



**AUDIT REPORT ON
THE ACCOUNTS OF
IRRIGATION, WORKS & SERVICES,
PUBLIC HEALTH ENGINEERING & RURAL
DEVELOPMENT DEPARTMENTS,
EDUCATION WORKS DIVISIONS AND
DEVELOPMENT AUTHORITIES
GOVERNMENT OF SINDH
AUDIT YEAR 2023-24**

AUDITOR-GENERAL OF PAKISTAN

PREFACE

Articles 169 and 170 (2) of the Constitution of Islamic Republic of Pakistan 1973, read with Sections 8 and 12 of the Auditor-General's (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 various offices of Irrigation, Works & Services, Public Health Engineering & Rural Development Departments, Education Works Divisions and Development Authorities, Government of Sindh for the Financial Year 2022-23. It also includes audit findings pertaining to above mentioned departments for the Financial Year 2021-22 which were reported to Principal Accounting Officers (PAOs) after finalization of Audit Report 2022-23. The Directorate General of Audit Works (Provincial) Sindh, Karachi conducted audit on a test check basis, with a view to report significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systematic issues and significant audit findings. Relatively less significant issues are listed in the Annex-A (MfDAC) of this report which shall be pursued with the PAOs at the DAC level and in all cases where the PAOs do 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.

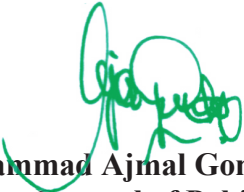
A new concept – Impact Audit has been introduced and made part of this report. It is an attempt to determine the impact of a new program or recent change to an existing program, specifically focusing on the results by segregating other contributing factors or variables.

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. The report has been finalized in the light of written responses of the departments concerned, where provided. The meetings of DAC were not convened by the PAOs despite pursuance by the Audit and frequent reminders, with the exception of Irrigation Department & Public Health Engineering & Rural Development Department.

There are certain audit paras which were also reported in last years' Audit Reports for the Financial Year 2020-21 and 2021-22. Recurrence of such irregularities is a matter of concern and needs to be addressed.

The Audit Report is submitted to the Governor of Sindh in pursuance of the Article 171 of the Constitution of Islamic Republic of Pakistan, 1973 for causing it to be laid before the Provincial Assembly.

Islamabad
Dated: 19 FEB 2024


(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

EXECUTIVE SUMMARY

The Director General Audit Works (Provincial), Sindh is responsible to carry out the audit of 398 entities under the administrative control of the Secretaries of the Irrigation, Works & Services, Public Health Engineering & Rural Development, School Education and Literacy Department (Education Works Divisions) and Development Authorities under different Principal Accounting Officers. This office was created in 2021 subsequent to the transfer of audit mandate of the above specified departments from the Directorate General Audit, Sindh and Directorate General Audit, Local Councils, Sindh.

The Directorate General has a human resource of 47 officers and staff for the purpose of conducting audit, which involves 11,844 man-days.

Audit mandate includes Regularity Audit (Financial Attest Audit of Foreign Aided Projects and Compliance with Authority Audit), Performance Audit, PSDP Audit, Special Audit, Thematic & Impact Audit. Audit was conducted with the following objectives:

- Regularity Audit to examine whether the expenditure incurred was in conformity with the laws, rules and regulations framed to regulate the procedure for spending public money.
- Audit of sanctions to assess that the expenditure was incurred with the approval of the competent authority or otherwise.
- Propriety Audit which extends beyond scrutinizing formalities of expenditure to highlight cases of imprudent expenditure.
- Review and analysis of various policies relating to aforementioned government departments.

a) Scope of Audit

This office has a mandate to conduct audit of 398 formations working under the PAOs specified above. Total expenditure of these formations was Rs. 219,691.275 million for the Financial Year 2022-23. Audit coverage relating to expenditure for the current audit year comprises 99 formations having a total expenditure of Rs. 154,463.434 million for the Financial Year 2022-23. In terms of percentage, the audit coverage for expenditure is 70.31% of auditable expenditure.

