



**CONSOLIDATED AUDIT REPORT
ON THE ACCOUNTS OF
(GOVERNMENT OF SINDH)**

**FOR THE
AUDIT YEAR 2023-24**

AUDITOR GENERAL OF PAKISTAN

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PREFACE

Articles 169 and 170 of the Constitution of the 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 the accounts of Federal Government, Provincial Governments and the accounts of any authority or body, established by these Governments. Auditor-General of Pakistan, being Auditor-General of Azad Jammu & Kashmir (AJ&K) and Gilgit-Baltistan (GB) also conducts audit in both these Regions under their respective legal provisions.

This consolidated Audit Report (Sindh) is based on audits of the accounts of 501 entities of Government of Sindh for the financial year 2022-23, conducted by 6 Field Audit Offices, and also contains some audit observations for the previous years. The audit was conducted during 2023-24 on a test check basis to report significant audit findings to the stakeholders. The report includes only the systemic issues and audit findings carrying high monetary value. Relatively less significant issues shall be pursued with the respective Principal Accounting Officers (PAO) in meetings of Departmental Accounts Committee (DAC) and in cases where the PAOs do not initiate appropriate action, the audit observations will be brought to the notice of the Public Accounts Committee in the next year's Audit Report. Sectoral analysis has been added in this report covering strategic review and overall perspective of audit results.

Two new concepts, Impact and Thematic Audits, have been introduced. Impact Audit is an attempt to determine the impact of a new programme or recent change to an existing programme, with its specific focus on results. Thematic Audit is an attempt to improve organization's performance through critically reviewing their business processes to identify those risks which are hindering it from achieving its intended objectives.

Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening the internal controls to avoid violation of rules and regulations.

Most of the audit observations included in this report have been finalized in the light of written responses of the management and discussions in the DAC meetings.

- *Sd* -

(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

Islamabad

Dated: . . .2024

EXECUTIVE SUMMARY

a. Scope of Audit

Department of Auditor-General of Pakistan (DAGP) is mandated to conduct audit of 8,910 formations working under different PAOs/Departments in Province of Sindh. Audit coverage relating to expenditure for the current audit year, under compliance audit category, comprises 501 formations having a total expenditure of Rs. 27,056.891 billion and receipts of Rs. 185.911 billion for the financial year 2022-23.

In addition to this compliance audit report, DAGP conducted Financial Attest Audits, Special Audits, Performance Audits, Forensic Audits, etc. Reports of these audits are published separately.

b. Recoveries at the instance of audit

As a result of audit, a recovery of Rs. 211.920 billion was pointed out in this report. Recovery effected from January to December 2023 was Rs. 0.404 billion that has been verified by audit.

c. Audit Methodology

Desk audit was carried out to understand systems, procedures and control environment of audited entities. Permanent files of the audited entities were updated and utilized for understanding the institutional framework. Audit methodology included:

- i. Understanding the business processes with respect to control mechanism.
- ii. Identification of key controls on the basis of prior years' audit experience/special directions from the Auditor General's office.
- iii. Prioritizing risk areas by determining significance and risks associated with the identified key controls.
- iv. Design/update audit programmes for testing the identified risk conditions.
- v. Selection of audit formations on the basis of:
 - a. Materiality/significance.
 - b. Risk assessment.
- vi. Selecting samples as per sampling criteria/high value items/key items.
- vii. Execution of audit programmes.
- viii. Identification of weaknesses in internal controls and development of audit observations and recommendations relating to non-compliance with rules, regulations and prescribed procedures.
- ix. Evaluating results.

- x. Reporting.
- xi. Follow-up.

d. Audit Impact

Audit through its findings and recommendations helped the management in different ways like:

- i. Improvement in their existing working, specially related to their revenue generation and expenditure utilization.
- ii. Improvement in their working by following the rules and regulations.
- iii. Effecting recoveries at the instance of Audit in different cases.
- iv. Identifying weaknesses in the systems and processes through holding of inquiries in cases involving violation of the rules and financial mismanagement by the management on the basis of audit recommendations.
- v. Improvement in transparency and accountability of operations within the commercial entities.

Major issues pointed out during audit were admitted by the management and the entities agreed to review the pointed out issues and take necessary corrective actions. The strengthening of internal control in the audited entities were well taken by the management for review and corrective measures. Despite non-convening of DAC meetings, following impact was made due to audit paras.

- i) Recoveries of Rs 269.110 million made by Karachi Water & Sewerage Board (KW&SB) on account of water charges and tipping fees.
- ii) Operationalization of KMC Sports Complex, Kashmir Road, Karachi and the indoor recreational facilities for general public.
- iii) Discontinuation of payment of leave encashment to officers of KW&SB which was being paid on yearly basis without occasion of retirement.
- iv) Relocation of garbage site from densely populated area at Sports Complex to Shah Bukhari, Qasimabad by the Municipal Committee, Qasimabad.
- v) Initiation of managing water tanker operation through KWSB Operation Tanker Service (OTS) application by KW&SB.
- vi) Revision of rent of properties by District Councils, Mirpurkhas, Sukkur and Town Committees, Tando Muhammad Khan and Sakrand has started.
- vii) Opening and maintenance of bank accounts with Sindh Bank Ltd.
- viii) Installation of water flow meters at all hydrants by KW&SB.

Audit findings and recommendations would have multiplier impact if the DAC and PAC meetings were held regularly. DAC meeting is one of the major tools to improve internal controls and overall governance but the PAO did not convene DAC meetings despite repeated requests. If

the DAC meetings are conducted regularly, recurrence of irregularities would decrease and pointed out government dues can be recovered timely and also be helpful in strengthening financial management and improving internal controls.

The most significant examples of review of rules and regulations and introduction of new initiative, controls and policies as a result of audit are as under:

- 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.
- Significance of internal controls has been highlighted to PAOs for better financial management.
- Provincial Disaster Management Authority (PDMA), Sindh constituted a committee for carrying out physical verification of assets /stock and relief items held by the Authority.
- PDMA, Sindh initiated the process for re-constitution of Provincial Disaster Management Commission (PDMC) in Sindh province.
- PDMA, Sindh chalked out necessary details towards establishment of Disaster Risk Reduction (DRR) Wing.
- The Directorate of Mobile Diagnostic & Emergency Healthcare Services under Rehabilitation Department Sindh improved monitoring mechanism of mobile hospitals working in different districts of the Sindh province by constituting monitoring teams. Besides strengthening of contract agreement with the inclusion of performance guarantee and handing/taking over clauses in the agreement.

e. Comments on Internal Controls and Internal Audit Department

The present report has identified a range of irregularities, which have been recurring over the years. The recurrence of these irregularities indicates that systemic issues were cropping up either due to inadequate oversight mechanism or inappropriate design of internal controls.

Although many Audit Entities have internal audit setups, but the financial irregularities

observed during the current audit reflect that this function failed to deliver effectively. The efficient functioning of internal audit would have helped the management in effective implementation of internal controls and strengthening the internal control environment in audited entities. It is high time that positions of Chief Finance & Accounts Officers (CF&AO) and Chief Internal Auditors (CIA), as enacted through PMF Act coupled with Financial Management and Powers of Principal Accounting Offices Regulations 2021, are put in place in all Ministries/Divisions and their services are effectively utilized to strengthen Public Financial Management (PFM) System.

d. Key Audit Findings of the Report

Major audit findings included in this Audit Report are:

- i. HR/Employee related irregularities – Rs. 9.342 billion.
- ii. Procurement related irregularities – Rs. 80.345 billion.
- iii. Recoveries related irregularities – Rs. 116.659 billion.
- iv. Non-preparation / finalization of annual accounts.
- v. Public Service Deliver/Performance and Value of Service-related issues – Rs. 81.371 billion.
- vi. Non-production of record, Financial Management and Internal Controls related issues – Rs. 51.845 billion.
- vii. Irregular Expenditure / payments, violation / non-compliance of rules and fraud/embezzlement / misappropriation cases – Rs. 84.062 billion.
- viii. Management of accounts with commercial banks – Rs. 8.470 billion.



**AUDIT REPORT
ON
THE ACCOUNTS OF
PUBLIC SECTOR ENTERPRISES
GOVERNMENT OF SINDH
AUDIT YEAR 2023-24**

AUDITOR-GENERAL OF PAKISTAN

PUBLIC SECTOR ENTERPRISES

Chapter-1

Agriculture, Supply & Prices Department

1.1 Sindh Seed Corporation, Hyderabad

1.1.1 Introduction

Sindh Seed Corporation (SSC) was established in the year 1976 for the systemic production, procurement, processing and marketing of all kinds of seeds of major crops on the scientific lines. The prime objective of the SSC is to supply high quality, certified seed to the growers of Sindh at affordable price in order to enhance overall per acre yield in the province of Sindh. The role and objectives of the organization are to provide technical advices / services to the registered growers, procurement, processing and marketing of certified seeds.

(Rs. in million for FY 2022-23)				
Description	Total#	Audited	Expenditure audited	Revenue / Receipt
Formations	1	1	83.933	93.383

1.1.2 Comments on Audited Accounts

1.1.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization for the years 2011-12 to 2022-23.

1.1.2.2 Audit required that the annual audited accounts of the years 2011-12 to 2022-23 be provided and timely submission be ensured in future, besides, fixing of responsibility for non-submission of annual audited accounts. **(Annex-2)**

1.1.3 Classified Summary of Audit Observations

Audit observations of Rs.625.627 million were raised. This amount also includes recoverable of Rs.40.246 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)		
S#	Classification	Amount
1.	Non-production of record	-
2.	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR / Employees related irregularities	-
B	Procurement related irregularities	52.045
C	Management of Accounts with Commercial Banks	-
4	Value for Money and service delivery issues	363.862
5	Others	209.72

1.1.4 Compliance of PAC Directives

PAC has not been convened since 2004-05.

1.1.5 Audit Paras

1.1.5.1 Loss of revenue due non-utilization of land for crops- Rs.360.588 million

According to Section 14 (a) of Sindh Seed Corporation Act 2010, the Corporation may take such measures as may be necessary for the production marketing and sale of seed;

According to Section 5 of Sindh Seed Corporation Act 2010, the Board shall manage and operate the Corporation so as to ensure, to the fullest extent possible, that the Corporation is financially self-sustaining without recourse to lending, grants or the injection of further debt or funds or other assistance from Government or any other person.

During audit of Sindh Seed Corporation (SSC) Hyderabad for the year 2022-23, it was observed that 7,696 acres of land was cultivable for rabi & kharif crops, however, only 4,069 acres land was cultivated leaving 3,627 acres uncultivated. Resultantly, corporation sustained revenue loss of Rs.360.588 million (**Annex-3**). The brief summary is as under:

Cultivable Area (acres)	Area Cultivated (acres)	Uncultivated Area (acres)	Yield not achieved	Loss (Rs.)
7,696	4,069	3,627	73,325	360,588,750

It was also observed that certified seeds were not provided to farmers which resulted in less utilization of land.

Audit is of the view that had the agriculture land been utilized fully, the corporation could have generated revenue of Rs.360.588 million.

The matter was reported to the management on July 31, 2023. The management in its reply stated that 100% year-round cultivation unrealistic given resource limitations, and crops as cultivated in two seasonal cycles, with wheat in rabi season and cotton and paddy in kharif season. The reply was not tenable because 7,696 acres land was available for cultivation, however only 3,627 acres of land were cultivated.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends steps/measures to be taken by the management for research in seed propagation, multiplication, production & marketing/sale.

Note: The issue was also reported earlier in the Audit Reports for Audit Year(s) 2022-23 vide para(s) number 1.1.5.1 having financial impact of Rs. 600.000 million and for Audit Year(s) 2021-22 vide para(s) number 1.1.5.3 having financial impact of Rs.92.955 million. Recurrence of same irregularity is a matter of serious concern.

1.1.5.2 Non-approval of budget by the board – Rs.158.081 million

According to Section 4(2) of Sindh Seed Corporation Act 2010, the Board shall have the powers and functions to approve annual budget of the Corporation.

During audit of Sindh Seed Corporation (SSC) Hyderabad for the year 2022-23, it was observed that the management incurred expenditure on account of SSC farms, marketing, administrative and operational expenditure for the financial year 2022-23 without approval of budget from the board. The detail is as under:

S#	Particulars	(Rs in million)
1	SSC farm expenses	83.379
2	Marketing expenses	8.185
3	Administration expenses	66.517
	Total	158.081

Audit is of the view that expenditure without approval of budget from the Board was held irregular and unjustified.

The matter was reported to the management on July 31, 2023. The management in its reply stated that the board had given authority to the Managing Director to manage various operations, and SSC works without government funding, using its resources based on an estimated budget approved during management board meetings. The reply was not tenable as expenditure was incurred without approval of Board in violation of Act.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends approval of budget from board.

1.1.5.3 Irregular procurement of fertilizer, DAP & pesticides - Rs.52.045 million

Rule 4 of the Sindh Public Procurement (SPRA) Rules, 2010 states that 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.

Rule 15(1) states that open competitive bidding shall be the principal method of procurement.

During audit of Sindh Seed Corporation (SSC) Hyderabad for the year 2022-23, it was observed that the management paid Rs.52.045 million to farmers for procurement of fertilizer, DAP (diammonium **phosphate**) & pesticides. The management was required to procure these items through open tender instead of allowing farmers to procure from retailers on direct basis (**Annex-4**).

Audit is of the view that procurements were made without any competitive process in violation of rules. Thus, procurements amounting to Rs.52.045 million stand irregular and unjustified.

The matter was reported to the management on July 31, 2023. The management in its reply stated that they initially budgeted Rs.52.045 million for buying fertilizer and pesticides but couldn't allocate the amount due to limited funds, resulting in the purchase of only some inputs and the expenses were later adjusted. The management's reply was not tenable as procurements were made without tender in violation of SPPRA Rules.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

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

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2021-22 vide para(s) number 1.1.5.4 having financial impact of Rs. 45.796 million. Recurrence of same irregularity is a matter of serious concern.

1.1.5.4 Non- recovery from farmtenants –Rs.27.769 million

Rule 38 of GFR provides that it is primary responsibility of the departmental authorities to see that all revenues or other debts due to government, which have to be brought to account are correctly and promptly assessed, realized and credited to the public account.

During audit of Sindh Seed Corporation (SSC) Hyderabad for the year 2022-23, it was observed that an amount of Rs.27.768 million was outstanding against various tenants of different farms as on June 30, 2023 as detailed below:

S#	Name of Farm	Amount (Rs.)
1	Pai Farm	2,060,734
2	Setharja Farm	1,910,055
3	Kotdiji	1,690
4	Ruk	348,293
5	Ghotki Farm	13,791,605
6	Lodhra Farm	9,656,600
Total		27,768,977

Audit is of the view that the management failed to recover the dues which reflected negligence and weak recovery mechanism.

The matter was reported to the management on July 31, 2023. The management in its reply stated that in the 21st SSC management Board meeting on 26-08-2022, it was decided to form a committee to assess outstanding dues from tenants, and the meeting minutes are currently being prepared. The management's reply was not tenable as recovery was not made.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

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

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2021-22 vide para(s) number 1.1.5.5 having financial impact of Rs.29.442 million. Recurrence of same irregularity is a matter of serious concern.

1.1.5.5 Non-recovery / adjustment of advances against expenses -Rs.7.540 million

According to Section 20 of Sindh Seed Corporation Act, 1976, all sums due to the Corporation from any person shall be recoverable as arrears of land revenue.

During audit of Sindh Seed Corporation (SSC) Hyderabad for the year 2022-23, it was observed that advances Rs.9,085,000 were granted to officers/staff /suppliers in various areas during the year, whereas, Rs.7,540,690 were remained un-adjusted / outstanding as on June 30, 2023 as detailed below:

(Amount in Rs.)				
S#	Details / Particulars	Advance during FY 2022-23	Adjusted during FY 2022-23	Balance as on 30-6-2023
1	Advance against expenses	1,540,000	1,324,280	215,720
2	Mr Nisar Ahmed	300,000	205,000	95,000
3	Mr Mumtaz Ahmed	25,000	0	25,000
4	Advance against TA/DA	70,000	15,030	54,970
5	Mr Muhammad Jumman	100,000	0	100,000
6	Mr Tarique	5,000	0	5,000
7	Advance against salary	70,000	0	70,000
8	Mr Nisar Ahmed	15,000	0	15,000
9	Advance against expenses	1,565,000	0	1,565,000
10	Advance for purchase of seed	5,395,000	0	5,395,000
Total		9,085,000	1,544,310	7,540,690

Audit is of the view that non-recovery of advances/outstanding from the employees&suppliers shows weak financial management of the corporation.

The matter was reported to the management on July 31, 2023. The management in its reply stated that it's common to release advances to employees for spending in various areas and then they settle these expenses after completing the necessary work with approval from the competent authority. The management's reply was not tenable as advances were not adjusted timely during close of the financial year.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends to recover / adjust the amount at the earliest.

1.1.5.6 Non-disposal of condemned vehicles – Rs.6.028 million

According to rule 167 of GFR, stores which are reported to be obsolete, surplus or unserviceable, may be disposed of by sale or otherwise under the orders of competent authority to sanction the writing off a loss caused by deficiencies and depreciation equivalent to their value.

During audit of Sindh Seed Corporation (SSC) Hyderabad for the year 2022-23, it was observed that vehicles/motorcycles/ tractors valuing Rs.6.028 million were lying non-functional / obsolete since long and were not disposed-off. The board of directors in its 18th meeting on 05-05-2014 also approved and decided the disposal of subject vehicles through auction. The detail is as under:

S#	Particular	Quantity	Rs.
1	Vehicles	12	2,980,667
2	Motorcycles	2	60,000
3	Tractors	3	600,000
4	Diesel engines	2	32,386
5	Farm implements	26	530,328
6	Furniture & fixture	6	7,725
7	Office equipment's	7	34,810
8	Machinery/mini plant	7	1,782,283
Total			6,028,199

Audit is of the view that the management failed to dispose-off the redundant vehicles since 2014 which resulted into loss of Rs.6.028 million.

The matter was reported to the management on July 31, 2023. The management in its reply stated that matter has been approached to the Administrative Department. The management's reply was not tenable as vehicles were still lying idle.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends early disposal of the condemned vehicles.

1.1.5.7 Non-recovery of rent from employees availing accommodation - Rs. 4.937 million

According to Section 20 of Sindh Seed Corporation Act, 1976, all sums due to the Corporation from any person shall be recoverable as arrears of land revenue.

During audit of Sindh Seed Corporation (SSC), Hyderabad for the year 2022-23, it was observed that the management rented out some bungalows / quarters of residential colony to employees of other departments, whereas, an amount of Rs.4.938 million was lying outstanding as on June 30, 2023 as detailed below:

Amount in Rs.					
S#	Bungalow / Quarter No.	Outstanding	S#	Bungalow /Quarter No.	Outstanding
1	A-3	157,587	9	C-8	26,000
2	B-1	828,200	10	C-9	656,090
3	B-2	348,400	11	C-10	130,000
4	C-2	633,000	12	C-12	546,000
5	C-3	328,300	13	D-4	122,400
6	C-5	510,600	14	D-7	7,400
7	C-6	221,000	15	E-1	50,600
8	C-7	331,000	16	F-1	3,800
			17	F-2	37,400
Total					4,937,777

Audit is of the view that the management failed to recover the rent from employees availing accommodation which reflected negligence.

The matter was reported to the management on July 31, 2023. The management in its reply stated that allottees of the SSC employee residential colony in Hyderabad were instructed to pay house rent, but they have not complied. Therefore, letters dated. 19-07-2023 has been sent to the relevant Director General to recover the outstanding dues and stop the salaries of these allottees. The management's reply was not tenable as amount was not recovered till date.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends to recover the amount, besides fixing of responsibility on the person(s) at fault.

