysis)

The department consists of only 02 formations (DDOs), out of which 02 formations were selected and audited during the Audit Year 2016-17. The accounts for the financial year 2015-16 were audited on test check basis. Following is the position of budget and expenditure of the department:

(Rupees in million)

Original Budget/ Grant	Supplementary Grant	Re-appro: (+) (-)	Revised Budget 2014-15	Departmental Expenditure	Variation (Excess)/ Savings
158.278	-	(36.993)	121.285	115.924	5.361

The department was unable to utilize the funds as per allocated budget. As a result, saving of Rs 5.361 million was observed.

#### 26.3 Brief comments on the compliance of PAC directives

This department was not included in the audit reports (1992-93 to 2009-10) discussed by the PAC.

## 26.4 AUDIT PARAS

### 26.4.1 Non-production of record – Rs 640.302 million

Section 14 (2) and (3) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of following offices of Minorities Affairs Department, Government of Sindh for the years 2014-15 & 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 640.302 million remained unaudited.

(Rupees in million)					
Sr. #	Name of office	Particulars	Financial Year	AIR Para #	Amount
1	Director, Minorities Affairs, Hyderabad	Complete record of development scheme “Consolidation/Rehabilitation of Sadhu Beela Sukkur” including departmental inquiry report on the irregularities	2014-15	01 & 02	458.507
		Payment of Dowery ( <i>Jahaiz</i> ) from the grant-in aid	2015-16	15	3.700
		Scholarships from the grant-in aid		20	1.225
2	Secretary, Minorities Affairs Department, Karachi	Cash book and reconciliation statement	2015-16	20	176.870
				<b>Total</b>	<b>640.302</b>

Non-production of record was reported to the management in December 2015 and October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of relevant record besides fixing responsibility on the person(s) at fault.

#### **26.4.2 Expenditure from Grant-in-Aid without criteria – Rs 148.347 million**

As per Rule-23 of General Financial Rules, Volume-I, every Government officer should realized fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

During audit of office of the Director, Minorities Affairs, Hyderabad for the years 2014-15 and 2015-16, it was observed that an expenditure of Rs 148.347 million was incurred from the grant on following head of accounts. There were no fixed criteria for extending such aid to the people belonging to minorities and was totally left at the discretion of the Minister(s) to make expense from grant which is unjustified. Moreover, the basic documents in support of selection of persons for financial aid were not produced to audit.

(Amount in Rupees)

<b>Sr. #</b>	<b>Head of account</b>	<b>Financial Year</b>	<b>AIR Para #</b>	<b>Expenditure</b>
1	Financial Assistance	2014-15	02	20,775,000
2	Medical Treatment			28,328,209
3	Scholarship			9,665,000
4	Marriage/Jahez			17,000,000
5	Financial Assistance	2015-16	03	31,780,000
6	Medical Treatment			18,953,475
7	Scholarship			8,995,000
8	Marriage / Jahez			12,850,000
<b>Total</b>				<b>148,346,684</b>

The matter was reported to the management in December 2015 and November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on person(s) at fault.

#### **26.4.3 Irregular withdrawal of grant – Rs 35.000 million**

As per Rule-290 of Central Treasury Rules Volume-I, states that “No money shall be drawn from Government Treasury until and unless it is required for immediate disbursement or need. It is not permissible to draw money from the treasury in anticipation of demands or to prevent lapse of budget grant.”

During audit of office of the Director, Minorities Affairs, Hyderabad for the year 2014-15, it was observed that the competent authority allocated budget of Rs 35.000 million on account of grant-in-aid. The management withdrew entire allocation in June 2015 vide cheque # 2134129 & 2134130 dated 30 June 2015 to avoid lapse of funds. Moreover, adjustment account was not produced to audit.

The matter was reported to the management in December 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#03)**

#### **26.4.4 Collusive tendering by the bidder – Rs 9.025 million**

As per Rule-4 of Sindh Public Procurement Rules, 2010, while procuring goods, works or services, procuring agencies shall ensure that procurements are conducted in a fair and transparent manner and the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of office of the Director, Minorities Affairs, Hyderabad for the year 2015-16, it was observed that following work worth Rs 9.025 million was awarded. Three firms participated and it was evident from pay orders of call deposit which were in continued serial numbers issued from the same bank and on same date. Audit was of the view that managements could not monitor the illegal activity of collusive tendering.

(Rupees in million)

Name of work	Contractor	Pay order No. & Date	S.D. Amount	Offered Bid Value
Const:/Rehb; of hindu community relegious places in sakrand town at hindumassansakrand town Phase-II dist: Shaheed Benazirabad, Work order # 120 dt: 11-04-2014	M/s Mohd Aslam Khan Pathan	CDR No.00252625 Dt:25-01-2014. (Meezan bank Nawabshah)	0.162	9.100
	M/s Mir Noor din Talpur	CDR No.00252626 Dt:25-01-2014. (Meezan bank Nawabshah)	0.162	9.178
	M/S Abdul Malik Noonari	CDR No.00252627 Dt:25-01-2014. (Meezan bank Nawabshah)	0.162	9.025

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry for fixing of responsibility on the person(s) at fault besides taking remedial measures.

(AIR#07)

#### 26.4.5 Non-imposition of penalty for delayed works – Rs 4.169 million

According to clause-2 of the Contract Agreement, “the quantity of the work is to be done within particular time as specified within the proportionate limit of time, in the event of contractor failing to comply with this condition he shall be liable to pay as compensation an amount equal one per cent, or such smallest amount as the Superintending Engineer (whose decision in writing shall be final) may decide of the said estimated cost of the whole work for every day that the due quantity of work

remains incomplete. Provided that the total amount of compensation to be paid under the provisions of this clause shall not exceed 10 per cent of the estimated cost of the work as shown in the tender”.

During audit of office of the Director, Minorities Affairs, Hyderabad for the year 2014-15, it was observed that the works awarded to various contractors were not completed within stipulated date. The penalty of Rs 4.169 million @ 10% of contract value require to be imposed upon the contractors was not levied by the management. Detail are as follows:

(Rupees in million)

Sr. #	Name of work	Total value of work done	Stipulated date of completion	Penalty 10%
1	R/M of Shiv Mandir Sari UC Sari Thana Bula Khan – Kohistan Enterprises 5th RA Bill	4.932	26-4-14	0.493
2	Const. of Bhandara Hall & Rooms at Shankar Anand temple Shikarpur – M/s Fateh & Co. 4th & Final Bill	10.216	2-4-15	1.021
3	R/Renov. Of Shiv Mandir City Dadu by M/s Ahsan Ahmed Soomro – 3rd RA Bill	1.982	26-4-14	0.198
4	Const. of panchaitiduar& rooms at ZindaPir Adjacent Indus River, Sukkur by M/s Srichand S. Thandhani – 3rd RA Bill vide Cheque # 2045660 dt. 17-6-15	4.114	26-4-14	0.411
5	R/Renov. of Shiv Shankar Mandir at Jhampir Thatta by M/s Nisar Ahmed kalwar – 4th RA Bill	5.279	26-4-14	0.527
5	R/Restor. of Historical Mandir at oderolal by M/s Nisar Ahmed kalwar – 4th RA Bill	10.202	28-4-14	1.020
6	R/ Renov. Of Mata Mandir Sari Thana Bula Khan by Yaseen Kalwar – 2nd RA Bill	4.998	26-4-14	0.499
<b>Total</b>				<b>4.169</b>

The matter was reported to the management in December 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on person(s) at fault.  
(AIR #05)

#### **26.4.6 Non-inviting tender in violation of SPPR 2010 – Rs 6.655 million**

As per Rule 17(1) of SPPR 2010, procurements over one hundred thousand rupees and up to one million rupees shall be advertised by timely notifications on the Authority's website and may in print media in the manner and format prescribed in these rules.

During audit of office of the Director, Minorities Affairs, Hyderabad for the years 2014-15 and 2015-16, it was observed that an expenditure of Rs 6.655 million was incurred on execution of non-scheduled works. However, tenders were not invited in violation of rules. The details are given at **Annex-1** of Chapter-26.

The matter was reported to the management in December 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides fixing taking remedial measures.

#### **26.4.7 Non-recovery of taxes – Rs 17.323 million**

As per Section-153 (1) of Income Tax Ordinance, 2001 "It is the duty of paying authority to deduct income tax from the suppliers / contractors at source and deposit the same into bank/treasury".

As per Section 3(1A) of the Sales Tax Act, 1990 "There shall be charged, levied and paid a tax known as sales tax at the rate of 16 percent of the value of taxable supplies made or rendering of services by a registered person in the course a furtherance of any taxable activity carried on by him". Further Section 3(1A) ibid "Taxable supplies are made by a person other than a registered person there shall be



charged, levied and paid a further tax at the rate of 3 percent of the value in addition to the rate specified in Section 3(1).

During audit of office of the Director, Minorities Affairs, Hyderabad for the year 2014-15, it was observed that an expenditure of Rs 199.768 million was incurred on execution of repair & maintenance works from Grant-in-Aid and development works but income tax of Rs 14.982 million was not recovered. Furthermore, payment of Rs 12.322 million was made to the contractor on account of supplies items without obtaining the sales tax invoice-cum-return challan. Also, sales tax at source at the rate of 19 percent amounting to Rs 2.341 million was not deducted from unregistered persons.

(Rupees in million)

Sr. #	Head of account	Financial Year	AIR Para #	Expenditure incurred	I. Tax, GST 7.5%, 19%
1	Repair / Maintenance works from grant in aid	2014-15	02	36.043	2.703
2	Development expenditure			163.724	12.279
3	Other/supplies item	2015-16	17	12.322	2.341
<b>Total</b>				<b>212.089</b>	<b>17.323</b>

The matter was reported to the management in December 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) fault.

**(AIR#02)**

## **CHAPTER - 27**

### **ORGANS OF STATE**

#### **27.1 Introduction**

This is a consortium of Governor House Secretariat, Provincial Assembly and Provincial Ombudsman Department. Each one among these is separate public entity performing its own functions as defined in Sindh Rules of Business, 1986. Typically organs of state include following departments/wings (Excluding Law Department);

1. Governor House/Secretariat including Military Secretary Wing.
2. Provincial Assembly of Sindh.
3. Provincial Ombudsman.

Each department as mentioned above is allocated with separate budget and most of the activities of the departments are related to general administration and monitoring on the part of the government.

#### **27.2 Comments on the Budget and Accounts (Variance Analysis)**

The department consists of 05 formations (DDOs), out of which 04 formations were selected and audited during the Audit Year 2016-17. The accounts for the financial year 2015-16 were audited on test check basis. Following is the position of budget and expenditure of the department:

(Rupees in million)

<b>Original Budget/Grant</b>	<b>Supplementary Grant</b>	<b>Re-appro: (+) (-)</b>	<b>Revised Budget 2014-15</b>	<b>Departmental Expenditure</b>	<b>Variation (Excess)/Savings</b>
1,942.636	162.536	(100.010)	2,005.162	1,913.703	91.458

The department could not utilize the funds as per allocated budget, as a result savings of Rs 91.458 million were observed.

#### **27.3 Brief comments on the compliance of PAC directives**

This department was not included in the audit reports (1992-93 to 2009-10) discussed by the PAC.

## **27.4 AUDIT PARAS**

### **Provincial Assembly**

#### **27.4.1 Unauthorized expenditure without approval of ECNEC - Rs 5,566.320 million**

As per Guidelines/Regulations for procurement of works, PC-I/PC-II of schemes/projects prepared by the administrative department is required to be placed before the ECNEC for approval/clearance in case cost of scheme is above Rs 1.000 billion.

During audit of office of the Project Director, Provincial Assembly of Sindh, Karachi for the year 2015-16, it was observed that an expenditure of Rs 5,566.320 million was incurred on the construction of Sindh Parliamentarians Residence, Karachi without approval from the competent forum.

The matter was reported to the management during August 2016. The DAC meeting was held on 5<sup>th</sup> January 2017. The management replied that the scheme was fully funded by Government of Sindh and approved by the competent authority, i.e., PDWP and no need for approval from ECNEC was required. Audit was of the view that approval from the ECNEC was mandatory as the scheme exceeded Rs 1.000 billion. The DAC directed the management to provide the relevant rules/guidelines, if any, in support of their arguments for verification. However, the progress was awaited till finalization of this report

Audit recommends compliance with DAC directives.

**(AIR#19)**

#### **27.4.2 Irregular acquisition of land and building - Rs 174.135 million**

As per Rule 110 (iii) of Sindh Financial Rules, Volume-I, (Land Acquired by Negotiation), the officer who settles the price should draw up Form-A in Appendix 5 prescribed for use in the case of an award and this should be made the basis of the subsequent payment.

During audit of office of the Project Director, Provincial Assembly of Sindh, Karachi for the year 2015-16, it was observed that an amount of Rs 174.135 million was transferred to Deputy Commissioner (South) Karachi/Land Acquisition Officer for disbursement of the same to land owners from whom properties were purchased for construction of multi-level car parking. Following irregularities were noticed:

- i. Assessment of rates of the properties was not available.
- ii. The record of transfer of property and payment details to land owners by land acquisition officers was not available on the record.
- iii. The revenue record of the properties was not available.
- iv. The acknowledgment of payment to land owners was not produced to audit.

(Rupees in million)

C.V No.	Cheque#/Dt.	Name of work	Paid to	Amount
03	162554/05-05-2016	Construction of multi-level car parking	DC (South) Karachi	50.000
08	162559/31-05-16			124.135
			<b>Total</b>	<b>174.135</b>

The matter was reported to the management in August 2016. The DAC meeting was held on 5th January 2017. The management clarified that all requisite documents are available. The DAC directed the management to produce the record for verification. However, the progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

**(AIR#07)**

### **27.4.3 Irregular expenditure by splitting up to avoid tender – Rs 9.828 million**

As per Rule 12(1) of SPPR 2010, Save as otherwise provided and subject to the regulations made by the Authority, a procuring agency shall prepare, all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements already grouped, allocated and scheduled in the Procurement Plan.

During audit of office of the Secretary, Provincial Assembly of Sindh, Karachi for the year 2015-16, it was observed that an amount of Rs 9.828 million was incurred on account of repair of work by splitting up of work orders to avoid obtaining sanction from competent authority. Following observations were noted:

- i. Work orders were split up to avoid invitation of open tender.
- ii. Old spare parts register was not maintained.
- iii. Requisitions were not available.
- iv. Work satisfactory completion report was also not available.

(Rupees in million)

Sr. #	Particulars	AIR Para #	Amount
1	Cost of other store	17	4.240
2	Repair of transport	11	3.649
3	Repair of furniture	13	1.939
<b>Total</b>			<b>9.828</b>

The matter was reported to the management in October 2016. The DAC meeting was held on 5th January 2017. Audit could not be satisfied with the replies of the management at Sr. No. 1, 2 &3. DAC directed the management to provide the revised replies of the same. However, the progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

#### **27.4.4 Irregular payments through DDO – Rs 8.025 million**

As per Rule-303 of Treasury Rules, “A contingent bill for payment to suppliers etc, which cannot be met from the permanent imprest may be endorsed for payment to the party concerned and the DDOs are suggested that in case of payments to the suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid un-necessary delays and risk involved in the drawal and disbursement of cash”.

During audit of office of the Secretary, Provincial Assembly of Sindh, Karachi for the year 2015-16, it was observed that an expenditure of Rs 8.025 million was incurred on account of various heads but the payment was made through DDO instead of direct payment to vendors/suppliers.

The matter was reported to the management in October 2016. The DAC meeting was held on 5th January 2017. Audit was not be satisfied with the reply of the management given in the working paper. DAC directed the management to provide the revised reply. However, the progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

**(AIR#7)**

#### **27.4.5 Unjustified expenditure for preparation of PC-I - Rs 2.633 million**

As per Rule 23 of General Financial Rules, every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud and negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other government officer to the extent to which it needs to be shown that he contributed to the loss by his own action or negligence.

During audit of office of the Project Director, Provincial Assembly of Sindh, Karachi, for the year 2015-16, it was observed that an expenditure of Rs 2.633 million was made for the preparation of PC-I through hiring consultant. The expenditure seemed unjustified as the PC-I is normally prepared departmentally. Moreover, complete record of the expenditure including selection of the consultant was not made available to audit.

The matter was reported to the management during August 2016. The DAC meeting was held on 5th January 2017. Audit was not satisfied with the reply of the management. The DAC directed the management to provide revised reply. However, the progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

**(AIR#12)**

#### **27.4.6 Short/non-deduction of income and sales tax - Rs 1.439 million**

According to Sub rule 3 of rule 3 of Sales Tax special procedure (withholding) Rules, 2011 issued vide notification No. SRB 3-4/1/2011, dated 24th August 2011, withholding Agent, shall on receipt of taxable Services from unregistered Person, deduct Sales tax at the applicable rate of the value of taxable services.

As per Section 153 (1) of Income Tax Ordinance 2001, every prescribed person making a payment in full or part shall, at the time of making the payment, deduct tax from the gross amount payable at the rate specified.

During audit of office of the Secretary, Provincial Assembly of Sindh, Karachi for the year 2015-16, it was observed that an amount of Rs 1.439 million on account of income and sales tax was short/not deducted at source. Details are as follows:

(Rupees in million)

Sr. #	Particulars	Name of Contractor /vendor	AIR Para #	Payment	Irregularity	Amount
1	Repair of transport, machinery, furniture and maintenance of gardens	M/s. Modern Traders	20	59.942	2% income tax short deducted	1.199
2	Payment of law charges	M/s Mumtaz & Associates	6	4.000	6% sales tax not deducted	0.240
<b>Total</b>						<b>1.439</b>

The matter was reported to the management in October 2016. The DAC meeting was held on 5th January 2017. The management clarified that sales tax on payment of law charges is under stay order with Honorable Court. The DAC directed to produce the record for verification. The management also clarified that expenditure pertaining to maintenance of garden does not come under the definition service but it was supply. Audit agreed with the contention of the management; however, audit was not satisfied with the contention management regarding applicable rates of income tax deduction on services of the repair of transport, machinery & equipment and furniture/fixture. The DAC directed the management to ensure recovery from the service providers. However, the progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

### **Provincial Ombudsman (Mohtasib) Sindh**

#### **27.4.7 Recruitment without advertisement in newspapers**

The Services, General Administration and Coordination Department, Government of Sindh, Karachi notification No. SOV (S& GAD) X-15/90-98 dated 12-02-2008 states: "Advertisement should be given for all vacant posts".

During audit of the office of the Provincial Ombudsman (Mohtasib) Sindh, Karachi for the year 2015-16, it was observed that 36 officers and staff were appointed on contract basis without advertisement in violation of above instructions.

The matter was reported to the management in November 2016. The DAC meeting was held on 12 January 2017. The management clarified that these posts were not vacant. The posts in the office of the ombudsman of different cadre are created on

need basis to meet the exigencies. They added that under Section-20 of the Establishment of the office of Ombudsman for the Province of Sindh Act. 2012, the Ombudsman appoints different officials of competence to facilitate the delivery of justice. They further added that the observation regarding procedure of the appointments is correct to the extent of sanctioned and permanent post. However, it was agreed by the management that the filling of posts for longer period should have been in line with the rules.

Audit pointed out that some officers were appointed in Regional Directorate and consultant which are of permanent nature and are filled on contract basis which required to be advertised. Audit added that all posts which were sanctioned through SNE may also be filled through advertisement. DAC directed the management to take corrective measures to ensure compliance with the Government instructions.

Audit recommends compliance with DAC directives.

**(AIR #10)**

### **Provincial Ombudsman, Protection against Harassment of Women**

#### **27.4.8 Non-production of record – Rs 66.096 million**

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of office of the Provincial Ombudsman, Protection against Harassment of Women, Karachi for the years 2012-13 to 2015-16, the management did not produce the auditable record. Due to non-production, the following record involving financial impact of Rs 66.096 million remained unaudited.



(Rupees in million)

Sr.#	Particulars	AIR Para#	Amount
1	Record of salary	02	60.705
2	Record for purchase of transport	06	5.391
<b>Total</b>			<b>66.096</b>

Non-production of record was pointed out to the management in October 2016. The DAC meeting was held on 19 January 2017. The management clarified that record is available and will be produced to audit. The DAC directed the management to produce the record for audit. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

#### **27.4.9 Un-authorized appointment of staff without sanctioned strength – Rs 16.320 million**

As per Para 40-B Appendix 18-A (1) SFR volume-I, “Means should be advised to ensure that every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will be also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or culpable negligence”.

During audit of the office of the Provincial Ombudsman, Protection against Harassment of Women, Karachi for the years 2012-13 to 2015-16, it was observed that an expenditure of Rs 16.320 million was incurred on account of payment of salary to various officers and officials on contract basis without sanctioned posts.

(Rupees in million)

Sr. #	Name of Officer & designation	Salary/ Mont	Period 12 months x 4 years	Amount
1	Ms. UzmaAlkarim, Advisor Special	0.130	0.130 X 60 months	6.240
2	Mr. Abdullah Shah	0.110	0.110 X 60 months	5.280
3	Ms. Mona Tufail, Media Coordinator	0.050	0.050 X 60 months	2.400
4	Mr. Mansoor Ahmed Memon, Divisional Head	0.050	0.050 X 60 months	2.400
<b>Total</b>				<b>16.320</b>

Unauthorized appointment of staff was pointed out to the management in October 2016. The DAC meeting was held on 19 January 2017. The management clarified that record is available and will be produced to audit. They also informed the DAC that the posts were filled in the light of approved summary by the Chief Minister, Sindh and all required formalities for selections were observed at the time of appointments. The DAC directed the management to produce the record for audit. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

(AIR#01)

#### **27.4.10 Irregular expenditure on account of conference/seminars – Rs 3.872 million**

As per Rule-88 of Sindh Financial Rules Volume-I, every government 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.

During audit of the office of the Provincial Ombudsman, Protection against Harassment of Women, Karachi for the years 2012-13 to 2015-16, it was observed that an expenditure of Rs 3.872 million was incurred on account of conference/seminars. Following irregularities were noticed:

- i. Schedule, invitation letter to guests and media personnel and office order regarding conference/seminar etc. was not available.
- ii. Photos/videos of seminar and list of officer/officials deputed for conference/seminars were not available.
- iii. Progress reports regarding common men awareness about protection against women harassment before and after such seminars were not available.
- iv. Quotations were not obtained from hotels to achieve most economic rates.

Irregular expenditure on account of conference/seminars was pointed out to the management in October 2016. The DAC meeting was held on 19 January 2017. The management clarified that record was available and will be produced to audit. The DAC asked the management to produce the record for audit. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

**(AIR#18)**

#### **27.4.11 Irregular appointment of staff– Rs 3.227 million**

As per Rule-88 of Sindh Financial Rules Volume-I, every government 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.

During audit of the office of the Provincial Ombudsman, Protection against Harassment of Women, Karachi for the years 2012-13 to 2015-16, it was observed that an expenditure of Rs 3.227 million was incurred on account of salaries paid to various contractual and regular staff. Following irregularities were noticed:

- i. Appointment procedure viz., advertisement, selection committee's recommendations, qualification documents, terms conditions, experience in relevant field was not available
- ii. Payment of salaries to contractual staff was paid from "others for services rendered" head of account of contingency, whereas expenditure pertains to establishment head of account.
- iii. Payments were made without approval of competent authority i.e, Finance Department.

Irregular appointment of staff was pointed out to the management in October 2016. The DAC meeting was held on 19 January 2017. The management clarified that appointment were made after obtaining approval from competent authority and fulfilment of all required formalities. They added that the record pertaining to the appointments is available for audit. They also added that salaries to contractual staff were paid from head, "others for service rendered" on the authority of Finance Department. The DAC directed the management to produce the record for audit. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

**(AIR#03)**

#### **27.4.12 Irregular payments through DDO – Rs 3.001 million**

As per Rule 303 of Central Treasury Rules, “Contingent bill for payment to Suppliers etc., which cannot be met from the permanent imprest, may be endorsed for payment to the party concerned and the DDOs are suggested that in case of payments to the Suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid un-necessary delays and risk involved in the drawal and disbursement of cash.”

During audit of the office of the Provincial Ombudsman, Protection against Harassment of Women, Karachi for the years 2012-13 to 2015-16, it was observed that an expenditure of Rs 3.001 million was incurred on account of various heads but payment was made through DDO instead of concerned vendors/suppliers.

The matter was pointed out to the management in October 2016. The DAC meeting was held on 19 January 2017. The management clarified that most of the payment were made to the vendors through crossed cheques and rest of the payments were related to the petty expenditure. They added that the observation of the audit has been noted for compliance in future.

The DAC directed the management to produce evidence of the payment to the beneficiaries for verification by audit. Moreover, the DAC also directed the management to review the existing procedure of payments through DDO and take remedial measures to ensure payments direct to the beneficiaries. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

**(AIR#09)**

## **CHAPTER –28**

### **PLANNING AND DEVELOPMENT DEPARTMENT**

#### **28.1 Introduction**

The Planning and Development Department, Government of Sindh is the principal planning organization at the provincial level. It coordinates and monitors development programs and activities of various departments of the provincial government.

The mandate of the planning & development department includes provision of technical support and coordination to various Government departments in their planning activities. The Planning & Development Department is also the main government agency working with foreign donors in the province.

The main objectives of the Planning and Development Department are:

- Assessment of the material and human resources of the province,
- Formulation of long and short term plans,
- Recommendations concerning prevailing economic conditions, economic policies or measures,
- Examination of such economic problems as may be referred to it for advice,
- Coordination of all economic activities in the provincial government.

#### **28.2 Comments on the Budget and Accounts (Variance Analysis)**

The department consists of 39 formations (DDOs), out of which 02 formations were selected and audited during the Audit Year 2016-17. The accounts for the financial year 2015-16 were audited on test check basis. Following is the position of budget and expenditure of the department:

(Rupees in million)

<b>Original Budget/ Grant</b>	<b>Supplementary Grant</b>	<b>Re-appro: (+) (-)</b>	<b>Revised Budget 2014-15</b>	<b>Departmental Expenditure</b>	<b>Variation (Excess)/ Savings</b>
1,744.878	-	(130.338)	1,614.540	568.072	1,046.468

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 1,046.468 million was observed which was not surrendered in time.