Total budgeted revenue / receipt for the authorities was Rs. 17,072 million for the Financial Year 2022-23. Audit coverage relating to revenue / receipt for the current audit year comprises 02 formations (Development Authorities) under Secretary Local Government having a total revenue / receipt of Rs. 9,885.461 million. In terms of percentage, the audit coverage for revenue / receipts is 58%.

This audit report also includes audit observations of 101 formations having a total expenditure of Rs. 49,110.926 million resulting from the audit of previous Financial Year i.e., 2021-22 which could not be included in the previous audit report. In addition to Compliance Audit, Director General Audit, Works (Provincial), Sindh, conducted Financial Attest Audit of five (05) Foreign Aided Projects, one (01) Thematic Audit and one (01) Impact Audit. The theme selected for Thematic Audit i.e., 'Infrastructure development for providing sanitation facilities in rural areas' is in conformity with the Sustainable Development Goals (SDGs) of the United Nations 2030 agenda. The scope of the thematic audit exercise was the identification of the grey areas in the execution of the sanitation infrastructure schemes and to review their overall operational effectiveness. Furthermore, Impact Audit was conducted for the project 'Electrification of off-Grid areas through Solar Technology in schools and villages'. The scope of the impact audit exercise was to gauge the threshold of change in students' enrollment rate subsequent to the installation of Solar Panel Systems in the primary public schools of rural areas.

Compliance related issues highlighted in the reports of Foreign Aided Projects have also been included in this report. This office is also mandated to conduct Public Sector Development Program Audit and Performance Audits, the reports thereof will be issued separately.

b) Recoveries at the Instance of Audit

As a result of audit, a recovery of Rs. 10,271.380 million has been pointed out. Recovery affected from January to December, 2023 was Rs. 125.280 million which was verified accordingly.

c) Audit Methodology

The audit exercise was carried out in accordance with Department of Auditor General of Pakistan auditing standards as prescribed in Financial Audit

Manual. Prior to the field activity, desk review was conducted to attain comprehension of the system, procedures and environment of audit entities. The permanent files of the entities maintained in the Directorate General were utilized for understanding their business and legal / institutional framework. The evidence was primarily gathered after applying systematic procedures by means of enquiries from the management, review of monitoring and progress reports and examination of payment vouchers. In thematic audit the integral information based on comparative analysis of data was obtained from Bureau of Statistics, subsequent to which the significant issues pertaining to the relevant theme have been highlighted.

Audit tests and analytical procedures were followed to evaluate that the expenditure was completely recorded and receipts were timely deposited into government treasury. The review of payments was made to ensure that these were validated by proper supporting documents and approval of competent authority as per applicable rules and regulations. Budget comparison with actual expenditure was carried out to ensure that the expenditure was made in accordance with the approved budget, including the revisions made therein.

The data pertaining to audit activity, starting from the planning to execution stage was uploaded to the Audit Management Information System (AMIS), wherein the chronological status and findings of audit programs were duly incorporated.

d) Audit Impact

- Audit observations have been raised highlighting excess in civil engineering works done over and above the final estimates. Consequent to which, the entities would be apprised about the pragmatic planning and execution of the schemes / projects conceived.
- The pilferages and excesses made against the items in civil works have been highlighted, which would help the line departments to minimize loss and wastage of materials while adhering to the principles of financial propriety.
- The issues regarding mismanagement of human resource pertaining to payment of unauthorized allowances have been made cognizant,

which would curtail the budgetary constraints besides, effecting recoveries.

- Audit has also pointed out significance of internal controls to PAOs, resultantly the departments have assured to strengthen internal control mechanism by maintaining record such as cashbook, stock registers, security deposit register, measurement books and bank reconciliation statements etc. as per required criteria.