1.1.5.8 Irregular expenditure/reimbursement of TA/DA – Rs.3.274 million

According to Rule 21.1.1 of Service Regulations of Sindh Seed Corporation, 1976, persons other than those defined in 21.1 may be eligible for and allowed Travelling Allowance (including transport on tour and or daily allowance), by the Competent Authority according to their status, for assisting the Corporation in its activities. Further Rule 21.4.2 states that the travel authorization shall be valid only if approved by the Competent Authority.

During audit of Sindh Seed Corporation (SSC) Hyderabad for the year 2022-23, it was observed that an amount of Rs.3.274 million was reimbursed to officers/officials on account of TA/DA without requisite documents for claims (tour programs, boarding card and various receipts). Few instances are as under:

Cash Voucher No.	Name	Designation	Amount (Rs)
312	Mr Aijaz Ali Pathan	MD	451,160
456	Mr Aijaz Ahmed	AD	10,000
68	Mr Abdul Jabbar	Asst. PM	42,480

67	Mr Mumtaz Ahmed	AD	27,420
84	Mr Aijaz Ali Pathan	MD	130,515
382	Mr Nisar Ahmed	Assistant	9,652
381	Mr Agha Shahid	Director	25,280
380	Mr Aijaz Ali Pathan	MD	196,720
443	Mr Aijaz Ahmed	AD	11,280
460	Mr Agha Shahid	Director	11,640
461	Mr Aijaz Ahmed	AD	11,280

Audit is of the view that TA/DA reimbursement/claims of Rs.3.274 million without fulfilling codal formalities was held irregular and unjustified.

The matter was reported to the management on July 31, 2023. The management replied that the Managing Director of SSC, acting as the competent authority, is reimbursed for his TA/DA expenses, while other staff members submit their travel expenses, which are audited, approved by the Competent Authority, and then reimbursed. The management's reply was not tenable as the TA/DA was allowed without observing codal formalities.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter.

1.1.5.9 Irregular expenditure on account of POL – Rs.3.220 million

According to Rules for the use of Staff Car, 1980, following books shall be maintained for each motor vehicle.

- Log book on Form "A" and shall remain in the custody of the Driver of the vehicle
- History sheet of vehicle a bound register containing 50 pages, which remain in the custody of officer in charge of the machine.

- Petrol account registers separately on Form “C”.

During audit of Sindh Seed Corporation (SSC) Hyderabad for the year 2022-23, it was observed that the management incurred an expenditure of Rs.3.222 million on account of POL for vehicles without maintenance of log books and consumption sheets.

Audit is of the view that expenditure without maintenance of requisite record reflected negligence and slackness.

The matter was reported to the management on July 31, 2023. The management in its reply stated that they have seven basic seed farms and a seed processing plant, with only eight functional vehicles approved for field and office work, and fuel expenses were sanctioned based on justified claims. The management’s reply was not tenable as expenditure was incurred without maintenance of requisite record.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends to justify the matter.

1.1.5.10 Irregular expenditure on various repairs – Rs.2.145 million

According to Rule 20 of Govt. staff vehicle (Use & Maintenance) Rule, it is necessarily required to maintain a history sheet of Motor Vehicle and a repair register to account for the old spare parts in relation to repair of the Govt. vehicle.

During audit of Sindh Seed Corporation (SSC) Hyderabad for the year 2022-23, it was observed that the management incurred an expenditure of Rs.2.145 million on repair & maintenance, wherein following irregularities were observed:

1. Indents / requisitions for repair works were not found.
2. History sheet of the vehicle was not maintained.
3. Proof of payment was not found.
4. Invoices were without specific vehicle no, signature, date.
5. Work of repair was carried out in advance, thereafter; officials/officers claimed their unverified bills through reimbursement.
6. Applicable taxes were not being deducted.

Audit is of the view that the payment was made without observing codal formalities which reflected weak internal controls.

The matter was reported to the management on July 31, 2023. The management in its reply stated that expenses approved by the competent authority and codal formalities will be addressed in future. The management's reply was not tenable as due care was not exercised.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends to justify the matter besides strengthening of internal control and completion of codal formalities before expenditure.

1.1.5.11 Un-authorized retention of vehicle

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 Sindh Seed Corporation (SSC) Hyderabad for the year 2022-23, it was observed that the management allotted a vehicle Suzuki Cultus (GL-0135) to a member of SSC board which had been retained unauthorizedly till date.

Audit is of the view that the management extended undue favor to the incumbent which reflected negligence and slackness.

The matter was reported to the management on July 31, 2023. The management in its reply stated that Suzuki Cultus (Vehicle No. GL-0135) was allocated to a board member, but despite multiple requests, the vehicle was still pending, and a letter had been sent to the member. The management's reply was not tenable as vehicle was still in the possession of the individual.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends to recover the vehicle without further delay.

Chapter-2

Culture, Tourism, Antiquities & Archives Department

2.1 Sindh Tourism & Development Company

2.1.1 Introduction

The culture, heritage, history and language have always remained very dear to the people of Sindh. In line with the aspirations of the people of the province and to protect the cultural heritage of Sindh, a “Culture Cell” was established in Education Department, in 1976. It was given status of an Administrative Department in 1988. The department remained under transition most of the time. Initially, it was established as “Culture, Tourism, Sports, Youth Affairs and Social Welfare Department”. Later on, it was curtailed to “Culture and Tourism Department”. Lately, in 2009, the department was bifurcated into “Culture Department” and “Tourism Department”.

In early 2010, 126 archaeological sites and monuments including few museums were transferred by Federal Government (Department of Archaeology and Museums) to Government of Sindh, Culture Department. In April 2011, the remaining most important archaeological sites, monuments and museums were handed over to Culture Department as a consequence of abolition of “Concurrent List” from 1973 Constitution of Pakistan, in the aftermath of 18th Constitutional amendment. Hence, the scope and domain of the department has expanded requiring renaming of the department to cover its areas of responsibility.

(Rs. in million)				
Description	Total No.	Audited	Expenditure Audited FY 2021-22	Revenue / Receipt FY 2021-22
Formations	1	1	-	-

2.1.2 Comments on Audited Accounts

2.1.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization for the years 2018-19 to 2022-23.

2.1.2.2 Audit required that the annual audited accounts of the years 2022-23 be provided and timely submission be ensured in future, besides, fixing of responsibility for non-submission of annual audited accounts.

2.1.3 Classified Summary of Audit Observations

Audit observations of Rs.57.76 million were raised. Summary of the audit observations classified by nature is as under:

(Rs. in million)		
S#	Classification	Amount
1.	Non-production of record	-

2.	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR / Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for Money and service delivery issues	57.76
5	Others	-

2.1.4 Compliance of PAC Directives

No PAC was convened since 2014-15.

2.1.5 Audit Paras

2.1.5.1 Savings not surrendered - Rs.57.760 million

Rule 95 of GFR provides that all anticipated savings should be surrendered to Government immediately not later than 15th May of each year.

During audit of Sindh Tourism Development Corporation (STDC), Karachi for the year 2021-22, it was observed that the management received budget of Rs.130.000 million from finance department, Government of Sindh. However, the management failed to utilize / surrender savings amounting to Rs.57.760 million as detailed below: -

(Rs. in million)		
Released budget in 2021-22	Budget utilized	Savings amount
130.000	72.239	57.760

Audit is of the view that due to the negligence of the management; savings were not surrendered resultantly; funds could not be utilized further by the Finance Department.

The matter was reported to the management in June, 2023. The management in its reply stated that the STDC is an autonomous body and receiving grant-in-aid from Government of Sindh so the expenditure is not lapsable and carries forward during the next financial year. The management's reply was not tenable because all the expenditure was required to be surrendered to Government of Sindh. The budget and organization expenditure is operated on the funds received from Government of Sindh, so the saving should be surrendered.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified.

2.1.5.2 Non-conducting of verification of antecedents / degrees

According to Cabinet Secretariat (Establishment Division) vide D.O. No. 6(28)2011-DG-II dated March 08, 2011, all the autonomous bodies/companies, corporations were required to take the measures to authenticate degrees / certificates of all the employees of their organization. It would be of concerned head of organization to have the degrees / certificates verified.

During audit of Sindh Tourism Development Corporation (STDC), Karachi for the year 2021-22, it was observed that the verification of degrees / certificates and antecedents of officers were not conducted by the management to date.

Audit is of the view that non-conducting of verification of degrees / certificates and antecedents was a violation of the government rules.

The matter was reported to the management in June, 2023. The management in its reply stated that the letter was written to concerned boards and universities for verification of degrees. The management's reply was not tenable as no record was provided.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends verification of degrees / certificates on priority besides fixing of responsibility on the person(s) at fault.

2.1.5.3 Non-preparation / finalization of annual accounts

According to Section 233 of Companies Act 2017, the company shall prepare the annual accounts within four months after closure of accounts for the specific year.

During audit of Sindh Tourism Development Corporation (STDC) for the year 2021-22, it was observed that the management had neither prepared nor got the annual accounts of press audited from a chartered accountant firms since 2016-17. In the absence of annual accounts, financial position and commercial viability of the entity with regard to its revenue, expenditures, profit and loss statement, trial balance and general ledger account could not be assessed and ascertained.

Audit is of the view that non-preparation / finalization of annual accounts reflected serious violation on the part of management.

The matter was reported to the management in June, 2023. The management stated that the annual accounts are completed up to the years 2015-16 and afterwards are being conducted. The management's reply was not tenable as annual audit accounts to be prepared up to date.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

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

Chapter-3
Health Department
3.1 PPHI, SINDH

3.1.1 Introduction

PPHI Sindh (the Company) was incorporated on October 08, 2013 as a public company limited by guarantee and not having a share capital under Section 42 of the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company is assigned the responsibility to take over primary health care system in the Province of Sindh. The Company runs its operation in twenty two districts, referred as district offices (DOs). The responsibility of the DO's is to provide health facility to the needy people in their respective districts, by utilizing the funds / grants received from Provincial Government in pursuance of the directives by the Board of Directors (BoD). The company has bifurcated its operation in four Regions i.e. Hyderabad, Mirpurkhas, Larkana, and Sukkur by constituting Regional Offices (RO's) to which their respective DO's respond.

On January 27, 2014, an agreement was executed between Sindh Rural Support Organization (SRSO) and the company, whereby, it was agreed that all assets and liabilities valued as on Dec 31, 2013 relating to a project named People's Primary Healthcare Initiatives-Sindh (PPHI Sindh/the Project) will be transferred from SRSO to the Company. The value of such assets and liabilities will be determined mutually by SRSO and the Company in terms of the said agreement. The decision was made consequent to the agreement dated December 06, 2013 entered into between the Government of Sindh and the Company and the resolution made by the Board of Directors of SRSO in their 38th meeting. Accordingly, the project ceased to operate on December 31, 2013, as all the related assets and liabilities were transferred to the company. The registered office of the Company is situated at C-27/1, Block-2, Clifton, Karachi.

(Rs. in million)				
Description	Total No.	Audited	Expenditure audited FY 2021-22	Revenue / Receipts Audit FY 2021-22
Formations	1	1	21,205.210	12,786.700

3.1.2 Comments on Audited Accounts

2.1.2.1The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization for the years 2018-19 to 2022-23.

2.1.2.2 Audit required that the annual audited accounts of the years 2022-23 be provided and timely submission be ensured in future, besides, fixing of responsibility for non-submission of annual audited accounts. **(Annex-2)**

3.1.3 Classified Summary of Audit Observations

Audit observations of Rs.4,154.171 million were raised. Summary of the audit observations classified by nature is as under:

(Rs. in million)		
S#	Classification	Amount
1.	Non-production of record	-
2.	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR / Employees related irregularities	24.753
B	Procurement related irregularities	1,033.829
C	Management of Accounts with Commercial Banks	1,183.836
4	Value for Money and service delivery issues	1,409.330
5	Others	502.423

3.1.4 Compliance of PAC Directives

No PAC was convened since 2014-15.

3.1.5 Audit Paras

3.1.5.1 Irregular availing of credit limit beyond the approval - Rs.1,183.836 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of PPHI, Sindh 2022-23, it was observed that the Board of Directors (BoD) approved credit limit up to Rs.400.000 million for import of medical equipment and solar items vide board resolution circulated on 24.03.2023. The management signed banking facility offer letter dated 06.04.2023 whereby bank was liable to execute the letter of credit upto Rs. 400.000 million and validity period was 31.03.2024. However, management opened eleven letter of credits (LCs) for various items and total value of LCs was Rs.1,583.836 million which was beyond the limit of Rs.400.000 million. The management availed an excess amount of Rs.1,183.836 million beyond the approved limit. Further, being importer bank i.e. Sindh Bank also violated the terms and condition of the banking facility offer letter. Detail is as under:

(Amount in Rs)						
S#	Name of Items	Currency	Total Amount in C&F	Date of LC opening approx.	Exchange rate on date of LC	Total Credit facility used by PPHI, Sindh
1	Patient monitor	USD	9,920	19.05.2023	285.76	2,834,739
2	Incubator	USD	109,310	19.05.2023	285.76	31,236,426
3	Phototherapy machine	USD	10,307	19.05.2023	285.76	2,945,328
4	Defibrillator basic with accessories	Euro	23,200	19.05.2023	305.09	7,078,088
5	Ultrasound	USD	324,480	19.05.2023	285.76	92,723,405
6	Infusion pump	USD	4,380	19.05.2023	285.76	1,251,629
7	CTG machine	USD	12,750	19.05.2023	285.76	3,643,440
8	Anesthesia machine with ventilator	Pond	48,950	19.05.2023	352.08	17,234,316
10	Dental unit	USD	54,810	19.05.2023	285.76	15,662,506
11	Battery Narada 300 AH	USD	4,034,706	19.05.2024	285.76	1,152,957,587
12	Battery Narada 150 AH	USD	896,797.95	19.05.2025	285.76	256,268,982
Total						1,583,836,445

Audit is of the view that procurement beyond the approved limit was irregular which reflected negligence and weak financial controls.

The matter was reported to the management on December 26, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to justify the matter.

3.1.5.2 Non-reflection of expiry date of medicines – Rs.1,089.770 million

Clause 11 of contract agreement states that the supplier will be responsible for the free replacement of the unconsumed expired stock to the PPHI, Sindh without any charges.

During audit of PPHI, Sindh for the year 2022-23, it was observed that medicines stock amounting to Rs.1,089.770 million was without showing expiry date which raised questions on quality of medicines and inventory management at PPHI, Sindh. Detail of some instances is attached.

S#	Medicines Cluster	No. of items in stock	Stock Available	Stock Cost (Rs.)	Expiry Date
1	Anaesthetics	12	275493	4,481,432	Missing in ERP System / reporting line
2	Analgesics, Antipyretic & AntiInflammatory	33	108,122,068	289,994,394	-do
3	Antacids, Antiulcer & Deflatulents	14	20120592	50,887,788	-do-
4	Anti asthmatic and Anti Allergic	16	14726575	88,546,360	-do-
5	Anti-Fungal / Anthelmentics	13	954833	3,474,545	-do-
6	Antibiotics	14	40858483	638,022,694	-do-
7	Antidiabetics	3	10275102	14,362,899	-do-
Total				1,089,770,112	

Audit is of the view that due to non-reflection of expiry date of medicines in the ERP system, the quality and efficacy of medicines was questionable.

The matter was reported to the management on December 26, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter.

3.1.5.3 Irregular / unjustified local purchase of different items – Rs. 616.299 million

Clause 12.2 of PPHI, Sindh Compendium of Manual allows local purchase of medicines subject to the following conditions;

1. Local purchase of medicines and other medical materials is an exception that may be resorted to only to meet unforeseen requirements. LP must, therefore, be an uncommon rather than a regular phenomenon.
2. The need is too urgent to await delivery from a contracted supplier as envisaged in the system of arranging regular supplies.
3. The quantity of local purchase shall not be more than what is required to carry on until supplies through a regular contract can be arranged by the provincial head office.

During audit of PPHI, Sindh for the year 2022-23, it was observed that the management procured various items including diagnostic material, lifesaving drugs, medical supplies and medicines through local purchase at all over districts / regions. The management procured medicines, other supplies and items of huge amount on local purchase (LP) basis without justification. The huge quantum of medicines reflected that during procurements management did not observe the laboratory tests/ reports to ascertain their requirement on emergency basis. Detail is tabulated below;

S#	Description	Number of items	Total (Rs)
1	Medicines	2,372	394.916
2	Medical supplies	1,266	96.231
3	Diagnostic material	1,179	92.785
4	Life saving	241	32.367
Total			616.299

Audit is of the view that local procurements was made without justification which was required in extreme emergency. This reflected weak internal control and poor planning.

The matter was reported to the management on December 26, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter and fix responsibility on the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2021-22 vide para(s) number 2.1.5.3 having financial impact of Rs.220.349million. Recurrence of same irregularity is a matter of serious concern.

3.1.5.4 Irregular expenditure on various projects – Rs.480.607 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of PPHI, Sindh for the year 2022-23, it was observed that the management executed various projects with the assistance of NGOs and other donor organizations like humanitarian response efforts in flood affected areas of Sindh and emergency nutrition response etc. at various districts amounting to Rs.480.607 million. Audit called for record / information of the projects but the management did not provide record / information despite issuance of three (03) reminders and verbal requests (**Annex-5**).

Audit is of the view that in absence of record / information of projects, authenticity of expenditure could not be ascertained.

The matter was reported to the management on December 26, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to provide the record at the earliest & fix responsibility on the person(s) at fault.

3.1.5.5 Irregular procurement of medical equipment after expiry of the bid – Rs.349.692 million

According to bidding documents for the procurement of medical equipment, the bid validity period was 90 days after the date of the bid opening.

During audit of PPHI, Sindh 2022-23, it was observed that the management published / advertised a tender on 29.03.222 for procurement of medical equipment. The bids were evaluated on the basis of single stage two envelope bidding procedure. Bid opening / technical evaluation was carried out on 19th April, 2022. However, the financial bids were opened after 126 days of the opening of bid on August 25, 2022. Detail of contract awarded against the tender is listed below;

S#	Contract Date of singing	Supplier Name	Name of items	Contract Value (Rs)
1	25.10.2022	M/s Plantinum Corporation	Ultrasound Machine-Digital (portable)&Infusion Pump with accessories	57,086,361
2	25.10.2022	M/s Elate CC Pvt Ltd	Patient Monitor , Incubator, Phototherapy Machine&Defibrillator, Basic with accessories	117,864,182
3	25.10.2022	M/s Hospicare	Ctg machine&ecg machine	14,712,123
4	25.10.2022	M/s BIOS	Xray Machine&Anesthesia machine with ventilator	147,434,332
5	25.10.2022	M/s Combined Engineers	Dental unit	12,594,978
Total				349,691,976

Audit is of the view that after the expiry of bid validity period, the tender was null & void and the procurement of medical equipment of Rs.349.691 million stands irregular and unjustified.

The matter was reported to the management on December 26, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2022-23 vide para(s) number 2.1.5.2 having financial impact of Rs. 28.879 million. Recurrence of same irregularity is a matter of serious concern.

3.1.5.6 Unjustified and wasteful expenditure on hiring of health insurance services – Rs.224.037 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of PPHI, Sindh 2022-23, it was observed that the management hired the services of M/s Askari General Insurance Company Limited for providing of health insurance facilities to the employees of PPHI (RMO charges, lab test, medicines & maternity facility etc) at an agreed premium of Rs.224.037 million per year (**Annex-6**). In addition, the management also incurred an expenditure of Rs.97.069 million on account of medical reimbursement charges during the year. It was also observed that above all facilities were also available in PPHI health facilities across the province. Despite the re-imbursement facility and availability of health facilities at their own centers, the management hired the services of insurance company, which was held irrational and unjustified.