### 28.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was Nil.

Sr. No	Audit Report	Total Paras discussed	No. of Paras requiring Compliance	Compliance of PAC directives made	Compliance of PAC directives not made	Percentage of Compliance
1	1992-93	0	0	0	0	-
2	1998-99	5	1	0	1	-
3	1999-2000	17	8	0	8	-
4	2001-02*	19	10	0	10	-
5	2004-05*	0	0	0	0	-
6	2005-06	3	0	0	0	-
7	2006-07	0	0	0	0	-
8	2007-08	0	0	0	0	-
9	2008-09	0	0	0	0	-
10	2009-10	0	0	0	0	-
<b>Total</b>		<b>44</b>	<b>19</b>	<b>0</b>	<b>19</b>	-

Note: Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

## 28.4 AUDIT PARAS

### 28.4.1 Non-production of record – Rs 442.178 million

Section 14 (2) and (3) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of various offices of Planning & Development Department, Government of Sindh for the years 2014-15 and 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 442.178 million remained unaudited.

(Rupees in million)

Sr. #	Name of office	Particulars	Financial Year	AIR Para #	Amount
1	Project Director, Municipal Services Delivery Programme, Karachi	Registration certificate of SRB	2014-15	4.3.1	339.135
2	Project Director Sindh Growth Rural & Revitalization Program	SRSO on Union Council based Poverty Reduction Programme Distt. Kashmore & Shikarpur	2014-15 to 2015-16	02	81.818
3	Project Director Sindh Growth Rural & Revitalization Program	Non-availability of Utilization of bank profit	2013-14	27	21.225
4	Secretary, Planning & Development Department Karachi	Cash book of Cost centre (4163) Record of Library	2015-16	18	0
<b>Total</b>					<b>442.178</b>

Non-production of record was reported to the management during October 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of record besides fixing responsibility on the person(s) at fault.

#### **28.4.2 Non-utilization / retention of Third Party Monitoring funds – Rs 274.332 million**

According to Para 40-B Appendix 18-A (1) SFR volume-I “Means should be advised to ensure that every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will be also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or culpable negligence”.

During audit of office of the Director General, Monitoring & Evaluation Cell, Karachi for the year 2015-16, it was observed that an amount of Rs 274.332 million was collected on account of Third Party Monitoring charges from ADP Schemes during 2008-09 to 2015-16 but the same were neither utilized nor surrendered at the end of financial year.

The matter was reported to the management during October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

**(AIR#19&20)**

#### **28.4.3 Non-submission of adjustment account for post audit – Rs 83.629 million**

As per revised procedure 2008 for operation of assignment accounts, the policy (4) states that “the drawing authorities will submit monthly accounts of expenditure



with copies of paid vouchers to the concerned AG/DAO for post audit purpose by 15th of each month who will carry out 100% post audit”.

During audit of office of the Programme Coordinator, Sindh Growth Rural Revitalization Programme Karachi, for the years 2014-15 to 2015-16, it was observed that payment of Rs 83.629 million (as detailed below) was made to NGOs Sindh Rural Support Organization (SRSO) and Thardeep Rural Development Program (TRDP) for Union Council Based Poverty Reduction Programme (UCBPRP) from assignment account. However, the evidence for post audit of the expenditure by AG Sindh was not produced to audit.

(Rupees in million)

Sr.#	Cheque# & date	Name of Payee	Amount
1	144628/22.04.201	Thardeep Rural Development Program	30.601
2	144629/22.04.2015	Sindh Rural Support Organization	11,214
3	151925/05.06.2015	Thardeep Rural Development Program	30,600
4	151926/05.06.2015	Sindh Rural Support Organization	11.214
<b>Total</b>			<b>83.629</b>

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

**(AIR#01)**

#### **28.4.4 Non-monitoring of disbursed revolving funds – Rs 82.794 million**

According to Rule-88 of Sindh Financial Rules, Volume-I, “Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as person of ordinary prudence would exercise in respect of expenditure of his own money”.

During audit of office of the Programme Coordinator, Sindh Growth & Rural Revitalization Programme, (Cost Centre KR-9346) Planning & Development

Department, Government of Sindh, Karachi for the years 2008-09 to 2013-14, it was observed that an amount of Rs 82.794 million was disbursed as Community Investment Fund to the Community Organizations (COs) through Village Organizations (VOs). The funds were disbursed on revolving basis for productive and income generating activities. Following irregularities were noticed:

- i. The VOs were charging interest varying from 8% to 12% on the funds given to different villagers, the provision was not given in the contract.
- ii. According to the contract, the fund was to be monitored and its utilization report was to be submitted to the Government. No such monitoring/utilization report was available for review.

(Rupees in million)

<b>Financial Year</b>	<b>Expenditure</b>
2011-12	1.728
2012-13	19.018
2013-14	62.048
<b>Total</b>	<b>82.794</b>

The matter was reported to the management during October 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

**(AIR#26)**

#### **28.4.5 Unjustified expenditure on Village Improvement – Rs 52.152 million**

According to Appendix 18-A of Sindh Financial Rules, Volume-I, “every officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part and that he will also be held responsible for any loss arising from fraud and negligence on the part of any other government office to the extent to which it may be shown that he contributed to the loss by his own actions or negligence”.

During audit of office of the Programme Coordinator, Sindh Growth & Rural Revitalization Programme, (Cost Centre KR-9346) Planning & Development Department, Government of Sindh, Karachi for the years 2008-09 to 2013-14, it was observed that an expenditure of Rs 52.152 million was incurred on village improvement and low cost housing schemes at the close of the financial year (June 2014). Following irregularities were noticed:

- i. 100% amount in 1<sup>st</sup> installment was released instead of 20% on the ground of different reasons, i.e., monsoon and closure of the program/ project.
- ii. The Engineer without signature certified for measurement of work done

(Rupees in million)

<b>Particular</b>	<b>Expenditure in June 2014</b>
Community Physical Infrastructure	20.222
Low Cost Housing Scheme	31.930
<b>Total</b>	<b>52.152</b>

The matter was reported to the management during October 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

**(AIR#30)**

#### **28.4.6 Irregular payment of honorarium – Rs 15.000 million**

As per Fundamental Rules 46-48, there shall be sound justification for allowing the honorarium and that the amount should not exceed one months' pay of the government servant. The temporary increase in the work of government servant is not a valid justification for grant of honorarium. Performance of regular duties of government servants, as per general principle, does not entitle for a claim to extra remuneration.

During audit of following offices of Planning & Development Department, Government of Sindh, Karachi for the year 2015-16, it was observed that an amount of Rs 15.000 million was paid to officers and officials on account of honorarium.

(Rupees in million)

Sr. #	Name of office	Particulars	Financial Year	AIR Para #	Amount
1	Secretary Planning & Development Karachi	honorarium to various officers and officials	2015-16	10	10.027
2	Project Director Sindh Growth Rural & Revitalization Program	honorarium to various officers and officials/ Ex. Officers	2015-16	9&13	4.973
				<b>Total</b>	<b>15.000</b>

Following irregularities were noticed:

- i. Office orders regarding allocation of work performed was not available
- ii. Record of justification for extra work/occasional work was not produced to audit.
- iii. Office order showing the honorarium agreed upon was not available
- iv. Two and three basic pays were given against of the admissible one basic pay
- v. The Chairman was paid honorarium twice in the same month

The matter was reported to the management during November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

#### **28.4.7 Non-inviting tender in violation of SPPR 2010 – Rs 12.760 million**

As per Rule 17(1) of SPPR 2010, procurements over one hundred thousand rupees and up to one million rupees shall be advertised by timely notifications on the Authority's website and may in print media in the manner and format prescribed in these rules.

During audit of following offices of Planning & Development Department, Government of Sindh, Karachi for the years 2014-15 and 2015-16, it was observed that an expenditure of Rs 12.760 million was incurred on various works and awarded to various contractors for purchase, repair, civil & installation work without inviting open tender.

(Rupees in million)

Sr. #	Name of office	Particulars	Financial Year	AIR Para #	Amount
1	Sindh Cities Improvement Program	Various repair and installation works	2014-15	4.3.1	6.098
3	Director General Monitoring & Evaluation Cell, Karachi	Local area network charges for internet connectivity repair and maintenance charges of building, vehicles tracking system and other rendered services from others	2015-16	1,2,3,9	6.662
<b>Total</b>					<b>12.760</b>

The matter was reported to the management during October 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

#### **28.4.8 Irregular expenditure by splitting up – Rs 4.994 million**

As per Rule 12(1) of SPPR 2010, Save as otherwise provided and subject to the regulations made by the Authority, a procuring agency shall prepare, all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements already grouped, allocated and scheduled in the Procurement Plan.

During audit of following offices of Planning & Development Department, Government of Sindh for the years 2008-09 to 2015-16, it was observed that an expenditure of Rs 4.994 million was incurred on supply of various items by splitting up the sanction orders to avoid open tenders.

(Rupees in million)

Sr. #	Name of office	Particulars	Financial Year	AIR Para #	Amount
1	Secretary Planning & Development Karachi	Repair, stationery and others	2015-16	03	4.261
2	Provincial Coordinator Sindh Growth & Rural Revitalization Program Karachi	Purchase of Hardware	2014- 15 to 2015-16	15	0.540
3	Provincial Coordinator Sindh Growth & Rural Revitalization Program Karachi	Computer Stationery	2008-09 to 2013-14	04	0.193
<b>Total</b>					<b>4.994</b>

The matter was reported to the management in October 2015 and November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

#### **28.4.9 Irregular payment through DDO– Rs 4.915 million**

As per Rule-303 of Central Treasury Rules, “A contingent bill for payment to suppliers etc which cannot be met from the permanent imprest may be endorsed for payment to the party concerned and the DDOs are suggested that in case of payments to the suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid un-necessary delays and risk involved in the drawal and disbursement of cash.”

During audit of following offices of Planning & Development Department, Government of Sindh, Karachi for the years 2008-09 to 2015-16, it was observed that an expenditure of Rs 4.915 million was incurred under various heads of accounts but the payment was made through DDO account instead of direct payment to vendors.

(Rupees in million)

Sr. #	Name of office	Particulars	Financial Year	AIR Para #	Amount
1	Secretary, Planning & Development Department, Karachi	Cheques were deposited into DDO account instead of concerned payees	2015-16	1&2	3.038
2	Director General, Monitoring & Evaluation Cell, Karachi	Cheques were deposited into DDO account instead of concerned payees	2015-16	04	1.877
3	Program coordinator , Sindh Growth & Rural Revitalization Program, Karachi	Cheques were deposited into DDO account instead of concerned payees	2008-09 to 2013-14	28	0
<b>Total</b>					<b>4.915</b>

The matter was reported to the management in October 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

#### **28.4.10 Expenditure on salary in excess of sanctioned strength – Rs 1.627 million**

According to Para 11 of the GFR, Volume-I, “Each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.”

During audit of office of the Secretary, Planning & Development Department, Government of Sindh, Karachi for the year 2015-16, it was observed that an expenditure of Rs 1.627 million was incurred on account of pay & allowances to private secretaries which was in excess of sanctioned strength.

(Rupees in million)

Sr.#	Designation	No of sanctioned posts	Working strength	Amount
1	Private Secretaries	6	8	<b>1.627</b>

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

**(AIR#07)**

#### **28.4.11 Non/short recovery of taxes – Rs 117.868 million**

As per Para-22-A of Stamp Act 1899, “It is the duty of the competent authority to recover the stamp duty and affix the same, while execution of agreement at the rate of 0.30 paisa per hundred rupees of the value of the agreement or against tender cost.”

According to Section 153(a) & (b) of the Income Tax ordinance, 2001, “Income Tax at the rate of 6.5 percent for rendering professional Services is required to be deducted at source and deposited into Government account”.

As per Sindh Sales Tax on Services Act 2011, any person is responsible for making any payment in full or in part on account of services shall deduct tax at the rate of 15 percent of gross amount.

During audit of the following offices of Planning & Development Department, Government of Sindh for the years 2011-12 to 2015-16, it was observed that stamp duty, income tax and sales tax amounting to Rs 117.868 million was not recovered from the contractors/suppliers in violation of above rules.

(Rupees in million)

<b>Sr. #</b>	<b>Name of office</b>	<b>Particulars</b>	<b>Financial Year</b>	<b>AIR Para #</b>	<b>Amount</b>
01	Project Director Municipal Services Delivery Program(FAP)	Income Tax, Sales Tax, Sales Tax on Services, Stamp Duty	2014-15	4.2.1,4.2.4,4.2.5,4.2.7,4.2.9, 4.2.11	109.115
02	PC Sindh Growth & Rural Revitalization Program Karachi	Stamp Duty	2014-15 to 2015-16	06 & 22	6.313
03	Secretary Planning & Development , Karachi	Sales Tax, Income Tax	2015-16	04,05,06 &09	2.275
04	Project Director Municipal Services Delivery Program	Income Tax	2013-14	02	0.165
				<b>Total</b>	<b>117.868</b>



The matter was reported to the management during July 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person (s) at fault.

#### **28.4.12 Irregular payment of conveyance & utility allowance – Rs 1.381 million**

According to Finance department notification No.FD(SR-III)-5-145/2012 dated 02-03-2012, Government of Sindh granted utility allowance to the employees of Sindh Civil Secretariat and Provincial Assembly Sindh, w.e.f:01.01.2012, according to Para-2 (a) It shall not be admissible to those secretariat employees/ project employees who are drawing project allowance (c) It shall not be admissible to the employees on their transfer from Sindh Civil Secretariat.

During audit of following offices of Planning Development Department, Government of Sindh, Karachi for the years 2014-15 to 2015-16, it was observed that an amount of Rs 1.381 million was paid on account of conveyance & utility allowance to those officers/officials who have been provided facility of transport & services of officers/officials were transferred from Sindh Civil Secretariat to project/program were not entitled to draw the conveyance & utility allowance.

(Rupees in million)

Sr. #	Name of office	Particulars	Financial Year	AIR Para #	Amount
1	Project Director Sindh Growth Rural & Revitalization Program	Recovery of utility allowance	2014-15 to 2015-16	11,19	1.176
2	Secretary Planning & Development Karachi	Non-recovery of Conveyance Allowance	2015-16	08	0.205
				<b>Total</b>	<b>1.381</b>

The matter was reported to the management during November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person (s) at fault.

## CHAPTER – 29 POPULATION WELFARE DEPARTMENT

### 29.1 Introduction

This department is basically meant for the socio-economic development by emphasizing on:

- Small family norms
- Reducing population growth rate
- Reducing infant mortality
- Maternal mortality and;
- Fertility level

### 29.2 Comments on the Budget and Accounts (Variance Analysis)

The department consists of 39 formations (DDOs), out of which 04 formations were selected and audited during the Audit Year 2016-17. The accounts for the financial year 2015-16 were audited on test check basis. Following is the position of budget and expenditure of the department:

(Rupees in million)

Original Budget/ Grant	Supplementary Grant	Re-appro: (+) (-)	Revised Budget 2014-15	Departmental Expenditure	Variation (Excess)/ Savings
661.500	-	374.714	1,036.214	138.682	897.531

The department was unable to control the expenditure as per allocated budget. As a result, excess expenditure of Rs 897.731 million was observed.

### 29.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was 11.8%.

<b>Sr. No</b>	<b>Audit Report</b>	<b>Total Paras discussed</b>	<b>No. of Paras requiring Compliance</b>	<b>Compliance of PAC directives made</b>	<b>Compliance of PAC directives not made</b>	<b>Percentage of Compliance</b>
1	1992-93	5	5	0	5	0
2	1998-99	9	1	0	1	0
3	1999-2000	0	0	0	0	0
4	2001-02*	0	0	0	0	0
5	2004-05*	0	0	0	0	0
6	2005-06	3	0	0	0	0
7	2006-07	6	0	0	0	0
8	2007-08	6	0	0	0	0
9	2008-09	6	2	0	2	0
10	2009-10	10	9	2	7	22.2
<b>Total</b>		<b>45</b>	<b>17</b>	<b>2</b>	<b>15</b>	<b>11.8</b>

Note: Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

## 29.4 AUDIT PARAS

### 29.4.1 Non-production of record - Rs 17.925 million

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of following offices of Population Welfare Department for the years 2014-15 & 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 17.925million remained unaudited.

(Rupees in million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	D.P.W.O Hyderabad	2015-16	02	Various record	9.627
			01	POL	0.849
2	D.P.W.O Shaheed Benazirabad	2015-16	01	Various record	4.799
		2015-16	02	Rent agreement and acknowledgment receipt was not available	2.396
3	M.O RHS A Centre Mirpur Mathelo	2014-15	03	Contraceptives Sales	0
4	RHS A Centre Ghotki	2014-15	05	Contraceptives Sales	0
5	District Population Welfare Officer, Kandhkot	2014-15	06	Renewal of agreement not made	0.254
<b>Total</b>					<b>17.925</b>

Non-production of record was reported to the management in December 2015 and October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of record besides fixing responsibility on the person(s) at fault.

#### **29.4.2 Irregularities in procurement of medicines - Rs 274.098 million**

According to Rule 50 of Sindh Public Procurement Regulatory Authority (SPPRA) Rules 2010 titled Publication of the Award of Contract, "Within seven days of the award of contract, procuring agency shall publish on the website of the Authority and on its own website, if such a website exists, the results of the bidding process, identifying the bid through procurement identifying number, if any, and the following information:

- (1) Evaluation Report;
- (2) Form of Contract and Letter of Award;
- (3) Bill of Quantities or Schedule of Requirement.

During audit of office of the Secretary, Population Welfare Department, Karachi for the year 2015-16, it was observed that drugs/medicines worth Rs 274.098 million were purchased but SPPRA withheld the ID due to non-hoisting of following documents on the website of Population Welfare Department and SPPRA:

- i. Bid Evaluation Report
- ii. Comparative Statement
- iii. Technical Evaluation Report
- iv. Publication of the award of contract.

The non-compliance of rules was reported to the management during August 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR #07)**

#### **29.4.3 Irregular payments through DDO – Rs 39.310 million**

As per Rule 303 of Central Treasury Rules, "Contingent bill for payment to Suppliers etc. which cannot be met from the permanent imprest may be endorsed for

payment to the party concerned and the DDOs are suggested that in case of payments to the Suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid un-necessary delays and risk involved in the drawal and disbursement of cash.”

During audit of following offices of Population Welfare Department for the years 2014-15 & 2015-16, it was observed that an expenditure of Rs 39.310 million was incurred on account of various heads but the payments were made through DDO account instead of direct payment to vendors.

(Rupees in million)

Sr. #	Name of office	Financial Year	AIR Para #	Particulars	Amount
1	District Population Welfare Officer, Ghotki	2014-15	10	Various heads	31.896
2	Secretary, Population Welfare Karachi	2015-16	11	T.A.	6.610
3	RHS A Center Ghotki	2014-15	08	POL, Transport Water Charges & Others	0.518
4	District Population Welfare Officer, Sukkur	2015-16	05	T.A.	0.286
<b>Total</b>					<b>39.310</b>

The matter was reported to the management in December 2015 and August 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **29.4.4 Splitting-up of procurement to avoid tenders – Rs 35.973 million**

As per Rule 12(1) of SPPR 2010, Save as otherwise provided and subject to the regulations made by the Authority, a procuring agency shall prepare, all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements already grouped, allocated and scheduled in the Procurement Plan.

During audit of following offices of Population Welfare Department for the year 2014-15, it was observed that an expenditure of Rs 35.973 million was incurred by splitting up procurement to avoid tender process.

(Rupees in million)

Sr. #	Name of office	Financial Year	AIR Para #	Particulars	Amount
1	District Population Welfare Officer, Ghotki	2014-15	11	Various items	11.891
2	District Population Welfare Officer, Shaheed Benazirabad	2015-16	16	Various items	10.818
3	Secretary Population Welfare Karachi	2015-16	05	Various items	4.336
4	District Population Welfare Officer, Sukkur	2015-16	03	Various heads	7.553
5	District Population Welfare Officer, Hyderabad	2015-16	04	Repair of Furniture & Fixture	0.533
			10	Repair of Machinery & Equipment	0.433
6	M.O, RHS A Centre Mirpur Mathelo	2014-15	06	Various items	0.409
<b>Total</b>					<b>35.973</b>

The matter was reported to the management in December 2015 and August 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends for fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **29.4.5 Non-deduction of taxes - Rs 5.845 million**

According to sub section (1) of section 153 of Income Ordinance, 2001," prescribed person making a payment in full or part including a payment by way of advance to a resident person shall deduct the amount of prescribed income tax.

According to Notification issued to Sales Tax Department for Sales Tax Special procedure (withholding) rules, 2007 vide letter No. S.R.O 77 (i) 2008 dated 23-01-2008, that withholding agent shall deduct as amount of equal to 1/5<sup>th</sup> of the total Sales tax shown in the sales tax invoice issued by the supplier and make payment of the

balance amount to him. If sales tax invoice is not provided then 17% tax would be deducted.

During audit of various offices of Population Welfare Department for the years 2014-15 & 2015-16, it was observed that various government taxes/dues of Rs 5.845 million were not deducted at the time of making payments to various vendors/Suppliers. The details are given at **Annex-1** of Chapter-29.

The matter was reported to the management in December 2015 and August & October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **29.4.6 Payment of inadmissible allowances - Rs 1.103 million**

According to Rule 41(a) of Sindh Financial Rules Volume-I, the Departmental Controlling Officer should see that all sums due to Government are regularly received and checked against demands and that they are paid into treasury.

During audit of following offices of Population Welfare Department for the years 2014-15 & 2015-16, it was observed that an amount of Rs 1.103 million was recoverable on account of various heads but the same was not recovered.

(Rupees in million)

<b>Sr. #</b>	<b>Name of office</b>	<b>Financial Year</b>	<b>AIR Para #</b>	<b>Particulars</b>	<b>Amount</b>
1	Secretary Population Welfare Karachi	2015-16	12	Inadmissible conveyance allowance	0.367
			13	Inadmissible non-practicing allowance	0.336
2	D.P.W.O Hyderabad	2015-16	18	Inadmissible Conveyance allowance	0.400
<b>Total</b>					<b>1.103</b>

The matter was reported to the management in September 2015 and August 2016 but no reply was received.



Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault besides taking remedial measures.

## **CHAPTER – 30**

### **SERVICES GENERAL ADMINISTRATION & COORDINATION DEPARTMENT**

#### **30.1 Introduction**

##### **Services Wing**

Services Wing of SGA & CD deals with the establishment matters of the officials of the Government of Sindh including the federal government officials who are on deputation with the Government of Sindh.

The service areas taken up by the Services Wing include: transfer and posting of the government officials, promotion cases of the officials, matters relating to retirement, pension GP Fund, Ex-Pakistan leave, absorption of the employees of the surplus pool, study leave, capacity building of the officers, etc. The cases of the recruitment on son quota are scrutinized in the Services Wing of the SGA&CD. Hiring consultants for various technical assignments and framing their terms of hiring is the clear jurisdiction of the Services Wing. This wing ascertain the vacancy position against which the recruitment has to be made by sending requisition to the Sindh Public Service Commission (SPSC).

##### **General Administration & Coordination Wing**

General Administration and Coordination (GA&C) Wing of the Government of Sindh is responsible for the general administration and coordinating with the administrative departments of the Government of Sindh. As a regulatory wing, it deals with the framing of rules, regulation and offering opinion in various service matters of critical nature. Financial management of Government Employees Benevolent Fund is the eminent function of the GA&C Wing. Coordination function of Government of Sindh deals with the execution of directives relating to the office of the President, Prime Minister, Governor, Chief Minister and Secretaries Committees meeting, etc.

Development schemes of SGA&CD including housing, foundations and authorities are taken up in the general administration wing of the Government of Sindh. Estate Office is pivotal in matters of Government accommodations to the government employees. Issues like self-hiring, allotment and vacation of Government accommodations, recovery of rent, dues and utility liabilities and court matters are the domain of the estate office.

### 30.2 Comments on the Budget and Accounts (Variance Analysis)

The Department consists of 18 formations (DDOs), out of which 02 formations were selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rupees in million)

Original Budget/ Grant	Supplementary Grant	Re-appro: (+) (-)	Revised Budget 2014-15	Departmental Expenditure	Variation (Excess)/ Savings
7,397.766	1,168.620	(525.700)	8,040.685	5,988.438	2,052.247

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 2,052.247 million was observed which was not surrendered in time.

(Rupees in million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
60.000	59.860	15.893	43.966

The department was unable to collect the estimated receipts in time, as a result, shortfall of an amount Rs 43.966 million was observed.

### 30.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was Nil.

Sr. No	Audit Report	Total Paras discussed	No. of Paras requiring Compliance	Compliance of PAC directives made	Compliance of PAC directives not made	Percentage of Compliance
1	1992-93	4	0	0	0	-
2	1998-99	0	0	0	0	-
3	1999-2000	16	0	0	0	-
4	2001-02*	0	0	0	0	-
5	2004-05*	5	2	0	2	-
6	2005-06	0	0	0	0	-
7	2006-07	10	8	0	8	-
8	2007-08	8	2	0	2	-
9	2008-09	3	0	0	0	-
10	2009-10	0	0	0	0	-
<b>Total</b>		<b>46</b>	<b>12</b>	<b>0</b>	<b>12</b>	<b>-</b>

Note: Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

## 30.4 AUDIT PARAS

### 30.4.1 Non-production of record – Rs 106.238 million

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of following offices of Services General Administration & Co-ordination Department, Government of Sindh for the years 2014-15, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 16,202.966 million remained unaudited.