Note: The impact of the audit observations raised was witnessed in the form of numerous recoveries effected in pursuance of decisions taken during the Departmental Accounts Committee meetings.

e) **Comments on Internal Controls**

The audit observations in the report clearly indicate that the system of internal controls within the departments is ineffective and weak. Internal control violations are reported by the Audit every subsequent year, but the response of the entities to address this pressing issue is relatively lukewarm. A general review of the activities and transactions of various formations of departments with regard to Internal Control System are embodied in the following comments:

- The instances of losses to government, recoveries and violation of rules are outcome of the laxity in exercise of internal controls and violation of authorized procedures for processing transactions.
- 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 'The Sindh Delegation of Financial Powers and Financial Control Rules 2019.'
- Frequent deviations were observed regarding contract management, whereby the scope of the work was increased beyond the permissible limits resulting in irregular and uneconomical expenditure.
- Maintenance of the security deposit register is a mandatory requirement which was missing in most of the cases in order to link the refund of security deposit with SAP system.

- The periodic incorporation of security deposit is not being made in SAP system and the same should be reflected therein as all payments are being made through it.
- The irregular disbursements of leave encashment and use of official vehicles by the unauthorized / private individuals rendered the internal controls inefficient.
- Another common issue observed by Audit was the improper recording of measurement books, as most of the measurements were recorded without mentioning their dates.
- Another important issue highlighted was allowing secured advance on building material to the contractors without fulfilling the required criteria.
- Internal Audit, being a basic component of Internal Controls, investigates and appraises the efficiency of an organization. An independent, effective and efficient internal auditing system ensures well planned evaluation and proficiency besides, avoiding recurring irregularities. A major reason for weak internal controls is the non-existence of internal audit.

f) Key Audit Findings

- i. Non-production of record in two (02) cases.¹
- ii. Non-recovery of dues in thirty-two (32) cases - Rs. 10,271.380 million.²
- iii. Irregular expenditure in one hundred and sixty-three (163) cases - Rs. 38,962.383 million.³
- iv. Value for money and service delivery issues in seven (07) cases – Rs. 4,575.072 million.

¹ Paras - 3.5.1, 6.5.1

² Paras - 2.2.6.10, 2.2.6.11, 2.2.6.7, 2.2.6.8, 2.2.6.9, 2.3.6.1, 2.3.6.11, 2.3.6.13, 2.3.6.16, 2.3.6.17, 2.3.6.2, 2.3.6.5, 2.6.6.4, 3.5.3, 3.5.5, 3.5.6, 4.5.1, 4.5.22, 4.5.23, 4.5.24, 4.5.25, 5.5.38, 5.5.39, 5.5.40, 5.5.41, 6.5.12, 6.5.20, 6.5.3, 6.5.45, 6.5.46, 6.5.47, 6.5.49