Audit is of the view that management hired the insurance services, despite the availability of medical reimbursement and availability of health facilities at their own centers reflected wastage of resource and imprudent decision making.

The matter was reported to the management on December 26, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to justify the matter and fix responsibility on the person(s) at fault.

3.1.5.7 Procurement of substandard medicines – Rs.78.720 million

Rule 5(1) of the Public Sector Companies (Corporate Governance) Rule 2013, states that the Board shall exercise its power and carry out fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of PPHI, Sindh for the year 2022-23, it was observed that management purchased various medicines from the manufacturers / suppliers amounting to Rs.78.720 million. However, it came to notice that syp. kanamol was returned back to the supplier / manufacturer due to color and taste issue. Further, Audit observed during visit of the Ibrahim Hydri, hospital that tablet, ostocal-D's packaging was substandard and within the tablet strips, medicine was in powdered form. Detail of above medicine is as follows;

S#	Bidder's Name	Medicine's Name	Manufacturer's Name	Quantity Returned / purchased	Price (Rs)	Total(Rs)
1	Not Provided	Kanamol Syp	ISIS Pharmaceuticals & Chemical works	208,241	40.00 per Syp.	8,329,640
2	Sandal Surgical	Tab. Ostocal-D Batch No. GD 106	Munawar Pharma	1,215,728	1.93 per tab.	70,390,709
Total						78,720,349

The supply of substandard medicines after the clearance given by the Drug Testing Laboratory (DTL) raised serious concerns over the quality of medicines.

Audit is of the view that procurement of substandard medicines reflected weak internal control and poor performance of the procurement department.

The matter was reported to the management on December 26, 2023 but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter and blacklist the supplier.

3.1.5.8 Irregular / unjustified award of civil works – Rs.24.261 million

According to Rule 12(1) of SPPRA, 2010, 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.

Rule 16 (e) (i) SPPRA, 2010, states that cost of additional quantities of item(s) shall not exceed 15% of the original contract amount.

During audit of PPHI, Sindh for the year 2022-23, it was also observed that the management entered in a contract with M/s Nawaz Builders on July 06, 2022 for R&R works of MCHC section & infrastructure RHC Bhan Saeedabad, Jamshoro having value of Rs.9.086 million & Rs.9.419 million. However, the management awarded the contracts on splitting basis and also issued repeat orders beyond the defined limits as detailed below:

(Rs.in million)				
S#	Contract value (Original)	Revised contract	Material Difference	Increase(%)
1	9.086	11.433	1.833	20.17
2	9.416	12.828	3.409	36.19
Total	18.502	24.261	5.242	

Audit is of the view that the management awarded contracts on splitting basis at same place and time and beyond limits of repeat orders in violation of rules which stands irregular and unjustified.

The matter was reported to the management on December 26, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter and fix responsibility on the person(s) at fault.

(DP No. 106&113)

3.1.5.9 Unjustified reimbursement of medical bills – Rs.22.353 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

According to guidelines regarding in-house medical reimbursement claims of PPHI, Sindh; Management of renal failure (kidney failure) is covered.

During audit of PPHI, Sindh for the year 2022-23, it was observed that the management reimbursed an amount of Rs.19.903 million to its 843 employees on account of medical bills of C-section and Normal Vaginal Delivery (NVD). Notably, PPHI, Sindh was working in the province since more than a decade and had adopted the international best practice of deployment of midwives at Primary Health Care level for the uncomplicated pregnant woman and newborn care.

It was also observed that the management rejected two medical claims / reimbursement bills of Rs.2.450 million by taking the plea that disease i.e. Kidney failure was not covered under the MRC policy. Whereas, the management had accepted the medical reimbursement claim of an employee under the category of diseases i.e. kidney failure. Detail of rejected and accepted claims is as under;

S#	Emp. Code	Diagnosis / Diseases	Case status	Claim(Rs)
1	3-13-000-27550	Kidney Failure	Accepted	77,277
2	2-11-046-0003		Rejected	2,333,948
3	1-00-000-19015			110,970

Audit is of the view that in presence of its own C-section and NVD facility across the province of Sindh, medical reimbursement and rejection of the medical claims of the employees stands irregular / unjustified.

The matter was reported to the management on December 26, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends withdrawal of policy of medical reimbursement and justification of the matter.

3.1.5.10 Non-completion of work – Rs.20.816 million

Clause 35 of SPPRA Rules, 2010 stipulates that blacklisting of suppliers, contractors and consultants in case of failure to remedy underperforming contracts, as identified by the procuring agency, where underperforming is due to the fault of the contractor, supplier or consultant.

During audit of PPHI, Sindh for the year 2022-23, it was observed that the management awarded various contracts for renovation and repair works and supply of medical equipments / machines to different contractors. The contractors failed to complete the assigned works as per agreements. However, the management neither imposed liquidity damages nor forfeited the performance security amounting to Rs.20.816 million as per rules(Annex-7).

Audit is of the view that the management extended undue favor to the contractors which reflected negligence and weak internal controls.

The matter was reported to the management on December 26, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter and fix responsibility on the person(s) at fault.

3.1.5.11 Violation of the agreement by non-insurance of medical equipment - Rs.20.344 million

Clause 22.1 of bidding document for procurement states that in case of C&F, the bidder shall also include insurance coverage and transportation charges in their bid.

During audit of PPHI, Sindh for the year 2022-23, it was observed that the management procured medical equipment through tendering process from the various suppliers and the supplier delivered the items through air transportation. However, the shipper delivered the medical equipment's worth Rs.20.344 million without being insured. Detail is as under;

S#	Supplier's Name	Name of item(s)	Units delivered	Unit per cost on the basis of C&F	LC Number	Air Way bill No.	Contract amount (Rs)
1	M/s Elate CC Pvt Ltd	Defibrillator, basic with accessories	8	2,900 Pound	SLC/0303/23/130	A397581	5,925,449
2	M/s Hospicare	CTG machine	10	1,275 USD	SLC/0303/23/213	DKHI 2309009	2,397,100

3	M/s BIOS	Anesthesia machine with ventilator	5	9,790 USD	SLC/0303/23/281	176-81060416	12,021,730
Total							20,344,279

Audit is of the view that the management did not ensure the insurance of imported items as per agreement which was irregular.

The matter was reported to the management on December 26, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to justify the matter.

3.1.5.12 Non-disposal of dead batteries – Rs.16.803 million

Rule 5(1) of the Public Sector Companies (Corporate Governance) Rules 2013, states that the Board shall exercise its power and carry out fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of PPHI, Sindh for the year 2022-23, it was observed that the management procured 6,425 lithium batteries for new installation and replacement of old batteries. The management could install only 3,212 batteries but did not utilize the remaining 3,213 costly lithium batteries.

It was also observed that 4,481 old / dead lithium batteries amounting to Rs.16.803 million (67,215 kg * Rs.250 per kg) were not disposed-off / auctioned and were lying as scrap.

Audit is of the view that non utilization & non-auctioning of batteries was due to negligence and poor planning of the management.

The matter was reported to the management on December 26, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to justify the matter and dispose-off / utilize the batteries at the earliest.

3.1.5.13 Non-registration of health facilities- Rs.13.500 million

Section 13 of Sindh Healthcare Commission Act, 2013 explains that healthcare service provider shall not provide healthcare services without being registered under this Act. Further, section 13(5) states that the commission may impose a fine which may extend to five hundred thousand rupees upon a healthcare service provider or any other person who practices without registration.

During audit of PPHI, Sindh for the year 2022-23, it was observed that the management did not register 27 health care facilities with the Sindh HealthCare Commission which might attract a fine / penalty of Rs.13.500 million. Detail is as under;

S#	Health Facilities	Unregistered facilities	Fine charges per health facility (Rs)	Total fine (Rs)
1	Basic Health Units (BHUs)	14	500,000	7,000,000
2	Government Dispensary (GDs)	13	500,000	6,500,000
Total				13,500,000

Audit is of the view that non-registration of health care facilities' reflected negligence on part of management which may result in imposition of penalties.

The matter was reported to the management on December 26, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to take corrective measures besides fixing responsibility on the person(s) at fault.

3.1.5.14 Irregular / unjustified appointment of auditors – Rs.8.316 million

Rule 152(b) of SPPRA, 2010 of National Competitive Bidding shall be the procedure wherein bidding is open only to interested national firms, companies or parties and National Competitive Bidding shall be the principal method of procurement with an estimated cost below US\$ 10 million or equivalent in local currency.

During audit of PPHI, Sindh for the year 2022-23, it was observed that the management appointed external auditor (M/s BDO Ibrahim & Co. Chartered Accountant & M/s E&Y) without competitive bidding and concurrence of Auditor General of Pakistan. The details of payment is as under:

S#	Name of Audit firm	Auditee	Audit year	Audit fees (Rs in million)
1	E&Y & Co.	PPHI, Sindh	2020- 2021	2.470
2	BDO Ebrahim & Co.		2021-2022	2.470
3			2022-2023	2.200
4		ECPF * Grant	2021-22	0.338
5			2022-23	0.338
6.			2023-24	0.500
Total				8.316

Audit is of the view that the management failed to observe SPPRA Rules in true letter and spirit which reflected negligence. Thus, the procurement of services and subsequent payment of Rs.8.316 million stands irregular / unjustified.

The matter was reported to the management on December 26, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter and fix responsibility on the person(s) at fault.

3.1.5.15 Irregular / unjustified procurement of intrauterine contraceptive device– Rs.2.415 million

Rule 16 (e) (i) SPPRA, 2010, states that cost of additional quantities of item(s) shall not exceed 15% of the original contract amount.

During audit of PPHI, Sindh for the year 2022-23, it was observed that the management signed a contract with M/s DKT Pakistan Pvt Limited on October 21, 2022 for supply of Intrauterine Contraceptive Device (IUCD) having 30,000 quantity per unit cost of Rs.276 and total contract amount was Rs.8.280 million. However, the management procured 8,750 devices which was more than 15% of the actual contract quantity amounting to Rs.2.415 million (8,750 * Rs.276).

Audit is of the view that procurement of excess quantity of device was in violation of rules. Thus, payment of Rs 2.415 million was held irregular and unjustified.

The matter was reported to the management on December 26, 2023 but, no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter and fix responsibility on the person(s) at fault.

3.1.5.16 Irregular rejoining of Ex-MNCH coordinator – Rs.2.400 million

According to rejoining policy of PPHI, Sindh, ex-employee with good track record with PPHI, Sindh for at least two (02) years, if approached the company within two to three years of their leaving / resigning (for higher education, expiry of deputation or other personal reasons) may be considered and approved by CEO, PPHI Sindh for rejoining the company subject to vacant position.

During audit of PPHI, Sindh for the year 2022-23, it was observed that Dr. Sania Batool was selected as Female Medical Officer (FMO) at Badin-A. She served as FMO from 13.04.2021 to 23.08.2021 (04 months). Later on, she was appointed as MNCH Coordinator and posted at District Officer, Badin-A from 23.08.2021. Then, the incumbent tendered resignation from PPHI, Sindh on 30.06.2022. The incumbent total service served at PPHI, Sindh was 14 months. Meanwhile, the incumbent submitted the request on 30.08.2022 for rejoining as MNCH Coordinator in District Badin-A to the management. The Board in its 36th meeting held on November 10, 2022 approved her request by giving the relaxation of existing rejoining policy. Subsequently, incumbent rejoined the office on 17.12.2022 at the monthly salary of Rs.200,000 (approx). Further, the management issued explanation to the incumbent on multiple times due to

lack of interest, irresponsible and negligent behavior toward performing the official duties. Whereas, rejoining was subject to ex-employee with good track record with PPHI, Sindh and difference of the served period and required service record as per policy was 10 months.

Audit is of the view that the management extended undue favor to the incumbent by giving relaxation to the minimum length of service. Thus, payment of Rs.2.400 million on account of salary to the incumbent stands irregular / unjustified.

The matter was reported to the management on December 26, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to justify the matter.

3.1.5.17 Non-preparation of annual accounts

According to rule 10 of Public Sector Companies (Corporate Governance) Rule, 2017, every Public Sector Company shall, within one month of close of first, second, and third quarter of its year of accounts, prepare a profit and loss account for, and balance sheet as at end of, that quarter, whether audited or otherwise, for the board approval. Annual report including annual financial statements shall be placed on the public sector company's website.

During audit of PPHI, Sindh for the year 2022-23, it was observed that annual accounts for the year 2022-23 was not audited by the Chartered Accountants. Further, as above mentioned rule the requisite accounts were required to be complied / finalized / certified by the Auditors and circulated after the close of financial year. However, Accounts were not prepared as per stipulated time period, which is gross violation of the rules.

Audit is of the view that in absence of accounts, the stake holder would not be acquired true and fair picture of the company's financial statement.

The matter was reported to the management on December 26, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to clear backlog of the un-audited annual accounts of the company at the earliest.

3.1.5.18 Encroachment of residential flats

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of PPHI, Sindh 2022-23, it was observed that accommodation of two categories i.e. Doctors and staff in shape of flats at Sindh Government Hospital, Ibrahim Hyderi, Karachi were available for hospital employees. However, 27 flats were occupied by unauthorized person(s) without allotment and approval from the competent authority (**Annex-8**).

Audit is of the view that encroachment of residential flats by unauthorized persons was a serious negligence on the part of management which required immediate administrative / legal actions.

The matter was reported to the management on December 26, 2023 but, no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter and fix responsibility on the person(s) at fault.

Chapter-4 Industries and Commerce Department

Overview

The Industries & Commerce Department (Government of Sindh) role is that of a facilitator in creating an enabling environment for industrial growth in the province.

Aims & Objectives

Department of Industries is striving to establish industrial estate all over Sindh. For this purpose, industrial estates with possible basic infrastructure were established and land was earmarked for the establishment of industrial estates in the districts.

(Rs. in million for FY 2021-22)				
Description	Total No.	Audited	Expenditure audited	Receipts
Formations	5	5	1,546.321	1,307.289

Classified Summary of Audit Observations

Audit observations of Rs.16,385.480 million were raised. The amount also includes recoverable of Rs.4,654.325 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)		
S#	Classification	Amount
1.	Non-production of record	-
2.	Reported cases of fraud, embezzlement and misappropriation	2,969
3	Irregularities	-
A	HR / Employees - related irregularities	264.759
B	Procurement related irregularities	58.803
C	Management of Accounts with Commercial Banks	1,967.671
4	Value for Money and service delivery issues	7,054.932
5	Others	7,036.342

4.1 Sindh Government Press, Karachi & Khairpur

4.1.1 Introduction

As a result of disintegration of one unit, the West Pakistan, Government Press, Karachi was renamed as Sindh Government Press, (SGP) Karachi w.e.f. July 01, 1970 under Controller, Printing and Stationery Department, Government of Sindh. Main functions of the Press are as under:

- Printing of all kinds of jobs for all departments/offices of the Government of Sindh.
- Supply of all types of stationery articles to all departments/offices of the Government of Sindh.

4.1.2 Comments on the Audited Accounts

4.1.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization for the years 1984-85 to 2022-23 despite number of reminders.

4.1.2.2 Audit required that the annual audited accounts for the years 1984-2015 to 2022-23 be provided and timely submission be ensured in future along with fixing of responsibility for non-submission of annual audited accounts. (**Annex-2**)

4.1.3 Compliance of PAC Directives

PAC has yet to discuss Audit Paras since 2004-05.

4.1.4 Audit Paras

4.1.4.1 Operational loss - Rs.180.724 million

Rule 23 of GFR states that every government officer should realize fully that he will be held responsible for any loss sustained by the government through fraud or negligence on his part.

During audit of Sindh Government Press (SGP), Karachi for the year 2022-23, it was observed that the management failed to operate the organization as per their capacity and sustained an operational loss of Rs.180.724 million as detailed below:

(Rs.in million)			
Description	Total Expenditure	Total Revenue	Income / (Loss)
Printing & Forms	259.963	37.907	(222.055)
Stationery & Stores	8.240	49.572	41.331
Total	268.204	87.479	180.724

Audit is of the view that the management failed to perform as per its potential which reflected negligence and weak financial management.

The matter was reported to the management in the month of August, 2023 but no reply was received.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends to justify the matter of losses.

Note: The issue was also reported earlier in the Audit Reports for Audit Year(s) 2022-23 vide para(s) number 3.1.5.2 having financial impact of Rs.281.843 and for Audit Year(s) 2021-22 vide para(s) number 3.1.5.1 having financial impact of Rs.163.181 million. Recurrence of same irregularity is a matter of serious concern.

4.1.4.2 Non-conducting stock taking/ physical verification of store items - Rs.131.250million

Rules 158 to 162 of GFR provides that a physical verification of store/stock should be carried out at least once in a year by an officer who is custodian of ledger of account of the store and record a certificate of verification of store with its results in the list, inventory or account as the case may be where such verification is carried out.

During audit of Sindh Government Printing Press (SGPP), Karachi for the year 2022-23, it was observed that the management purchased printing material & stationery items of Rs.131.250 million during the year 2022-23, but did not conduct stock taking and physical verification of stock / store items. The details are as under:

S#	Description	Year	(Amount in Rs)
1.	Stationery & Store	2022-23	74,575,000
2.	Paper & Binding Material		56,675,000
Total			131,250,000

Audit is of the view that the management failed to prepare stock register besides conducting physical verification of its assets, which reflected weak internal controls and poor financial management. This may lead to misappropriation.

The matter was reported to the management in August, 2023, but no reply was received.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends to justify the matter besides conducting physical verification of stores / stocks without further loss of time.

4.1.4.3 Abnormal increase in project cost of PC-I - Rs.108.443 million

Rule 88 of Sindh Financial Rules (SFR) states that 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 Sindh Government Press (SGP), Karachi for the year 2022-23, it was observed that the management initiated a project Establishment of museum of antique printing & allied machines which was approved in Departmental development working party (DDWP) meeting held on February 02, 2017 valuing Rs.41.400 million as per initial PC-I. However, the project was revised many times by the management which resulted in enhancement of cost by Rs.108.443 million. The project was also not completed within 24 months' time as mentioned in PC-I. The detail of revision is hereunder:

(Rs. in million)					
#	Description	Approval date	Amount of PC-I	Inc rease (Rs)	Inc rease (%)
.	Initial PC-I	February, 2017	41.400	-	-
.	Revised PC-I	January, 2022	89.557	48.157	116.32
.	Re-revised PC-I	March, 2023	149.843	108.443	361.94

Audit is of the view that the project was delayed due to several revision of PC-I by the management which resulted in enhancement of cost and also compromised intended objectives.

The matter was reported to the management in September 27, 2023, but no reply was received.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends justification of the matter besides fixing of responsibility against the person(s) at fault.

4.1.4.4 Non-achievement of revenue targets – Rs.53.793 million

Government of Sindh set target of revenue of Rs.91.701 million for Sindh Government Press, Karachi for 2022-23 in the budget of the particular year.

During audit of Sindh Government Press (SGP), Karachi for the year 2022-23, it was observed that Finance department assigned targets of revenue of Rs.91.701million for the year 2022-23 against which management could achieve a target of only Rs.37.907 million. Detail is as under:

(Amount in Rs)			
Description	Target	Achievement	Shortfall / Excess
Printing & Forms	91,701,000	37,907,657	(53,793,343)

Audit is of the view that the management failed to achieve the targets which reflected negligence and weak financial management.

The matter was reported to the management in the month of August, 2023 but no reply was received.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends that matter of non-achievement of targets may be justified and strenuous efforts may be taken to capture the business.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2021-22 vide para(s) number 3.1.5.5 having financial impact of Rs.21.608 million. Recurrence of same irregularity is a matter of serious concern.