(Rupees in million)

Sr.#	Name of Office	Particulars of record not produced	AIR Para #	Amount
1	Secretary Services General Administration & Co-ordination	Solid Waste Management Board	32	85.000
		Payments under head, 'Others for services rendered'	33	19.138
		Expenditure against Sindh Civil Servant Housing Foundation	14	2.100
		Details of vehicles allotted, Log book, Contingent registers, sanctioned strength, G.P Fund, Report for Defalcation & Losses	44	-
2	Sindh Public Service Commission	Selection of candidates for various departments	01	-
		Appointment of members	15	-
			<b>Total</b>	<b>106.238</b>

The matter was reported to the management in August 2015 & May 2016. The management of office at Sr.#2 above (Sindh Public Service Commission) replied that record related to appointment of employees was produced along with annual reports of the commission. They added that personal files of chairman & members were available. The reply was not tenable as non-production of record at the time of annual audit was hindrance in function of audit.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of record besides fixing responsibility on the person(s) at fault.

### **30.4.2 Un-authorized retention of government money – Rs 87.886 million**

According to Rule 290 of Central Treasury Rules Volume-I, “no money shall be drawn from Government Treasury until and unless it is required for immediate disbursement or need.

During audit of following offices of Services General Administration & Coordination Department, Government of Sindh, it was observed that an amount of Rs 87.886 million was drawn from government treasury and kept into DDO bank account till close of the financial year

(Rupees in million)				
<b>Sr.#</b>	<b>Name of Office</b>	<b>Financial Year</b>	<b>AIR Para #</b>	<b>Amount</b>
1	Secretary, Services General Administration & Coordination Department (Caretaker Cell)	2014-15	88	71.223
2	Sindh Public Procurement Regulatory Authority, Karachi	2015-16	11	7.290
3	Sindh Civil Servants Housing Foundation Karachi	2014-15	03	4.833
4	Sindh Public Service Commission, Hyderabad (Controller of Examination)	2014-15	24,25	4.540
<b>Total</b>				<b>87.886</b>

The matter was reported to the management in August 2015 to May 2016. The management of office at Sr.#1 above (Caretaker Cell, O/o. the Secretary, Services

General Administration & Coordination) replied that due to frequent transfer/posting of DDOs, the amount could not be credited.

The management of office at Sr.#4 (Controller of Examination, Sindh Public Service Commission, Hyderabad) replied that amount was retained to meet the expenditure for conducting examinations whenever there is no provision in budget for such expenditure.

The reply of both entities was not tenable as amount was required to be credited into government account. Reply from remaining two offices was not received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

### 30.4.3 Splitting up of expenditure to avoid tender– Rs 11.822 million

As per Rule 12(1) of SPPR 2010, Save as otherwise provided and subject to the regulations made by the Authority, a procuring agency shall prepare, all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements already grouped, allocated and scheduled in the Procurement Plan.

During audit of following offices of Services & General Administration & Coordination, Department Government of Sindh, it was observed that an expenditure of Rs 11.822 million was incurred by splitting up to avoid inviting tender.

(Rupees in million)

Sr.#	Name of Office	Particulars	Financial Year	AIR Para #	Amount
1	Sindh Public Procurement Regularity Authority	Printing & Publication, Plant & Machinery, Stationery Furniture & Fixture	2015-16	01	1.362
2	Sindh Public Service Commission	Purchase of Uniform	2014-15	03	0.336
		Hiring of decoration services		04,06	4.022

(Rupees in million)

Sr.#	Name of Office	Particulars	Financial Year	AIR Para #	Amount
		Purchase of Scanner		05	1.029
		Printing of answer copies		07,08	0.785
		Repair of Furniture		10	0.186
		Repair of machinery & equipment		11,13	1.213
		Repair of transport		12	1.105
		Purchase of motor cycles		16	0.179
3	Secretary Services & General Administration & Co-ordination	Purchase of computer	2014-15	22	0.445
		Purchase of machinery & equipment		29	1.160
				<b>Total</b>	<b>11.822</b>

The matter was reported to the management during August 2015 to November 2016. The management of office at Sr. #2 (Sindh Public Service Commission) replied amount of each payment against purchases/repairs, except scanner and printing of answer copies, was not over one hundred thousand rupees. As regards scanner worth Rs 1.029 million, the management that clarified that purchase was made from the sole distributor, M/s MAS Technologies, Rawalpindi. The management added that answer copies were urgently required by examination branch, therefore, tenders were not invited. The evidence was required to verify the contention.

The management of office at Sr. #3 (Secretary Services & General Administration & Co-ordination) above in its reply of Para-22 & 29 stated that the expenditure was incurred after obtaining quotations. The reply of the management was not satisfactory as tenders were not called for. Reply from remaining office (Sr,#3: Sindh Public Procurement Regularity Authority) was not received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **30.4.4 Irregular payments through DDO – Rs 10.503 million**

As per Rule 303 of Central Treasury Rules, “Contingent bill for payment to Suppliers etc which cannot be met from the permanent imprest may be endorsed for

payment to the party concerned and the DDOs are suggested that in case of payments to the Suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid un-necessary delays and risk involved in the drawal and disbursement of cash.”

During audit of Sindh Public Service Commission (SPSC), Hyderabad for the year 2014-15, it was observed that an amount of Rs 10.503 million was drawn in DDO account instead of making payment to the suppliers/vendors directly as evident from the data available on SAP.

The matter was reported to the management in May 2016. The management replied that payment was made through payees account/crossed cheques to vendor/supplier after completion of all formalities. The reply was not tenable as evidence in support of reply was not produced.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#17)**

#### **30.4.5 Appointment without advertisement – Rs 1.048 million**

As per Service, General Administration and Cooperation Department, Government of Sindh, Karachi Notification No. SOV(S&GAD)X-15/90-98 dated 12-02-2008 “Advertisement should be given for all vacant posts”.

During audit of office of Sindh Public Service Commission (SPSC), Hyderabad, for the financial year 2014-15, it was observed that following persons were appointed without advertisement due to which the eligible persons were deprived of their rights.



Sr.#	Designation	BPS	Date of appointment	Monthly Salary (Rs.)	Total months upto May 16	Amount (Rs.)
1	Naib Qasid	1	7/1/2015	10,081	15	151,215
2	Security Guard	2	5/9/2014	14,408	20	288,160
3.	Sweeper	2	14-07-2014	14,171	23	325,933
4.	Dispatch Rider	4	27-11-12	6,580	43	282,940
<b>Total</b>						<b>1,048,248</b>

The matter was reported to the management in May 2016. The management replied that according to Sindh Civil Servant (Appointment) Rules, 1974, the Head of attached department was appointing authority in basic pay scale from BPS-01 to BPS-05. The reply was not relevant as audit observation did not pertain to the authority but the non-advertisement was the issue.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#22)**

#### **30.4.6 Un-authorized retention of government vehicle by ex-Managing Director**

As per Appendix 18-A of Sindh financial Rules Volume-I, “every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government servant to the extent to which it may be shown that he contributed to the loss by his own action or culpable negligence.”

During audit of Managing Director, Sindh Civil Servants Housing Foundation, Government of Sindh, Karachi for the year 2014-15, it was observed that an official vehicle, Toyota Corolla XLI-2009 (G-7925) was unauthorizedly being retained by Ex-Managing Director for last six years but the management did not take any step for return of the vehicle.

The matter was reported to the management in May 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery of the vehicle besides fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#06)**

### **30.4.7 Non-realization of NIT upload charges- Rs 5.894 million**

As per rule 41 & 41(a) of Sindh Financial Rules, “It is the duty of the controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and credited to public account and the amount collected into the treasury or otherwise accounted for and compare them with the statement of recovery furnished by the Accountant General to see that the amount reported as collected have been duly credited in the public account”.

During audit of office of Managing Director, Sindh Public Procurement Regulatory Authority, Government of Sindh, Karachi for the year 2015-16, it was observed that total outstanding Notice for Inviting Tenders (NITs) upload charges of Rs 5.894 million against 4,678 NITs were not recovered from various government entities.

(Rupees in million)

<b>Total amount recoverable</b>	<b>Amount received</b>	<b>Outstanding</b>
9.356	3.462	5.894

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing the responsibility on the person(s) at fault.

**(AIR#04)**

### 30.4.8 Irregular retention of receipts in DDO bank account – Rs 3.753 million

According to Rule-41 & 41(a) of Sindh Financial Rules, volume-I, “it is the duty of controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and credited to public account and the amount collected into the treasury or otherwise accounted for and compare them with the statement of recovery furnished by the Accountant General to see that the amount reported as collected have been duly credited in the public account”.

During audit of the office of Secretary, Services General Administration & Coordination Department (Caretaker Cell) for the years 2014-15, it was observed that Government receipts amounting to Rs 3.753 million as detailed below were found retained by the DDO instead of depositing the same into government account.

(Rupees in million)

Sr.#	Particulars	AIR Para#	Amount
1	Auction Money of Vehicle	67	3.439
2	Rent of Bank Premises	68	0.314
<b>Total</b>			<b>3.753</b>

The matter was reported to the management in August 2015. The management replied that the amount received through auction of condemned vehicles in 2013-14 could not be credited into government account due to frequent transfer posting of DDOs. The reply was not tenable as the receipts are required to be deposited in government account immediately.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends deposit into government account without further delay besides fixing of responsibility on the person(s) at fault.

### 30.4.9 Excess payment of residence hiring facility – Rs 2.921 million

According to the office memorandum of ministry of housing and works vide No. F2 (3) / 2003- policy dated 31-07-2004, “the hiring of residential accommodation available to the employees as per their rental ceiling specification, covered area of

house. No house rent allowance will be admissible to such employees and those not entitled for house hiring shall draw only house rent allowance. Further as per Government of Pakistan, Finance Division (Regulation Wing) vide letter No.F.No.3(15) R-4/96 dated. 18-08-2015, issued the revised rental ceiling for hiring of residential accommodation for officers holding management pay scales effective from 01-10-2014:

Sr. #	Management Scale	Existing Rental Ceiling	Revised Rental Ceiling
1	MP-I	33,760	45,576
2	MP-II	28,210	38,084
3	MP-III	23,560	31,806

During audit of the office of Secretary, Services General Administration & Coordination Department (Estate Office) for the years 2014-15, it was observed that the Estate Office allowed the hiring facility to an M-I officer at the rate of Rs 250,000 per month instead of rental admissible ceiling of Rs 45,576 per month, which resulted excess payment of Rs 2.921 million as detailed below:

(Amount in Rupees)

Period	Admissible Rate per month	Admissible Amount of	Actual Rate per month Paid	Actual Amount Paid	Excess Paid Amount
01-05-14 to 30-09-14	33,760	168,800	250,000	1,250,000	1,081,200
01-10-14 to 30-06-15	45,576	410,184	250,000	2,250,000	1,839,816
<b>Total</b>		<b>578,984</b>		<b>3,500,000</b>	<b>2,921,016</b>

The matter was reported to the management in August 2015 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends excess payment on account of residence / hiring facility be recovered and responsibility be fixed against the person(s) at fault.

**(AIR#15)**

### 30.4.10 Non/less deduction of income tax at source – Rs 1.299 million

As per Section 153 (1) of Income Tax Ordinance 2001, every prescribed person making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person- (a) for the sale of goods; (b) for the rendering of services; (c) on the execution of the contract, other than a contract for the sale of goods or the rendering service, shall, at the time of making the payment , deduct tax from the gross amount payable at the rate specified in division III of part III of the first schedule.

During audit of the following offices of Services & General Administration & Co-ordination Department, Government of Sindh for the years 2014-15, it was observed that an amount of Rs 1.299 million on account of incometax was not/less deducted from the bills of various venders.

(Rupees in million)

Sr.#	Name of Office	AIR Para #	Amount
01	Sindh Public Service Commission, Hyderabad	29	0.840
		28	0.349
02	Secretary, Services & General Administration & Coordination Department, Karachi	19	0.110
<b>Total</b>			<b>1.299</b>

The matter was reported to the management in August 2015 to May 2016. The management of office at Sr.#1 above (Sindh Public Service Commission, Hyderabad) replied that commission has to pay remuneration examination charges in shape of honoraria. The reply was not tenable as income deduction is applicable on honorarium.

The management of office at Sr.#2 above (Secretary, Services & General Administration & Coordination Department, Karachi) replied that income tax deduction is function of District Accounts Office, Hyderabad and income tax @ 4.5% had been deducted according to policy of FBR. However, evidence was required to verify the contention.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

## **CHAPTER – 31**

### **SINDH REVENUE BOARD**

#### **31.1 Introduction**

Consequent upon the 18th Constitutional Amendment (specifically in relation to item No. 49 of Part A of the Fourth Schedule thereof) and pursuant to Articles 8 and 9(2) of the 7th NFC Award, notified in 2010, the Government of Sindh (GOS) enacted the Sindh Revenue Board Act, 2010 (Sindh Act No.XI of 2010), to regulate the matters relating to the fiscal and related economic policies; administration, management; imposition, levy and collection of taxes, duties, and other levies, by creating an organization (SRB) capable of enforcing the tax system through application of modern techniques of information and developing automated system of collection and assessment of tax and the matters ancillary thereto in the Province of Sindh.

GoS enacted the Sindh Sales Tax on Service Act, 2011 (Sindh Act No.XII of 2011), for the levy and collection of Sindh Sales Tax (SST) on the services provided or rendered. This Act became effective from July 01, 2011, and SRB was made responsible for the administration, collection and enforcement levied of SST under the said Act. SRB is also responsible for the overall tax policy, taxpayers' education, taxpayers' facilitation and tax administration. SRB is headed by Chairman who is assisted by 4 Members, one each for Taxation (previously known as 'Operations'), Tax Policy, Audit and Support Services

The Board meeting of SRB is held every month which is attended by the Chairman and the Members. The Secretary, SRB, acts as the Secretary of the Board. SRB is also assisted by an IT team and a state of the art Data Centre, capable enough to absorb, assimilate and store the data of all the provincial taxes in Sindh, is also operational in SRB. All registration, enrolment, tax payment and return-filing are on-line and done electronically. The database is used for assessment, audit, tax monitoring, tax coordination, and verifications.

#### **31.2 Comments on the Budget and Accounts (Variance Analysis)**

The Department consists of 1 formation (DDOs), out of which 1 formation was selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rupees in million)

<b>Original Budget/ Grant</b>	<b>Supplementary Grant</b>	<b>Re-appro: (+) (-)</b>	<b>Revised Budget 2014-15</b>	<b>Departmental Expenditure</b>	<b>Variation (Excess)/ Savings</b>
735.000	-	(235.000)	500.000	472.062	27.937

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 27.037 million was observed which was not surrendered in time.

(Rupees in million)

<b>Revenue Estimates</b>	<b>Revised Revenue Estimates</b>	<b>Actual Receipts</b>	<b>Variation</b>
61,000.000	61,000.000	60,399.303	600.697

The department was unable to collect the estimated receipts in time, as a result, shortfall of an amount Rs 600.697 million was observed.

### **31.3 Brief comments on the compliance of PAC directives**

The SRB came into existence through SRB Act, 2010. Therefore, it was not included in the audit reports (1992-93 to 2009-10) discussed by the PAC.

## 31.4 AUDIT PARAS

### 31.4.1 Mis-use of Government vehicles

According to appendix 18-A of Sindh Financial Rule, Volume-I that states, “Every officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part and that he will also be responsible for any loss arising from fraud and negligence on the part of any other government office to the extent to which it may be shown that he contributed to the loss by his own actions or negligence.”

During audit of Sindh Revenue Board, Karachi for the year 2015-16, it was observed that the government vehicles were being misused by the department. The detail is as under:

Sr.#	Vehicle Allotted to	AIR Para #	Remarks
1	Consultant World Bank, Pool, SRB (General) & pick & drop.	12	As per list of vehicles, office has 41 vehicles for the available strength of 23 officers of BS-18 and above, however 18 vehicles were in excess than the available strength. Five vehicles for Pool, two vehicles for general purpose and one for pick & drop. In this backdrop misuse of vehicles cannot be ruled out. As per PSO bill, POL was provided to 25 vehicles and the position of remaining vehicles was not known. Allotment orders of 41 vehicles were not produced to audit.
2	Various officers	47	The officers of BPS-19 were allotted 1300cc vehicles and officers of BPS-18 were allotted 1300cc and 1000cc respectively but as per Government of Sindh policy, the officer in BS-19 are entitled to use 1000 cc vehicles and the officers in BS-18 are entitled to use 800cc vehicles

The matter was pointed out to the management in October 2016. The DAC meeting was held on 24th January 2017. The management clarified that vehicles were allotted according to HR policy. The DAC directed the management to provide the HR policy for verification of audit. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.



### 31.4.2 Irregular appointments of employees

As per section 5(3) of SRB Act 2012 (Sindh Act No.VII of 2013) “SRB can only re-designate or regularize its existing employees those are working on contract or temporary basis”.

During the audit of Sindh Revenue Board, Karachi for the year 2015-16, requisition was made by Audit for production of record regarding appointments and promotions and despite efforts the relevant record was not produced. However, on the basis of news clipping, irregularities in appointments were noticed as enumerated below:

- (i) The Interns were appointed, who were not eligible for the appointment on said post. During the internship period, various trainees were appointed/regularized as Asst. Commissioners without conducting transparent process of appointment i.e. Advertisement, written tests, interviews, selection committee minutes and approvals, etc. The management did not provide clarification about alleged appointment of as Assistant Commissioner with fake degree.
- (ii) Ten internees, who did not clear the NTS tests/appear in the NTS test, were also selected for the said position.
- (iii) The acting chairman, unauthorizedly enjoying benefits of post as Chairman after February 2015, though his contract was expired on 27-02-2015.
- (iv) The Honorable High Court of Sindh in its judgment dated 01-04-2016 emphasized on appointment of regular Chairman of Board through competitive process. Moreover, the acting charge chairman did not qualify for the position of chairman of the Board. He was just AFC diploma holder (which was not authenticated by the foreign institute) and not a Masters Degree holder.

The matter was pointed out to the management in October 2016. The DAC meeting was held on 24<sup>th</sup> January 2017. The reply of the management was not tenable and management also clarified that all the record of appointment is available. The DAC directed the management to produce all the record of appointments for audit before 31st January, 2017. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

**(AIR#11)**

### 31.4.3 Non-production of record - Rs 49,473.649 million

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, states that:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules”.

During the audit of the Sindh Revenue Board, Karachi for the years 2014-15& 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 49,473.649 million remained unaudited.

(Rupees in million)

Sr. #	Particulars	AIR Para #	Financial Year	Amount
1	Record of receipt and monthly returns of registered persons	13 & 82	2014-15 to 2015-16	49,370.949
2	Record of appointments, honorarium and procurement of machinery & equipment	05	2014-15 to 2015-16	102.700
<b>Total</b>				<b>49,473.649</b>

The matter was pointed out to the management in October 2016. The DAC meeting was held on 24th January 2017. The management clarified that record pertaining to the receipt side is available. The DAC directed the management to produce the record for audit. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

### 31.4.4 Short-payment of Sindh Sales Tax – Rs 5,324.924 million

As per Section(8)(1) of Sindh Sales Tax on Services Act, 2011, there shall be charged, levied and collected a tax known as sales tax on the value of a taxable service at the rate specified in the Schedule in which the taxable service is listed.

During audit of Sindh Revenue Board, Karachi for the year 2015-16, examination of soft data (tax profile) pertaining to the commissioner (I to IV) provided by the management revealed that various registered persons had short deposited the sales tax of Rs 5,324.924 million during the tax periods of July 2015 to June 2016 as summarized below, it clearly indicates that provisions of law was not followed and department did not take any action against the registered person. The details are as under:

(Rupees in million)

Sr. #	Commissioners	Particulars	AIR Para #	Amount
1	Commissioner-I to IV	Various registered persons	52	5,289.000
2	Commissioner-II	Frontier Motors	61	13.547
3	Commissioner-II	M/s Mecatech (Pvt) Limited	62	5.931
4	Commissioner-II	M/s United Mobile	64	4.909
5	Commissioner-II	M/s Bureau Pearl Continental Hotel Lahore	65	4.295
6	Commissioner-II	M/s MCR Pak. Pvt. Limited	68	3.816
7	Commissioner-II	M/s Abaseen Construction Co. (Pvt) Limited	73	1.345
8	Commissioner-II	M/s Hino Pak Motors Limited	74	1.240
9	Commissioner-II	M/s Bureau Vertis Pak (Pvt) Limited Karachi	77	0.483
10	Commissioner-I	M/s Wackenhut Pak. (Pvt)	79	0.358
			<b>Total</b>	<b>5,324.924</b>

The matter was pointed out to the management in October 2016. The DAC meeting was held on 24th January 2017. The management clarified that the necessary letters have been issued to the taxpayers for recovery. The DAC directed the management to produce the record for verification. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

#### **31.4.5 Non-payment of Sales Tax on Services - Rs 2,335.794 million**

As per Section(8)(1) of Sindh Sales Tax on services Act, 2011, there shall be charged, levied and collected a tax known as sales tax on the value of a taxable service at the rate specified in the Schedule in which the taxable service is listed.

During the audit Sindh Revenue Board, Karachi for the year 2015-16, examination of soft data (tax profile) pertaining to the commissioner (I to IV) provided by the management revealed that various registered persons are as under, had not deposited the sales tax of Rs 2,335.794 million during the tax periods of July 2015 to June 2016. The lapse clearly indicated that provisions of law was not followed and department did not take any action against the registered persons.

(Rupees in million)

Sr. #	Commissioners	Particulars	AIR Para #	Amount
1	Commissioner-I-IV	Various registered persons had not deposited S.T	53,58 & 66	2,265.017
3	Commissioner-I	Non deposited S.T and non-levy of penalty	59	34.827
4	Commissioner-II	M/s Dolmen Estate Management Karachi	60	21.060
5	Commissioner-I	M/s Orix Leasing Pak Ltd	63	5.262
6	Commissioner-I	M/s Askari Guards	70 &71	5.245
7	Commissioner-II	M/s Pakistan Hotel Development Ltd, Karachi	67	4.176
10	Commissioner-II	M/s Kaybee Snacks Karachi	80	0.207
			<b>Total</b>	<b>2,335.794</b>

The matter was pointed out to the management in October 2016. The DAC meeting was held on 24th January 2017. The management clarified that the necessary letters have been issued to the taxpayers for recovery. The DAC directed the management to produce the record for verification. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

#### **31.4.6 Non-assessment of Sindh Sales Tax – Rs 1,601.000 million**

As per Section(8)(1) of Sindh Sales Tax on services Act, 2011, there shall be charged, levied and collected a tax known as sales tax on the value of a taxable service at the rate specified in the Schedule in which the taxable service is listed.

During audit of Sindh Revenue Board, Karachi for the year 2015-16, it was observed that registered persons filed monthly Sales Tax returns and declared the sales value of service of Rs 11,435.000 million during the tax periods of July, 2015 to June 2016 but the output/Sales Tax was shown nil. Hence, the registered persons did not declare the output tax; whereas, the management did not made efforts to assess the tax.

This resulted in loss of Rs 1601.00 million due to non-assessment of sales tax. The details are as under;

(Rupees in million)

Number of registered Person	Tax Period	Sales value excluding Sales Tax	Output declared	Output / Sales tax @ 14%
382	2015-16	11,435.000	Nil	1,601.000

The matter was pointed out to the management in October 2016. The DAC meeting was held on 24th January 2017. The management clarified that services were exempted under section 10 of the SST Act 2011. The DAC directed the management to produce exemption notifications for each case for verification of audit. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

**(AIR#54&81)**

#### **31.4.7 Un-justified establishment of employee's welfare foundation fund from assignment account – Rs 263.020 million**

As per section 4 (1) (k) of Sindh Revenue Board Act-2011, "Board shall establish a foundation for the welfare of the present and the retired employees and their families and to create, establish, organize. Assist in the social and cultural facilities".

During audit of Sindh Revenue Board, Karachi for the year 2015-16, it was observed that SRB drawn funds amounting to Rs 263.020 million from the budget grant of Government of Sindh through assignment account for SRB Staff Welfare Foundation which was irregular.

Audit is of the view that an organization can establish any welfare fund for employees from the monthly fixed welfare contribution from the salaries of the employees instead of claiming/incurring burden on provincial exchequer. Such practice is also in vogue in police Department of Sindh which deduct fixed welfare fund contribution according to grade from the employees' salaries. Moreover, the regulation for SRB welfare fund was also not framed.

(Rupees in million)

Sr.#	Date	Cheque No	Particulars	Amount
1	09.05.16	187487	Transfer for six months July-15 to Dec-15	62.500
2	09.05.16	187488	Transfer for six months Jan-16 to June-16	62.500
3	27.07.16	N.M	Transfer from DDO link account to SRB Employees welfare foundation account	138.020
<b>Total</b>				<b>263.020</b>

The matter was pointed out to the management in October 2016. The DAC meeting was held on 24th January 2017. The management agreed with the audit observation. The DAC directed the management to formulate the rules and regulations for welfare foundation and submit revise detailed reply to the audit for verification. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

(AIR#03)

### 31.4.8 Unauthorized retention of government money - Rs 207.145 million

As per instructions contained in the Para 5.2.2.1 of Accounting Policies and Procedures Manual (APPM), all monies received as revenue of the government must be banked in the name of the government without delay and included in the Consolidated Fund of the respective government. A geographic information system (GIS) is a system designed to capture, store, manipulate, analyze, manage and present spatial or geographical data.

During the audit of Sindh Revenue Board, Karachi for the years 2014-15 & 2015-16, it was observed that an amount of Rs 207.145 million was drawn from assignment account in the month of June in anticipation of expenditure and the same was kept into DDO bank account till close of the financial year, which resulted into blockage of government money. The details are as under:

(Rupees in million)			
Name of Office	Financial Year	AIR Para #	Amount
Chairman, Sindh Revenue Board, Karachi	2014-15	06	103.216
	2015-16	04	103.929
<b>Total</b>			<b>207.145</b>

The matter was pointed out to the management in October 2016. The DAC meeting was held on 24th January 2017. The management agreed with the audit observation. The DAC directed the management to take up the matter with Finance Department for advice and outcome may be produced to audit for verification. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

#### **31.4.9 Short-deposit of revenue into government account - Rs 134.291 million**

According to Rule-53 of General Financial Rules read with Rule-7 of Treasury Rules regarding revenues and other receipts of the Government, “It is the primary duty of the officers concerned to see that dues of Government correctly and promptly assessed, quickly realized and immediately deposited into Government treasury”.