³ Paras - 2.2.6.1, 2.2.6.13, 2.2.6.14, 2.2.6.18, 2.2.6.2, 2.2.6.20, 2.2.6.22, 2.2.6.3, 2.2.6.4, 2.2.6.5, 2.2.6.6, 2.3.6.10, 2.3.6.14, 2.3.6.15, 2.3.6.18, 2.3.6.21, 2.3.6.23, 2.3.6.24, 2.3.6.25, 2.3.6.3, 2.3.6.4, 2.3.6.8, 2.3.6.9, 2.4.6.1, 2.4.6.2, 2.5.6.1, 2.5.6.2, 2.5.6.3, 2.5.6.4, 2.5.6.5, 2.5.6.7, 2.5.6.9, 2.6.6.1, 3.5.12, 3.5.13, 3.5.15, 3.5.16, 3.5.17, 3.5.2, 3.5.20, 3.5.21, 3.5.22, 3.5.23, 3.5.24, 3.5.25, 3.5.26, 3.5.27, 3.5.28, 3.5.29, 3.5.30, 3.5.31, 3.5.4, 3.5.8, 3.5.9, 4.5.11, 4.5.12, 4.5.13, 4.5.14, 4.5.15, 4.5.18, 4.5.19, 4.5.2, 4.5.20, 4.5.21, 4.5.28, 4.5.3, 4.5.30, 4.5.31, 4.5.32, 4.5.33, 4.5.34, 4.5.35, 4.5.36, 4.5.39, 4.5.4, 4.5.40, 4.5.41, 4.5.42, 4.5.44, 4.5.46, 4.5.49, 4.5.5, 4.5.52, 4.5.53, 4.5.6, 4.5.7, 4.5.8, 5.5.1, 5.5.10, 5.5.11, 5.5.12, 5.5.13, 5.5.14, 5.5.15, 5.5.16, 5.5.17, 5.5.18, 5.5.19, 5.5.2, 5.5.20, 5.5.21, 5.5.22, 5.5.23, 5.5.24, 5.5.25, 5.5.26, 5.5.27, 5.5.28, 5.5.29, 5.5.3, 5.5.30, 5.5.31, 5.5.32, 5.5.33, 5.5.34, 5.5.35, 5.5.36, 5.5.37, 5.5.4, 5.5.43, 5.5.5, 5.5.6, 5.5.7, 5.5.8, 5.5.9, 6.5.10, 6.5.11, 6.5.14, 6.5.15, 6.5.16, 6.5.17, 6.5.18, 6.5.2, 6.5.21, 6.5.22, 6.5.23, 6.5.24, 6.5.25, 6.5.26, 6.5.27, 6.5.30, 6.5.31, 6.5.32, 6.5.33, 6.5.34, 6.5.35, 6.5.36, 6.5.37, 6.5.38, 6.5.39, 6.5.40, 6.5.41, 6.5.5, 6.5.50, 6.5.51, 6.5.52, 6.5.53, 6.5.54, 6.5.56, 6.5.57, 6.5.6, 6.5.8, 6.5.9

v. Others in fifty-three (53) cases - Rs. 8,399.319 million.

g) Recommendations

- i. Responsibility should be fixed for non-production of record in accordance with rules and regulations and the same be produced to audit for verification.
- ii. Disciplinary action should be taken against the officials involved in cases of embezzlement of public money, mis-procurements, violation of rules and regulations and recovery should be expedited from the officials involved.
- iii. Recovery of outstanding dues and realization of government revenue where due, should be prioritized.
- iv. Inquiries should be conducted to fix responsibility for losses and wasteful expenditure.
- v. There is a need to strengthen internal controls to ensure that the recurring irregularities may not be repeated in future and good value for money is obtained subsequent to public spending.
- vi. Systemic issues such as application of incorrect rates, unauthorized payment of secured advance, non-obtaining of performance / additional performance securities as well as their revalidation need to be focused to avoid recurrence of such instances.
- vii. Asset management mechanism needs to be put in place to safeguard government assets.
- viii. An internal audit wing, directly reporting to the PAO may be established in the departments to strengthen the effectiveness of the internal controls.
- ix. The management should provide written replies to the audit paras in time and the PAOs should effectively sensitize offices under their command in this regard.
- x. Principal Accounting Officers need to conduct Departmental Accounts Committee meetings on a regular basis and ensure timely compliance of decisions taken therein. The directives of Public Accounts Committee should be implemented emphatically.
- xi. Feasibility reports should be prepared as per prescribed financial rules.
- xii. In purview of Thematic Audit, the long-delayed project may be completed on priority after resolving the land issues pertaining to

oxidation ponds at the earliest in co-ordination with District Administration. Further, execution of schemes should be in conformity with the approved estimates.

- xiii. In terms of Impact Audit, schools falling within the off-grid areas as earmarked in the PC-I should only be electrified. The procurements should be made without compromising the quality of the Solar Panel Systems to ensure their reliability and durability. The operation and maintenance aspect of the equipment should be ensured diligently besides, guaranteeing its safety and security.