4.1.4.5 Abnormal increase in capital cost - Rs.37.087 million

Rule 88 of Sindh Financial Rules (SFR) states that 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 Sindh Government Press (SGP), Karachi for the year 2022-23, it was observed that a project Establishment of museum of antique printing & allied machines was approved on February 02, 2017. After the completion of scheduled time i.e. February, 2019 as per original PC-I, the management enhanced the capital component cost due to change of scope as detailed below:

S#	Date of approval	Amount (Rs)	Increase (%)
1	February, 2017	29,000,000	-

2	January, 2022	66,087,000	127.88
Increase in Capital Component Cost		37,087,000	-

Audit is of the view that due to mis-management; project capital cost was increased amounting to Rs.37.087 million. This reflected negligence and weak financial management.

The matter was reported to the management in September 27, 2023, but no reply was received.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends justification of the matter besides fixing of responsibility on the person(s) at fault.

4.1.4.6 Unjustified enhancement of area of project –Rs.21.488 million

Rule 88 of Sindh Financial Rules (SFR) states that 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 Sindh Government Press (SGP), Karachi for the year 2022-23, it was observed that a PC-I of project establishment of museum of antique printing & allied machines was approved in departmental development working party(DDWP) meeting on February 02, 2017. Later on, the management enhanced the gross area of museum, which caused increase in cost of project against PC-I as detailed below:

Amount in Rs.)								
Name of Component	As per actual approved cost			As per revised cost			Difference in actual and revised cost	Increase cost in %
	Plinth Area (sq.ft)	Rate	Amount	Plinth Area (sq.ft)	Rate	Amount		
Main Building (Museum)								
Ground Floor additional work	10,980	1,500	16,470,000	18,154	1,500	27,231,000	10,761,000	65.33
Ground Floor	-	-	-	18,154	253	4,891,000	4,891,000	-

additional work add extra Height 25%								
Int Electric Work	-	-		18,154	324	5,836,000	5,836,000	-
Total			16,470,000			37,958,000	21,488,000	130.47

Audit is of the view that enhancement of area caused increased in project cost which was held irregular and unjustified.

The matter was reported to management in September 27, 2023, but no reply was received.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends justification of the matter besides fixing of responsibility on the person(s) at fault.

4.1.4.7 Non-recovery from various customers - Rs.20.257 million

Rule 41 (a) of Sindh Financial Rules states that 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 Sindh Government Press (SGP), Karachi for the years 2022-23, it was observed that an amount of Rs.20.257 million was lying outstanding from various customers since long against printing work done as on June 30, 2022.

Audit is of the view that the management failed to recover outstanding dues which reflected poor financial management and weak recovery mechanism.

The matter was reported to the management in September 27, 2023, but no reply was received.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends recovery of outstanding dues on priority.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2021-22 vide para(s) number 3.1.5.6 having financial impact of Rs.19.875 million. Recurrence of same irregularity is a matter of serious concern.

4.1.4.8 Procurements from improper head of account - Rs.10.750 million

Rule 10 of GFR provides that, every 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 the expenditure of his own money. He is responsible for observance enforcing order and strict economy at every step.

During audit of Sindh Government Press (SGP), Karachi for the year 2022-23, it was observed that the management procured lighting arrangement (Phillips) for furnishing and fittings and installation of electric cable from M/s AS trading company amounting to Rs.10,750,996 from other head of account i.e. purchase of plant and machinery (A09601). Detail of procurement is as under:

Requirement	Bill No	Bill Date	Amount in Rs.
18,154.21 sq. ft lighting (phillips)	5716	16-06-2023	8,169,395
3,741.45 sq. ft installation of electric cable (copper)			2,581,601
Total			10,750,157

Audit is of the view that management procured the items from other head of account which reflected weak internal controls.

The matter was reported to the management in August, 2023, but no reply was received.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends that matter may be justified besides taking remedial measures.

4.1.4.9 Excess amount of savings not surrendered - Rs.6.859 million

Rule 95 of GFR provides that all anticipated savings should be surrendered to Government immediately not later than 15th May of each year.

During audit of Sindh Printing Press (SGP), Khairpur for the year 2022-23, it was observed that the management failed to surrender their savings granted under different budget heads amounting Rs.5.476 million to finance department, Government of Sindh. The amount was surrendered to the finance department on May30, 2022 before the end of financial year, resultantly; the amount could not be utilized. The detail is given below:

(Amount in Rs)			
Cost Centers	Revised/ Modified Budget	Expenditure	Savings
KX-0077	61,649,000	54,789,809	6,859,191

Audit is of the view that due to the mis-management and negligence of the management, savings were not surrendered well in time resultantly; funds could not be utilized further by the finance department efficiently.

The matter was reported to the management on December 11, 2023, but no reply was received.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified.

4.1.4.10 Non-imposition of liquidated damages – Rs.6.609million

According to clause 47.1 of the contract agreement between M/s AS Traders, liquidated damages @ 0.1% of contract price for each day of delay in completion of the work subject to maximum of 10% of contract price was to be charged for delay in completion of the work within stipulated period.

During audit of Sindh Government Press (SGP), Karachi for the year 2022-23, it was observed that the management entered into the agreement with M/s. AS traders during the year 2017-18 valuing Rs.66.087 million for establishment of museum of antique printing & allied

machines. The project was not completed within 24 months by the contractor as mentioned in the PC-I. However, the management did not impose the liquidated damages to the contractor amounting to Rs.6.609 million (Rs.66.087 million @ 10%).

Audit is of view that the management failed to impose the liquidated damages amounting to Rs.6.609 million which reflected undue favor and weak internal controls.

The matter was reported to the management in September 27, 2023, but no reply was received.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends recovery of the liquidated damages on priority.

4.1.4.11 Non-disposal of condemned vehicles - Rs.2.997 million

According to Rule 26 of Staff Car Rules, 1980, Government of Pakistan, Cabinet Secretariat, Cabinet Division, Islamabad, all vehicles shall be disposed -off by Ministry / Division concerned through public auction.

During audit of Sindh Government Press (SGP), Karachi for the year 2022-23, it was observed that the management did not dispose the condemn vehicles valuing Rs.2.997 million which were lying non-functional / obsolete since long. The details are hereunder:

S #	Make & Model	Model	Registration #	Purchase Cost (Rs)
1	Toyota Hiace Van	1973	GS-5011	49,345
2	Toyota Starlet Car	1984	GS-0070	176,000
3	Isuzu NKR Mini Truck	1986	GS-4102	253,500
4	Mazda D/Cabin Pickup	1991	GS-6001	304,000
5	Nissan Sunny Car 1000CC	1992	GS-0700	588,900
6	Mazda Mini Truck 3500 CC	1994	GS-4355	699,500

7	Suzuki Van 800 CC	1994	GS-5033	275,786
8	Nissan Urvan 15-seater Van	1995	GS-1600	650,000
Total				2,997,031

Audit is of the view that the management failed to dispose-off the redundant vehicles in violation of rules which reflected weak financial management.

The matter was reported to the management in September 27, 2023, but no reply was received.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends justification of matter besides disposing off vehicles without further delay.

4.1.4.12 Short delivery of stationery to different government departments - Rs.4.007million

Paragraph 11.3 of Government of West Pakistan Printing and Stationery Manual stated that the superintendent/works manager/ manager, provincial stationery office will be responsible for stock and supplying paper and stationery articles for supply to the indenting officers and such local bodies and semi-Government institutions as may be permitted by government.

During audit of Sindh Government Press (SGP), Karachi and Khairpur for the years 2022-23, it was observed that the management issued demand notice amount of Rs. 6.950 million to the different government departments for supply of stationery during the year 2022-23. Out of which, an amount of Rs.4.424 million has been submitted in the bank through challan by different government department. Hence, the management has short receipt of challan of the stationery amounting to Rs.2.526 million to the different government departments.

Furthermore, it was also observed that the management made short delivery of stationery items to different departments valuing Rs.1.481 million as detailed below:

(Amount in Rs)						
S#	Organization Name	Amount of Demand Note	Challan Amount	Dispatching Amount	Amount of Short delivery	Short delivery (%)
		A	B	C	D(B-C)	E (C/B*100)
1.	Govt. Degree Boys Science College Sachal Goth	103,000	96,949	34,681	62,268	64.23
2.	Govt. Poly techniq (B) Institute (Landhi) STEVTA	20,000	20,000	17,267	2,733	13.67
3	SSP Investigation East Karachi	400,000	399,999	241,612	158,387	39.60
4	Aisha Bawani Govt. College	103,000	101,400	12,362	89,067	87.84
5	O/o the Commandant Special Security Unit, Sindh Police	1,000,000	1,000,000	385,771	614,229	61.42
6.	SSP Mirpur Khas	946,000	875,873	435,865	440,008	50.24
7.	NICH, Karachi	1694830	1,694,830	1,579,964	114,866	6.78
Total		4,266,051	4,189,080	2,707,522	1,481,558	36.5

Audit is of the view that short receipts reflected negligence and slackness on the part of management.

The matter was reported to the management in September & December, 2023, but no reply was received.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified.

(DP No.37 & 89)

4.1.4.13 Non-delivery of printing form to different government departments - Rs.1.756million

Paragraph 11.3 of Government of West Pakistan Printing and Stationery Manual stated that the Superintendent/Works Manager/ Manager, Provincial Stationery Office will be responsible for stock and supplying paper and stationery articles for supply to the indenting officers and such local bodies and semi-Government institutions as may be permitted by Government.

During audit of Sindh Government Press (SGP), Khairpur for the year 2022-23, it was observed that the management received task printing forms amounting to Rs.2.746 million from different government departments out of which work amounting to Rs.0.989 million have been completed and a huge balance of work outstanding amounting to Rs.1.756 million to be completed.

Audit is of the view that the management failed to complete the assigned printing work which caused non-delivery of printing form to different government offices. This reflected negligence and slackness on the part of management.

The matter was reported to the management on December 11, 2023, but no reply was received.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends that the matter needs to be justified.

4.1.4.14 Short supply of printing materials - Rs.1.122 million

Rule 10 of GFR provides that, 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 Sindh Government Press (SGP) Khairpur, it was observed that the management procured paper, printing, binding material & sundry articles of Rs.6.369 million for departments of Govt. of Sindh but failed to supply / issue the paper and usable printing material

proximate of procured amount. Resultantly, paper & printing material of Rs.1.122million was not supplied / issued and lying in stock as on June 30, 2023. The details are as under:

(Amount in Rs)			
Year	Printed materials received	Printed materials issued	Short supply
2022-23	6,369,375	5,148,234	1,122,141

Audit is of the view that short supply of printing material reflected negligence and inefficiency of the management.

The matter was reported to the management on December 11, 2023, but no reply was received.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends to justify the matter.

4.1.4.15 Operation of press on non-commercial pattern without adopting approved costing system

According to notification No B.111-13-29(29) (4)/71 dated 5th June,1971 Printing & Stationery Department was declared as a commercial Department and to commercialize its accounts w.e.f. 1st July 1970.

During audit of Sindh Government Press (SGP), Karachi and Khairpur for the year 2022-23, it was observed that the management was declared commercial by the government with effect from 01-07-1970. However, the Press was running on non-commercial pattern. Neither commercial branch within the press was established nor was any officer posted therein who was supposed to be responsible for printing job estimates, receiving of orders, preparation of cost estimates keeping in view the quantum of work, cost to be absorbed (i.e., Direct & indirect cost), actual work done, fixation of targets, estimation of targeted capacity of the Press etc.

No progressive efforts were made in order to improve functioning of press through adaptation of commercial pattern. Consequently, expensive and sophisticated heavy-duty machinery was kept idle, No efforts were made for participation in the open tendering / bids for

printing related jobs to bulk orders. Besides, no approved system of costing was available in the press.

Audit is of the view that the management failed to run the organization on the commercial pattern which resulted in loss of business opportunities.

The matter was reported to the management in August, 2023, but no reply was received.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified.

(DP No.34 &92)

4.1.4.16 Non-preparation / finalization of annual accounts

According to notification No B.111-13-29(29) (4)/71 dated 5th June 1971, it was decided to declare the Printing & stationery Department as a commercial Department and to commercialize its accounts w.e.f 1st July 1970. The annual report, together with the audited accounts of the department, shall be published and copies thereof shall be made available for public.

During audit of Sindh Government Press (SGP), Karachi and Khairpur for the year 2022-23, it was observed that the management had neither prepared nor got the annual accounts of press audited from a chartered accountant firm. The department, after being declared a commercial entity in 1971, was bound to get its accounts finalized and audited on commercial pattern. In the absence of annual accounts, financial position and commercial viability of the entity with regard to its revenue, expenditures, profit and loss statement, trial balance and general ledger account could not be assessed and ascertained.

Audit is of the view that non-preparation / finalization of annual accounts reflected serious violation on the part of management.

The matter was reported to the management in August, 2023, but no reply was received.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

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

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2022-23 vide para(s) number 3.1.5.15 having financial impact. Recurrence of same irregularity is a matter of serious concern.

(DP No 35 & 91)

4.1.4.17 Non-conducting of verification of antecedents / degrees

According to Cabinet Secretariat (Establishment Division) vide D.O. No. 6(28)2011-DG-II dated March 08, 2011, all the Autonomous bodies/Companies, Corporations were required to take the measures to authenticate degrees / certificates of all the employees of their organization. It would be of concerned Head of organization to have the degrees / certificates verified.

During audit of Sindh Government Press (SGP), Karachi and Khairpur for the year 2022-23, it was observed that the verification of degrees / certificates and antecedents of officers were not conducted by the management to date.

Audit is of the view that non-conducting of verification of degrees / certificates and antecedents was a violation of government rules.

The matter was reported to the management in August, 2023, but no reply was received.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends verification of degrees / certificates on priority besides fixing of responsibility on the person(s) at fault.

(DP No 36& 87)

4.1.4.18 Non-conducting of physical verification of assets

Rule 154 (iv) of GFR volume-I states that article of dead stock should be verified at least once a year and the result of verification recorded in the inventory. All discrepancies noticed must be properly investigated and brought to account immediately so that the inventory may present the true account.

During audit of Sindh Printing Press (SGP), Khairpur for year 2022-23, it was observed that the management did not conduct the physical verification of fixed assets for the year 2022-23. In absence of the physical verification, the actual position / valuation of fixed assets cannot be assessed. In this connection, the audit could not rely on the existence of fixed assets.

Audit is of the view that the management failed to implement effective control over its assets which reflected negligence and inefficiency.

The matter was reported to the management on December 11, 2023, but no reply was received.

Despite requests and subsequent reminders on 18.12.2023 and 26.12.2023, DAC meeting was not convened by the PAO.

Audit recommends that the physical verification of store and fixed assets may be done at the earliest and fix the responsibility on the persons(s) at fault.

4.2 Sindh Small Industries Corporation

4.2.1 Introduction

Sindh Small Industries Corporation (SSIC) Karachi was established under Small Industries and Handicrafts Development Corporation Act, 1972. Its main functions are as under:

1. The corporation shall take such measures as it thinks fit to provide assistance in the establishment and development of cottage, small and other industries.
2. The corporation shall also be responsible for preparing and submitting schemes to Government for the development of handicrafts, cottage, small and other industries, such schemes may include schemes for research and mechanization in respect of cottage and small industries; and Sponsoring the industries to be set up in the private sector in Sindh.

4.2.2 Comments on the Audited Accounts

4.2.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization for the years 1987-88 to 2022-23.

4.2.2.2 Audit required that the annual audited accounts for the years 1987-88 to 2022-23 be provided and timely submission be ensured in future, besides, fixing of responsibility for non-submission of annual audited accounts. **(Annex-2)**

4.2.3 Compliance of PAC Directives

PAC has yet to discuss Audit Paras pertaining to SSIC since 2004-05.

4.2.4 Audit Paras

4.2.4.1 Non-achievement of income targets- Rs.6,715.511million

Section 3 of chapter II of SSIC Act, 1972 stated that board in discharging its function shall act on commercial considerations and shall be guided by such directions as Government may, from time to time, give. Section 25 of chapter III, of SSIC Act, 1972, stated that the corporation shall also be responsible for organizing fairs, pavilions sales and display of products of cottages and small industries.

During audit of Sindh Small Industries Corporation (SSIC), Karachi for the year 2022-23, it was observed that the management failed to achieve the income targets during the year 2022-23 as detailed below:

S#	Description	Income (Rs. in million)		
		Target	Actual	Difference
1	Cost of plots	6,670.253	61.421	(6,608.83)
2	License fee	144.202	77.094	(67.10)
3	Non-utilization fee	19.245	15.674	(3.57)

4	Penalty	14.957	8.007	(6.95)
5	Rent of building/shops/tower	22.801	5.058	(17.74)
6	Sale target from shops	0.300	0.000	(0.300)
7	Rent of artisan colonies	0.800	0.000	(0.800)
8	Supervisory credit scheme	3.500	1.598	(1.90)
9	Self-employment scheme	8.321	0.000	(8.321)
Total		6,884.379	168.852	(6,715.511)

Audit is of the view that due to weak internal controls and poor planning the management could achieve only 2.5% of the targeted income.

The matter was reported to the management on December 22,2023 but, no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends justification of non-achievement of income targets besides taking corrective measures.

Note:The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2021-22 vide para(s) number 3.2.5.3 having financial impact of Rs.10.173 million. Recurrence of same irregularity is a matter of serious concern.

4.2.4.2 Non-recovery of loan from defaulting customers- Rs.215.966 million

According to section 23 (4) of Sindh Small Industries and Handicraft Development Corporation Act, 1972, notwithstanding anything in any agreement or in any law to the contrary:-

- a) The corporation shall have the option to recover the amount due from a borrower either from him or from his surety and a certificate issue under sub-section (1) shall also be executable against the surety as if he himself were the borrower; b) any transfer of properties pledged , mortgaged, hypothecated or assigned by the borrower as security for the loan, so long as the loan or the interest thereon or any part thereof remains unpaid to the corporation, shall be void as against the corporation, and such properties shall be liable to attachment and sale as if no such transfer had taken place;

During audit of Sindh Small Industries Corporation (SSIC), Karachi for the year 2022-23, it was observed that the management launched following two schemes. Repayment period was ten years with a grace period of one year the amount of Rs.215.966 million including mark-up, penalty & service charges was recoverable from various defaulters /borrowers but the same was not recovered despite lapse of considerable time as detailed below.

(Rs in million)					
S #	Name of Scheme	No of Parties	Amount Disbursed	Mark-up, Penalty & Service Charges	Outstanding
01	Self – Employment Scheme	61	34.474	168.925	203.399
02	Supervisory Credit Scheme	8	2.0800	10.487	12.567
	Total	69	36.554	179.412	215.966

Audit is of the view that had the timely action been taken towards recovery of the loans, the amount so blocked could have been realized in time. If the guarantee /surety obtained at the time of disbursing the loan been invoked, the default position as well as litigation could have been avoided.

The matter was reported to the management on December 22, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends prompt recovery.

Note: The issue was also reported earlier in the Audit Reports for Audit Year(s) 2022-23 vide para(s) number 3.2.5.2 having financial impact of Rs. 250.821 million and for Audit Year(s) 2021-22 vide para(s) number 3.2.5.1 having financial impact of Rs.246.615 million. Recurrence of same irregularity is a matter of serious concern.

4.2.4.3 Poor performance and blockage of funds due to non-allotment of vacant plots in estates – Rs.171.924 million

Rule 38 of G.F.R states that it is primary responsibility of the departmental authorities to see that all revenues or other debts due to government, which have to be brought to account are correctly and promptly assessed, realized and credited to the public account.