During audit of Sindh Revenue Board, Karachi for the year 2015-16, it was observed that total revenue of Rs 60,554.798 million was collected during the period of 2015-16, whereas only Rs 60,420.507 million was deposited into government account. This resulted into short-deposit of Rs 134.291 million.

The matter was pointed out to the management in October 2016. The DAC meeting was held on 24th January 2017. The management clarified that the discrepancy of Rs 133.771 million was due to delayed reconciliation with the National Bank of Pakistan and the same have now been reconciled. The DAC directed the management to produce the reconciliation statement to audit for verification. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

**(AIR#56)**

#### **31.4.10 Excess payment to M/s PRAL – Rs 99.454 million**

According to Clause-1.8 of contract between Pakistan Revenue Automation Ltd and Sindh Revenue Board , Pakistan Revenue Automation Limited (PRAL) shall be responsible for and shall pay all taxes, duties, fees, levies and imposition levied under the applicable law. And According to Para-4 of Appendix-B of the same contract states, “annual increase of 10percent will be applicable to all prices quoted for both monthly and annual basis as given in Appendix-B-I subject to mutual agreement between SRB and PRAL.”

During the audit of Sindh Revenue Board, Karachi for the year 2015-16, it was observed that the excess payment of Rs 99.454 million was made to M/S PRAL on account of IT service charges and execution of contract over and above the 10 % ceiling limit. The details are as under;

(Rupees in million)

Sr. #	Particulars	AIR Para #	Financial Year	Contract Amount	Actual Payment	Excess Payment
1	Execution of contracts over and above the 10% ceiling limit	06	2015-16	183.150	271.875	88.725
2	Excess payment was made by including Sindh Sales tax in the contract price	13	2015-16	76.075	86.803	10.729
<b>Total</b>				<b>259.225</b>	<b>358.678</b>	<b>99.454</b>

The matter was pointed out to the management in October 2016. The DAC meeting was held on 24th January 2017. The management did not clarify audit observation in their reply. The DAC directed the management to submit the revised detail reply alongwith documentary evidence to audit. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

#### 31.4.11 Unjustified excess payment of honorarium – Rs 93.269 million

According to rule FR-9(9), “Honorarium means recurring or non-recurring payment to the Government Servant from general revenue as remuneration for special task.” Honorarium is to be allowed when the work is occasional in character and also laborious or of special merit. Honorarium is granted when conditions are fulfilled; that the work is occasional in nature and work is so laborious or of such merit as to justify special award. Further the amount must not exceed employees one month pay concerned on each occasion.”

During audit of Sindh Revenue Board, Karachi for the year 2015-16, it was observed that excess payment of Rs 93.269 million was paid to officials on account of honorarium as detailed below:

(Amount in Rupees)

Sr.#	Cheque #	Date	Particulars	Amount
1	184456	13.06.16	Honorarium/Bonus to SRB employees of NBP A/c holders FY 2015-16	81,995,159
2	184457	13.06.16	Honorarium/Bonus to SRB employees pay orders FY 2015-16	17,356,040
Honorarium paid				99,351,199
Basic pay of all (178) employees during the month June-2016				6,082,200
<b>Excess Payment</b>				<b>93,268,999</b>



In this regard following irregularities were noticed:

- (i) All the officials from BPS-01 to 22 were paid 03 to 36 basic pays. In many cases honoraria was paid more than annual pay of employee. The SRB was bound to observe/follow the prevalent Government rules & regulations which were ignored by the management of SRB.
- (ii) Conditions of honoraria that the work is occasional in nature and work is so laborious or of such merit as to justify special award and Special assignments/task performed, extra ordinary achievement of the staff was not fulfilled for which honorarium was paid.

The matter was pointed out to the management in October 2016. The DAC meeting was held on 24th January 2017. The management clarified that honorarium was granted as per HR policy. The DAC directed the management to produce the basis/criteria/policy for payment of honorarium to audit. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

(AIR#05)

#### **31.4.12 Irregular contractual appointments and regularization – Rs 16.118 million**

As per Services, General Administration and Cooperation Department, Government of Sindh, Karachi, Notification No.SOV(S&GAD)X-15/90-98 dated 12-02-2008, “Advertisement should be given for all vacant posts”.

During audit of Sindh Revenue Board, Karachi for the financial year 2015-16, it was observed that appointment of officers and staff by the management was irregular as:

- (i) Forty-four (44) officials on contract were regularized within few months of their appointment and the status of initial appointment of officers was not shown as to whether the officers/officials were initially appointed as Assistant commissioners or Trainees.
- (ii) The approved selection criteria, recruitment policy and regularization policy were not framed.
- (iii) The order of constitution of selection committee not on the record.

- (iv) The copy of advertisement, application of candidates, list of short listed candidate, results of written and viva voice and copy of final approved merit list of candidates from the competent forum was not provided for verification.
- (v) Posting order of the appointing authority along with prescribed criteria for posting was not provided for verification.
- (vi) The degrees / certificates were not got verified.
- (vii) The medical fitness certificate was not on record.

The matter was pointed out to the management in October 2016. The DAC meeting was held on 24th January 2017. The management clarified that the appointment were made after completing all required formalities. The DAC directed the management to produce the record to audit for verification. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

**(AIR#09& 48)**

### **31.4.13 Irregular payments to contractors – Rs 14.380 million**

According to Rule 23 of General Financial Rule Volume-1, Every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud and negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

During audit of Sindh Revenue Board Karachi, for the year 2015-16 it observed that payment of Rs 14.380 million was made to the contractors on simple invoice by mentioning the lump sum price of work instead of submission of contractor bill showing complete detail of works executed.

(Rupees in million)

<b>Name of Office</b>	<b>Name of Contractor</b>	<b>Name of work</b>	<b>AIR Para #</b>	<b>Amount</b>
Chairman, Sindh Revenue Board, Karachi	M/s Ali Ali Associates	Refurbishment of 3 <sup>rd</sup> floor	14	10.069
	M/s Technology Manpower Associates	Refurbishment of 9 <sup>th</sup> floor	17	4.311
<b>Total</b>				<b>14.38</b>

Furthermore, the following irregularities were observed:

- (i) Estimate was not prepared and lump sum payment was made without BOQ.
- (ii) Measurement of work executed was not made.
- (iii) Work completion certificate was not available on the record.
- (iv) Composite schedule of rates was not followed.
- (v) Number of items & rate of each item was not mentioned in the bid.

The matter was pointed out to the management in October 2016. The DAC meeting was held on 24th January 2017. The management clarified that the expenditure was incurred after completing all required formalities. The DAC directed the management to produce the record to audit for verification. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

#### **31.4.14 Irregular expenditure on miscellaneous works - Rs 9.914 million**

As per Rule-17 (1) & (2) of Sindh Public Procurement Rules, 2010, Procurement over one hundred thousand rupees and up to one million rupees shall be advertised by timely notification on the Authority's websites and in print media in the manner and format prescribed in these rules.

During audit of Sindh Revenue Board Karachi for the years 2015-16 it was observed that an expenditure of Rs 9.914 million was incurred on account of various items without calling tender as detailed below:

(Rupees in million)

<b>Sr.#</b>	<b>AIR Para #</b>	<b>Particulars</b>	<b>Amount</b>
1	15	Payment for conducting workshop	5.559
2	20	Electronic Communication charges	2.600
3	22	Internet service charges	1.755
<b>Total</b>			<b>9.914</b>

Furthermore, following irregularities were also noticed:

- (i) Purchase committee was not constituted
- (ii) Agreement with supplier was not available on the record

- (iii) Stamp duty of Rs 7,800 was not recovered.
- (iv) Work completion certificate was not obtained.

The matter was pointed out to the management in October 2016. The DAC meeting was held on 24th January 2017. The management clarified that payments were made after completing all required formalities. In respect of irregularity at Sr. No.(i) above, the DAC directed the management to take-up the matter with the Finance Department for regularization. For irregularities at Sr. No. (ii) to (iv), the DAC directed the management to produce the record to audit for verification. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

### **31.4.15 Unauthorized payment of honorarium - Rs 9.604 million**

According to Appendix 18-A of SFR, Volume-I, states that “Every officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part and that he will also be held responsible for any loss arising from fraud and negligence on the part of any other government office to the extent to which it may be shown that he contributed to the loss by his own actions or negligence”.

During audit of Sindh Revenue Board, Karachi for the year 2015-16, it was observed that unauthorized payment of Rs 9.604 million was paid to the officers on account of honorarium. Detail is given as under:

(Rupees in million)

<b>Sr. #</b>	<b>Name</b>	<b>Designation</b>	<b>Particular</b>	<b>Amount</b>
1	Syed Mushtaq Kazmi	Advisor Tax policy & Audit	Contract Employee cannot be entitled for honorarium	6.000
2	Mr. Alammadin Bullo	Chairman	Joined SRB on 14-06-2016; but availed honorarium on 28-06-016. Allowing of honorarium for 14 days is invalid.	1.604
3	Mr. Naveed Rajput	Procurement Specialist	Employee of World Bank as communicated by Mr. Amir Ali (DC Admn).	2.000
<b>Total</b>				<b>9.604</b>

Audit is of the view that this was willful and deliberate negligence of prevailing and standing rules.

The matter was pointed out to the management in October 2016. The DAC meeting was held on 24th January 2017. The management clarified that honorarium was granted as per HR policy. With reference to each of the case at Sl. No. 1 to 3 above, the DAC directed the management to:

1. provide HR policy/ terms and condition of contract;
2. recover the amount from the concerned employee; and
3. provide the complete record of honorarium and personal file.

However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

**(AIR#50)**

#### **31.4.16 Irregular payment of pay and allowances and bonuses – Rs 7.576 million**

According to appendix 18-A of Sindh Financial Rules, Volume-I, “Every officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part and that he will also be responsible for any loss arising from fraud and negligence on the part of any other government office to the extent to which it may be shown that he contributed to the loss by his own actions or negligence.”

During audit of Sindh Revenue Board, Karachi for the year 2015-16, it was observed that payment of Rs 7.576 million to officers/officials on account of pay and allowances/bonuses to following employees, whose contracts were expired but continued to work on permanent basis. The salaries and bonuses were regularly paid to them.

(Rupees in million)

Sr .#	Designation and appointment date	Contract Expiry date	No. Of months paid extra salary	Salary	Bonus	Fuel	Amount paid after completion of contract
1	Training coordinator/ consultant 26.11.2014	26.11.2015	154000x7	1078000	320000	10000x17 170000	1.568
2	Consultant (IT) 27.01.2014	27.01.2015	154000x17	2618000	720000	10000x17 170000	3.508
3	Consultant (Legal) 27.08.2014	27.08.2015	100000x10	1000000	1500000	Nil	2.500
<b>Total</b>							<b>7.576</b>

Furthermore, following irregularities were also noted:

- (i) Training Coordinator/Consultant was re-designated as Deputy Commissioner (Training) on 30.01.2015
- (ii) Consultant (IT) was re-designated as Deputy commissioner (IT) on 28.01.2015
- (iii) Consultant (legal) was re-designated as Assistant commissioner (legal) on 16.09.2015
- (iv) The re-designation of a temporary post into a permanent one does not make the contract employee permanent. Record shows that not even transfer/posting notification was issued for the above officer for the said re-designated posts. Even then these employees continued to work against the permanent post without being appointed against one and drawing of salaries/bonuses from Government exchequer.

The matter was pointed out to the management in October 2016. The DAC meeting was held on 24th January 2017. The management did not clarify the audit observation in their reply. The DAC directed the management to submit the revised detailed reply alongwith supporting evidences. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

**(AIR#10)**

## CHAPTER – 32 SOCIAL WELFARE DEPARTMENT

### 32.1 Introduction

The Social Welfare Department was created to organize voluntary Social Welfare Service through participation, organize rehabilitation programme for the destitute and under privileged women. The department also establishes service for the rehabilitation of handicapped and disabled children/adults, register, guide and supervise voluntary social welfare agencies to organize training programmes.

### 32.2 Comments on the Budget and Accounts (Variance Analysis)

The Department consists of 18 formations (DDOs), out of which 01 formation was selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rupees in million)

Original Budget/ Grant	Supplementary Grant	Re-appro: (+) (-)	Revised Budget 2014-15	Departmental Expenditure	Variation (Excess)/ Savings
26.606	-	3.226	29.832	33.069	(3.236)

The department was unable to spend the allocated budget within the allocated budget. As a result, excess expenditure of Rs 3.236 million was observed.

### 32.3 Brief comments on the compliance of PAC directives

The paras against this department (total 9) were in respect of only one report (Audit Year 1999-2000) against the all audit reports (1992-93 to 2009-10) discussed by the PAC. All the reported paras were settled by PAC.

## **32.4 AUDIT PARA**

### **32.4.1 Non-production of record**

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of office of Deputy Director (Darul Aman), Benazirabad for the year 2014-15, the management did not produce the auditable record pertaining to the heads of accounts, "feeding charges, and electricity, POL Charges, Exhibition and other charges". Due to non-production, all record remained unaudited.

The matter was reported to the management in March 2016. The DAC meeting was held on 2<sup>nd</sup> January 2017. The management clarified that record pointed out by audit is now available for audit. Audit pointed out that at the time of audit, the record was not produced which was hindrance in function of audit. The Chair desired that a copy of the letter regarding non-production of record may be handed over for further action. Audit produced the same letter dated 26-03-2016 duly received by the management. The DAC directed the management to produce record to Audit. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

**(AIR#09)**

### **32.4.2 Irregular expenditure on Conference & Seminar – Rs 2.231 million**

Under Rule '1' Appendix 18-A of Sindh Financial Rule Volume-I, "every Government servant realize fully and clearly that he will be held personally responsible for any loss sustained by Government.



During audit of office of Secretary, Social Welfare Department, Government of Sindh for the year 2015-16, it was observed that expenditure of Rs 2.231 million was incurred on account of conference & seminar. However, the supporting vouchers for the expenditure of Rs 0.625 million only were produced to audit and the remaining record of expenditure for Rs 1.606 million was not produced for audit scrutiny.

Moreover, following irregularities were noticed upon scrutiny of the so partially produced record of the expenditure:

- (i) Tender for the expenditure exceeding Rs 100,000 was not invited
- (ii) Record of attendance of the participants was not available.
- (iii) Budget for the head of account was not approved by the council.
- (iv) The payments were drawn in cash instead of issuance of crossed cheques to vendors.

The matter was reported to the management in August 2016. The DAC meeting was held on 2nd January 2017. The management clarified that record of the expenditure for Rs 1.606 million is available. In response to irregularities mentioned in the Para, the management clarified that whole expenditure of Rs 2.231 million pertained to Sindh Social Welfare Council for period of five years (2010-11 to 2015-16). They added that on each occasion expenditure was below the range of Rs 100,000, hence did not require tender. As regards record of budgets' approval and attendance of the participants, the management clarified that the same was also available. Audit pointed out that payment in cash through DDO also needed clarification. The management responded that advice by Audit has been noted for compliance in future. The DAC directed to the management to produce record to Audit.

Audit recommends compliance with DAC directives.

**(AIR#04)**

### **32.4.3 Irregular payment of grant to NGOs –Rs 1.740 million**

As per Rule 88 of Sindh Financial Rules, Volume-I, "Every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money".

During audit of office of Secretary, Social Welfare Department, Government of Sindh for the year 2015-16, it was observed that an amount of Rs 1.740 million was paid to various NGOs w.e.f 2010-11 to 2015-16 but following irregularities were noticed:

- i. The budget was not approved by the Council.
- ii. Acknowledgment of payment of only Rs 1.240 million was found, whereas the balance amount of Rs 0.500 million was seemed doubtful as no detail thereof was available in record.
- iii. The criteria of selection of NGOs were neither available nor it was advertised through newspapers; hence undue favour was extended to the beneficiaries.
- iv. The Scrutiny Committee was also not approved by the Council.

The matter was reported to the management in August 2016. The DAC meeting was held on 2nd January 2017. The management clarified as under:

- (i) Budget was approved and record is available.
- (ii) Office was shifted, hence record of Rs 0.500 million was not available at the time of audit and now the record is available for audit.
- (iii) The advertisement has duly been made in newspapers inviting registered NGOs before disbursement of grant.
- (iv) Approval of scrutiny committee is available.

The DAC directed the management to produce record to Audit for verification. However, progress was awaited till finalization of this report.

Audit recommends compliance with DAC directives.

**(AIR#05)**

## **CHAPTER –33 SPECIAL EDUCATION**

### **33.1 Introduction**

Special Education Department is responsible for the overall development of educational infrastructure and policy planning and implementation of educational reforms in Sindh Province. The department looks after the educational affairs within the province and coordinates with the Federal government and donor agencies regarding promotion of education in the province. Education Department is strategically run by elected representatives of the public and administratively controlled by the bureaucracy.

Core functions of the department include:

1. Education of handicapped children, specially deaf, dumb and blind
2. Grant of scholarships

### **33.2 Comments on the Budget and Accounts (Variance Analysis)**

The Department consists of 06 formations (DDOs), out of which 01 formation was selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget and expenditure of the department:

(Rupees in million)

<b>Original Budget/ Grant</b>	<b>Supplementary Grant</b>	<b>Re-appro: (+) (-)</b>	<b>Revised Budget 2014-15</b>	<b>Departmental Expenditure</b>	<b>Variation (Excess)/ Savings</b>
614.126	-	(84.583)	529.543	458.853	70.689

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 70.689 million was observed which was not surrendered in time.

### **33.3 Brief comments on the compliance of PAC directives**

This department was not included in the audit reports (1992-93 to 2009-10) discussed by the PAC.

### 33.4 AUDIT PARAS

#### 33.4.1 Non-production of record – Rs 5.754 million

As per Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of following offices of Special Education Department, Government of Sindh for the year 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 5.754 million remained unaudited. Details are as under:

(Rupees in million)

Sr. #	Name of office	Particulars	AIR Para #	Amount
1	Secretary Special Education Department, Karachi	Grant in aid	23	5.236
2	Directorate, Sukkur		0.140	
3	Directorate ,Karachi		0.098	
4	Regional Director Special Education, Karachi	Printing of Monogram	25	0.028
5	Directorate, Hyderabad.	Making seat Hoode Grill Foot		0.252
			<b>Total</b>	<b>5.754</b>

The matter was reported to the management in August 2016. The DAC meeting was held on 30<sup>th</sup> January 2017. The management informed that all the relevant record is ready for audit and can be produced for perusal of the DAC. The DAC directed the management to produce the record for audit.

Audit recommends compliance with DAC directives.

### **33.4.2 Irregular payments through DDO – Rs 1.249 million**

As per Rule-303 of Central Treasury Rules, “a contingent bill for payment to suppliers etc which cannot be met from the permanent imprest may be endorsed for payment to the party concerned and the DDOs are suggested that in case of payments to the suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid un-necessary delays and risk involved in the drawal and disbursement of cash.”

During audit of office of Secretary, Special Education Department, Karachi for the year 2015-16, it was observed that cheques of Rs 1.249 million were issued in favor of DDO instead of actual supplier / vendor.

The matter was reported to the management in August 2016. The DAC meeting was held on 30<sup>th</sup> January 2017. The management informed the DAC that the payment was made on different accounts. They added that most of the payments were less than Rs10,000. As regards payment of Rs0.800 million included in the audit observation, the management clarified that it was made to the original beneficiary in the light of heirship certificate. The DAC directed that the payment may be got verified from the audit by producing the record.

Audit recommends compliance with DAC directives.

**(AIR#01)**

### **33.4.3 Un-authorized retention of funds in DDO account – Rs 35.863 million**

As per Rule-303 of Central Treasury Rules, “a contingent bill for payment to suppliers, e.t.c. which cannot be met from the permanent imprest may be endorsed for payment to the party concerned and the DDOs are suggested that in case of payments to the suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid un-necessary delays and risk involved in the drawal and disbursement of cash.”

During audit of office of Secretary, Special Education Department, Karachi for the year 2015-16, it was observed that an amount of Rs 35.863 million was lying in two DDO accounts maintained by the office till the end of financial year.

(Rupees in million)			
<b>Sr.#</b>	<b>Name of office</b>	<b>AIR Para #</b>	<b>Amount</b>
1	Secretary, Special Education Department, Karachi.	4	25.992
		25	4.635
		22	5.236
		<b>Total</b>	<b>35.863</b>

The matter was reported to the management in August 2016. The DAC meeting was held on 30<sup>th</sup> January 2017. The reply of the management in respect of AIR Para-4 (Rs25.992 million) and AIR Para (Rs 4.635 million) was not available in the working paper placed before the DAC. The DAC directed the management to submit the revised detail reply alongwith supporting evidence for audit. Furthermore, the DAC also directed the management that such practice may be stopped in future.

The management in respect of AIR Para-22 (Rs5.236 million) informed that amount was spent on different items on different occasions for which cross cheques were issued to the head of the concerned institutions for procurement. The DAC directed the management to submit detailed revised reply highlighting each and every kind of procurement through various institutions. The DAC also directed the management that adjustment bills alongwith supporting vouchers may be produced to audit for verification.

Audit recommends compliance with DAC directives.

## CHAPTER –34 SPECIAL INITIATIVES DEPARTMENT

### 34.1 Introduction

The Special Initiative Department, Government of Sindh is responsible for initiation and implementation of all the schemes started with special directives of the provincial government. The department has completed various projects i.e. Installation of Reverse osmosis plants in Sindh through its office PD Drinking Water Hub, Special Development Package for Thatta District, Mobile Emergency Healthcare Unit etc.

### 34.2 Comments on the Budget and Accounts (Variance Analysis)

The department consists of 06 formations (DDOs), out of which 01 formation was selected and audited during the Audit Year 2016-17. The accounts for the financial year 2015-16 were audited on test check basis. Following is the position of budget and expenditure of the department:

(Rupees in million)

Original Budget/ Grant	Supplementary Grant	Re-appro: (+) (-)	Revised Budget 2014-15	Departmental Expenditure	Variation (Excess)/ Savings
16.494	-	(11.704)	4.790	4.806	(0.016)

The department was unable to spend the allocated budget with in the allocated budget. As a result, excess expenditure of Rs 0.0.016 million was observed.

### 34.3 Brief comments on the compliance of PAC directives

This department was not included in the audit reports (1992-93 to 2009-10) discussed by the PAC.

## 34.4 AUDIT PARAS

### 34.4.1 Non-production of record – Rs 515.221 million

Section 14 (2) and (3) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of office of the Project Director, Drinking Water Hub Project, Karachi for the year 2014-15, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 515.221 million remained unaudited.

(Rupees in million)

Sr.#	Particular of record not produced	AIR Para#	Amount
1	PC-1, verification report about installations of RO plants , progress report of the project	05	0
2	Evidence of deduction income tax.	22	509.854
3	Honorarium Payment through DDO not produced	27	3.397
4	Evidence of recovery of Stamp Duty	24	0
5	Expenditure on Repairs of Transport	29	1.970
<b>Total</b>			<b>515.221</b>

Non-production of record was reported to the management in August 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of record besides fixing responsibility on the person(s) at fault.



#### **34.4.2 Award of work to single bidder in violation SPPR 2010 - Rs 5,806.227 million**

As per Rule-48 of Sindh Public Procurement Rules, 2010 (SPPRA), if single bidder participates for the bidding process, the rates will be compared with market rates or last awarded contract.

During audit of the office of Project Management Unit Drinking Water Hub, Special Initiative Department Government of Sindh, Karachi for the year 2014-15, it was observed that an expenditure of Rs 5,806.277 million was incurred on account of Phase-I, II, III of project and solar power. The work was awarded to a single bidder i.e. M/s Pak Oasis Pvt. Ltd. However, the provision of rules for analysis of the single bid was not observed. Following record was also not produced to audit for scrutiny:

- (i) Technical sanction/administrative approval.
- (ii) Case file, original PC-I

The matter was reported to the management in August 2016. The management in its reply stated that documentary evidence is available for audit. However, the original record was required for verification.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#19)**

#### **34.4.3 Non-appointment of regular Project Director**

As per Corrigendum of Finance Department Government of Sindh vide No. FD(SR-III)5-85/86(part-file) dated 11<sup>th</sup> November 2013, separate Project Director is required for project costing Rs 1 billion and above”.

During audit of the office of Project Management Unit Drinking Water Hub, Special Initiative Department Government of Sindh, Karachi for the year 2014-15, it was observed that the project was being headed on adhoc basis by an officer (Director General, Thar Coal, Karachi ) assigned with additional charge of the Project Director. The expenditure of Rs 6,194.480 million was incurred on the project during the year under audit.

The management in its reply stated that no payment made to Director General, Thar Coal, Karachi. The reply of the management was not convincing as the objective of the regulation was to provide full attention of the head towards the accomplishment of the project, hence the claim of non-payment on account additional charge is irrelevant.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility besides taking remedial measures.

**(AIR#11)**

#### **34.4.4 Hiring of office building without advertisement – Rs 3.617 million**

Rule 17 (1) & (2) of Sindh Public Procurement Rules, 2010 states that procurement over one hundred thousand rupees and up to one million rupees shall be advertised by timely notification on the Authority’s websites and in print media in the manner and format prescribed in these rules. The advertisement shall appear in at least three widely circulated and leading daily newspapers of English, Urdu and Sindhi language.

During audit of office of Secretary Special Initiatives Department Government of Sindh, Karachi for the years 2013-14 to 2015-16, it was observed that an expenditure of Rs 3.617 million was incurred on rent for office building. However, hiring of office building was made without advertisement to obtain most economical rates.

(Rupees in million)

Sr.#	Year	Expenditure incurred
01	2015-16	1.289
02	2014-15	1.171
03	2013-14	1.157
<b>Total</b>		<b>3.617</b>

The matter was reported to the management in August 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault.