During audit of Sindh Small Industries Corporation (SSIC), Karachi for the year 2022-23, it was observed that in following three regions, 259 numbers of plots of various categories valuing of Rs.171.924 million were lying vacant since long. The details are as under;

(Rs in million)				
S#	Name of Region	No. of vacant plots	Category of plots in sq.yards	Cost (Rs.)
1.	Hyderabad Region	163	1,000	82.350
2.	Sukkur Region	89	1,000 & 500	79.800
3.	Larkana Region	07	111 & 500	9.774
Total		259		171.924
(Average rate of plot was Rs.505 per sq. yard)				

Audit is of the view that non-utilization/ allotment of vacant plots showed not only the poor performance of the management but also raises serious questions about the handling the state of affairs of the corporation.

The matter was reported to the management on December 22, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified.

4.2.4.4 Irregular award of contract-Rs.149.631 million

Rule 4 of SPPRA, 2010 states that 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.

Rule 47 (1) of SPPRA states that single stage one envelope bidding procedure shall be used as the standard bidding procedure for procurement of goods, works and services of simple and routine nature and where no technical complexity or innovation is involved. (2) single stage two envelope bidding procedure shall be used for goods and services where the bids are to be evaluated on technical and financial grounds and price is taken into account after technical evaluation. (3) two stage bidding procedure shall be adopted in large and complex contracts where technically unequal proposals are likely to be encountered or where the procuring agency is aware of its options in the market but, for a given set of performance requirements, there are two or more equally acceptable

During audit of Sindh Small Industry Corporation (SSIC), Karachi for the year 2022-23, it was observed that the management awarded the contract amounting to Rs.149.631 million to M/s S.N. enterprises on May 05th, 2023 for the establishment of un-developed area (Phase-II) and re-

habilitation of existing infrastructure (Phase-I) of Small Industrial Estate (Ext) Sukkur. The contract was awarded under single stage one envelope instead of single stage two envelopes. Despite the fact, that the subject work was technical and complex and management was required to first evaluate the bidder on technical ground and price was taken into account after technical evaluation. However, management opened simultaneously both technical and financial bid without taking technical evaluation. Further, only single bidder was participated in the bidding process. In case of single bidder the management was required to conduct market survey or scrapped the tender, which was not done.

Audit is of the view that management extended undue favor to the bidder and awarded the contract in violation of rule. Thus, award of contract amounting to Rs.149.631 million to single bidder is treated as irregular.

The matter was reported to the management on December 22, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends investigation of matter and fixing of responsibility on the person (s) at fault.

4.2.4.5 Non-recovery from allottees of small industrial estates and industrial park- Rs.147.730 million

Rule G.F.R. 38 provides that it is primary responsibility of the departmental authorities to see that all revenues or other debts due to government, which have to be brought to account are correctly and promptly assessed, realized and credited to the public account.

During audit of Sindh Small Industry Corporation (SSIC), Karachi for the year 2022-23, it was observed that various plots were allotted to the people for the purpose of establishing small industries, industrial park and cottages to boost up the business of artisans. However neither the allottees constructed the plots nor paid their dues on account of non-development charges / penalties etc. amounting to Rs.147.730 million. The details are as under:

(Rs. in million)		
S. #	Name of Region	Amount as on 30.06.2023
1.	Small Industrial Estate at Northern By Karachi	102.400
2	Small Industrial Estate at Ghulamullah I Thatta	37.832
3	Industrial Park at F-53, Hub River Road Karachi	7.498
Total		147.730

Audit is of the view that had the timely action been taken towards recovery of the loan, the amount so blocked could have been realized early.

The matter was reported to the management on December 22, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends prompt recovery.

4.2.4.6 Non surrender of excess amount – Rs.102.037 million

Rule 95 of GFR states that all anticipated savings should be surrendered to Government immediately these are foreseen but not later than 15th May of each year in any case, unless they are required to meet excesses under some other unit or units which are definitely foreseen at the time.

During audit of Sindh Small Industries Corporation (SSIC), Karachi for the year 2022-23, it was observed that an amount Rs.316.732 million was released by Government of Sindh, however the management utilized only Rs. 214.694 million and failed to surrender the remaining amount as detailed given below:

			(Rs. in million)
	Released budget	Budget utilized	Lapsed amount
Audit is of the management utilize / surrender time which reflected inefficiency and negligence and weak internal control.	316.732	214.694	102.037

the view that failed to the amount in

The matter was reported to the management on December 22, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to justify the matter.

4.2.4.7 Award of contracts over and above the approved cost – Rs.40.802 million

Rule 11.2.2 of Sindh Public Procurement Regularity Authority (SPPRA) 2010, states that detailed estimate needs revision when during execution it is anticipated that cost of completion is to exceed beyond the permissible limit (5%). Revised detailed estimate is timely prepared incorporating the work done and required to be done along with deviation statement for submission to competent authority to accord revised technical sanction (RTS), provided that overall cost of the scheme continues to be within the permissible excess of 15% over the administrative approval cost. No excess is allowed over the cost of revised technical sanction.

During audit of Sindh Small Industries Corporation (SSIC), Karachi for year 2022-23, it was observed that management awarded various contracts of civil works amounting to Rs.509.892 million against the approved cost amounting to Rs.469.90 million received under Annual

Development Projects (ADP), which resulted an excess expenditure of Rs.40.802 million without revised sanction as detailed below.

(Rs in million)						
S.#	Description	Name of bidder	Approved cost	Bid cost	Diff	% above
1	Providing & Supplying of water supply, Hyderabad	M/s S.N Enterprises	73.498	79.143	5.645	7.68
2	Improvement of Basic Infrastructure of Industrial Park, Sehwan	M/s New J.K Construction Company	34.895	38.065	3.170	9.08
3	Improvement of Basic Infrastructure of , Sanghar	M/s Joya Contractor	56.261	61.199	4.938	8.78
4	Improvement of Basic Infrastructure of SIE, Shikarpur	M/s Joya Contractor	83.683	91.169	7.486	8.95
5	Improvement of Baise Infrastructure of SIE , Hyderabad	M/s Moon Foundation	84.666	90.685	6.019	7.11
6	Establishment of undeveloped area Sukkur	M/s S,N Enterprises	136.897	149.631	12.734	9.30
Total			469.90	509.892	40.802	

Audit is of the view that the management incurred excess expenditure amounting to Rs.40.802 million against the approved cost. This showed poor financial management on the part of management.

The matter was reported to the management on December 22, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends the management to probe the matter and fix responsibility on the person(s) at fault.

4.2.4.8 Non-return of vehicle -Rs.5.942 million

Rule 13 of GFR stated that in the discharge of his ultimate responsibilities for the administration of an appropriation or part of an appropriation placed at his disposal, 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 Sindh Small Industry Corporation (SSIC), Karachi for the year 2022-23, it was observed that vehicle make and model (KIAStonic 2023) amounting to Rs.5.942 million was allocated to Ex-Managing Director of SSIC. He relinquished the charge /duties of SSIC on 05-10-2023, however he did not return back the vehicle till date.

Audit is of the view that management failed to return back the vehicle from Ex-MD despite lapse of considerable time. This showed weak internal control exists within the corporation.

The matter was reported to the management on December 22, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to investigate the matter and recover the vehicle from the ex-employee at the earliest.

4.2.4.9 Irregular appointment, promotion and deputation of Assistant Director (I.T) - Rs.2.311 million

According to the service rules of Sindh Small Industries Corporation (SSIC), the minimum prescribed qualification for the appointment/promotion on the post of Assistant Director (I.T) BPS-16 was "by promotion on seniority-cum-fitness from amongst SSIC employees in BPS-11 having Degree Bachelor in Electronic /I.T.

During audit of Sindh Small Industries Corporation (SSIC), Karachi for the year 2022-23, it was observed that Mrs. Ruqia Faroque was appointed as Clerk (BPS-07) on fixed pay on 06-06-2012. Later on, she was placed as Assistant Director in BPS-16 (Technical Cadre- IT Section). As per Service Rules SSIC, 1990, the required qualification for the post of Assistant Director I.T was Bachelor in Electronics /I.T. However, the incumbent was B.A (Honors) and M.A in Islamic Study against the required qualification.

Moreover, in compliance of the Supreme Court of Pakistan in Criminal Original Petition No. 89/2011 passed in 09-09-2013, the management vide office order dated 09-09-2013 reverted Mrs. Ruqia Faroque from Assistant Director (BPS-16) to Clerk (BPS-07) but again she was appointed by promotion as A.D (I.T) on 13-06-2014. Further, she was posted in Provincial Disaster Management (PDM), Rehabilitation Department on deputation basis during 2017 without obtaining NOC from parent department.

The matter was reported to the management on December 22, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends investigation of matter and fixing of responsibility on the person (s) at fault.

4.2.4.10 Non-preparation / finalization of annual audited accounts

According to para 02 of section 223 (2) of Companies' Act 2017, the financial statements must be laid within a period of four months following the close of financial year of a company.

During audit of Sindh Small Industries Corporation (SSIC), Karachi for the year 2022-23, it was observed that the corporation has not prepared its annual accounts since 1988-89.

Audit is of the view that non-preparation of annual audited reflected grave negligence on the part of management.

The matter was reported to the management on December 22, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to justify the matter.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2021-22 vide para(s) number 3.2.5.6. Recurrence of same irregularity is a matter of serious concern.

4.2.4.11 Non-construction / operational of plots

Rule 38 of G.F.R. stated that it is primary responsibility of the departmental authorities to see that all revenues or other debts due to government, which have to be brought to account are correctly and promptly assessed, realized and credited to the public account.

During audit of Sindh Small Industries Corporation (SSIC) Karachi for the year 2022-23, it was observed that the management allotted 2,054 plots of various categories to the allottees for the establishment of industries. However, allottees failed to establish industries despite lapse of considerable time. The details are as under:

Sr. #	Name of Region	Year of establishment	Total areas in acres	Total Number of Plots allotted	Total Number of plots operational	Number of plots non-operational
1.	Karachi Region	1986-87 to 2003-04	154.68	1,061	59	1,002
2.	Hyderabad Region	1985-86 to 2014-15	366.28	933	376	557
3	Sukkur Region	1963-64 to 2008-09	271.44	874	475	399
4.	Larkana Region	1962-63 to 1984-85	116.63	541	445	96
Total			909.03	3,409	1,355	2,054

Audit is of the view that non-construction and operationalizing of the plots since long showed not only the poor performance of the management, but also raises serious questions about the handling the state of affairs of the corporation.

The matter was reported to the management on December 22, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be investigated and responsibility be fixed on the person (s) at fault.

4.3 Sindh Industrial Trading Estate (Guarantee) Limited

4.3.1 Introduction

At the time of partition in 1947, Pakistan had no industrial base worth the name. Karachi which was selected as the capital of Pakistan as it was only Seaport and International Airport of the country. Karachi was, therefore, selected as the finest location to begin with arduous and onward journey to industrialization of the country. It was the realization of this objective that Sindh Industrial Trading Estate (SITE) was established in 1947 over an area of 4460 acres of land on U.K. pattern and an appropriate sum of money was allocated to put the industrial estate on its feet.

SITE has rail and road links with seaport which also connects the rest of the country. SITE comprises industrial units and godowns providing employment to hundreds of goods and services. It has generating billions of rupees worth of goods and services. It has provided the largest industrial base which is a major contributor in the export earnings of the country. At its inception, it had only local industrial units but today a sizable number of multinationals are also using its infrastructural facilities.

4.3.2 Comments on the Audited Accounts

4.3.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization for the years 2022-23.

4.3.2.2 Audit required that the annual audited accounts of the years 2015-16 to 2022-23 be provided and timely submission be ensured in future, besides, fixing of responsibility for non-submission of annual audited accounts(**Annex-2**).

4.3.3 Compliance of PAC Directives

The SITE is auditee of Commercial Audit for last two years. No PAC related directives were outstanding against the organization in the records of this office.

4.3.4 Audit Paras

4.3.4.1 Non-recovery of outstanding dues from various parties - Rs.4,266.572 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, which states that the chief executive is responsible for the management of the public sector company and for its

procedures in financial and other matters, subject to the oversight and directions of the board, in accordance with the ordinance and these rules.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the year 2022-23, it was observed that an amount of Rs.4,266.572 million was lying outstanding on accounts of rent, development charges, un-authorized construction charges, water charges, non-utilization fee, premium, markup on premium penalty/surcharge construction charges, sub-letting charges, fire charges, conservancy charges from various government departments and private parties since long as per detail shown below: -

(Amount in Rs)			
Estate	Private	Government	Total
Karachi	968,460,978	374,602,641	1,343,063,619
SHW Ph -I	225,207,564	-	225,207,564
SHW Ph-II	602,758,028	175,541,053	777,299,081
Nooriabad	523,515,374	117,905,828	641,421,202
Kotri	129,939,133	301,361,600	431,300,733
Hyderabad	306,163,273	101,964,830	408,128,103
Tando Adam	68,013,737	-	68,013,737
Nawabshah	38,478,872	31,786,860	70,265,732
Sukkur	133,292,518	168,580,215	301,872,733
TOTAL	2,994,829,477	1,271,743,027	4,266,572,504

Audit is of the view that the management was un-able to recover such a huge amount of Rs. 4,266.572 million which reflected negligence and poor recovery management.

The matter was reported to the management on December 15, 2023 but, no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to expedite recovery.

4.3.4.2 Misappropriation of funds by officers – Rs.721.642 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the chief executive is responsible for the management of the public sector company and for its procedures in financial and other matters, subject to the oversight and directions of the board, in accordance with the ordinance and these rules.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the year 2022-23, it was observed that the management incurred an expenditure of Rs.721.642 million on construction of combine effluent treatment plant at SITE limited, Kotri. However, despite of expenditures, project was not completed till date. An inquiry conducted by the management revealed that twelve (12) concerned officers in collusion with consultant and contractor misappropriated huge amount of government funds. The accused were arrested by Anti-corruption department and remanded to jail. The accused obtained bail on medical grounds. The accused in collusion with the medical board declared themselves medically unfit (mental disorder, hepatitis etc). Subsequently, they resumed their duties and were also promoted to higher posts and were also posted on key positions like Chairman (procurement committee) and deputy chief engineer etc.

Audit is of the view that the management extended undue favor to the incumbents, consultant and contractor which caused loss of Rs.721.642 million to the public ex-chequer. Further, the management resumed the duties of medically unfit persons and promoted / assigned the key positions which reflected connivance and absence of controls.

The matter was reported to the management on December 15, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter.

4.3.4.3 Non-surrender of excess amount – Rs.555.888 million

GFR Rule 95 states that all anticipated savings should be surrendered to Government immediately these are foreseen but not later than 15th May of each year in any case, unless they are required to meet excesses under some other unit or units which are definitely foreseen at the time.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the year 2022-23, it was observed that an amount Rs.881.834 million was released however the management utilized only Rs.325.946 million and did not surrender the remaining amount of Rs.555.887 million.

Audit is of the view that the management failed to utilize / surrender the amount in time which reflected inefficiency, negligence and weak internal controls.

The matter was reported to the management on December 15, 2023 but, no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to justify the matter.

4.3.4.4 Appointment beyond sanctioned strength – Rs.262.448 million

According to approved sanctioned strength of Sindh Industrial Trading Estate (SITE) Ltd, Karachi as on June 30, 2023, the sanctioned strength of officers / officials was 389.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the year 2022-23, it was observed that contrary to above sanctioned strength of 389 officers / officials, 883 officers / officials were working resulting in excess of 494 employees in specific cadres which resulted in additional payment of Rs.262.448 million as detailed below:

S#	Designation	BPS	Sanctioned Strength	Actual Working	Excess of Strength	Gross pay per year (Rs)
1	Deputy Chief Engineer	19	05	06	01	2,597,628
2	Accounts Officer	17	15	21	06	7,292,592
3	Assistant	16	40	50	10	9,425,880
4	Senior Clerk	14	39	45	06	4,421,664
5	Junior Clerk	11	100	240	140	92,016,960
6	Pump Driver	08	50	60	10	5,225,760
7	Helper	05	120	436	316	137,277,984
8,	Accountant Senior	15	20	25	05	4,190,040
			389	883	494	
Total					494	262,448,508

Audit is of the view that the management failed to follow the approved human resource budget (HRB) which indicated negligence and weak internal controls prevailing in organization. Thus, expenditure on account of pay and allowances of excess employees amounting to Rs.262.448 million was held irregular.

The matter was reported to the management on December 15, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to justify the matter.

4.3.4.5 Irregular award of contract by alteration of financial bids– Rs.209.738 million

Rule 43 of SPPRA Rules, 2010 states that (1) no bidder shall be allowed to alter or modify his bid(s) after the expiry of deadline for the receipt of the bids; Provided that the procuring agency may ask the bidders for clarifications needed to evaluate the bids but shall not permit any bidder to change the substance or price of the bid; (2) Any request for clarification in the bid, made by the procuring agency, shall invariably be in writing. The response to such request shall also be in writing.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the year 2022-23, it was observed that the management invited the tender for rehabilitation of infrastructure and development of road from old EPZ SITE Area, Sukkur on 15-01-2022 based on single stage two envelopes. Five (05) bidders participated, out of which 04 were declared technically qualified. It was surprisingly to note that all bidders quoted bid price with narrow margin. Later on, the management significantly enhanced the bid price of all bidders by alternation of original bid quoted by the bidders. Detail is as under:

Name of Bidder	Original Cost offered by bidder (Rs)	Alteration in bid price by management (Rs)
Haji Syed Ameer & Brother	147,150,744	209,759,210
G.M. Enterprises	147,150,773	210,486,638
Polite Pipe Industry (JV) Adeel Humayun	147,150,744	211,353,350
Naseem Ahmed Shah	147,177,000	209,738,961

Subsequently, the contract was awarded to M/s. Naseem Ahmed Shah at exorbitant rates amounting to Rs.209.738 million.

Audit is of the view that the management extended an undue favor to the supplier by enhancing its quoted price. Furthermore, the bid prices of all bidders were altered without seeking clarification in writing from bidders in violation of rules. Thus, contract amounting to Rs.209.738 million was held irregular and unjustified.

The matter was reported to the management on December 15, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter.

4.3.4.6 Un-authorized construction on plots without approved drawing by allottees - Rs.81.240 million

Clause 05 of terms & conditions for allotment of plots in SIES/IPS states that all the construction on the plot will be carried-out in accordance with the plans to be approved by us. Approval of plans will be obtained before taking up any construction work in the estate/part. Any

construction raised by you without approved plans would constitute reasons for cancellation of plot so allotted to you.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the year 2022-23, it was observed that various allottees were engaged in un-authorized construction without obtaining prior approval or approved drawing by the management. Further, neither steps were taken to demolish un-authorized construction nor plots were cancelled.

Audit is of view that the construction of plots without approved drawings shows slackness on the part of management.

The matter was reported to the management on December 15, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends that matter of un-authorized construction by allottees may be justified.

4.3.4.7 Irregular expenditure on POL/repair of vehicles - Rs.60.375 million

According to rules for the use of Staff Car, 1980, following books shall be maintained for each motor vehicle.

- Log Book on Form “A” and shall remain in the custody of the Driver of the vehicle
- History sheet of vehicle a bound register containing 50 pages, which remain in the custody of officer in charge of the machine.
- Petrol Account registers separately on Form “C”.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the year 2022-23, it was observed that the management did not maintain and failed to produce following record to audit for scrutiny:

- List of vehicles along with make, model, brand and year of purchase.
- Designation-wise allocation of vehicles along with ceiling of officers.
- Log books of vehicles.
- Details of fuels consumed during the year of each vehicle and in total.
- Details of accident cases, if any.

Audit is of the view that in absence of record amounting to Rs.60.375 million (POL amounting to Rs.50.448 million and repair and maintenance of vehicle amounting to Rs.9.985 million), the expenditure stands irregular and unjustified.

The matter was reported to the management on December 15, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter.

4.3.4.8 Mis-procurement of construction work - Rs.36.982 million

Rule 43 of SPPRA Rules, 2010 states that (1) no bidder shall be allowed to alter or modify his bid(s) after the expiry of deadline for the receipt of the bids; Provided that the procuring agency may ask the bidders for clarifications needed to evaluate the bids but shall not permit any bidder to change the substance or price of the bid; (2) any request for clarification in the bid, made by the procuring agency, shall invariably be in writing. The response to such request shall also be in writing.

Notification no. DD(A&F)/SPPRA/2020-2021/1342 dated 03-11-2022 stated that reconsideration of tender if bid price is 20% less than the estimated cost.

During audit of Sindh Industrial Trading Estates (SITE) Ltd, Karachi for the year 2022-23, it was observed that the management awarded the contract of rehabilitation of road from SITE office to S/3 (double track) at SITE Sukkur to M/s. White traders & co. amounting to Rs.36.982 million. Following irregularities were observed:

- Majority of the bidders quoted the rates below 20% of estimated cost which was Rs.46.221 million; however, reconsideration of tender was not done in violation of rules.
- One bidder i.e. M/s. White traders & co. originally quoted the bid of Rs.37.000 million which was altered to Rs.36.982 million without seeking clarification in writing.

Audit is of the view that the management extended an undue favor to the contractor, thus, contract amounting to Rs.36.982 million stands irregular and unjustified.

The matter was reported to the management on December 15, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter.

4.3.4.9 Loss to the national exchequer by including tax above the bid price- Rs.20.466 million

Advertisement dated 14-04-2023 for rehabilitation of roads and drainage at SITE area Kotri states that having estimated cost of Rs.356.488 for the completion of time period of 24 months. Bid offer shall remain valid for 90 days from the date of opening of the tenders. The rates should be quoted inclusive of all taxes in pak rupees.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the year 2022-23, it was observed that the management invited the tender for rehabilitation of Roads and Drainage at SITE Area Kotri on 14-04-2023. In response, 04 bidders had offered rates. However, management itself added Rs.20.466 million into offered bid of supplier on account of 05% SRB Tax. By doing so, national exchequer sustained loss of Rs.20.466 million (Rs.409.331 million @ 5%) which was required to be borne by supplier whom work was awarded. Thereafter, tender was awarded to M/s. HBK Babar & brother amounting to Rs.429.000 million.

Audit is of the view that the management extended an undue favor to the contractor by including 05% SRB tax amounting to Rs.20.466 million into offered rates of supplier, which was held irregular and unjustified.

The matter was reported to the management on December 15, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter.

4.3.4.10 Non-deduction of taxes and security deposit from contractor – Rs. 13.205 million

According to working tariff issued by SRB under Sindh Sales Tax on Services Act, 2011: 05% tax to be charged on construction services in relation to government civil work.

Under section 153 (1)(c) of Income Tax Ordinance, 2001, 7% of tax to be withheld by withholding agent in relation to payment of contracts.

According to work agreement, 10% as security deposit from each bill was required to be deducted.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the year 2022-23, it was observed that the management paid an amount of Rs. 64.376 million against 3rd running bill of contractor (M/s. ZBA Group) in relation to scheme of rehabilitation and development of various roads, SITE Nooriabad without deduction of due sales tax, income tax and security deposit amounting to Rs.13.205 million as detailed below:

Particulars	Amount(Rs)
Gross Bill Amount	63,489,594
Less: Income Tax	3,999,844
Less: SRB Tax	2,857,031
Less: 10% Security Deposit	6,348,959
Total Deduction	(13,205,834)
Net payable	53,140,790

Audit is of the view that non-deduction of due sales tax, income tax and security deposit reflected weak financial control on the part of management and undue favor was extended to contractor.

The matter was reported to the management on December 15, 2023, but no reply was received.

Audit recommends to probe the matter and recovered the due amount.

4.3.4.11 Irregular award of contract to the 3rd lowest bidder - Rs.12.645 million

Rule 46 of SPPRA Rules, 2010 states that single stage - two envelope procedure (i) bid found to be the lowest evaluated or best evaluated bid shall be accepted.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the year 2022-23, it was observed that the management awarded the contract of re-habilitation of road No. 6 Plot No. C/47 to E/26 SITE Area, Sukkur to M/s. Dadan & company (JV M/s. Arsalan construction company) amounting to Rs.12.645 million being the 3rd lowest bidder. The detail is as under:

S. #	Bidder	Quoted bid Price (Rs)	Bid Security (Rs.)	Corrected Bid Price (Rs.)
1	G.M Enterprises, J.V M/s. J.K & Sons	18,967,733	770,000	28,617,600
2	M/s ZBA Group	12,645,156	510,000	12,645,156
3	Deen Muhammad	12,645,156	632,258	12,581,536
4	Dadan & Company JV M/s. Arasalan Construction Company	12,645,157	632,258	12,645,156
5	S& Sons (Pvt) Ltd	15,692,160	632,258	22,894,080
6	Bahadur Ali Shaikh	12,646,770	505,900	12,646,612
7	Bhambhro Construction & Co.	12,674,600	630,000	12,674,600
8	Azhar Ali Mahar	12,659,000	950,000	12,658,786

Audit is of the view that the management altered the quoted prices of suppliers and undue favor was extended to the bidder who was 3rd lowest. Thus, contract amounting to Rs.12.645 million stands irregular and unjustified.

The matter was reported to the management on December 15, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter.

4.3.4.12 Irregular allotment of plot and non-recovery of dues – Rs.11.533 million

Clause 2 of revised allotment policy stated that plot once cancelled shall not be re-allotted and the same will be allotted through auction. However, cancellation of plots will be made with the approval of board.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the year 2022-23, it was observed that a plot bearing no. SFU-89 was initially allotted to M/s. Canon textile mills ltd. However, it was cancelled due to outstanding charges amounting to Rs.11.533 million upto March, 2019 on account of conservancy, development charges, markup on premium, penalty on

unauthorized construction, premium, renewal of license, rent charges fee. Later on, the same plot was cancelled and allotted to M/s. Yasir Waqar Sattar without auction.

Audit is of the view that the management failed to recover outstanding dues from original allottee and re-allotted the plot without auction in violation of revised allotment policy.

The matter was reported to the management on December 15, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter.

4.3.4.13 Irregular cancellation of lease of plot – Rs.3.750 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, responsibilities of Chief Executive include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

According to general rule, when lease is executed; no authority has the right to cancel the lease except the Court of Law.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the year 2022-23, it was observed that a plot bearing no. A-101 at super highway, Karachi (Phase I) having value of Rs.3.750 million was allotted to Mr. Khawaja Qadeer Ahmed and handed over through possession order no. 1476 dated 19-02-2015 and lease deed executed on 01-04-2015 for 99 years before Sub-Register Office, Gaddap Town, Karachi. However, the management informed the allottee on 07-11-2018, regarding cancellation of plot and advised to surrender the lease, agreement to license and possession order on unjustified grounds.

Audit is of the view that cancellation of lease prematurely was unjustified.

The matter was reported to the management on December 15, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter.

4.3.4.14 Loss of revenue due to delay in reinvestment / rollover of funds– Rs. 3.727 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, responsibilities of Chief Executive include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the year 2022-23, it was observed that the management obtained a term deposit receipts (TDRs) amounting to

Rs.205.300 million from National Bank of Pakistan and Sindh Bank Ltd. However, after maturity of investment, the management reinvested the amount of Rs.165.000 million with delay of 38 days which resulted in loss of Rs.3.727 million as details below.

Rs in million						
S #	Bank Account (SITE)	Bank	Maturity Date	Reinvested	Reinvestment date	Loss @ 21.70 %
1	Employees Provident Fund	NB P	22-09-23	50.000	01-11-2023	1.129
2	General Account	-do-		115.000	01-11-2023	2.598
3	General Account	SB L	26-09-23			
Total						3.727

Audit is of the view that management did not show pro-activeness since maturity of TDRs amounting to Rs. 205.300 million, resultantly, incurred loss of Rs. 3.727 million on account of late investments which reflected negligence on the part of management.

The matter was reported to the management on December 15, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends that matter may be justified.

4.3.4.15 Loss due to forgery & fraud by the officer – Rs.2.969 million

Rule 23 of General Financial Rules states that 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.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the year 2022-23, it was observed that a sum of Rs.2.969 million had been withdrawn from the accounts of SITE Limited through cheques bearing forged signatures of managing director and director finance. On the basis of investigation, it was proved that Mr. Zahoor Ahmed Solangi (Accounts Officer) embezzled the amount. He was suspended, arrested and FIR was lodged against him. Later on, his services were dismissed by the competent authority on 26-09-2005. After the dismissal of his services, he made an appeal before the Sindh Services Tribunal on 31-01-2006 which was dismissed by the Tribunal being time barred. Later on, he approached the Honorable Supreme Court of Pakistan against the judgment of Sindh Services Tribunal. The Honorable Supreme Court of Pakistan set aside the impugned judgement of Sindh Services Tribunal and directed the Secretary

Industries & Commerce Department, Government of Sindh to dispose of the appeal filed by the applicant, vide its judgement dated 21-05-2010. The Secretary, Industries and Commerce Department on 21-07-2010, allowed the appeal of Mr. Solangi and set aside his dismissal orders and re-instated Mr. Zahoor Ahmed in service with immediate effect. On 22-07-2010 again Secretary, Industries and Commerce Department wrote a letter to M.D SITE, Karachi that MD may initiate disciplinary proceeding afresh against Mr. Zahoor Ahmed Solangi, if deemed necessary. The management did not initiate any action against him and presently he was posted as accounts officer in Internal Audit.

Audit is of the view that the management extended undue favor to the incumbent as his dismissal orders were set aside, services were re-instated, no-recovery was made against him and no inquiry was initiated against him as per directives of the Secretary, Industries & Commerce. Thus, the management sustained a loss of Rs.2.969 million.

The matter was reported to the management on December 15, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter.

4.3.4.16 Non-conducting of verification of educational degrees/certificates

Serial No: 28 of ESTA Code 2007 states that:

- It is necessary to check thoroughly the genuineness of certificates where the bonafides of persons employed;
- It is essential for the appointing authorities to verify the claims of the candidates as regards age and educational qualifications verified before appointment.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the financial year 2022-23, it was observed that the management failed to carry out verification of the antecedents/testimonials of the officers and staff. The management was asked to furnish complete detail of employees whom degrees/certificates were got verified by the management along with documentary evidence, but the management failed to provide the same despite issuance of reminders and verbal request.

Audit is of the view that the management failed to carry out the process of verification of degrees / certificates of employees in gross violation of rules.

The matter was reported to the management on December 15, 2023 but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends investigation of the matter for fixing of responsibility on the person(s) at fault besides verification of degrees / certificates.

4.3.4.17 Encroachment of land

Rule 4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the year 2022-23, it was observed that a piece of land at SITE, Sukkur was encroached by the villagers of Mia Dad Khoso had for graveyard and for cultivating purpose. Due to which the Industrialists could not start construction on their allotted plots. Furthermore, a plot No. D-70, was also encroached by Khosa community who were cultivating crops without valid permission or title documents and also established brick kilns.

Audit is of the view that the management failed to safeguard the assets of the Corporation which resulted in encroachment of valuable land.

The matter was reported to the management on December 15, 2023 but, no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends that the matter should be investigated and responsibility may be fixed on the person (s) at fault.

4.3.4.18 Unjustified reinstatement of Assistant Engineer

Under section 15 of National Accountability Bureau (NAB) Ordinance, the accused shall cease to hold public office forthwith and would stand disqualified for a period of 10 (ten) years, to be reckoned from the date he is released after serving out the sentence, for seeking or from being elected chosen, appointed or nominated as a member or representative of any public body or a statutory or local authority or in service of Pakistan or any province.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the year 2022-23, it was observed that real brother of Mr. Ali Asghar Bhambhan Assistant Engineer in BPS-17, had complained against his assets beyond known sources of income. On the basis of complain, the management referred the case to National Accountability Bureau (NAB). It was proved that the accused maintained accounts in 05 different banks Rs.137.428 million and numerous immovable properties were also found in the name of accused and / or his children worth Rs.38.277 million. The NAB convicted and sentenced the accused vide judgment dated 20-05-2021 for 09 years imprisonment. The management terminated the service of Mr. Ali Asghar on 08-10-2021. However, Mr. Ali Asghar filed an appeal against the order of NAB in Sindh High Court. Sindh High Court set aside the NAB judgment. Subsequently, the management reinstated him on duty w.e.f 01-11-2023.

Audit is of the view that the management extended an undue favor to the incumbent by re-instating him as Court did not direct the management to re-instate him. Furthermore, no departmental enquiry was conducted against the accused.

The matter was reported to the management on December 15, 2023 but, no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter.

4.3.4.19 Irregular appointment/posting of company secretary

According to rule 13 (1) of Public Sector Companies (Corporate Governance) Rules, the board shall appoint a chief financial officer, a company secretary and a chief internal auditor by whatever name called.

Further, section 14 (4) states that no person shall be appointed as the company secretary of a Public Sector Company unless he is a:

- (a) member of a recognized body of professional accountants; or
- (b) member of a recognized body of corporate or chartered secretaries; or
- (c) person holding a master degree in business administration or commerce or being a law graduate from a university recognized by the Higher Education Commission with at least five years' relevant experience.

(5) No person shall be appointed to the positions of the Company Secretary unless he is fit and proper for the position.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the year 2022-23, it was observed that the management appointed/ posted an officer of Government of Sindh from time to time as a company secretary in violation of above mention rule. It is the prime responsibility of Board of directors to appoint company secretary based on fit and proper criteria and in accordance with above mentioned rules.

Audit is of the view that the posting of non-professional in violation of relevant rules is irregular and unjustified.

The matter was reported to the management on December 15, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

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

4.3.4.20 Irregular promotion of security officer to deputy director

In pursuance of Judgment of Honorable Supreme Court of Pakistan in Criminal Original Petition No. 89/2011 dated 12-06-2013 passed by the regarding out of turn promotions, deputation / appointments and appointments on contract basis since 1994. Subsequently order of the Supreme

Court of Pakistan in Judgment made in Criminal Original Petition No. 106 to 111 of 2016, dated 27-09-2016. Wherein Managing Director SITE Limited was directed to give effect to the notifications and / or office orders issued earlier by them, de-notifying the employees on the ground of out of turn promotions.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the financial year 2022-23, it was observed that Mr. M. Hanif Solangi got promoted from the post of security officer (BPS-16) to deputy director coordination & recovery (BPS-17) on 19-05-2009. The incumbent's post was upgraded from BPS-17 to BPS-18. However, in pursuance of the above judgment a notification was issued on 12-07-2013, according to which Mr. M. Hanif Solangi, got demoted from BPS-18 to BPS-16. Mr. M. Hanif Solangi filed an appeal on 10-04-2015 before Chief Minister, Sindh for restoration as Deputy Director (BPS-18). Later on, the management on 09-07-2015 accepted the appeal of Mr. Solangi and demotion order from BPS-18 to 16 was withdrawn and was reinstated as Deputy Director (BPS-18). However, on 31-07-2015, the management issued another office order for upholding the appeals for restoration of promotions was withdrawn with immediate effect. Mr. Solangi was again promoted as Senior Security Officer BPS-17 w.e.f 01-07-2017. The HR Committee of SITE in its meeting dated 06-03-2019 under the Chairmanship of Secretary, Industries & Commerce Department created a post of Assistant Director Administration (BPS-17) and he was re-designated as Assistant Secretary (BPS-17) with immediate effect. On re-designation, Mr. Solangi was posted as an assistant secretary (BPS-17) on 29-03-2019 with immediate effect. Mr. Solangi was then promoted from assistant secretary (BPS-17) to the post of deputy director (BPS-18) on 24-11-2022.

Audit is of the view that the management extended undue favor to the officer by creating a post of assistant secretary and then a senior security officer was posted as assistant secretary (a non- cadre post) and he was again promoted as deputy director which is violation of the order of Supreme Court and therefore, held irregular and unjustified.

The matter was reported to the management on December 15, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends a fact-finding enquiry.

4.3.4.21 Irregular appointments of 130 employees during 2007

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the chief executive is responsible for the management of the public sector company and for its procedures in financial and other matters, subject to the oversight and directions of the board, in accordance with the ordinance and these rules.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the year 2022-23, it was observed that the management appointed 130 employees on 12-11-2007 without giving

advertisement in the newspapers which seems that the appointment was made purely on political basis. NAB on 24-02-2022 initiated inquiry against them and 130 personal files were handed over to NAB by the management which was kept by NAB for necessary action at their end. The management was asked to provide the information /record pertaining to the appointment of the above employees but the management failed to provide the record.

Audit is of the view that the management had appointed 130 employees without advertisement and observing codal formalities which was held irregular and unjustified.

The matter was reported to the management on December 15, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter.

4.3.4.22 Irregular placement of non-engineer as deputy chief engineers

The Honourable Supreme Court of Pakistan has rendered a judgment vs Province of Sindh & others that in the said judgment Supreme Court has observed that Government shall not allow or permit any person to perform professional engineering work as defined in PEC Act, who does not possess accredited engineering qualification from the accredited engineering institution and his name is not registered as professional engineer and in compliance of said judgment site Limited de-notified B-Tech and diploma holders vide order dated 07-02-2019.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the year 2022-23, it was observed that it was informed to the board in its meeting dated 02-07-2022 that there are 07 sanctioned post of deputy chief engineering (BPS-19), which were vacant. BoD members revealed that they received a legal notice regarding illegal promotions of employees of SITE Ltd, who had not a membership of Pakistan Engineering Council (PEC). The Managing Director (MD) briefed that every employee has a right of promotion as per their seniority. The Board approved the promotion of Estate Engineers (BPS-18) to Deputy Chief Engineer/Directors (BPS-19) as detailed below:

- i. Mr. Abdul Rasheed Malano Estate Engineer BPS 18 B. Tech. (Civil) promoted as Deputy Chief Engineer (BPS 19) on clear vacancy a non-engineering post.
- ii. Mr. Abdul Ghafoor Vighio, Estate Engineer BPS 18 B. Tech. (Civil) promoted as Deputy Chief Engineer (BPS 19) on clear vacancy a non-engineering post.
- iii. Mr. Nazar Hussain Jatoi Estate Engineer BPS 18 B. Tech. (Civil) promoted as Deputy Chief Engineer (BPS 19) on clear vacancy a non-engineering post.

Audi is of the view that the management promoted the officers in violation of Supreme Court of Pakistan directives without having BE qualification.

The matter was reported to the management on December 15, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter.

4.3.4.23 Irregular appointment and promotion of medical officer

As per service rule, an appointment should be made against available sanctioned strength of respective cadre and through open advertisement

During audit of Sindh Industrial Trading Estate (SITE), Ltd Karachi for the year 2022-23, it was observed that Dr. Parveen Ashfaq was appointed as Medical Officer in BPS-17 on 23-12-2002, against leave vacancy without any provision in recruitment and service rules. She joined her duties on 24-12-2002 and later on her services were regularized on 13-01-2007. On knowing its illegal / irregular appointment, the management again appointed her on 17-11-2007 without any advertisement and codal formalities i.e. qualification and experience. Her appointment was again cancelled on 13-06-2008 as her post was not available in recruitment rules. After that her cancellation was not recalled therefore, Dr. Parveen Ashfaq is no more employee of SITE and now illegally receiving salary and holding the post of Medical Officer. After that, she was promoted to BS-18 and later demoted/reverted due to out of turn promotion, in compliance of the Honorable Supreme Court of Pakistan judgment dated 20-02-2015. Later on, she was again promoted on 23-10-2013 and her seniority was fixed in BS 17 w.e.f 12-01-2007 before the date of her re-appointment i.e. 17-11-2007.