**(AIR#15)**

## CHAPTER – 35 SPORTS & YOUTH AFFAIRS DEPARTMENT

### 35.1 Introduction

The major functions of the department are:

- To deal with Physical Culture
- To deal with Youth Affairs including Scouts
- To maintain/protect buildings under Heritage Act

### 35.2 Comments on the Budget and Accounts (Variance Analysis)

The Department consists of 06 formations (DDOs), out of which 02 formation was selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget and expenditure of the department:

(Rupees in million)

Original Budget/Grant	Supplementary Grant	Re-appro: (+) (-)	Revised Budget 2014-15	Departmental Expenditure	Variation (Excess)/Savings
572.161	-	(34.519)	537.641	382.104	155.537

The department was unable to spend the allocated budget in time. As a result, saving of an amount Rs 155.537 million was observed which was not surrendered in time.

### 35.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was Nil.

Sr. No	Audit Report	Total Paras discussed	No. of Paras requiring Compliance	Compliance of PAC directives made	Compliance of PAC directives not made	Percentage of Compliance
1	1992-93	0	0	0	0	-
2	1998-99	0	0	0	0	-
3	1999-2000	0	0	0	0	-
4	2001-02*	0	0	0	0	-
5	2004-05*	0	0	0	0	-
6	2005-06	0	0	0	0	-

<b>Sr. No</b>	<b>Audit Report</b>	<b>Total Paras discussed</b>	<b>No. of Paras requiring Compliance</b>	<b>Compliance of PAC directives made</b>	<b>Compliance of PAC directives not made</b>	<b>Percentage of Compliance</b>
7	2006-07	0	0	0	0	-
8	2007-08	0	0	0	0	-
9	2008-09	5	5	0	5	-
10	2009-10	0	0	0	0	-
<b>Total</b>		<b>5</b>	<b>5</b>	<b>0</b>	<b>5</b>	-

Note: Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

## **35.4 AUDIT PARAS**

### **35.4.1 Non-performance of mandatory functions (Systemic Issue)**

The Sindh Sports Ordinance, 1980 notified by Law Department, Government of Sindh through notification No.S.Legis-1(8)/80 dated 04th June 1980 vide Article-10 provides constitution of Divisional & District Committees to act in furtherance of games and sports in the Divisions and Districts as well as to register and supervise the activities of the Divisional and District level associations.

During audit of office of Sindh Sports Board, Karachi for the year 2015-16, it was observed that the mandatory functions of the Board as to be performed by the management were not being exercised. Following shortcomings were noticed:

- i. Divisional & District Committees were not formed
- ii. Record of registration of sports associations was not available
- iii. Budget was not being prepared
- iv. Yearly Programmes were not available
- v. Annual Report of activities of the associations were not available

It is worth mentioning that the organization was entrusted with released funds of Rs 58.000 million during the financial year 2015-16. The non-performance of mandatory functions in disregard of the constitution of the Board has jeopardized the very objective of the spending from the public money.

The matter was pointed out to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends initiative by the management to fulfill the mandatory requirements for better functioning of the department.

**(AIR#9,10,11&12)**

### **35.4.2 Irregularities in expenditure on Games and Youth Training – Rs 2.975 million**

As per Rule-88 of Sindh Financial Rules, Volume-I, every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from

public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of the office of Secretary, Sports & Youth Affairs Department, Government of Sindh, Karachi for the year 2015-16, it was observed that expenditure of Rs2.975 million incurred by the management which was irregular as elaborated below:

(Rupees in million)

Sr.#	Particulars of expenditure	AIR Para #	Amount	Audit Observation
1	<p>Payments (under Grant-in-Aid) for reimbursement of expenditure to an Ex-District Sports Officer (Mr. Abdul Hameed Rajput) for arrangements of following three events:</p> <p>i. <i>Malakhra</i> at Umerkot (2 cheques of Rs0.669 million)</p> <p>ii. <i>Kodi Kodi</i> at Tando Allahyar (2 cheques of Rs0.663 million)</p> <p>iii. <i>Kodi Kodi</i> at Tando Muhammad Khan (1 cheque of Rs 0.243 million)</p>	04	1.575	<p>i. The reimbursement of heavy amount of Rs 1.575 million to an ex-officer was made. It was beyond comprehension as to how the person managed the expenditure from his own pocket and waited for more than 2 years to get re-imburement.</p> <p>ii. The cheques were drawn on 24-06-2016 which indicated utilization of fund to avoid lapse of budget.</p> <p>iii. The management could not produce any evidence of actually arranging the events at all three districts. The only evidence attached with the reimbursement claim of Rs 0.669 million in respect of “<i>Malakhra</i> tournament” held in one district only, i.e., Umerkot, was a newspaper clipping from two local dailies, <i>Sindh Express</i> and <i>Ibrat</i> dated 25 and 26 April 2014 respectively.</p>
2	<p>Expenditure under the ADP Scheme No.1680 titled, “Establishment of Mobile Skills Development Units for Underprivileged Youth (EMSDUUY)”.</p>	35	1.400	<p>The record of Rs 0.140 million produced to audit revealed that the payment was made on computer printed invoices. Moreover, complete record of the expenditure incurred under the scheme including criteria for selection of the trainer firm for training of youth and evidence of training imparted to youth was not available on record.</p>
<b>Total</b>			<b>2.975</b>	

The matter was reported to the management in September 2016. The management in its response to the audit observation at Sr.No.1 stated that documents are available for verification. The reply was not satisfactory as incurrence of the expenditure by the Ex-DSO from his own pocket was beyond comprehension; hence the whole process seemed doubtful.

As regard the audit observation at Sr.No.2, the management replied that two reputable NGOs were hired to conduct various trainings under the scheme and the bills submitted by the same NGOs were passed for payment by AG Sindh. The reply was not satisfactory as the process of hiring of the NGOs, rendering services to train the youth under the scheme and the billing could not be verified as authentic during process of annual audit.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter to ascertain factual position for fixing responsibility on the person(s) at fault besides taking remedial measures.

### **35.4.3 Non-production of record – Rs 155.538 million**

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of following offices of Sports & Youth Affairs Department, Government of Sindh for the year 2013-14 and 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial



impact of Rs 155.538 million remained unaudited. The details are given at **Annex-1** of Chapter-35.

The matter was taken up with the management in September 2016 and November 2016. The management of the office of the Secretary Sports & Youth Affairs in its reply in respect of audit observations at Sr.No.1, 3, 5, 6 and 8 above stated that the record was available for audit. The reply was not satisfactory as auditable record was required to be produced during process of annual audit. The non-production of record at the time of audit amounts to hindrance in the function of audit. In respect of remaining audit observation at Sr.No. 2,4 and 7 the management in its detailed reply furnish on or other reason for non-production of record which required verification. Reply from other offices was not received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of auditable record besides fixing responsibility on the person(s) at fault.

#### **35.4.4 Irregular retention of funds in DDO account – Rs 96.475 million**

The mission statement of the Sports & Youth Affairs Department is as under:

*“To raise youth who are OR NOT (UNFORTUNATELY) economically active, socially aligned and politically engaged in the Sindh province and who possess useful competencies and tolerant values to become valuable citizens of Pakistan”.*

During audit of following offices of Sports & Youth Affairs Department, Government of Sindh for the year 2015-16, it was observed that the management of various offices retained funds to the extent of Rs 96.475 million against following schemes which were un-utilized by close of financial year and retained in DDO Bank accounts. Details are as under;

(Rupees in million)

Sr.#	Name of office	AIR Para #	Particulars	Amount
1	Secretary, Sports & Youth Affairs, Karachi	08	Street Children (including unspent balance of Rs10 million drawn in preceding year 2014-15)	60.000
			Beach Games	20.000
			Traditional Games	1.316
			Boxing championship 2014-15	1.000
			Coaching & Training	0.286
2	Sindh Sports Board, Karachi	16	Retained funds for activities of Sindh Sports Board in three bank accounts operated in MCB Bank Limited	13.873
			<b>Total</b>	<b>96.475</b>

The matter was reported to the management in September 2016 and November 2016. The management of the office at Sr.No.1 replied as under:

- i. The funds for Street Children amounting to Rs50.000 million were released by Finance Department on 27-06-2016. The Finance Department did not agree to the proposal of utilization of funds in 2016-17 for the same amount of Rs50.000 million along with unspent balance of Rs 10.000 million. Therefore, total Rs 60.000 million was refunded through treasury challan on 15.09.2016.
- ii. The funds for Beach Games amounting to Rs 20.000 were released by Finance Department on 06-05-2016; however, cheque was received on 13-06-2016. Therefore, event could not be organized.
- iii. The funds for Rs 1.000 million pertaining to Boxing Championship (2014-15) have been retained for want of original vouchers' submission by Sindh Boxing Association.

The reply of the management was not tenable as it was their responsibility to plan and pursue timely execution of the schemes. Moreover, no clarification in respect of unauthorized retained funds of Rs 1.316 million and Rs 0.286 million was given in the reply.

No reply was received from the management of Sindh Sports Board, Karachi.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#08)**

#### **35.4.5 Irregular retention of funds in personal bank accounts – Rs 16.080 million**

As per Rule-290 of Central Treasury Rules Volume-I, “No money shall be drawn from Government Treasury until and unless it is required for immediate disbursement or need. It is not permissible to draw money from the treasury in anticipation of demands or to prevent lapse of budget grant.”

During audit of Sindh Sports Board, Karachi for the year 2015-16, it was observed that an amount of Rs 16.080 million was lying unutilized in personal bank account (MCB Bank Ltd, Secretariat Branch, Karachi Account No.0306922111000409) of section officer of the controlling administrative department (Section Officer General, Sports & Youth affairs Department). Moreover, in addition to the above bank account, it was also revealed that three more bank accounts (bearing No.0306922111000411, 0306922111000412, and 0306922111000413) were also being maintained in the name of same person for official transactions in respect of activities Sindh Sports Board and Grants for sports activities. It is worth mentioning that expenditure of Rs 65.720 million was incurred on payment of salaries and different sports activities through the same bank accounts; whereas, the officer was not DDO of the organization. Moreover, the retention of the funds amounting to Rs 16.080 million by the management was also irregular.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#02)**

#### **35.4.6 Irregular expenditure on Sindh Games – Rs 8.277 million**

As per Rule-88 of Sindh Financial Rules, Volume-I, "Every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money".

During audit of Sindh Sports Board, Karachi for the year 2015-16, it was observed that expenditure of Rs 8.277 million was incurred on Sindh Games by drawing 2 cheques dated 03-02-2016. Following irregularities were noticed:

- i. Expenditure was incurred from irrelevant cost centre, i.e., "KA-4576 Grant of Sports Activities", whereas, the relevant cost centre was "KA-4572 Sindh Games".
- ii. Details of Sindh Games held were not produced to audit.
- iii. Record of approval for withdrawal of funds and incurrence of expenditure was not produced to audit.

The matter was reported to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#21)**

#### **35.4.7 Non-adjustment of advances – Rs 4.130 million**

According to Para-668 of Federal Treasury Rules Volume-I, advances granted under special orders of the competent authority to officers/officials for departmental or allied purposes may be drawn on the responsibility and receipt of the officers for whom they are sanctioned subject to adjustment by submission of detailed account supported by vouchers or by refund as may be necessary.

During audit of office of Coordinator, Sindh Sports Board, Karachi for the year 2014-15, it was observed that an amount Rs 4.130 million was drawn during financial

year 2014-15 under the head “grants for Sports Activities” but adjustment account was not produced.

(Rupees in million)

<b>Cheque No</b>	<b>Dated</b>	<b>Paid to</b>	<b>Amount</b>
7478580	16/07/2014	Intl. Wheel Chair Cricket Association	0.815
7478590	24/10/2014	Intl. Wheel Chair Cricket Association	0.815
15002777549	12/06/2015	DSO Dadu	0.500
15002777550	12/06/2015	DSO Jamshoro	0.500
15002777551	12/06/2015	DSO Matiari	0.500
15002777552	12/06/2015	DSO T.M.Khan	0.500
15002777553	12/06/2015	DSO Tando Allahyar	0.500
<b>Total</b>			<b>4.130</b>

The matter was reported to the management during May 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends immediate adjustment of the advances besides fixing of responsibility on person(s) at fault.

(AIR#2,5)

#### **35.4.8 Un-authorized maintenance of DDO bank account in a private bank – Rs 2.210 million**

Government of Sindh through Finance Department issued instructions vide No. FD-SO (RES-IV) Misc/2011-12 dated 30th March 2012 & letter No. FD-SO (RES-IV) 2 (72)/2011 (Prov.) dated 5th December 2013 that all kind of funds under DDO Account would be maintained in Sindh Bank Limited instead of maintaining it in other commercial banks.

During audit of office of Secretary, Sports & Youth Affairs Department, Government of Sindh, Karachi for the year 2015-16, it was observed that the management was maintaining DDO bank account in a private bank, i.e., MCB Bank Limited, Sindh Secretariat Branch, Karachi. Whereas, a DDO account was required to be maintained at National Bank of Pakistan before the orders dated 5th December 2013 for shifting bank accounts to Sindh Bank. The transaction on account of various payments were made from the same account to the extent of Rs 2.210 million during

financial year under audit. However, the management neither had maintained the bank account with National Bank, nor was the account opened at Sindh Bank.

The matter was reported to the management in September 2016. The management in its reply informed that they were going to open the account at National Bank of Pakistan; however, the proposed action being not in conformity of the directives by Sindh Government needs to be rectified.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends authorized bank account maintenance besides fixing responsibility on the person(s) at fault.

(AIR#13)

#### **35.4.9 Non-adjustment of advance payments to officers/Consultant – Rs 9.526 million**

As per Para 668 of Central Treasury Rules, “Advances granted under special orders of competent authority to government officers for departmental or allied purposes may be drawn on the responsibility and receipt of the officers for whom they are sanctioned subject to adjustment by submission of detailed accounts supported by vouchers or by refund, as may be necessary”.

During audit of following offices of Sports & Youth Affairs Department, Government of Sindh for the year 2015-16, it was observed that advance payments of Rs 9.526 million were made as detailed below. However adjustment accounts against the advance was not produced to audit.

(Rupees in million)

<b>Sr. #</b>	<b>Name of Office</b>	<b>AIR Para#</b>	<b>Particulars</b>	<b>Amount</b>
1	Secretary, Sports & Youth Affairs, Karachi	09	Advance payment of Rs 2.392 million received from Pakistan Sports Board, Islamabad vide cheque dated 19-04-2016 issued in favour of an officer (S.O. General) for participation in Quaid-e-Azam inter-provincial games 2015-16 (23rd April to 26th	2.392

(Rupees in million)

Sr. #	Name of Office	AIR Para#	Particulars	Amount
			April 2016) which was deposited in his personal bank account.	
2	Sindh Sports Board, Karachi	07	32 cheques for advance payment was made to various officers of the Board, i.e., Director, Deputy Director and District Officer Sports (D.O.S.) of various districts for departmental expenditure. The amount of advance in 13 cases ranged from Rs 130,200 to Rs 704,000 (details in Annex-2 of Chapter-35)	4.552
		20	Advance payment through 4 cheques to a Consultant Sports (details in Annex-2 of Chapter-35).	2.582
			<b>Total</b>	<b>9.526</b>

The matter was reported to the management in November 2016 but no reply was received. The management of office at Sr.No.1 above replied stated that the advance payment was received for participation of about 300 member of Sindh Contingent in the said games. They added that the expenditure was incurred by the department against the above amount and the original vouchers are required to be sent/submitted to Pakistan Sports Board for adjustment and audit purpose. The reply is not tenable as the event was organized in April 2016 and despite lapse of 8 months, the adjustment of advance was not ready. Reply from the office at Sr.No.2 above was not received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends adjustment of the advance payment besides fixing responsibility on the person(s) at fault.

#### **35.4.10 Non-deduction of Sindh Sales Tax on services– Rs 1.216 million**

As per Section 8 (1) chapter II of The Sindh Sales Tax on Services Act, 2011, subject to the provisions of this Act, there shall be charged, levied and collected a tax known as sales tax on the value of taxable service at the rate specified in the Schedule in which the taxable service is listed. Further as per Second Schedule of the SST on Services Act, 2011, the rate of tax is 14% on services provided or rendered by persons engaged in contractual execution of work or furnishing supplies.

During the audit of office of Secretary, Sports & Youth Affairs Department, Government of Sindh, Karachi for the year 2015-16, it was observed that an expenditure of Rs 8.686 million was incurred under head ‘Sports training to youth at college/ school level but the Sindh Sales Tax on services at the specified rate amounting to Rs 1.216 million was not recovered from service providers.

The matter was reported to the management in September 2016. The management in its reply clarified that the beneficiaries being Sports Associations were not Service Providers as they were engaged for Promotion of Sports in Province especially to promote in rural areas across Sindh; therefore, Sindh Sales Tax was not applicable to them. The reply was not tenable as the management did not provide reference of any specific exemption to the payees.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing of the responsibility on the person(s) at fault.

**(AIR#32)**



## CHAPTER – 36 UNIVERSITIES & BOARDS

### 36.1 Introduction

The Universities & Boards under administrative control of Chief Minister's Secretariat are financially autonomous entities; however, these are financially supported with specific grants by the Provincial Government as well as Higher Education Commission (HEC).

### 36.2 Comments on the Budget and Accounts (Variance Analysis)

The Department consists of 13 formations (DDOs), out of which 03 formations were selected and audited during the Audit Year 2016-17. The accounts for the financial year 2015-16 were audited on test check basis. Following is the position of budget and expenditure of the department:

(Rupees in million)

Original Budget/ Grant	Supplementary Grant	Re-appro: (+) (-)	Revised Budget 2014-15	Departmental Expenditure	Variation (Excess)/ Savings
4,322.756	-	(590.177)	3,732.578	3,437.497	295.081

N.B Universities and boards are self financed entities, therefore, generate revenue and make spendings therefrom.

The department was unable to spend the allocated budget in time. As a result, saving of an amount Rs 295.081 million was observed which was not surrendered in time.

### 36.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was Nil.

Sr. No	Audit Report	Total Paras discussed	No. of Paras requiring Compliance	Compliance of PAC directives made	Compliance of PAC directives not made	Percentage of Compliance
1	1992-93	14	10	0	10	-
2	1998-99	37	7	0	7	-
3	1999-2000	40	0	0	0	-
4	2001-02*	12	5	0	5	-
5	2004-05*	33	27	0	27	-

<b>Sr. No</b>	<b>Audit Report</b>	<b>Total Paras discussed</b>	<b>No. of Paras requiring Compliance</b>	<b>Compliance of PAC directives made</b>	<b>Compliance of PAC directives not made</b>	<b>Percentage of Compliance</b>
6	2005-06	23	6	0	6	-
7	2006-07	16	14	0	14	-
8	2007-08	19	17	0	17	-
9	2008-09	19	14	0	14	-
10	2009-10	27	16	0	16	-
<b>Total</b>		<b>240</b>	<b>116</b>	<b>0</b>	<b>116</b>	-

Note: Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

## **36.4 AUDIT PARAS**

### **36.4.1 Un-due payment of mobilization advance prior to award of work – Rs 24.670 million**

As per Rule 220(c) of Sind Financial Rules in respect of works costing Rs 2.5 million or above the contractor may be allowed by the authority competent to accept tender, a mobilization advance to be paid up to 10% of the tendered amount subject to the following conditions:

- (i) The contractor shall before obtaining the advance furnish a guarantee in Form 20-A.
- (ii) the contractor shall pay interest @ 10% per annum on the advance.

During audit of office of Project Director, Shaheed Muhtarma Benazir Bhutto Chair, University of Karachi, it was observed that an amount of Rs 24.670 million was paid to M/s. Shams & Zain Meo Rajput Construction Company vide Cheque No. 120226 Dated 12-06-2015 on account of 10% mobilization advance prior to award of work and agreement. Further, neither the bank guarantee was obtained nor was the interest charged from the contractor.

<b>No.</b>	<b>Details of issuance of authority letters</b>	<b>Date of Issue</b>
PD/SMBBC/54	Letter of Award issued on	17-06-2015
	Agreement signed on	22-06-2015
PD/SMBBC/67	Work order issued on	08-09-2015

The matter was reported to the management during August 2016. The management replied that the amount was paid to the contractor after obtaining the required documents.

Reply of the management was not tenable as prior issuance of work order and agreement the mobilization advance could not be made to the contractor and evidence of recovery of interest from the contractor was also not furnished.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends the detailed inquiry, fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#30)

### 36.4.2 Embezzlement from pension fund – Rs 4.415 million

According to Sub section 1 of section-I of Appendix 18-A under Rule 40-B of Sindh Financial Rules Volume-II states that “Means should devised to ensure that every Government officer realizes fully and clearly that he will be held personally responsible for any loss arising from fraud or negligence on his part, and that he will also be held personally responsible for any loss arisen from fraud or negligence on the part of any other Government servant to the extent to which it may be shown that he contributed to the loss by his own action or capable negligence”.

During audit of office of Vice Chancellor, LUMHS, Jamshoro for the year 2014-15, it was observed from the inquiry report dated 17<sup>th</sup> April 2015 that an amount of Rs 4.415 million was embezzled from the pension fund by two employees of the university through encashment of below mentioned cheques. However, no record pertaining to this matter was produced to audit, hence action taken by the management could not be ascertained.

(Amount in Rupees)

Sr. #	Cheque #	Dated	Amount
1.	08703603	03-02-2014	1,560,000
2.	08703630	04-06-2014	765,000
3.	8703646	02-12-2014	1,865,000
4.	975367	07-02-2014	225,350
<b>Total</b>			<b>4,415,350</b>

The matter was reported to the management in June 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends the detailed inquiry, fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#01)

### **36.4.3 Admission of candidates without pre-entry admission test**

According to Para 9 under the heading “Responsibilities of LUMHS” of Memorandum of Understanding (MoU) signed between Liaquat University of Medical & Health Sciences (LUMHS), Jamshoro and National Testing Service (NTS) for conducting the pre-entry admission tests for admissions in LUMHS Session 2014-15, “LUMHS will pay NTS @ Rs 1,000 per eligible candidate”.

During audit of office of Vice Chancellor, LUMHS, Jamshoro for the financial year 2014-15, it was observed that National Testing Services claimed the presence of 5,292 students in pre entry admission test, whereas the merit list depicted 5,583 students including the name of additional 291 candidates. Thus consideration of candidature of additional 291 students which raised doubt over the transparent mechanism of admission in the university. Furthermore, it could not be ascertained whether any candidate among those 291 was admitted or not as the detailed record of admission was not produced to audit.

The matter was reported to the management during June 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#19)**

### **36.4.4 Misappropriation of laptops**

Appendix 18 (a) Section-I of Sindh Financial Rules, Volume-II, states that, “means should be devised to ensure that every Government servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part, and that he will be also held personally responsible for any loss arising from fraud or negligence on the part of any other Government servant to the extent to which it may be shown that he contributed to the loss by his own action of culpable negligence.

During audit of office of Vice Chancellor, University of Karachi for the financial year 2014-15, it was observed that HEC handed over 3,870 laptops for distribution among the eligible candidates under Prime Minister Scheme. The details

of 3,838 laptops were furnished whereas 32 laptops were found missing. The students' advisor reported that the matter of missing laptops has been communicated to the Vice Chancellor dated 13.06.2016 for detailed inquiry and lodging of FIR but no progress was found on record.

<b>Detail</b>		<b>Qty</b>
Total number of laptops received under Prime Minister Scheme		3,870
distributed among the students in a ceremony held on 11/11/2014	1,777	
Retained for organizing the distribution ceremony	11	
distributed to other universities by the representative of HEC	2,050	
Total number of Laptops whose position was available		3,838
Laptops missing		<b>32</b>

The matter was reported to the management during August 2016. The management replied that University has constituted a committee to investigate the matter; the report will be communicated accordingly.

The reply of the management was not tenable as the TORs and inquiry committees' letter was not furnished.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#68)**

#### **36.4.5 Non-production of record – Rs 3,908.620 million**

As per Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001

- 2) The officer incharge of any office or Department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules".

During audit of various institutions under administrative control of Secretary, Universities / Boards, for the financial years 2013-14 & 2015-16 the auditable record of Rs 3,908.62 million was not produced to audit. The details are given at **Annex-1** of Chapter-36.

The matter was reported to the management during November 2015 to November 2016. The management of different universities submitted copies of record in some cases. However, complete record was not produced. The replies from remaining institutions were not received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends immediate production of record besides fixing responsibility on person(s) at fault.

#### **36.4.6 Irregular expenditure on construction of boys hostel – Rs 5.198 million**

According to Rule-23 of General Financial Rules, Volume-I, every Government officer should realized fully and clearly that he will be held personally responsible for any loss sustained by Government...

During audit of office of Vice Chancellor, NED University of Engineering & Technology, Karachi, for the financial year 2014-15, it was observed that the work of “Construction of Boys Hostel of NEDUET” was awarded to M/s Jafsons & Co. Pvt. Limited with total cost of Rs 27.348 million. The following irregularities were noticed:

- i. The consultant was hired without invitation of tenders.
- ii. The work was initiated without availability of funds.
- iii. The work was started on 20-10-2012 to be completed in 11 months but the same was not completed yet.
- iv. The work was not executed as per schedule of works duly approved by the Government of Sindh.

The matter was reported to the management during March 2016. The management replied that leftover work of “Construction of Boys Hostel of NEDUET” was in progress according to availability of funds as per policy of syndicate. They

further added that the tenders were invited for hiring of consultant. The reply was not tenable as the management did not produce any evidences in support of its contention.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#04)

#### **36.4.7 Irregular expenditure in violation of rules & regulations – Rs 609.837 million**

As per rule 88 of Sindh Financial Rules, Volume-I, "Every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money".

During audit of various institutions under administrative control of Secretary, Universities/ Boards, for the financial years 2014-15 to 2015-16, it was observed that an expenditure of Rs 609.837 million was incurred under various head of accounts (procurement, works, projects, investment and repair & maintenance). However, various irregularities were noticed by audit which included incurrence of expenditure without approval of budget from senate of university, non-availability of supporting record of investment, non-completion of the schemes, delay in completion of works and non-availability on record regarding works' approval of estimate and technical sanction. The details are given at Annex-2 of Chapter-36.