Audit is of the view that it is a special case of favoritism, nepotism as the post was not advertised in the newspapers and also violation of the judgment of Supreme Court.

The matter was reported to the management on December 15, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to investigate the matter with a view to fix responsibility on the person(s) at fault.

4.3.4.24 Irregular expenditure in various heads of accounts

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the year 2022-23, it was observed that the management failed to provide auditable record / data / information to Audit despite repeated requests and several reminders (**Annex-9**).

Audit is of the view that due to non-production of record, transparency in relevant transactions could not be ascertained.

The matter was reported to the management on December 15, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends providing the requisite record to audit for scrutiny and ensure its timely production in future.

4.3.4.25 Non-utilization of open plots

Clause no.16of term & condition for allotment of plots in SIES/IPS states that the tenant will be liable to pay non-utilization of fee in case of failure of utilize the plot within the prescribe period of two years on the following rates: (a) first three years at 5% of the total premium of plots per annum. (b) thereafter for 2 years at 8% of the total premium of the plot per annum (c) subsequently at 10% of the total premium of the plot per annum. It is also sole discretion of the corporation either to charge non-utilization fee of or cancel the plot and decision of the corporation shall be final.

During audit of Sindh Industrial Trading Estate (SITE) Ltd, Karachi for the year 2022-23, it was observed that 65 plots (SITE Karachi) was allotted to various tenants were lying open since long and no industry was established thereon which was against the purpose of allotment of land (**Annex-10**).

Audit is of the view that the management failed to cancel the allotment of open plots which were lying open since long which reflected negligence and slackness.

The matter was reported to the management on December 15, 2023, but no reply was received.

Despite requests and subsequent reminders on 15.01.2024 and 29.12.2024, DAC meeting was not convened by the PAO.

Audit recommends to justify the matter.

4.4 Sindh Economic Zones Management Company

4.4.1 Introduction

The Government of Sindh has established Sindh Economic Zones Management Company (SEZMC) under the Company's Act (2017) to institutionally facilitate, promote, encourage and enhance the industrial base in the province. The company aims to develop new industrial zones and facilitate existing zones to strengthen the industrial base in the province of Sindh.

4.4.2 Audit Paras

4.4.2.1 Loss due to award of contract on low share revenue - Rs.1,934.000 million

According to evaluation of financial proposal, criteria laid out in the RFP, bidder who quotes the highest present value of revenue share using a fixed percentage share of revenue for each phase will be considered as a preferred bidder.

During audit of Sindh Economic Zones Management Company (SEZMC) for the year 2021-22, it was observed that the management retendered the bidding process for Dhabeji Industrial Zone project through international competitive bidding (ICB) on 7th December 2020. Four (04) bids were received from the following bidders' consortium as detailed: -

1. M/s Sardar Mohammad Ashraf D. BaluchPvtg. Ltd. (SMADB)
2. Zahir Khan & Brothers- ZKB
3. The Motor City Development Company, Shaikhani Development
4. Sultan Mahmood & Company &Asad Construction.

All bidders were technically qualified. Financial bids were then opened on 26th March 2021. As per 15TH TFEC Meeting held on 30-04-221, revised financial bids be submitted by the technically qualified bidders and the highest bid price quoted should not be less than PKR 100,148,691. In response, only two bidders agreed to extend bid validity period. Revised financial bids were then invited and opened in TFEC meeting held on October 12, 2021 and two bidders participated as mentioned in (**Annex-11**).

It is evident that M/s Sardar D Baluch Consortium offered higher 67% of share revenue to GoS amounting to Rs.12,749.000 million, however M/s Zahir Khan & Brothers awarded the contract on less share Revenue 56.92% amounting to Rs.10,814.375 million. Thus, due to undue favor,the management suffered a loss of Rs.1,934.000 million (Rs.12,749.000 million – Rs.10,814.375 million).

Audit is of the view that the management extended an undue favor to the contractor, which resulted in a loss of Rs.1,934.000 million.

The matter was reported to the management in March, 2023. The irregularity was discussed in the DAC meeting held on October 26, 2023. The management informed the DAC that although the project was divided into two phases with respect to construction, however, the RFP was floated for overall project of 1,530 acres and procurement developer was based on total PV of both the phases. The DAC directed the management to get the facts verified from Audit.

Audit recommends implementation of the DAC directives.

4.4.2.2 Non-allotment of plots -Rs.45.500 million

Rule 4 (3) of the Public Sector Companies (Corporate Governance Rules) 2013 states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules.

During audit of Sindh Economic Zones Management Company (SEZMC) for the year 2021-22, it was observed that 12 industrial plots measuring 13 acres of land in Khairpur Special Economic Zone amounting to Rs.45.500 million were lying vacant upto June,2022 including 04 cancelled plots. As per 18thBoD meeting of SEZMC held on 20th June 2022, it was quoted that keeping in view of the fact that over 70 percent allotment has been made from 2012 till today with limited number of available plots and huge interest from potential investor, the price has been rationalized by the Board, however the said numbers of plots was still lying vacant and available to be allotted.

Audit is of the view that the management failed to allot the plots which caused loss to generate the sale proceeds.

The matter was reported to the management in March, 2023. The irregularity was discussed in the DAC meeting held on October 26, 2023. The DAC was informed that allotment of plots was not the prerogative of SEZMC, however SEZMC to facilitate the enterprises in preliminary evaluation to present the case to SEZ committee for allotment of plots. The DAC directed the management to get the facts verified from Audit.

Audit recommends implementation of the DAC directives.

4.4.2.3 Non-recovery of land receivables - Rs.3.800 million

Rule 4 (3) of the Public Sector Companies (Corporate Governance Rules) 2013 states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules.

During audit of Sindh Economic Zones Management Company (SEZMC) for the year 2021-22, it was observed that an amount of Rs.3.800 million is receivable from DC, Khairpur on account of land despite a lapse of considerable time.

Audit was of the view that the management failed to recover the outstanding amount which reflected negligence and poor recovery mechanism.

The matter was reported to the management in March, 2023. The irregularity was discussed in the DAC meeting held on October 26, 2023. The DAC was informed that the amount was paid by the project office under the administration umbrella of Investment Department. The SEZMC took administration charge for O&M on July, 2022. DAC directed the management to pursue the recovery and facts be got verified from Audit.

Audit recommends implementation of the DAC directives.

4.4.2.4 Irregular allotment of land to a fertilizer company

Clause 5(b) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company using the funds, assets and resources of the Public Sector Company without due diligence and care.

During audit of Sindh Economic Zones Management Company (SEZMC) for the year 2021-22, it was observed that Government of Sindh had approved 1,530 acres of land in favour of Investment Department on 20th July 2020 in Dhabeji, Thatta to be developed as Dhabeji Special Economic Zone (DSEZ) which will facilitate the potential investors of China and other countries to start new enterprises in Pakistan. The 750 acres of land had been allotted to Al-Noor Fertilizer Industries which was not utilized and allottee had not paid lease payment to Board of Revenue (BoR). A case had been filed in the Honorable High Court of Sindh vide suit No. 1442 of 2005 and 2nd appeal No 16 of 2011 by Al-Noor Fertilizer. M/s Al-Noor Fertilizer had obtained a mortgage upon the subject property from PICIC Bank which had been claimed in Banking Suit No. B-20 of 2003 wherein upon passing of judgment and decree and Al-Noor Fertilizer Industries was liable to payment of decretal amount. The balance amount comprising of additional markup was supposed to be paid out of the said issue, the Honorable High Court vide order dated 27.03.2015, directed the Al-Noor Fertilizer place the matter of the said land before the Lands Committee through Official Assignee, and the committee was required to decide the matter after hearing the parties. The BoD in its 11th meeting held on 30th September 2020 authorized the CEO SEZMC to settle the matter out of Court and to withdraw any legal proceedings and refer the matter for Arbitration. The management filed an appeal in High Court of Sindh on 08-06-2021 and informed the Court that petitioner had been allegedly allotted the said land to setup the fertilizer plant which had not been established so far and land is lying vacant till date.

Audit is of the view that land was allocated M/s Al-Noor Fertilizer Industries despite lease payment and was not even cancelled, which reflected undue favor and negligence.

The matter was reported to the management in March, 2023. The irregularity was discussed in the DAC meeting held on October 26, 2023. The management informed the DAC that 750 acres land is the piece of land on the side of the Dhabeji land on which court case has been in process. The DAC directed the management to pursue the court case vigorously.

Audit recommends implementation of the DAC directives.

4.4.2.5 Non-hiring of consultants

According to the Public Private Partnership (PPP) Policy Board held on 17.05.2022, the PPP Policy Board unanimously approved the Project Development Facility (PDF) funding to SEZMC in order to engage transaction advisors for feasibility study and transaction advisory services.

During audit of Sindh Economic Zones Management Company (SEZMC) for the year 2021-22, it was observed that the management did not make any steps in engaging transaction advisors for feasibility study and transaction advisory services.

Audit is of the view that management should ensure strict compliance and efficient implementation of the PPP Policy Board decisions as these decisions relate to the benefit of society, the public or the community as a whole.

The matter was reported to the management in March, 2023. The irregularity was discussed in the DAC meeting held on October 26, 2023. The DAC was informed that the consultant selection committee meeting was held dated 23rd June, 2022 to discuss and approve the advertisement for hiring of consultants for feasibility study and transaction advisory services post receipt of the procurement committee approval, advertisement was placed for bid submission dated July 4, 2022. The DAC directed the management to get the facts verified from Audit.

Audit recommends implementation of the DAC directives.

Chapter-5

Labour and Manpower Department

5.1 Sindh Employees' Social Security Institution

5.1.1 Introduction

Social Security Scheme was launched on March 01, 1967 under West Pakistan Employees' Social Security Ordinance No. X of 1965, with the assistance of the International Labour Organization. The Sindh Employees' Social Security Institution (SESSI). However, came into being on July 01, 1970.

SESSI is an autonomous body and is guided by such instructions on questions of policy as may be given to it from time to time by the Government. The main function of SESSI is to provide medical care and cash benefits to secured workers and their dependents in the event of sickness, maternity, employment injury, death grant, iddat, disablement gratuity, disablement pension, survivors' pension and ex-gratia grant.

5.1.2 Audit Paras

5.1.2.1 Non-production of auditable record

Section 14 (2) & (3) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 entails 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 all 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 relevant Efficiency and Discipline Rules, applicable to such person.

During audit year 2023-24, the audit requisitioned auditable record vide letter No.2083/Admn/Audit Intimation-2023-24 dated 05-09-2023 and subsequent reminder dated 11-09-2023 to M/s Sindh Employees Social Security Institution (SESSI) an entity under administrative control of the Secretary to Government of Sindh, Labor and Human Resources Department, which was not provided to the Audit despite repeated verbal requests of audit. However, M/s Sindh Employees Social Security Institution (SESSI) refused to get its accounts audited by Government auditor.

Audit recommends that responsibility may be fixed on person (s) at fault.

Chapter-6

Finance Department

6.1 Sindh Insurance Limited

6.1.1 Introduction

On April 20, 2010, Pakistan's parliament passed a constitutional amendment to restore Pakistan's constitution to its original intent of a decentralized federation of provinces. Sindh Bank

started its operations in year 2010. Now the Government of Sindh (GOS) has taken another step forward by launching the formation of Sindh Leasing Company Limited, Sindh Modaraba Management Limited and Sindh Insurance Company Limited. The leasing company would supplement the activities in the financial sector by assisting the small entrepreneurs, offering Finance Lease, Operating Lease, Factoring and Working capital finance for small entities. Sindh Modaraba Company would be managing a multipurpose Modaraba catering to small businessmen interested in availing Shariah compliant Islamic modes of financing, like: Ijarah Financing, Modaraba Financing, Musharika Financing and Commodity Financing. In order to cater Insurance need for huge assets owned and financed by GOS, its autonomous bodies Sindh Insurance was also launched with capital of Rs. 500 million.

6.1.2 Audit Paras

6.1.2.1 Non-production of auditable record

Section 14 (2) & (3) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 entails 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 all 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 relevant Efficiency and Discipline Rules, applicable to such person.

During audit year 2023-24, the audit requisitioned auditable record vide letter No. No.2082/Admn/Audit Intimation-2023-24 dated 11-09-2023 and subsequent reminder dated 12-09-2023 to M/s Sindh Insurance Ltd an entity under administrative control of the Secretary to Government of Sindh, Finance Department, which was not provided to the Audit despite repeated verbal requests of audit. However, M/s Sindh Insurance Ltd refused to get its accounts audited by Government auditors.

Audit recommends that responsibility may be fixed on person (s) at fault.

6.2 Sindh Modarba Management Limited

6.2.1 Audit Paras

6.2.1.1 Non-production of auditable record

Section 14 (2) & (3) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 entails 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 all 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 relevant Efficiency and Discipline Rules, applicable to such person.

During audit year 2023-24, the audit requisitioned auditable record vide letter No. No.884/Admn/Audit Refusing/Entity/2021-22 dated 07-07-2023 to M/s Sindh Modarba Mgt Ltd ,an entity under administrative control of the Secretary to Government of Sindh, Finance Department, which was not provided to the Audit despite repeated verbal requests of audit. However, M/s Sindh Modarba Mgt Ltd refused to get its accounts audited by Government auditors vide letter dated 14-07-2023.

Audit recommends that responsibility may be fixed on person (s) at fault.

Chapter-7

Energy Department Sindh

7.1 Sindh Energy Holding Company (Pvt.) Limited

7.1.1 Introduction

Sindh Transmission & Dispatch Company (Pvt.) Ltd. (STDC) is a subsidiary company of Sindh Energy Holding Company (Pvt.) Ltd. serving wholly under the Government of Sindh, Pakistan. STDC was incorporated on 7 January, 2015 under the 18th amendment and registered with Securities & Exchange Commission of Pakistan (SECP) which comes under the umbrella of Companies Ordinance 1984. Since the last 5 years, STDC has been accommodating the individual power producers from conventional or alternative renewable resources. These resources include Wind, Solar and Biomass Energy. STDC is successful in providing economically technical solutions in the name of energy transmission in Pakistan.

7.1.2 Audit Paras

7.1.2.1 Non-production of auditable record

Section 14 (2) & (3) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 entails 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 all 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 relevant Efficiency and Discipline Rules, applicable to such person.

During audit year 2023-24, the audit requisitioned for auditable record vide letter No.930/Admn/TP/Rotation-2021-22 dated 09-05-2022, No.2087/Admn/Audit Intimation-2023-24 dated 05-09-2023 and subsequent reminder dated 11-09-2023. to M/s Sindh Energy Holding Company Pvt Ltd, an entity under administrative control of the Secretary to Government of Sindh, Energy Department, which was not provided to the Audit despite repeated verbal requests of audit. However, M/s Sindh Energy Holding Company Pvt Ltd, refused to get its accounts audited by Government auditors.

Audit recommends that responsibility may be fixed on person (s) at fault.

7.2 Sindh Transmission & Dispatch Company (Pvt.) Limited

7.2.1 Introduction

Sindh Transmission & Dispatch Company (Pvt.) Ltd. (STDC) is a subsidiary company of Sindh Energy Holding Company (Pvt.) Ltd. serving wholly under the Government of Sindh, Pakistan. STDC was incorporated on 7 January, 2015 under the 18th amendment and registered with Securities & Exchange Commission of Pakistan (SECP) which comes under the umbrella of Companies Ordinance 1984. Since the last 5 years, STDC has been accommodating the individual

power producers from conventional or alternative renewable resources. These resources include Wind, Solar and Biomass Energy. STDC is successful in providing economically technical solutions in the name of energy transmission in Pakistan.

7.2.2 Audit Paras

7.2.2.1 Non-production of auditable record

Section 14 (2) & (3) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 entails 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 all 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 relevant Efficiency and Discipline Rules, applicable to such person.

During audit year 2023-24, the audit requisitioned for auditable record vide letter No.2083/Admn/Audit Intimation-2023-24 dated 05-09-2023 and subsequent reminder dated 11-09-2023 to M/s Sindh Transmission & Dispatch Company, an entity under administrative control of the Secretary to Government of Sindh, Energy Department, which was not provided to the Audit despite repeated verbal requests of audit. However, M/s Sindh Transmission & Dispatch Company refused to get its accounts audited by Government auditors vide letter dated 18-09-2023.

Audit recommends that responsibility may be fixed on person (s) at fault.



**AUDIT REPORT
ON
THE ACCOUNTS OF
CLIMATE CHANGE, ENVIRONMENT AND
DISASTER MANAGEMENT ORGANIZATIONS
OF GOVERNMENT OF SINDH
AUDIT YEAR 2023-24**

AUDITOR-GENERAL OF PAKISTAN

CLIMATE CHANGE, ENVIRONMENT AND DISASTER MANAGEMENT ORGANIZATIONS

Chapter-1

Provincial Disaster Management Authority Sindh and Directorate of Mobile Diagnostic & Emergency Services under Rehabilitation Department, Sindh

1.1 Introduction

A. Rehabilitation Department of Government of Sindh is the concerned department dealing with the issues of relief, rehabilitation and disaster management in the province. The lead agency working under the department is Provincial Disaster Management Authority (PDMA) Sindh. The Directorate of Mobile Diagnostic & Emergency Healthcare Services (MD&EHS) is also under the administrative control of Rehabilitation Department.

The Provincial Disaster Management Authority (PDMA) Sindh was constituted under the National Disaster Management Act 2010. The PDMA aims towards mitigation, preparedness and providing an organized response to the disasters. PDMA also acts as the coordinating authority which articulates the coordination mechanism between key provincial departments. In case of emergencies, PDMA works closely with District Governments to organize initial and subsequent assessment of disaster affected areas and determine the course of action to ensure long-term rehabilitation of the affected population.

The Government of Sindh established Directorate of Mobile Diagnostic & Emergency Healthcare Services (MD&EHS), Karachi in 2016 as a pilot project namely “Mobile Emergency Health Care Units” (MEHCU) under the administrative control of Special Initiative Department, Government of Sindh. Later on, the Directorate was transferred to Rehabilitation Department, Government of Sindh. The project was included in ADP 2014-15 with an allocation of Rs. 1,200.000million.

The pilot project for Mobile Emergency Health Care Units (MEHCU) was meant to provide basic health care facilities to the rural and remote areas in normal conditions as well as in disaster struck areas where such facilities are not available. The mobile units stationed at Divisional/District headquarters move to the designated areas as per the medical emergency requirements.