The matter was reported to the management during January 2015 to November 2016. The managements of different universities contested the audit observation through their detailed replies but did not produce the evidence in support of their reply.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.



#### **36.4.8 Procurement in violation of SPPR 2010 –Rs 863.755 million**

As per SPPRA, the procurement of items to be procured keeping in view the directions provided in SPPRA rule-2010.

During audit of various institutions under administrative control of Secretary, Universities/ Boards, for the financial years 2014-15 to 2015-16, it was observed that an expenditure of Rs 863.755 million was incurred for procurement of various items. However, violations of various provisions of SPPR, 2010 were noticed by audit. The details are given at Annex-3 of Chapter-36.

The matter was reported to the management during January 2015 to November 2016. The managements of different universities contested the audit observation through their detailed replies but did not produce the evidence in support of the reply.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures to avoid recurrence.

#### **36.4.9 Irregular award of work on market rates instead of schedule rates – Rs 875.049 million**

As per Para 7 of Schedule of Rates for finished items of work, Volume-III, Part-II of 2004, “All works shall be executed adopting Composite Rates and all material shall be procured by the contractor on their own expenses.”

During audit of various institutions under administrative control of Secretary, Universities/ Boards, for the financial years 2012-13 to 2014-15, it was observed that an amount of Rs 214.281 million was paid on execution of items of work awarded on market rates instead of schedule rates, 2004. The work orders were required to be awarded and executed on Composite Schedule Rates by allowing premium on the specified items to offset the effect of price fluctuation in the market. This resulted into irregular excess payment for Rs 875.049 million.

(Rupees in million)

Sr.#	Name of Office	AIR Para#	Financial Year	Amount
1	IBA Karachi	5	2012-13 to 2014-15	193.015
2	SMBB Medical University, Larkana	20	2014-15	668.764
3	NED University of Engineering & Technology, Karachi	7	2014-15	8.814
4	University of Karachi	9	2014-15	4.456
<b>Total</b>				<b>875.049</b>

The matter was reported to the management during March 2016 to August 2016. The managements of different universities contested the audit observation through their detailed replies but did not produce the evidence in support of the reply.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility on the person(s) at fault.

#### **36.4.10 Irregular award of work over & above PC-I cost-Rs 262.293 million**

According to Para 10 (i) and (ii) of General Financial Rules Vol.-I, “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.”

During audit of office of the Vice Chancellor, Shaheed Muhtarma Benazir Bhutto Medical University, Larkana, it was observed that civil work costing to Rs 262.293 million for the work “Construction of Shaheed Muhtarma Benazir Bhutto Medical University, Larkana” was awarded to various contractors in excess over & above the cost mentioned in PC-I.

(Rupees in million)

Sr. #	Name of Work	Cost of work in PC-1	Cost Awarded	Excess	
				Amount	%
1	Construction of common facilities @ SMBBMU LRK	28.920	103.000	74.080	256.1
2	Construction of Administration Block @ SMBBMU LRK	47.012	58.722	11.710	24.9

(Rupees in million)

Sr. #	Name of Work	Cost of work in PC-1	Cost Awarded	Excess	
				Amount	%
3	Sewerage & Electricity works @ SMBBMU LRK	47.080	92.002	44.922	95.4
4	Construction of Academic Block @ SMBBMU LRK	148.680	247.056	98.376	66.1
5	Construction of Internal roads & parking sheds @ SMBBMU LRK	4.200	23.113	18.913	250.3
6	Construction of common facilities (Nursing Hostel) @ SMBBMU LRK	50.208	58.500	8.292	16.5
7	Consultant for Estt: of SMBBMU LRK	14.618	20.618	6.000	41.05
<b>Total</b>		<b>340.718</b>	<b>603.011</b>	<b>262.293</b>	

The irregularity was pointed out to the management during August 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#21)**

#### **36.4.11 Irregular expenditure without inviting tenders – Rs 153.199 million**

As per Rule 17(1) of SPPR 2010, procurements over one hundred thousand rupees and up to one million rupees shall be advertised by timely notifications on the Authority's website and may in print media in the manner and format prescribed in these rules.

During audit of various institutions under administrative control of Secretary, Universities / Boards, for the financial years 2014-15 to 2015-16, it was observed that an expenditure amounting to Rs 153.199 million was incurred on various procurements without inviting tender. The details are given at Annex-4 of Chapter-36.

The irregularity was pointed out to the management during November 2015 to November 2016. The managements of different universities contested the audit

observation through their detailed replies but did not produce the evidence in support of their reply.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures to avoid recurrence.

### **36.4.12 Irregular encashment of leave - Rs 99.734 million**

As per Rule 18-A ii (amended, 2A&2B) of Revised Leave Rules 1980, encashment of leave preparatory to retirement (LPR) not exceeding 365 days to retiring employees shall be effective from the first day of July 2012 and shall for the entire period of leave refused or opted for encashment.

During audit of following institutions under administrative control of Secretary, Universities/ Boards, for the financial year 2014-15, it was observed that expenditure of Rs 99.734 million was incurred on payments to employees on account of annual encashment of not availed leave on full pay (LFP) and even encashment of casual was allowed; whereas, the encashment was applicable to retiring employees.

<b>(Rupees in million)</b>				
<b>Sr. #</b>	<b>Name of Office</b>	<b>AIR Para #</b>	<b>Financial Year</b>	<b>Amount</b>
1	University of Karachi	67	2014-15	78.091
2	BISE Larkana	03	2014-15	12.912
3	NED University of Engineering & Technology, Karachi	22	2014-15	7.738
4	Quaid e Awam University of Engineering Science & Technology Benazirabad	6	2014-15	0.993
<b>Total</b>				<b>99.734</b>

The matter was reported to the management during December 2015 to March 2016. The management at Sr. #01 furnished irrelevant reply. The management at Sr # 03 replied that the amount involved in Para pertained to LPR which had been paid to employees at the time of retirement as per notifications issued by the Ministry of Finance. The contention of management needed verification. The reply from remaining institutions was not received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures to avoid recurrence.

### **36.4.13 Unauthorized payment of mobilization advance – Rs 91.596 million**

As per Rule 220(c) of Sind Financial Rules in respect of works costing Rs 2.5 million or above the contractor may be allowed by the authority competent to accept tender, a mobilization advance to be paid up to 10% of the tendered amount.

During audit of office of the Director, Institute of Business Administration, Karachi for the financial years 2012-13 to 2014-15, it was observed that payment of Rs 91.596 million was made to the contractors on account of mobilization advance for irrelevant items of work at excess rate than the allowed rate. The mobilization advance was allowed at 34.5% in four installments instead of at 10 %.

The matter was reported to the management during August 2016. The management replied that mobilization advance was granted as per terms and conditions of the contract after obtaining approval of competent authority. The reply was not tenable as advance was allowed on insurance guarantee in contravention of the rule.

Besides, as per Letter of Award, 70% secured advance and 50% adhoc payments were also allowed as financial assistance in contravention of regulations of works referred above. The management replied that 25% mobilization advance was paid in accordance with provisions of letter of intent whereas 9.5% advance was paid through bridge financing not mobilization advance as mentioned in para. The reply was not tenable as interest free mobilization advance upto 34.5% was allowed on insurance guarantee instead of 10% mobilization advance. Besides, if the stance of management that 9.5% was an advance and not mobilization advance is correct even then there was no provision of granting additional advance of 9.5% in the above rule.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#09&16)

#### **36.4.14 Non-adjustment of advances – Rs 87.945 million**

According to Para-668 of Federal Treasury Rules, advances granted under special orders of the competent authority to officers/officials for Departmental or allied purposes may be drawn on the responsibility and receipt of the officers for whom they are sanctioned subject to adjustment by submission of detailed account supported by vouchers or by refund as may be necessary.

During audit of various institutions under administrative control of Secretary, Universities / Boards, for the financial years 2014-15 to 2015-16, it was observed that advance payment of Rs 87.945 million was made to various parties/officers for various works without obtaining their subsequent adjustment accounts. The details are given at Annex-5 of Chapter-36.

The matter was reported to the management during January 2015 to November 2016. The managements of different institutions contested the audit observation through their detailed replies but did not produce the evidence in support of their reply.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends adjustment of advances besides fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **36.4.15 Irregularities in expenditure incurred on salaries of part time teaching staff – Rs 32.417 million**

As per Rule 13 of General Financial Rules, volume-I, “Every controlling officer must satisfy himself not only that adequate provisions exist within the Departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores but also that the prescribed checks are effectively applied.

During audit of office of the Vice Chancellor, NED University of Engineering & Technology, Karachi, for the financial year 2014-15, it was observed that the University authorities incurred an expenditure of Rs 32.417 million (as per ledger) on account of Pay & Allowances to the part time teaching staff as per Annual Accounts / ledger without observing following required formalities:

- i. The appointments of the staff were not made on the merit and without proper advertisement and competitive examination.
- ii. The Dean (CEA) was appointed as part time teacher. The motive of the senior officers should be to serve the nation, strengthen the University faculty rather to get undue financial benefits.
- iii. Undue favor was extended by allowing morning shift faculty members as part time teachers. The double salaries were enjoyed by the staff including extra travelling charges too for attending evening / part time classes.
- iv. The appointment was based on prejudice recommendation of the deans / Chairman / head of faculty.
- v. The verification of degrees, character antecedence and medical certificate from Civil Surgeon was also not available.

The irregularity was pointed out to the management during March 2016. The management replied that to keep high standards & quality education & to overcome shortage of expert faculty in Bachelor & Masters programmes, part time teachers were appointed on the basis of recommendations of the concerned head of department. They added that prescribed approved rates of remuneration were allowed after approvals and that there was no need of availability of sanctioned posts, medical fitness certificates and open competition. The reply was not tenable as management accepted that appointments were made without observing competition and appointments were made on the recommendations of the Head of Departments. The management was unable to justify that who recommends the appointment of Dean as part time teacher. The complete record of appointments reflecting advertisements of posts, sanctioned / working strength, applications of the candidates, short listings, minutes of meetings regarding short listings & approvals, etc was not produced.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#10)

#### **36.4.16 Irregular expenditure on award of health insurance – Rs 30.00 million**

As per Rule 13 of General Financial Rules, volume-I, “Every controlling officer must satisfy himself not only that adequate provisions exist within the Departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores but also that the prescribed checks are effectively applied.

During audit of office of the Vice Chancellor, NED University of Engineering & Technology, Karachi, for the financial year 2014-15, it was observed that an expenditure of Rs 30.000 million (as per Annual Statement of Accounts) was incurred on award of Healthcare Services & Medical Coverage Insurance of employees to M/s United Insurance Co. of Pakistan Limited without observing following formalities:

- i. The competitive process was not observed as the Govt. owned State Life Insurance Co. was also not considered before award of the contract.
- ii. The agreement was made for Rs 24.656 million but local office paid Rs 30.000 million. The reason / record of excess payment were not produced.
- iii. The expenditure of Rs 29.321 million was incurred on Hospitalization charges / reimbursement of medical charges to employees, which reflected that the benefits of the Health Insurance were not properly utilized.
- iv. The stamp duty @0.3% for Rs 0.090 million was not deducted and stamps were not affixed on contract.

The matter was reported to the management during March 2016. The management replied that tenders were invited in leading newspapers and the bid was approved for M/s United Insurance Company being lowest on the recommendations of committee. They added that OPD services were provided on small scale to the employees and the students and that the better health care facilities were provided to the employees (working/retired). They further added that the total payment of Rs 24.656 million only was paid to the concerned company on quarterly basis. The reply was not tenable as the management was unable to produce the record of complete tendering process, revised agreement of Rs 30.000 million along with recovery of



stamp duty, reasons of excess payment over contracted amount & its reconciliation, etc.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#11)

#### **36.4.17 Unjustified hiring and payment to consultants before approval of PC-1- Rs 23.794 million**

According to Article 84 of Audit code, it is an essential function of the Audit to bring to light not only cases of clear irregularities but every matter which in its judgment appears to involve improper expenditure or waste of public money or stores, even though the accounts may be in order.”

During audit of office of the Vice Chancellor, Peoples University of Medical & Health Sciences for Women, Shaheed Benazirabad, for the financial year 2014-2015, it was observed the management had appointed consultant for various development projects prior approval of PC-I & made payment of Rs 23.794 million which is unjustified.

The irregularity was pointed out to the management during January 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#12)

#### **36.4.18 Loss to university due to encroachment of land – Rs 22.500 million**

As per Rule 10 (i) and (iv) of General Financial Rules, volume-I, “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. Public moneys should not be utilized for the benefit of a particular person or section of the community”.

During audit of office of the Vice Chancellor, Shah Abdul Latif University, Khairpur, for the year 2014-15, it was observed that 45 acres of university land costing to Rs 22.500 million were encroached by the land mafia.

The irregularity was pointed out to the management during July 2015. But no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends the detailed inquiry, fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#01)

#### **36.4.19 Irregularities in expenditure on staff appointed on contract basis – Rs 21.852 million**

As per rule 88 of Sindh Financial Rules, Volume-I, "Every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money".

During audit of University of Karachi and NED University of Engineering & Technology, Karachi under administrative control of Secretary, Universities/Boards for the financial years 2014-15 to 2015-16, it was observed that expenditure of Rs 21.852 million was incurred on account of pay & allowances to staff appointed on contract basis. However, various irregularities including contract appointment despite excess strength of regular employees and non-transparent recruitment process were noticed. The details are given at Annex-6 of Chapter-36.

The matter was reported to the management during January 2015 to November 2016. The management's response and audit comments are as under;

The managements of different universities contested the audit observation through their detailed replies but did not produce the evidence in support of their reply.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

### **36.4.20 Irregular expenditure on outsourcing of buses-Rs 19.176 million**

The agreement dated 01-07-2014 executed between Liaquat University of Medical and Health Sciences (LUMHS), Jamshoro with M/s Deen Muhammad & Sons Transport Co. for a period of 01 year from 01-07-2014 to 30-06-2015 for transportation of students/employees of the University among other conditions also provided that:

1. The University shall pay Rs 2,525 per one rout/trip (up & down) each trip comprising about 47 K.M at fixed rate from 01-07-2014 to 30-06-2015.
2. The condition of Buses at the time of delivery will be maintained by the contractor under supervision of the transport officer, and on expiry / termination of contract shall return the Buses/Vehicles in same condition to the University.

During audit of office of the LUMHS, Jamshoro, for the year 2014-15, it was observed that the management through the agreement dated 01-07-2014 outsourced its fleet of buses to transport contractor. An expenditure of Rs 19.176 million was incurred on account of payments to the contractor. Following irregularities were noticed by audit:

- i. The rates for preceding year were Rs 2,276 per trip whereas during the year under audit the rates were enhanced despite reduction in oil prices up to 40%.
- ii. All routes were fixed for 47 K.M. @ Rs 2,525 per trip, which was unjustifiable as the route should have been fixed on actual meter reading of each route.
- iii. More than one trip Charges were being paid to same bus on the same day. For example, contractor was paid two trips amounting to Rs 5,050 for Bus # EB-0044 on 05-05-2015 from LUMHS to Mehran University Public School and back. The two distance of this point is not more than 10 K.M.
- iv. As per Statement of LUMHS on Road & off Road Vehicles provided by the LUMHS, out of 31 buses, 26 buses were On Road during the year 2014-15. However, exact number and detail of vehicles handed over to the contractor was not produced to audit

- v. No Security was obtained from the Contractor against the custody of busses.

The matter was reported to the management during June 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#05)**

#### **36.4.21 Loss due to investment in US dollars instead of Pak-rupees-Rs 8.125 million**

According to Article 84 of Audit code, it is an essential function of the Audit to bring to light not only cases of clear irregularities but every matter which in its judgment appears to involve improper expenditure or waste of public money or stores, even though the accounts may be in order.”

During audit of office of the Vice Chancellor, Peoples University of Medical & Health Sciences for Women, Shaheed Benazirabad for the financial year 2014-15, it was observed that the funds in foreign currency amounting to US\$ 1.099 million (received from foreign students) were invested in Soneri Bank Limited and MCB Bank Limited under foreign currency investment account @ ranging 2.0 to 3.5% per annum. However, the prevailing rate of profit on investment in local currency during the same period was average 10%. Had the management invested its funds in local currency by converting US\$ in Pak Rupees, the return on same investment would have been grater by Rs 8.125 million.

The irregularity was pointed out to the management during June 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#01)

#### **36.4.22 Irregular withdrawal from endowment fund - Rs 30.600 million**

According to the terms and conditions of Endowment for Higher Education and R & D in IT & Telecom Sector, “Endowment (Rs 175 million) to be placed in long term deposit with National Bank of Pakistan, NED University Branch. The “Capital Cost” shall never be touched; only the profit thereon shall be spent and every saving, however small, reinvested as capital, so that the endowment increases continuously.

During audit of office of the Vice Chancellor, NED University of Engineering & Technology, Karachi, for the financial year 2014-15, it was observed that the funds of Rs 35.600 million were taken as loan from the endowment fund in previous years & loan of Rs 5.000 million repaid. However, the balance amount of Rs 30.600 million was not refunded to the fund.

The matter was reported to the management during March 2016. The management replied that Rs 15.019 million was the closing balance at the end of financial year which was invested later. The reply was not tenable as details of investments not produced.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#26)

#### **36.4.23 Unauthorized occupancy of government bungalows/ quarters-Rs 13.085 million**

According to Appendix 18-A of Sindh Financial Rules, Volume-I, states that “every officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government...”

During audit of office of the Vice Chancellor, Shaheed Muhtarma Benazir Bhutto Medical University, Larkana, for the year 2014-15, it was observed that 47 bungalows and quarters of the local office were occupied by the various persons illegally (they were not the employees of university), Furthermore, utility bills of these bungalows and quarters were also paid by university.

The irregularity was pointed out to the management during August 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#08)

#### **36.4.24 Irregular expenditure by splitting up to avoid tender – Rs 6.889 million**

As per Rule 12(1) of SPPR 2010, Save as otherwise provided and subject to the regulations made by the Authority, a procuring agency shall prepare, all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements already grouped, allocated and scheduled in the Procurement Plan.

During audit of various institutions under administrative control of Secretary, Universities / Boards, for the financial years 2014-15 to 2015-16, it was observed that an expenditure of Rs 6.889 million was incurred on various works without inviting open tenders.

(Rupees in million)

<b>Sr. #</b>	<b>Name of Office</b>	<b>AIR Para #</b>	<b>Particulars</b>	<b>Financial Year</b>	<b>Amount</b>
1	Dawood University of Engineering & Technology Karachi	9	M&R works & purchase of various articles for meetings	2015-16	4.919
2	LUMHS, Jamshoro	26	Various works through splitting up to avoid the calling of tender.	2014-15	1.117
3	Jinnah Sindh Medical University, Karachi	13	repair and maintenance of hostel building	2014-15	0.427

(Rupees in million)

Sr. #	Name of Office	AIR Para #	Particulars	Financial Year	Amount
4	Shaheed Benazir Bhutto University of Veterinary and Animal Sciences Sakrand	17	Repair Parks & Lawn	2014-15	0.426
<b>Total</b>					<b>6.889</b>

The matter was reported to the management during December 2015 to November 2016. The management at Sr.#04 replied that the expenditure was incurred as and when required by the concerned department subject to availability of funds and produced the approval, supplier bills, quotations. The reply of the management was not tenable as pointed out reservation was not responded with justification. The replies from remaining institutions were not received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **36.4.25 Delay in payment of loans causing interest charges - Rs 5.205 million**

As per Public Accounts Committee meeting dated 7th December 2010, "The meeting, presided over by chairman Jam Tamachi Unar, also directed universities to ban obtaining overdrafts from banks as they cause a financial burden due to the heavy interest charged." published in The Express Tribune dated 8th December 2010.

During audit of office of the Vice Chancellor, NED University of Engineering & Technology, Karachi, for the financial year 2014-15, it was observed that the university authorities had obtained loan/overdraft from the commercial banks for which an interest payment / mark-up charges of Rs 5.205 million was made during the year.

The matter was reported to the management during March 2016. The management replied that the loan was not raised during 2014-15; however, the interest paid pertains to the loans raised in previous year 2013-14 due to shortage of funds and

severe financial constraints. They added that the allowances paid were already approved by the syndicate/senate. The management accepted the facts relating to rising of loans but no justification was provided for payment of interest as well as efforts initiated to pay off the loans. The main focus in the reply was on justification of allowances being paid authorizedly and without approval by the Government/legislature. The reply was not tenable as irrelevant copies were furnished.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#01)**

#### **36.4.26 Recruitment of staff without provision in PC-I - Rs 2.107 million**

According to Rule-10 (i) & 11 of General Financial Rules, Volume-I, "Every 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 the expenditure of his own money. He is responsible for observance and enforcing order and strict economy at every step".

During audit of office of the Vice Chancellor, Shaheed Muhtarma Benazir Bhutto Medical University, Larkana, it was observed that an amount of Rs 2.107 million was paid to the staff of the project. However, no provision was provided in PC-I.

The irregularity was pointed out to the management during August 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#29)**



### **36.4.27 Appointments & promotions of teaching faculty/staff in violation of rule**

As per rule 88 of Sindh Financial Rules, Volume-I, "Every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money".

During audit of various institutions under administrative control of Secretary, Universities/ Boards for the financial years 2014-15 to 2015-16, it was observed that the appointment and promotion of faculty staff was made without observing the prescribed rules. The details are given at Annex-7 of Chapter-36.

The matter was reported to the management during January 2015 to November 2016. The management's response and audit comments are as under; The management at Sr #02 replied that all the appointments were made after observing all codal formalities like advertisement, competition, recommendation of the board and approval of syndicate. The reply was not tenable as the evidences were not produced.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

### **36.4.28 Unjustified double up-gradation of post of lecturers**

Rule 88 of Sindh Financial rules Vole-I, 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.

During audit of office of the Vice Chancellor, Liaquat University of Medical & Health Sciences Jamshoro for the financial year 2014-15, it was observed that the post of lecturers was upgraded to BPS-19. It is important to mention here that the posts of lecture are already upgraded to BPS-18 from BPS-17. Audit has following queries to acquire the justified authentication of the un-authorized act:

- i. No consultation with Establishment Division/ HEC was obtained prior up-gradation.

- ii. No concurrence / point of view of Ministry of Finance/ Finance Department was obtained to validate the decision of upgrading the post of Lecture from BPS-18 to BPS-19.
- iii. Approved benchmark and mechanism of up-gradation was not made known to audit.
- iv. The approved revised recruitment rules were not furnished to the audit team.
- v. The reason of upgrading the post of lecturer to higher scale was not furnished to audit.

The irregularity was pointed to the management during January 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

(AIR#42)

#### **36.4.29 Irregular inclusion of income tax in the rate analysis of extra item/additional work**

Rule-10 (i) and (ii) General Financial Rule volume - I, made with Rule-88 of Sindh Financial Rule volume - I “every public officer is expected to exercise the same vigilance in respect of expenditure incurred from government money, as a person of ordinary prudence would exercise in spending his own money. ....”.

During audit of office of the Director, Institute of Business Administration, Karachi for the financial years 2012-13 to 2014-15, it was observed that various civil works were awarded to the contractors. During execution of civil works, various additional/extra items of works were carried out. The rate analysis of these additional/extra items was prepared including the amount of income tax which shows that the contractor’s income tax was paid by the institute. Due to this the institutes sustained loss

The irregularity was reported to the management during August 2016. The management replied that provision of income tax on additional items was included in estimates as overhead in accordance with industry practice and the same was also mentioned in tender document. The reply of the management was not tenable as income tax was not an overhead cost (to be payable by buyer) but charge on income (to be paid by the person earning income) imposed by the Federal Government. Hence, it was to be paid by the supplier/contractor not buyer, as done by IBA and needs to be recovered under intimation to audit.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#12)**

### **36.4.30 Excess 939 officers and staff beyond the sanctioned strength**

According to rule 73 (iv) (2) of GFR, when consolidating the detail estimates in respect of pay of officers and pay of establishments the number of posts must be carefully checked and in case of variation in numbers or the amounts of the provisions compared to those in the current years budget an explanation should be included in the estimates. If the increase is based on specific Government sanction, a copy of the sanction should be enclosed with the estimates.

During audit of following institutions under administrative control of Secretary, Universities / Boards, for the financial years 2013-14 & 2015-16, it was observed that 939 officers/officials posted against different posts were working in excess without having sanctioned posts at the time of appointment.

<b>Sr. #</b>	<b>Entity</b>	<b>Financial Year</b>	<b>AIR Para #</b>	<b>Sanctioned</b>	<b>Working</b>	<b>Excess</b>
1	Liaquat University of Medical & Health Sciences Jamshoro	2014-15	45	222	271	49
2	University of Karachi	2014-15	05	428	1318	890
<b>Total</b>				<b>650</b>	<b>1589</b>	<b>939</b>

The matter was reported to the management during January 2016 to August 2016. The management at Sr. # .2 replied the number of posts instead of scale wise positions mentioned in the budget book. The reply of the management was not tenable as the scale wise positions were not furnished. The reply from remaining institution was not received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility for excess working strength besides taking remedial measures.

#### **36.4.31 Irregular payment on account of various allowances – Rs 361.497 million**

As per Revised Pay Scales, 1987, vide Finance Department Office Memorandum No. FD (SR-IV)1/43/87 dated 17th May, 1987, “All employees not provided with government accommodation and posted at Karachi, Hyderabad including Kotri and Jamshoro are entitled to house rent allowance @ 45% of the minimum of basic pay scale. For all other places, this allowance will be allowed @ 30%”.

During audit of various institutions under administrative control of Secretary, Universities/Boards for the financial years 2014-15 to 2015-16, it was observed that an amount of Rs 361.497 million was paid to the officers/officials on account of house rent allowance, conveyance allowance orderly allowance and medical allowance without observing the above rules. The details are given at Annex-8 of Chapter-36.

The matter was reported to the management during January 2015 to November 2016. The managements of different universities contested the audit observation through their detailed replies but did not produce the evidence in support of their reply.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **36.4.32 Non-recovery of outstanding dues – Rs 275.270 million**

According to Rule 41(a) of Sindh Financial Rules Volume-I, “the Departmental Controlling Officer should see that all sums due to Government are regularly received and checked against demands and that they are paid into treasury.”

During audit of various institutions under administrative control of Secretary, Universities/ Boards, for the financial year 2014-15, it was observed that an amount of Rs 275.270 million was due on account of various heads (including utility charges, rent charges, hostel fee and with-holding income tax) but same was not recovered. The details are given at Annex-9 of Chapter-36.

The matter was reported to the management during January 2015 to November 2016. The managements of different universities contested the audit observation through their detailed replies but did not produce the evidence in support of their reply.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **36.4.33 Non-imposition of penalty for delayed works - Rs 34.832 million**

According to clause-2 of the Contract Agreement, “the quantity of the work is to be done within particular time as specified within the proportionate limit of time, such as 1/4th work in 1/4th of the time. In the event of contractor failing to comply with this condition he shall be liable to pay as compensation an amount equal one percent, or such smallest amount as the Superintending Engineer (whose decision in writing shall be final) may decide of the said estimated cost of the whole work for every day that the due quantity of work remains incomplete. Provided that the total

amount of compensation to be paid under the provisions of this clause shall not exceed 10 percent of the estimated cost of the work as shown in the tender”.

During audit of various institutions under administrative control of Secretary, Universities/ Boards, for the financial years 2012-13 to 2015-16, it was observed that works/assignments awarded to various contractors / suppliers were not completed within the stipulated period. Thus a cumulative penalty of Rs 34.832 million was required to be imposed upon the contractors under clause-2 of agreement, which was not done.

<b>(Rupees in million)</b>				
<b>Sr. #</b>	<b>Name of Office</b>	<b>AIR Para #</b>	<b>Financial Year</b>	<b>Amount</b>
1	Shaheed Muhtarma Benazir Bhutto Medical University, Larkana (Check File for amount)	19	2014-15	25.921
2	Board of Intermediate & Secondary Education Larkana	06	2014-15	6.000
3	Dawood University of Engineering & Technology Karachi	20	2015-16	1.038
		19	2015-16	0.351
4	Shah Abdul Latif University, Khairpur	12	2014-15	0.815
5	IBA Karachi	21	2012-13 to 2014-15	0.707
<b>Total</b>				<b>34.832</b>

The matter was reported to the management during June 2016 to November 2016. The management at Sr.#5 replied that consignment was delivered on 19-06-2014 and date of completion was extended till 31-10-2014 on contractor’s request for supply of ancillary parts. The reply of the management was not tenable as the contract was supply & installation of passenger elevators rather than supply of consignment. Besides, the management enclosed two substantial completion certificates showing different dates of substantial completion i.e., one showing completion on 11-03-2014 and the other on 31-10-2014. Both certificates contain remarks, “the contractor is to complete or rectify all the works mentioned in the punch list within 30 (thirty) days from the above date of Substantial completion”. The work was not yet completed.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

#### **36.4.34 Non recovery of taxes - Rs 11.666 million**

According to Rule 28 of General Financial Rule Volume-I, “no amount due to Government should be left outstanding without sufficient reasons, where any dues appear to be irrecoverable; the orders of competent authority for their adjustment must be sought”.

During audit of various institutions under administrative control of Secretary, Universities/Boards for the financial years 2014-15 & 2015-16, it was observed that GST and income tax of Rs 11.666 million was lying outstanding against various contractors / suppliers which need to be recovered. The details are given at Annex-10 of Chapter-36.

The matter was reported to the management during January 2015 to November 2016. The managements of different universities contested the audit observation through their detailed replies but did not produce the evidence in support of their reply.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **36.4.35 Less-deduction of income tax – Rs 5.549 million**

As per Section 153 (1) of Income Tax Ordinance 2001, every prescribed person making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person:

During audit of various institutions under administrative control of Secretary, Universities/ Boards, for the financial year 2014-15, it was observed that an amount of Rs 5.549 million of income tax was less deducted. The details are given at Annex-11 of Chapter-36.

The matter was reported to the management during January 2015 to November 2016. The managements of different universities contested the audit observation through their detailed replies but did not produce the evidence in support of their reply.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

### 36.4.36 Non-recovery of stamp duty-Rs 3.962 million

As per Para 22-A of Stamps Act, "It is the duty of the competent authority to recover the stamp duty and affix the same, while execution of agreement @ 0.20 paisa per hundred rupees of the value of the agreement or against tender cost".

During audit of following institutions under administrative control of Secretary, Universities/Boards for the financial years 2014-15 to 2015-16, it was observed that stamp duty was not affixed on the contracts executed with supplier/contractors. As a result the government sustained loss of Rs 3.962 million.

(Rupees in million)				
Sr. #	Name of Office	AIR Para #	Financial Year	Amount
1	Jinnah Sindh Medical University, Karachi	17	2014-15	0.199
2	LUMHS, Jamshoro	55	2014-15	0.109
3	NED University of Engineering & Technology, Karachi	31	2014-15	0.514
4	Shaheed Muhtarma Benazir Bhutto Medical University, Larkana	18	2014-15	0.838
5	Sukkur Institute of Business Administration, Sukkur	6	2015-16	2.073
6	University of Karachi	57	2014-15	0.109
		32	2014-15	0.065
		19	2014-15	0.031
7	Shah Abdul Latif University, Khairpur	10	2014-15	0.024
<b>Total</b>				<b>3.962</b>

The matter was reported to the management during June 2016 to November 2016. The managements of different universities contested the audit observation through their detailed replies but did not produce the evidence in support of their reply.



Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

## **CHAPTER –37**

### **WOMEN DEVELOPMENT DEPARTMENT**

#### **37.1 Introduction**

Women constitute more than 50% population of Pakistan. Women Development Department being the sole government agency has to play the vital role of catalyst, lobbyist and influencer to attain the prime objective of women empowerment through gender mainstreaming in the project programmes, providing gender equality and equity.

#### **37.2 Comments on the Budget and Accounts (Variance Analysis)**

The Department consists of 5 formations (DDOs), out of which 1 formation was selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget and expenditure of the department:

(Rupees in million)

<b>Original Budget/ Grant</b>	<b>Supplementary Grant</b>	<b>Re-appro: (+) (-)</b>	<b>Revised Budget 2014-15</b>	<b>Departmental Expenditure</b>	<b>Variation (Excess)/ Savings</b>
351.876	4.726	(111.536)	245.065	171.667	73.397

The department was unable to spend the allocated budget in time. As a result savings of an amount Rs 73.397 million was observed which was not surrendered in time.

#### **37.3 Brief comments on the compliance of PAC directives**

This department was not included in the audit reports (1992-93 to 2009-10) discussed by the PAC.

## 37.4 AUDIT PARAS

### 37.4.1 Non-production of record – Rs 26.364 million

Section 14 (2) and (3) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition.
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules.

During audit of office of Secretary, Women Development Department, Government of Sindh for the year 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 26.364 million remained unaudited.

Sr. #	Particulars	AIR Para #	Amount
1	Record of expenditure on legal advisory.	02	10.000
2	Supporting vouchers for contingent payment against various heads.	14	7.479
6	Cost of other Stores.	09	5.227
3	Payments record.	04	1.954
4	Record of payment of arrears of Pay and Allowances to 17 officials.	03	1.105
7	Advertisement and publicity.	06	0.599
5	All various record.	01	0
<b>Total</b>			<b>26.364</b>

The matter was reported to the management in October 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of relevant record besides fixing responsibility on the person(s) at fault.

## **CHAPTER – 38**

### **WORKS AND SERVICES DEPARTMENT**

#### **38.1 Introduction**

Initially, there was one Department namely Public Works Department (PWD) which consisted of Irrigation Department, Building Department, Roads Department and Public Health Engineering Department. Before mid-sixties, Buildings and Roads Department (B&R) was one Department. Later on it was bifurcated in two Departments; each one was headed by Chief Engineer under Secretary, C&W Department. After devolution in 2001, Communication & Works Department was renamed as Works & Services Department. The Education Engineering Works, previously functioning under Education Department was transferred to Works & Services Department.

Before devolution, Communication & Works Department was responsible for execution and maintenance of Roads and Buildings Projects in the entire province except works which were executed by civic agencies and some other agencies.

After devolution, workload was partly transferred to District Governments. The Education Engineering works after re-structuring were devolved at District level and none of its functions were retained at Provincial level. The Foreign Aided Projects of Education Engineering Works under Project Director (Education Works) were dealt by Education Department at Provincial level.

Works & Services Department, Government of Sindh is responsible for providing services in the form of road network and building facilities for various departments of Government of Sindh. Its main activities are planning, designing, construction and maintenance of Roads/Highways and Buildings. The W & S Department offices are spread over the length and breadth of the province. Since devolution in 2001, the functions of W&SD were divided between Provincial and District Governments to facilitate the end users. The road network was devolved to the District Government but, some important inter-district roads were retained by the Works & Services Department.

The following functions are undertaken by the department:

- a) Implementation of Annual Development Program (ADP) in terms of construction, and improvement, of new and existing facilities. It also includes all domestic and Foreign Aided Projects.
- b) Implementation of the Annual Maintenance & Repair Programme.

- c) Preparation of feasibility reports of roads / projects.
- d) Designing of roads and buildings and preparing detailed estimates.
- e) Preparation of Architectural Design & Drawing of Residential and Non-Residential Buildings.
- f) Quality Assurance of projects.
- g) Training of officers and staff in technical/other relevant fields.
- h) Providing technical/execution assistance to other departments and agencies.

Presently, W&SD is providing technical assistance for construction of roads, etc., to Mines and Minerals Department and Sindh Coastal Development Authority. Moreover, the W&SD also constructs buildings for other departments.

Departments attached/subordinate to the W & S Department are;

- a) Highways Department
- b) Building Department

### 38.2 Comments on the Budget and Accounts (Variance Analysis)

The Department consists of 188 formations (DDOs), out of which 20 formations were selected and audited during the Audit Year 2016-17. The accounts for the Financial Year 2015-16 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rupees in million)

Original Budget/ Grant	Supplementary Grant	Re-appro: (+) (-)	Revised Budget 2014-15	Departmental Expenditure	Variation (Excess)/ Savings
19,492.375	1,566.986	(5,125.957)	15,933.404	14,420.503	1,512.900

The department was unable to control the expenditure as per allocated budget. As a result, excess expenditure of Rs 1,512.900 million was observed.

(Rupees in million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
625.232	173.185	201.931	(27.847)

### 38.3 Brief comments on the compliance of PAC directives

The status of discussion of audit reports by the PAC with respect to the Audit Paras requiring compliance of the PAC directive and subsequent compliance by the

department is tabulated as follows. The overall compliance by the department was 15.1%.

Sr. No	Audit Report	Total Paras discussed	No. of Paras requiring Compliance	Compliance of PAC directives made	Compliance of PAC directives not made	Percentage of Compliance
1	1992-93	25	4	0	4	-
2	1998-99	19	10	0	10	-
3	1999-2000	25	1	0	1	-
4	2001-02*	25	5	0	5	-
5	2004-05*	28	22	2	20	9.1
6	2005-06	13	8	0	8	-
7	2006-07	5	2	0	2	-
8	2007-08	18	6	0	6	-
9	2008-09	15	4	0	4	-
10	2009-10	21	11	9	2	81.8
<b>Total</b>		<b>194</b>	<b>73</b>	<b>11</b>	<b>62</b>	<b>15.1</b>

Note: Audit Reports of the years 2002-03 and 2003-04 were not discussed in PAC.

## 38.4 AUDIT PARAS

### 38.4.1 Irregularities in execution of works – Rs 13.192 million

As per Para-209(d) of CPWD Code, “all payments for work or supplies are based on the quantities recorded in the measurement book, it is incumbent upon the person taking the measurements to record the quantities clearly and accurately”

During audit of following offices of Works & Services Department, Government of Sindh for the year 2014-15 it was observed that payment of Rs 13.192 million was made against various works, which were irregular as elaborated against each case:

(Rupees in million)

Sr. #	Name of Office	Financial Year	AIR Para #	Audit Observation	Amount
1	XEN Building Division, Sukkur	2014-15	10	Payment made in closing month of financial year by irregular recording measurement of two works as completed in 6 days.	11.568
2	XEN Building Division, Naushahro Feroze	2014-15	4	Two works costing Rs 1.009 million and Rs 0.615 million to a contractor were awarded irregularly in May 2015, whereas, final payment was made within one month in June 2015	1.624
<b>Total</b>					<b>13.192</b>

The matter was reported to the management during October 2015 to May 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry for fixing of responsibility on person (s) at fault besides taking remedial measures.

### 38.4.2 Non-production of record – Rs 4,007.249 million

Section 14 (2) and (3) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide as under:

- (2) The officer incharge of any office or Department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition
- (3) Any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under Efficiency and Discipline Rules”.

During audit of various offices of Works & Services Department, Government of Sindh for the year 2013-14 to 2015-16, the management did not produce the auditable record. Due to non-production, the record involving financial impact of Rs 4,007.249 million remained unaudited. The details are given at **Annex-1** of Chapter-38.

The matter was reported to the management during September 2014 to November 2016. The management of the office at Sr. # 44 of the Annex produced some copies of record. However, complete record was not produced. Management of other offices did not reply.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends production of auditable record besides fixing responsibility on the person(s) at fault.

### **38.4.3 Irregular expenditure beyond operational jurisdiction—Rs 112.880 million**

As per Rule 88 of Sindh Financial Rules, Volume-I, "Every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money".

During audit of following offices of Works & Services Department, Government of Sindh for the year 2015-16, it was observed that an expenditure of Rs 112.880 million was incurred on execution of various works beyond the operational jurisdiction. The details are as under:



(Rupees in million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	XEN Building Division-III, Karachi (Cost Center)	2015-16	1	Expenditure pertaining to electrical work was booked under cost center KR9615, whereas, the work was executed by Electrical Energy DivII&III Karachi.	73.689
		2015-16	14	Expenditure pertained to electrical work was booked under Cost Center-KR9615, whereas, the work was executed by Electrical Energy Div-II, Karachi.	5.753
2	XEN Building Division-II, Karachi(Cost Center)	2015-16	13	Expenditure pertaining to electrical work was booked under Cost Center KR9615, whereas, the work was executed by Electrical Energy Div-I&II, Karachi.	25.766
		2015-16	7	work executed out of jurisdiction allocated to division	7.672
Total					112.880

The irregularity was pointed out to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

#### **38.4.4 Unjustified award of work for a leftover project of Federal Government – Rs 180.190 million**

According to rule 4 of SPPR while procuring goods, works or services, procuring agencies shall ensure that procurements are conducted in a fair and transparent manner and the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of office of Project Director, Lal Shahbaz Qalandar at Hyderabad Works & Services Department, Government of Sindh for the year 2014-15, it was observed that a scheme, viz. Development work of Dargah Hazrat Lal Shahbaz Qalandar Sehwan Shareef, District Jamshoro was approved by Federal Government at

estimated cost of Rs 142.225 million out of which Rs 131.605 million were released and utilized. Moreover, same work was also taken up by Sindh Govt at the cost of Rs 260.797 million as per PC-I in same year which was further enhanced to Rs 322.415 million. The possibility of misuse of public funds could not be ruled out due to execution of one and same work by two different agencies at comparably higher cost.

The matter was taken up with the management in May 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry for fixing responsibility on the person(s) at fault.  
(AIR#6&9)

#### 38.4.5 Wastage of public money due to abandoned works – Rs 91.168 million

As per Para 23 of General Financial Rules, “Every government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by government...”

During audit of following offices of Works & Services Department, Government of Sindh for the year 2014-15 & 2015-16, it was observed that various works worth Rs 91.168 million remained as abandoned and not completed after lapse of several years due to various reasons. Those incomplete works were neither re-awarded nor was action taken against defaulting contractors as per contract agreement.

(Rupees in million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	XEN Highway Division, Shikarpur	2014-15	3	Five works pertaining to year 2006-07 not completed	27.035
2	XEN Building Division, Sukkur	2014-15	8	Four works pertaining to year 2013-14 not completed	26.725
3	XEN Highway Division, Sukkur	2015-16	19	21 works not completed despite lapse of three to four years.	15.740
4	XEN Highway Division, Sanghar.	2015-16	14	Six works abandoned due to various reasons	15.462
5	XEN Building Division, Badin.	2014-15	13	17 works not completed despite lapse of five years	6.206
<b>Total</b>					<b>91.168</b>

The matter was pointed out to the management during October 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the persons(s) at fault.

#### **38.4.6 Un-authorized occupancy of government assets – Rs 2.540 million**

As per Para 23 of General Financial Rules, “Every government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by government...”

During audit of office of Comptroller, Sindh House Islamabad for the year 2013-14 to 2015-16, it was observed that government owned assets involving financial impact of Rs 2.540 million were retained un-authorizedly by the various officers/officials detailed as under:

(Rupees in million)

<b>Particulars</b>	<b>AIR Para #</b>	<b>Amount</b>
Retention of Vehicle Reg. No 9806 (Toyota Corolla Xli) by Secretary W&S	12	1.500
Occupancy of Government quarter No. 04 by Ex-Khadim (BPS-05) who was terminated from service w-e-f 04-03-2011 (52 months x Rs20,000)	9	1.040
<b>Total</b>		<b>2.540</b>

The irregularity was pointed out to the management in April 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry besides fixing of responsibility on the person(s) at fault and recovery of government assets along with occupancy charges.

#### **38.4.7 Unauthorized expenditure on work's site other than the scheme – Rs 1.000 million**

According to 2.85G(i) Chapter II, the west Pakistan Buildings & Roads Department code, “No work should be commenced on land which has not been duly made over”.

During audit of office of Executive Engineer Building Division, Hyderabad for the year 2014-15 & 2015-16, it was observed that scheme for construction of Govt. Dispensary at Hurr Camp Colony, Taluka Qasimabad, Hyderabad was approved vide ADP No 92. Tender for said scheme was invited and a firm, M/S Naveed & Co being the successful bidder was awarded the work vide work order No 264 dated 05-05-2016. The contractor was paid an amount of Rs 1.000 million including the secured advance for execution of work. While going through the record, it was revealed that the location of actual work has been changed to Government Dispensary, Ghanghra Mori Colony, Taluka, Hyderabad.

The irregularity was pointed out to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

**(AIR#04)**

#### **38.4.8 Irregularities in tendering of works – Rs 4,546.958 million**

According to Rule 4 of Sindh Public Procurement (SPP) Rules 2010, “Principles of Procurements - While procuring goods, works or services, procuring agencies shall ensure that procurements are conducted in a fair and transparent manner and the object of procurement brings value for money to the agency and the procurement process is efficient and economical”.

During audit of various offices of Works & Services Department, Government of Sindh for the year 2013-14 to 2015-16, it was observed that an expenditure of Rs 4,546.958 million was incurred on execution of works in contravention of several provisions of SPP Rules as mentioned against each office at Annex-2 of Chapter-38.

The irregularity was pointed out to the management during August 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the person(s) at fault besides taking remedial measures.

#### **38.4.9 Irregular execution of work over & above the estimated cost – Rs 182.030 million**

As per Para-532 of Public Works Department Manual, “A revised estimate containing the facts and causes of revision must be submitted when sanctioned estimate is likely to exceed by more than 5% either rising from the rate being found insufficient or from other cause whatsoever.”

During audit of various offices of Works & Services Department, Government of Sindh for the year 2013-14 to 2015-16, it was observed that cumulative expenditure of Rs 182.030 million was incurred over & above the estimated cost in respect of total 36 works without approval of revised estimates. The details are given at Annex-3 of Chapter-38.

The irregularity was pointed out to the management during September 2014 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **38.4.10 Un-justified payment on account of bitumen – Rs 174.839 million**

According to Planning & Development Department Notification number 421/P&D/T&C/85 dated 20th February, 1997 the contractor would only use bitumen from the National Refinery Ltd. and that the invoice from National Refinery Ltd would be provided to the Department in support of procurement of bitumen.

During audit of following offices of Works & Services Department for the year 2013-14 to 2015-16, it was observed that a cumulative amount of Rs 174.839 million was paid to various contractors on account of an item of work cost of bitumen without documentary evidence of procurement of bitumen from National Refinery Ltd.

(Rupees in million)

Sr. #	Name of office	Financial Year	AIR Para #	Amount
1	XEN Highway Division, Karachi	2015-16	3	57.117
2	XEN Highway Division, Sukkur	2015-16	14	55.850
3	XEN Provincial Highway Division, Larkana	2014-15	3	19.808
4	XEN Highway Division, Larkana	2015-16	34	9.288
5	XEN Highway Division, Tharparkar @ Mithi	2014-15	1	10.826
6	XEN District Road Division, Qambar @ Shadadkot	2014-15	2	10.117
7	XEN Road Division, Tando Allahyar	2014-15	14	6.652
8	XEN Highway Division, Dadu	2015-16	9	3.414
9	XEN Highway Division, Sanghar	2015-16	12	1.296
10	Resident Engineer Special Project Sindh House, Islamabad	2013-14 & 2014-15	13	0.354
11	XEN Road Division, Matiari	2014-15	6	0.117
<b>Total</b>				<b>174.839</b>

The irregularity was pointed out to the management during September 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

#### **38.4.11 Expenditure without pre-audit and concurrence of site engineers – Rs 127.908 million**

According to Para 20(A) ii of C.P.W.A. Code “Divisional Account Officer as the representative of the Audit Department is charged with the responsibility of applying certain preliminary checks to the initial accounts, vouchers etc”.

During audit of following offices of Works & Services Department, Government of Sindh for the year 2014-15 & 2015-16, it was observed that payments of Rs 127.908 million were made to contractors. However, pre-audit of the bills by the

Divisional Accounts Officer (DAO) or concurrence of Incharge Assistant Executive Engineers were not available on record.

(Rupees in million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	XEN Highway Division, Sukkur	2015-16	23	Without pre-audit by the DAO	46.371
2	PD Implementation unit Construction of Sindh Secretariat Complex No.07 & 08, Karachi	2014-15	3	Without signature / measurement by the Incharge Assistant Executive Engineer	22.782
3	XEN Highway Division, Khairpur	2015-16	18	Without pre-audit by the DAO	17.202
		2015-16	20	Without signature by XEN	1.604
4	XEN Road & Transport Division, Karachi	2014-15	8	Without pre-audit by the DAO	16.940
5	XEN Provincial Building Division, Thatta	2015-16	8	Unauthorized recording of measurement by Sub-Engineer instead of AXEN	9.505
6	XEN Provincial Building Division-III, Karachi	2014-15	6	Unauthorized recording of measurement by Sub-Engineer instead of AXEN.	7.540
7	XEN Provincial Highway Division, Hyderabad	2014-15	5	Unauthorized recording of measurement by Sub-Engineer instead of incharge AXEN.	5.000
8	XEN District Road Division, Umerkot	2014-15	13	Without pre-audit by the DAO	0.964
<b>Total</b>					<b>127.908</b>

The irregularity was pointed out to the management during November 2015 to November 2016. In reply, the management of office at Sr. # 7 (XEN Provincial Highway Division, Hyderabad) stated that concerned Sub-Engineer, Mr. Akbar Ali Shah was authorized to record the measurement by Project Manager and furnished the copy of order but the management did not clarify about non-appointment of AXEN. Remaining offices did not reply.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

### 38.4.12 Splitting up works in violation of SPPR 2010 – Rs 5.794 million

As per Rule 12(1) of SPPR 2010, Save as otherwise provided and subject to the regulations made by the Authority, a procuring agency shall prepare, all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements already grouped, allocated and scheduled in the Procurement Plan.

During audit of following offices of Works & Services Department, Government of Sindh for the year 2013-14 to 2015-16, it was observed that an expenditure of Rs 5.794 million was incurred on various works through splitting up to avoid invitation of open tenders.

(Rupees in million)

Sr. #	Name of Office	Financial Year	AIR Para #	Amount
1	XEN Provincial Building Division, Hyderabad	2015-16	12	1.382
		2015-16	1	1.810
2	Resident Engineer, Special Project Sindh House, Islamabad	2013-14 & 2014-15	15	1.259
3	XEN Highway Division, Larkana	2015-16	13	0.507
		2015-16	24	0.067
4	XEN Highway Division, Karachi	2015-16	8	0.571
		2015-16	2	0.198
			<b>Total</b>	<b>5.794</b>

The irregularity was pointed out to the management during September 2014 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

### 38.4.13 Unjustified revision of PC-I Cost – Rs 75.542 million

As per Chapter-4 Paragraph 4.14(e) of Manual for Development Project, in case of revised cost, the reasons for increase in respect of each item as originally estimated have to be furnished. Similarly increase due to revision in the scope of the



project is to be given separately in accordance with the additional sheet annexed with each sectorial PC-I.

During audit of office of Executive Engineer, Building Division, Matiari for the 2014-15, it was observed that four schemes were on-going for the last 10 years and their PC-Is have been revised to Rs 75.542 million from the original cost of Rs 31.557 million. Details are as under

(Rupees in million)

Sr. #	Name of Work	Original PC-I Cost	Revised PC-I Cost	Increase in Cost	Percentage Increases	Progressive Expenditure incurred
1	Construction of building for Taluka Mukhtiarkar & Concerned Offices @ Matiari, M/s Abid Hussain Supro ADP 2007-08	4.615	16.225	11.61	251.57%	5.022
2	Construction of Mukhtiarkar office Taluka Saeedabad, 2005-06	9.212	19.808	10.596	115.02%	10.500
3	Repair/Renovation of old DCO Office (Remaining Portion) including other buildings Taluka Matiari, 2011-12	5.880	19.610	13.73	233.50%	6.017
4	Construction of office buildings of Taluka Mukhtiarkar Hala, M/s I.H Construction & Co, 2007-08	11.850	19.899	8.049	67.92%	5.166
<b>Total</b>		<b>31.557</b>	<b>75.542</b>	<b>43.985</b>	<b>139.38%</b>	<b>26.705</b>

Following irregularities were also noticed: -

- (i) Cost of schemes were increased without expansion in the scope of work and justification thereof;
- (ii) Plinth area has been increased upto 100%, which was un-justified and created doubt over feasibility study and reliability on rough cost of estimates and its technical sanction in the PC-I;
- (iii) Escalation was provided without supplying break-up/details.

- (iv) Payment of premium to the contractors was also increased and recorded as a reason of revision of PC-I. However, it was against terms and conditions of contracts.
- (v) Differences of materials, cost of electrification, Sui-Gas, cost of energization and yearly escalation payments were mentioned in the Abstracts without justification and details in revised PC-I;
- (vi) The cost in estimates was recorded roughly and mentioned in the PC-I as “rough estimate”, which created doubt over the whole expenditure occurred in the absence of approved specific cost of estimate and technical sanction;
- (vii) The agreements were not revised upon revising cost.

The irregularity was pointed out to the management in January 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing of responsibility on the persons(s) at fault besides taking remedial measures.

**(AIR#06)**

#### **38.4.14 Irregular expenditure on land acquisition – Rs 70.828 million**

According to rule-110 (iii) of Sindh Financial Rules, volume-I “(Land Acquired by Negotiation), the officer who settles the price should draw up Form-A in Appendix 5 prescribed for use in the case of an award and this should be made the basis of the subsequent payment”,

During audit of following offices of Works & Services Department, Government of Sindh for the year 2014-15 & 2015-16, it was observed that an amount of Rs 70.828 million was paid in advance to Assistant Commissioner/Land Acquisition Officers for land acquisition.

(Rupees in million)				
Sr. #	Name of Office	Financial Year	AIR Para #	Amount
1	XEN Provincial Highway Division, Hyderabad	2015-16	8	53.850
2	XEN Provincial Building Division, Thatta.	2015-16	2	11.500
		2015-16	12	1.500

(Rupees in million)

Sr. #	Name of Office	Financial Year	AIR Para #	Amount
3	XEN Provincial Highway Division, Larkana.	2014-15	4	3.978
<b>Total</b>				<b>70.828</b>

Following irregularities were noticed:

- (i) The payment was made to Land Acquisition Officers through hand receipts without obtaining land assessment, adjustment account and Form-07 for transfer of land.
- (ii) The rate assessment of land was not available on record.
- (iii) The acknowledgement receipt of payees was not obtained from Land Acquisition Officers.
- (iv) XEN Provincial Building Division, Thatta paid an amount of Rs 1.500 million as excess payment on purchase of land without justification

The matter was taken up with the management during January 2016 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry besides fixing responsibility on the person(s) at fault.

#### **38.4.15 Non-inviting tender in violation of SPPR 2010 - Rs 140.541 million**

As per Rule 17(1) of SPPR 2010, procurements over one hundred thousand rupees and up to one million rupees shall be advertised by timely notifications on the Authority's website and may in print media in the manner and format prescribed in these rules.

During audit of following offices of Works & Services Department, Government of Sindh for the year 2014-15 & 2015-16, it was observed that an expenditure of Rs 140.541 million was incurred on construction work and supplies without inviting open tender. The details are as under;

(Rupees in million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	XEN Machinery Maintenance Division, (Hyderabad) Digri at Kotdiji Khairpur.	2014-15	7	Two works for Construction of road	27.323
2	XEN Provincial Building Division, Hyderabad.	2015-16	6	Supply of Generators under construction work	4.203
3	XEN Provincial Building Division, Mirpurkhas	2014-15	34	Supplies & Construction work	1.250
			32	Various works	12.872
			40	Maintenance & Repair	2.987
4	XEN Highway Division, Khairpur	2015-16	13	Various works	37.138
5	XEN Highway Division, Thatta	2015-16	9	Various works	26.195
6	XEN District Building Division, Naushahro Feroze	2014-15	2	Various works	2.663
7	XEN Building Division, Sukkur	2014-15	9	Various works	15.266
		2014-15	6	Various works	2.938
8	XEN Provincial Building Division-II, Karachi	2015-16	6	Various works	7.706
<b>Total</b>					<b>140.541</b>

The matter was taken up with the management during October 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter fixing responsibility on the person(s) at fault.

#### **38.4.16 Excess consumption of steel – Rs 20.607 million**

As per rule-528 of Public Works Department Manual, “No material alteration sanctioned, still less in standard design may be made by a Divisional Officer in carrying out any work without the approval of the Superintending Engineer. Should any alteration of importance, involving any additional expense, be considered necessary, a revised or supplementary estimate should be submitted for sanction.”

During audit of following offices of Works & Services Department, Government of Sindh for the year 2014-15 & 2015-16, it was observed that contractors utilized excess quantities of steel over and above the quantity provided in the technical estimates, without any change in design and specification resulting in excess payment of Rs 20.607 million to the contractors.

(Rupees in million)

Sr. #	Name of Office	Financial Year	AIR Para #	Amount
1	XEN Building Division-II, Karachi	2015-16	4	6.779
2	XEN Provincial Highway Division, Nawabshah	2014-15	2	4.719
3	XEN Building Division-I, Karachi	2015-16	3	3.977
4	XEN Building Division, Umerkot	2014-15	12	2.780
5	XEN Provincial Building Division, Mirpurkhas	2014-15	19	2.220
6	XEN Building Division, Tharparkar @ Mithi	2014-15	3	0.132
<b>Total</b>				<b>20.607</b>

The irregularity was pointed out to the management during October 2015 to November 2016. The management of office at Sr. # 02 (XEN Provincial Highway Division, Nawabshah) in its reply stated that Technical Sanction was sanctioned by Chief Engineer and fabrication is consumed as per site requirement and there was no excess from original sanction in overall. The reply of the management was not convincing as there was an excess utilization of quantity of 1058.47 cwt of steel (original quantity as per Schedule-B was 33.78 cwt; whereas, billed quantity was 1092.25 cwt) without any structural change in design and specification. Remaining offices did not reply.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry for fixing responsibility on the person(s) at fault besides fixing remedial measures.

#### **38.4.17 Excess payment on account of premium - Rs 1.514 million**

According to Chief Engineer, Building Department Sindh, Hyderabad letter No: Scheduled/Rates-T(ii)/D.S/1365 dated 05-05-2014 the ceiling of premium fixed by this department as under:

Sr.#	Reference of Schedule of Rates	Maximum Ceiling on Cost Estimate
01	Schedule of Rates (General) for finished item of work Vol-III Part-II, Sixth Edition 2012 Publication No. 52	
	(i) All items Except following	At Par
	(ii) Item of Fabrication of Steel Work, Steel Grills, Steel Grated Doors & other Steel Work	10% Above

The above premium ceiling will equally apply to original as well as M & R works.

During audit of following offices of Works & Services Department, Government of Sindh for the year 2013-14 & 2014-15, it was observed that premium rate was allowed over and above the prescribed limits, which resulted in excess payment of Rs 1.514 million to the contractor.

(Rupees in million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	XEN Building Division, Tando Muhammad Khan	2014-15	16	Allowed Premium @ 32% to 38% over Schedule of Rates 2012	0.693
		2014-15	19	Allowed Premium @ 20% over Schedule of Rates 2012	0.373
2	XEN Building Division, Naushahro Feroze	2013-14	3	Allowed Premium @ 188.20% over Schedule of Rates 2012	0.448
<b>Total</b>					<b>1.514</b>

The irregularity was pointed out to the management in during November 2014 to May 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

### 38.4.18 Non-recovery of various taxes – Rs 455.365 million

According to Para 153 (1)(a),(b)&(c) of Division III of Part III of the First Schedule of Income Tax Ordinance, 2001, Income tax is required to be deducted at source while making payment to suppliers/contractors w-e-f 01-07-2015.

Description		Filer of Tax Return	Non Filer of Tax Return
<b>Sales of Goods-(Section 153(1)(a))</b>			
1	Companies	4%	6%
2	Other than Companies	4.5%	6.5%
<b>Supply of Services-Section 153(1)(b)</b>			
1	Companies	8%	12%
2	Other than Companies	10%	15%
<b>Contract Payment to Residents-Section-153(1)(c)</b>			
1	Companies	7%	10%
2	Other than Companies	7.5%	10%

As per section 3(1) of Sindh Sales Tax on Services Act-2011, service provided by person engaged in contractual execution of work or furnishing supplies is taxable @ 14%

According to Rule 2 (2) of S.R.O. 660(I)/2007 dated 30th June, 2007 issued by FBR, a withholding agent shall deduct an amount equal to one fifth of the total sales tax shown in the sales tax invoice issued by the registered suppliers and make payment of the balance amount to him.

As per schedule of professional tax, it is to be recovered from the contractors engaged in construction work or supplying goods or providing services or labour at various prescribed rates ranging Rs 500 to Rs 100,000.

During audit of various offices of Works & Services Department, Government of Sindh for the year 2013-14 to 2015-16, it was observed that various taxes (i.e., Income Tax, Sales Tax and Professional Tax) amounting to Rs 455.365 million were not recovered from the contractors. The details are given at Annex-4 of Chapter-38.

The non-recovery was pointed out to the management during September 2014 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

#### **38.4.19 Non-imposition of liquidated damages – Rs 297.998 million**

As per para-10.3(c) of contract, “Liquidities damages shall be deducted from the contract amount for every day or part of a day, which will elapse between the dates on which the prescribed time expired and the date the work is completed at the rate specified in the contract agreement. The amount of the liquidated damages for each day of delay in completion of the whole of the works, or if applicable for any section thereof, shall be a sum equal to 5 to 10 % (it is to be mentioned in the agreement) of the estimated cost of the works divided by one fourth of the number of days specified as completion time.”

During audit of various offices of Works & Services Department, Government of Sindh for the year 2013-14 to 2015-16, it was observed that various works could not be completed by the contractors within the stipulated time but 10% penalty of Rs 297.998 million was not imposed. The details are given at Annex-5 of Chapter-38.

The non-recovery was pointed out to the management during September 2014 to November 2016. The office at Sr. # 1, 3 & 42 stated that XEN being competent authority granted extension and attached the copies of approval of extensions; however, the grounds of extension were not elaborated. Moreover, the office at Sr. # 28 (XEN Highway Division, Ghotki) furnished the copy of approval of extension for five months, while the original period of completion was one year and reasons for the extension were also not recorded. The reply of management in above cases was not convincing as the cause of extension was not substantiated. Remaining offices did not reply.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.



#### **38.4.20 Irregular refund of security deposit – Rs 219.448 million**

According to Clause-I of the Contract Agreement, “the security deposit lodged by a contractor (in cash or recovered in installment from his bills) shall be refunded to him after the expiry of three months from the date on which work is completed”.

During audit of various offices of Works & Services Department, Government of Sindh for the years 2013-14 to 2015-16, it was observed that refund of Rs 219.448 million was made to the contractors on account of Security Deposit. However, starting and completion date of works were not mentioned on the bills and record of requisition from contractors regarding refund of Security Deposit was not produced to audit. Moreover, the register of security deposit was also not maintained. Due to these shortcomings, the authenticity of refund could not be checked. The details are given at Annex-6 of Chapter-38.

The irregularity was pointed out to the management during August 2015 to November 2016. The management of office at Sr.#13 (Provincial Highway Division, Nawabshah) in reply that stated after completion of three months security deposit were refunded to contractors. The reply of the management was not convincing as elaborated below:

- (a) Refund of Rs 703,607 was 70% of the payable amount. Any reasons of withheld Rs 301,547 was not found recorded.
- (b) Refund of Rs 1,822,729 was made on 04-10-2013 before the date of completion of work, i.e., 12-12-2013.

Remaining offices did not reply. Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **38.4.21 Non-adjustment of advances – Rs 59.949 million**

According to Para-668 of Federal Treasury Rules, advances granted under special orders of the competent authority to officers/officials for Departmental or allied purposes may be drawn on the responsibility and receipt of the officers for whom they

are sanctioned subject to adjustment by submission of detailed account supported by vouchers or by refund as may be necessary.

During audit of following offices of Works & Services Department, Government of Sindh for the year 2013-14 to 2015-16, it was observed that advance of Rs 59.949 million was made to various contractors/organizations for several works. However, subsequent adjustment accounts were not available on record.

(Rupees in million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
2	XEN Building Division, Badin.	2014-15	12	Advance payment to HESCO for electrification.	41.500
4	XEN Highway Division, Sukkur	2015-16	10	Advance to XEN SEPCO for shifting of electric Poles	11.793
6	XEN Provincial Building Division, Thatta.	2015-16	6	Advance to XEN HESCO for installation of Transformer.	2.652
7	XEN Building Division, Tharparkar at Mithi	2014-15	4	Advance to XEN HESCO in the month of June to utilize Budget	2.250
8	XEN Building Division, Hyderabad.	2014-15 & 2015-16	3	Advance to XEN HESCO for installation of new connection	1.219
10	XEN Building Division, Matiari.	2015-16	11	Advance to XEN HESCO for installation of new connection	0.535
<b>Total</b>					<b>59.949</b>

The irregularity was pointed out to the management during October 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends adjustment of advances besides fixing responsibility on the person(s) at fault.

#### **38.4.22 Irregular payment of mobilization advances – Rs 77.086 million**

Clause 14.2 of SPPR Standard Form of Bidding Documents (Civil Works-Large Works) provides as under

- (i) Mobilization advance up to 10 % of the Contract Price may be paid by the procuring agency to the Contractor on the works costing Rs 2.5 million or above on following conditions...

During audit of following offices of Works & Services Department, Government of Sindh for the year 2014-15 & 2015-16, it was observed that mobilization advance of Rs 77.086 million was paid to contractors without recovering interest @ 10% per annum and without obtaining bank guarantee before payment of the advance. Details are as under:

(Rupees in million)

Sr. #	Name of Office	Financial Year	AIR Para #	Amount
1	XEN Provincial Highway Division, Hyderabad	2015-16	9	30.000
2	PD Special Development Package, Khairpur	2014-15	1	10.000
3	PD Japanese Assisted Rural Road Construction Project-II (Sindh), Hyderabad	2014-15	4.1.1	37.086
<b>Total</b>				<b>77.086</b>

The irregularity was pointed out to the management during November 2015 to November 2016. The management of office at Sr. # 3 (PD Japanese Assisted Rural Road Construction Project-II Sindh, Hyderabad) in reply stated that interest free Mobilization Advance was paid to contractor, the reply of the management was not tenable as the provisions of interest free advance was in violation of the rules. Reply from remaining offices was not received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery of interest besides fixing responsibility on the person(s) at fault.

#### **38.4.23 Irregular excess payment on works - Rs 52.898 million**

According to appendix-18-A, Section-I of Sindh Financial Rules, Volume-I, "Means should be devised to ensure that every Government servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part."

During audit of following offices of Works & Services Department, Government of Sindh for the year 2014-15 & 2015-16, it was observed that excess

payment of Rs 52.898 million to contractors was made by the management due to wrong calculations or by allowing higher rates as compared to rates provided in bill of quantities or schedule rate.

(Rupees in million)

Sr. #	Name of Office	Financial Year	AIR Para #	Amount
1	XEN Highway Division, Sukkur	2015-16	6	28.287
		2015-16	18	4.367
		2015-16	7	4.133
		2014-15	12	0.251
2	XEN Building Division-II, Karachi	2015-16	2	8.847
		2015-16	3	1.507
3	PD Lal Shahbaz Qalandar at Hyderabad	2014-15	21	2.225
		2014-15	19	1.081
4	XEN Highway Division, Karachi	2015-16	5	0.739
5	XEN Building Division, Tando Muhammad Khan	2014-15	15	0.447
6	XEN Highway Division, Tando Muhammad Khan	2014-15	4	0.534
7	XEN Provincial Building Division, Thatta	2015-16	13	0.480
<b>Total</b>				<b>52.898</b>

The irregularity was pointed out to the management during October 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

#### **38.4.24 Less/Non-recovery of government dues – Rs 34.996 million**

According to Rule 41(a) of Sindh Financial Rules Volume-I, the Departmental Controlling Officer should see that all sums due to Government are regularly received and checked against demands and that they are paid into treasury.

During audit of following office of Works & Services Department, Government of Sindh for the year 2013-14 to 2015-16, it was observed that an amount Rs 34.996 million was less/not recovered as detailed below:

(Rupees in million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	Comptroller Sindh House, Islamabad.	2013-14 & 2014-15	1	Lodging & Vehicle Charges from MNAs and various officials	25.171
		2013-14 & 2014-15	10	Utility Charges from an ex-official	0.171
2	XEN Highway Division, Larkana	2015-16	5	Less recovery on account of supply of tools & machinery to contractors	7.571
3	PD Lal Shahbaz Qalandar at Hyderabad.	2014-15	3	Water Charges from contractor	1.134
4	XEN Building Division, Umerkot	2014-15	21	Water Charges from contractor	0.509
5	XEN Building Division, Khairpur	2015-16	16	Water Charges from contractor	0.232
6	XEN Highway Division, Khairpur	2015-16	3	Less recovery of Road roller charges	0.208
<b>Total</b>					<b>34.996</b>

The irregularity was pointed out to the management during February 2016 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends expeditious recovery of Government dues besides fixing responsibility on person(s) at fault.

#### **38.4.25 Un-justified expenditure on purchase of passenger lifts – Rs 27.500 million**

According to appendix-18-A, Section-I of Sindh Financial Rules, Volume-I, “Means should be devised to ensure that every Government servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part.”

During audit of office of Executive Engineer, Provincial Building Division-II, Karachi for the year 2015-16, it was observed that two work orders were issued to a firm M/s Zaifco Engineering for purchase & replacement of existing four passenger / patients lifts at total cost of Rs 27.500 million. Details are as under:

(Rupees in million)

Sr. #	CV & Date	W.O No. & date	Name of Work	Procurement Cost
01	27	TC/G-5/2168 dt 08-06-2015	Strengthening & Improvement of NICH Karachi (Replacement of old lift into new patient / passenger lifts two.	14.500
02	01-18/09-15	TC/G-5/1435 dt 06-04-2015	Renovation of Sindh Secretariat No I,II,III & VI Karachi (Supply and installation of Passenger lifts at Sindh Secretariat No-II & VI) (two lifts)	13.000
<b>Total</b>				<b>27.500</b>

Following irregularities were noticed:

- i. With regards to Sr # 01, an amount of Rs 4.500 million was provided in the PC-I for supply of three patients lift @ Rs 1.500 million per lift but the procured only two lifts @ Rs 7.250 million per lift at total cost of Rs 14.500 million without revision/approval of PC-I. Therefore excess expenditure of Rs 11.500 million was incurred.
- ii. Moreover, upon comparison of actual cost of work at Sr. No.1 with the Sr. No.2, it was observed that the cost in the former case was higher than the latter by Rs 0.750 million per lift despite same specification.
- iii. Relevant record regarding import of lift including letter of credit and Bill of Entry in both cases was not produced to check that the lifts were actually imported or not.
- iv. Replaced passenger lifts in both cases were neither accounted for in the relevant register nor disposed off.

The irregularity was pointed out to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

(AIR#03)

### 38.4.26 Irregular payments to DDO instead of beneficiaries – Rs 16.144 million

As per Rule-303 of Central Treasury Rules, “a contingent bill for payment to suppliers etc. which cannot be met from the permanent imprest may be endorsed for payment to the party concerned and the DDOs are suggested that in case of payments to the suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid un-necessary delays

During audit of the following offices of Works & Services Department, Government of Sindh for the year 2015-16, it was observed that cumulative amount of Rs 16.144 million was drawn by DDO instead of direct payment to actual payees.

(Rupees in million)

Sr. #	Name of office	Financial Year	AIR Para #	Amount
1	Secretary Works & Services, Karachi	2015-16	3	9.160
		2015-16	5	1.100
2	XEN District Highway Division, Thatta	2015-16	12	5.349
3	XEN Provincial Coastal Highway Division, Hyderabad	2015-16	11	0.394
4	XEN Highway Division, Larkana	2015-16	20	0.141
<b>Total</b>				<b>16.144</b>

The irregularity was pointed out to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry for fixing responsibility on the person(s) at fault besides taking remedial measures.

### 38.4.27 Non-recovery of stamp duty – Rs 11.868 million

As per Para 22-A of Stamps Act, “It is the duty of the competent authority to recover the stamp duty and affix stamp @ 0.30 paisa per hundred rupees of the value of the agreement or against tender cost before execution of the agreement.

During audit of various offices of Works & Services Department, Government of Sindh for the year 2013-14 to 2015-16, it was observed that stamp duty of Rs 11.868 million was not recovered from the contractors. The details are given at Annex-7 of Chapter-38.

The irregularity was pointed out to the management during September 2014 to November 2016. The management at Sr. # 05 (XEN Provincial Highway Division, Nawabshah) stated that agreement was sanctioned by the competent authority and revenue stamps were also affixed. The reply was not convincing as the stamps of only Rs 0.339 million were affixed on the relevant agreements and the remaining stamps of Rs 0.338 million were not affixed on various agreements. Further the original record was required to be checked for verification.

The management of office at Sr. # 11(XEN Highway Division, Ghotki) stated that the stamp duty have already been deducted and furnished copies of contractor bills instead of agreements. The reply was not tenable as original record was not produced. Remaining offices did not reply.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides fixing responsibility on the person(s) at fault.

#### **38.4.28 Un-authorized payment of various allowances – Rs 2.112 million**

As per Para-11 of General Financial Rules Volume-I, “each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations, both by his own office and by sub-ordinate disbursing officer.”

During audit of office following offices of Works & Services Department, Government of Sindh for the year 2014-15 and 2015-16, it was observed that undue house rent, conveyance, project allowance amounting to Rs 1.834 million was paid to the officers who were not eligible for the same allowances. Details are as under:



(Rupees in million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	PD Lal Shahbaz Qalandar at Hyderabad	2014-15	20	Payment of project allowance to officers who held dual charges & actually not posted in the project	0.760
2	Secretary Works & Services, Karachi	2015-16	7	House rent allowance to the officials availing house hiring facility	0.539
		2015-16	11	Payment of Conveyance Allowance despite allotment of official vehicles & POL facility.	0.203
3	XEN Highway Division, Larkana	2015-16	10	Payment of inadmissible allowance, viz, Ration Allowance and Adhoc Relief 2012.	0.332
<b>Total</b>					<b>1.834</b>

The irregularity was pointed out to the management during May 2016 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends recovery besides taking remedial measures.

#### **38.4.29 Non-maintenance of contractor ledgers and various registers**

According to Para 297 and 298 of Central Public Works Accounts Code, "The accounts relating to contractor should be kept in the contractor's ledger (Form 43) and security deposit register (Form-78).

During audit of following offices of Works & Services Department, Government of Sindh for the year 2014-15 & 2015-16, it was observed that contractor's ledger and security registers were not maintained in various offices. Details are as under;

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars
1	XEN Highway Division, Dadu	2015-16	10	Contractor ledger
2		2015-16	11	Contractor ledger

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars
	XEN Highway Division, Khairpur	2015-16	12	Security Deposit Register
3	XEN Building Division, Matiari	2015-16	14	Works register
		2015-16	4	Security Deposit Register
4	XEN Building Division, Benazirabad	2014-15	32	Security Deposit Register

The irregularity was pointed out to the management during January to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends maintenance of record besides fixing responsibility on the person(s) at fault.

#### **38.4.30 Variation between balances of books and accounts statements – Rs 65.248 million**

According to Rule 13 of General Financial Rules, volume-I, states that “every controlling officer must satisfy himself not only that adequate provisions exist within the departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores but also that the prescribed checks are effectively applied”.

During audit of following offices of Works & Services Department, Government of Sindh for the year 2014-15 & 2015-16, it was observed the variations of Rs 65.248 million were noticed between balances various books of account and statements as detailed below:

(Rupees in million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	XEN Highway Division, Larkana	2015-16	4	Variation between opening & closing balances in Form-78 during December 2015 to February 2016	45.958

(Rupees in million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
2	XEN District Road Division, Qambar @ Shadadkot	2014-15	10	Variation between opening & closing balances form-78 during month of June	9.798
3	XEN Provincial Building Division, Hyderabad	2015-16	3	Variation between opening & closing balances form-78 during month of March & April 2016	5.747
4	XEN Provincial Highway Division, Larkana.	2014-15	1	Variation between cash book and Form-80	3.745
<b>Total</b>					<b>65.248</b>

The irregularity was pointed out to the management during November 2015 to November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault besides taking remedial measures.

#### **38.4.31 Un-justified payment for shifting of excavated material – Rs 2.587 million**

According to Appendix 18-A of Sindh Financial Rules, “Every Government servant should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part, and that he will also be held personally responsible for any loss, arising from fraud or negligence on. The part of any other Government servant to the extent to which it may be shown that he contributed to the loss by his own action or negligence.”

During audit of office of Executive Engineer, Highway Division Karachi for the year 2015-2016, it was observed that the payment of Rs 2.587 million was made to the contractors of two different works for shifting of excavated material from site to 30 miles away. However, the location of working site was already situated at outskirts of Karachi city and the excavated material could have been dumped at the nearest site, hence allowing 30 miles carriage was an undue burden on the public exchequer. The details are as under:

(Amount in rupees)

Sr #	CV # & Date	WO No. & Date	Name of Work	Name of Contractor	Qty (cft)	Rate	Amount
1	08 dt 07-06-16	1097 dt 01-03-16	Rehabilitation of Road from Laasi Goth to Samu Goth and adjoining areas of Gadap Town Karachi	M/s Pir Hussaini Enterprises	97,460	1,227.80 %cft	1,196,614
2	26 dt 26-05-16	1096 dt 01-03-16	Rehabilitation of road from Laasi Goth to Samo Goth and adjoining areas of Gadap Town (Karachi Part-A)	M/s Pir Hussain Enterprises	113,320	1,227.80 %cft	1,391,343
<b>Total</b>							<b>2,587,957</b>

The irregularity was pointed out to the management in November 2016 but no reply was received.

Despite written requests, no DAC meeting was convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility on the person(s) at fault.

**(AIR#11)**

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# ANNEXES

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