B. Comments on Budget & Accounts of audited entities (Variance Analysis)

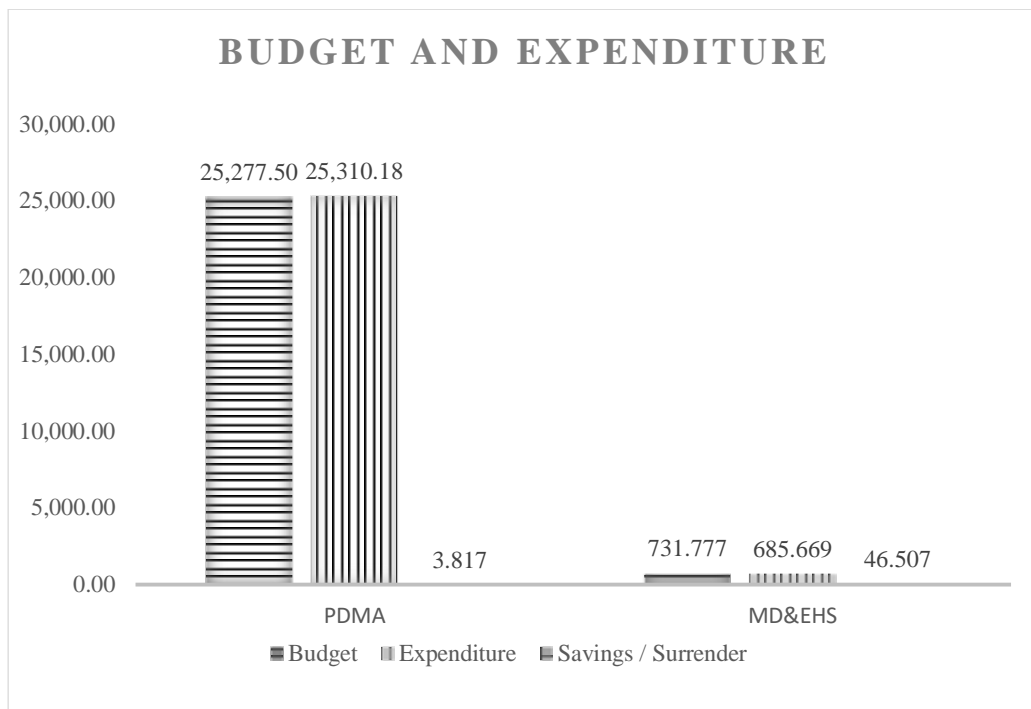
(Rs. in million)

Sr. No.	Financial Year	Formations	Funds Released	Expenditure	Savings/ Surrender
1.	2022-23	PDMA-Sindh	25,277.495	25,310.178*	3.817
2.	2022-23	Directorate of Mobile Diagnostic & Emergency Healthcare Services -Sindh	731.777	685.669	46.507
Total			26,009.272	25,995.847	50.324

Source: budget and expenditure statements PDMA Sindh

* Excess funds Rs. 32.683 million were utilized from Provincial Disaster Management Fund.

The comparison of expenditure vis-a-vis funds released to the PDMA Sindh and MD&EHCS, graphically illustrated is as under:

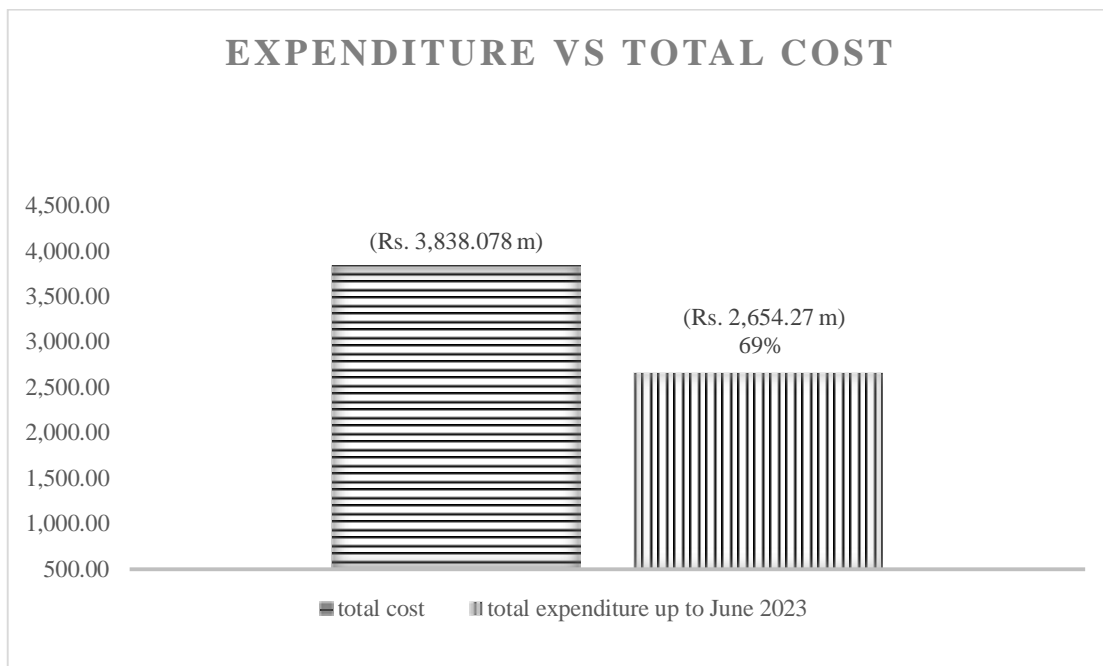


C. Sectoral Analysis

There are four ongoing schemes of Rehabilitation Department as under:

- i. 'Sindh Resilience Project' (World Bank funded)
- ii. 'Establishment of Regional Offices of PDMA (Larkana, Shaheed Benazirabad & Mirpur Khas) by PDMA, Sindh'.
- iii. 'Mobile Health Care Unit Project'
- iv. 'Strengthening Tsunami and Earthquake Preparedness in Coastal Area of Sindh Province'.

The total cost of schemes is Rs. 3,838.078 million, while expenditure incurred upto 30th June 2023 was Rs. 2,654.27 million, which was 69% of the approved cost. The graphical illustration is as under:



The above illustration indicates that the progress of work was slow as compared to the funds released and the management is required to speed up its activities for timely completion of the schemes.

Rehabilitation department is managing a project titled "Sindh Resilience Project" funded by the World Bank. The project was initiated in 2016 and was due for completion by 2021. However, due to non-completion, the project has been extended till 2024. The primary objectives of the project includes strengthening disaster and climate risk management along with improvement in infrastructure and systems of resilience. Current progress on major schemes under Sindh Resilience Project is given as under:

(Rs. in million)

Sr. No.	Progress of Schemes	No. of Schemes	Status of Schemes	
			Budget	Percentage (%) of total cost
1.	Completed	13	544.000	23%
2.	In progress	01	140.000	7%
3.	Not yet started	15	1,047.175	49%
4.	Abandoned	02	435.000	21%
Total		31	2,166.175	

Source: data compiled by audit team

The above data indicates that there was a considerable delay in completion of schemes conceived under the project. The delay in execution of schemes has led to non-completion of the project by the deadline i.e. 2021 resulting in extension in the completion date by 2024. This shows lack of proper planning and execution which needs to be looked into by the project management as well as the controlling department.

The Directorate of Mobile Diagnostic & Emergency Healthcare Services (MD&EHS) Karachi is working under the administrative control of Secretary Rehabilitation. The mobile healthcare services aim to provide medical services in distant and far-flung areas. During FY 2022-23, the service was extended to 2,954 villages, while medical care was provided to 562,386 individuals. Moreover, 120,680 medical tests were conducted at the doorstep. District wise details of the services provided are as under:

S.No	District	No. of Villages	Patients treated	Lab test
1.	Tharparkar	248	48628	12327
2.	Dadu	317	55272	9292
3.	Thatta	244	43178	9520
4.	Badin	244	54499	14425
5.	Jamshoro	253	53431	14278
6.	Shikarpur	302	53566	9447
7.	Sujawal	250	56590	9824
8.	Umerkot	251	43076	8244
9.	Sanghar	273	52342	10949
10.	Larkana	265	50891	12131

11.	Jacobabad	307	50913	10243
Total		2,954	562,386	120,680

Source: data compiled by audit team

An overview of the activities of Rehabilitation department and PDMA, Sindh indicates that the disaster related agencies mainly concentrate on post disaster activities once the disaster occurs. The focus on mitigation and disaster risk reduction measures to reduce the impact of disasters in the province was rather on a lower side. District Disaster Management Authorities are functioning in all district of Sindh headed by Deputy Commissioner, however no separate organizational setup of DDMA have been established in the province. No separate accounts of the funds received from PDMA are being maintained by Deputy Commissioners/DDMAs and it was not possible for audit to segregate the relief related expenditure incurred by Deputy Commissioners in the capacity of head of respective DDMA.

Table I: Audit profile of Rehabilitation Department, Government of Sindh

(Rs. in million)

Sr. No	Description	Total Nos.	Audited	Expenditure audited FY 2021-22
1.	Formations	3	2	25,995.847
2.	<ul style="list-style-type: none"> • Assignment Account • SDAs • PDMA Fund A/C (Excluding FAP) 	1 Nil 1	1 Nil 1	-
3.	Authorities /Autonomous bodies etc. under the PAO	1	1	-
4.	Foreign Aided Project (FAP)	1	1	9,061.022

1.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 14,992.602million have been raised in this report pertaining to PDMA, Sindh Resilience Project and Mobile Diagnostic & Emergency Healthcare Services Sindh. Recovery amounting to Rs. 2,906.287million has been pointed out in the audit observations. Summary of the audit observations classified by nature is as under:

Table II: Overview of Audit Observations

(Rs. in million)

Sr. No.	Classification	Amount
1.	Irregularities	4,793.518

A	Procurement	2,216.183
B	Internal Control Weaknesses	2,577.335
2.	Public Service Delivery / Performance	-
3.	Financial Management	10,199.084

1.3 Brief Comments on the Status of Compliance with PAC Directives

This Directorate General Audit (CC&E) started auditing and reporting Disaster Management departments of the Government of Sindh since FY 2016-17. No Audit Report has been discussed in the PAC and no directives were issued.

1.4 AUDIT PARAS

Procurement

1.4.1. Purchase of relief items for the flood affectees 2022 at higher rates

A. Purchase of tents at higher rates – Rs. 1,774.800 million (Annexure-II)

According to Rule 88 of the Sindh Financial Rule Vol-1, 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.

Detailed specifications of tents were provided in Request for Quotations (RFQs).

Provincial Disaster Management Authority (PDMA), Sindh purchased 781,657 family tents (4x3m size) for Rs. 19,938.487 million from different vendors / suppliers in connection with flood relief 2022.

During audit of PDMA, Sindh for the financial year 2022-23, it was observed that the tents were procured @ Rs. 15,500 to Rs. 19,500 per tent during the same period. A comparison of specifications of tents supplied by the different vendors revealed that the provided tents were of same size and specifications.

Further, the Audit team carried out a comparison of tents provided by M/s FTS (which offered lowest rate of Rs. 15,500) with others and it was observed that the cost incurred by purchase of tents at higher rates comes to Rs. 1,774.800 million. (**Annexure-II**).

Audit held that procurement of tents at higher rates resulted in loss to the government.

The observation was issued to the management on 02.02.2023. It was replied that purchases were made through purchase facilitation committee. The committee met with different vendors / manufacturers of tents and approved supply orders at the rates of 15,500 to 19,500 including M/s FTS and such decisions were made in the various meetings of the committee. The reason of difference in rates was quality of the fabric and time limit of 30.10.2022 as cut-off date to serve the purpose of providing shelter to masses at this difficult time.

The reply was not acceptable because tents were purchased at the rate of 15,500 during August and September 2022 from various vendors and the evidence regarding inability of those vendors to supply further quantity of tents was not available on record at the time of audit. Further,

no evidence i.e. lab tests / confirmation regarding quality of fabric of the tents was available on record during audit.

DAC meeting was held with the Principal Accounting Officer (PAO) on 21.02.2023 in which audit authorities stressed upon the Administrative department to look into the matter for addressing the audit observation.

B. Purchase of ration bags at higher rates – Rs. 170.282 million

According to Rule 88 of the Sindh Financial Rule Vol-1, every public officer should exercise the same vigilance in respective of expenditure incurred from Government revenues as a person of ordinary prudence would exercise in spending his own money.

PDMA Sindh purchased a quantity of 1,725,197 rations bags for flood affectees of 2022 for a total cost of Rs. 5,720.949 million from various supplier/vendors.

It was observed that:

- i. 345,000 ration bags were purchased by PDMA during the period July and August 2022 @ Rs. 9,000 per ration bag and an amount of Rs. 3,105.000 million was paid to the suppliers / vendors. The composition of these ration bags was as under:

Sr. No.	Name of item	Qty.	Rate (Rs.)
1.	Atta (kg)	15 kg	Rs. 9,000 including packing and transportation to all the vulnerable districts of Province of Sindh
2.	Rice (kg)	03 kg	
3.	Oil	02 kg	
4.	Dall Channa	02 kg	
5.	Black Tea (gm)	430 – 450 gm	
6.	Salt	800 gm	
7.	Maches Box	10 pcs	
8.	Marchi (Chilli)	200 gm	
9.	White Lobia /Dal Mung Grade-A	02 kg	
10.	Antibacterial Soap	120-130 gm	
11.	Milk powder	900-1000 gm	

- ii. At later stage during September and October 2022, PDMA purchased ration bags @ Rs. 3,350 to Rs. 3,600 per bag with following composition:

Sr. No.	Name of item	Quantity	Remarks
1.	Atta (kg)	10 kg	Including packing and transportation
2.	Sugar (kg)	02 kg	
3.	Rice (kg)	05 kg	
4.	Oil	900 ml	
5.	Dall Channa	02 kg	
6.	Black Tea (gram)	430 – 450 gm	
7.	Salt	800 gm	

8.	Match Box	10 pcs	
9.	Marchi (Chilli)	200 gm	

- iii. A comparison of composition of ration bags purchased during July & August 2022 with September & October 2022 revealed that there was a minor difference of items and quantity. However, rates paid to vendors during July & August 2022 were on much higher side as compared to rates paid during September & October 2022 i.e. Rs. 9,000 during July & August and Rs. 3,350 to Rs. 3,600 during September & October 2022.
- iv. Majority of suppliers who were paid Rs. 9,000 per ration bag during July & August 2022 had supplied the rations bags at @ Rs. 3,350 to Rs. 3,600 during September & October 2022. A few examples are as under:

(Rs.)

Sr. No.	Name of supplier	Work order No. and Date	Rate per ration bag
1.	M/s Sun Shine Trading Co.	PDMA/Rain Emergency /2022/850 dated 20.08.2022	9,000
		PDMA/Rain Emergency /2022/1166(a) dated 24.09.2022	3,600
		PDMA/Rain Emergency /2022/1311-A dated 05.10.2022	3,350
2.	M/s Mehdi & Abbass Enterprise	PDMA/Rain Emergency/2022/ dated 20.08.2022	9,000
		PDMA/Rain Emergency/2022/ dated 14.09.2022	3,600
		PDMA/Rain Emergency/2022/1311-F dated 05.10.2022	3,350
3.	M/s Alakh Traders	PDMA/Rain Emergency/2022/817 dated 17.08.2022	9,000
		PDMA/Rain Emergency/2022/1165(a) dated 24.09.2022	3,600
		PDMA/Rain Emergency/2022/1311-C dated 05.10.2022	3,350

Audit had taken an average amount of Rs. 3,600 per ration bags for comparison and observed that purchase of rations bags at higher rates resulted into an excess expenditure of approx Rs. 170.282 million. (**Annexure-III**).

Audit held that procurement at higher rates resulted in loss to the government.

The observation was issued to the management on 02.02.2023. It was replied that higher price of ration bags was due to specific brands, higher specifications / quantity and inclusion of 17% sales tax. Further, since the situation started becoming normal and the stocks were available in the market, the rates of ration bags were gradually reduced.

The reply was not acceptable because there was no evidence on record to prove huge variation in quality of the items as claimed by PDMA corresponding to the exorbitant cost of ration bags purchased during July and August 2022. Therefore, despite the facts narrated by the department, the rates of earlier procurement of ration bags were on much higher side and uneconomical.

DAC meeting was held with the Principal Accounting Officer (PAO) on 21.02.2023 in which audit authorities stressed upon the Administrative department to look into the matter for addressing the audit observation.

Audit recommends that overpayment may be recovered from the suppliers.

(Para No 2.4.1.3. of Forensic Audit 2022 Sindh)

1.4.2. Deficiencies in specifications of mosquito nets procured during flood relief 2022-Rs. 134.246 million

According to the work order issued by PDMA for supply of 150,000 mosquito nets to M/s Aijaz Enterprises on 28.09.2022 for Rs. 405.000 million @ Rs. 2,700 each, the specifications of the item were 20ft (length) x 10ft (width) x 8ft (height), 100% polyester yarn mesh fabric, 10% shrinkage etc.

Provincial Disaster Management Authority (PDMA), Sindh was supplied 43,660 mosquito nets and an amount of Rs. 134.246 million was paid vide cheque No. 360587 dated 11.09.2022. The physical inspection of the items was carried out by M/s SGS. Physical inspection reports revealed that out of supplied quantity, 2,182 mosquito nets were taken as a sample for inspection of specifications / quality of the items. The outcome of inspection by M/s SGS is summarized as under:

Sr. No.	Total items delivered	Sample Quantity (Pcs)	Defective pieces / % of defective pieces out of sample	Results of physical measurement conducted of 10 sample pieces			
				Total sample	Width (10ft)	Length (15ft)	Height (8ft)
1.	3,960	198	10 / 5.05%	10	10	10	8
2.	13,625	681	35 / 5.13%	10	6	4	6
3.	7,110	355	25 / 7.00%	10	6	4	7

.	7,8 60	39 3	25 / 6.36%	1 0	1 0	1 0	1 0
.	3,5 00	17 5	37 / 14.85%	1 0	1 0	1 0	1 0
.	7,6 05	38 0	14 / 3.68%	1 0	0 3	0 3	0 6
otal	43, 660	2,1 82	146 / 7.01%	1 20	3 7	3 3	4 5
Percentage of physically complied mosquito nets				0%	3%	3%	7.50%
Percentage of physically non-complied mosquito nets				0%	7%	6%	2.50%

During audit of PDMA, Sindh for the financial year 2022-23, it was observed as under:

- The ratio of physically non-complied mosquito nets was 70% for width, 67% for length and 62.50% for height. In this way supply of estimated defectives pieces comes to 3,056 mosquito nets (43,660 x 7.01%).
- No tolerance level / acceptable quality level was available on record for acceptance or rejection of the item.
- The evidence regarding replacement of the defective items /quantity in line with inspection reports was not available on record.
- No test for confirmation of the other specifications i.e. 100% polyester yarn mesh fabric, 10% shrinkage, 100 dinner etc. was carried out by PDMA.

Audit held that deficiencies in the specification of the procured item resulted in loss to the government.

The observation was issued to the management on 02.02.2023. The management replied that verification of the specifications of mosquito nets was done through third party i.e. M/s SGS. As per practice the items supplied at warehouse by the vendors were checked and inspected. The quantity found below specification, if any, was returned without receiving. The payment was made to the vendor on satisfactory (functional) report by M/s SGS.

Reply was not acceptable because no action by the management regarding rejection or replacement of below specification mosquito nets was available on record.

DAC meeting was held with the Principal Accounting Officer (PAO) on 21.02.2023 in which audit authorities stressed upon the Administrative department to recover the amount paid for defective items.

Audit recommends recovery of the overpaid amount.

(Para No 2.4.1.4. of Forensic Audit 2022 Sindh)

1.4.3. Irregular payment for supplied items with deficient specifications – Rs. 40.891 million

According to clause 26.1 of Special Condition of Contract of bidding documents for the procurement of Blankets, the inspections and tests shall be conducted by the nominated inspection committee. Physical inspection as well as functionality of the equipment will be checked if required.

Sindh Resilience Project (SRP), PDMA-component awarded contract amounting to Rs. 40.891 million to M/s Sanaullah Textile Mills for supply of 30,000 blankets. The bidding documents provided the required technical specifications to be observed by the supplier. The entire payment (Rs. 40.891 million) was released to the supplier during the financial year 2022-23. Detail is as under:

(Rs. in million)

Name of Vendor	Date of Contract Agreement	Completion period	Cheque No.	Date	Amount
M/s. Sanaullah Textile Mills	18.07.2022	90 days till 15.10.2022	88592370	19.09.2022	13.051
			90110635	27.09.2022	12.710
			22741143	08.12.2022	15.130
Total					40.891

During audit of SRP (PDMA-component) for Financial Year 2022-23, it was observed as under:

- i. M/s SGS Pakistan Pvt. Ltd. conducted third party validation of blankets and submitted report with remarks “Overall Inspection Conclusion: Subject to Client”. Thus, no clear remarks regarding satisfactory or unsatisfactory specifications was mentioned in the report.
- ii. M/s SGS Pakistan Pvt. Ltd. reported certain deficiencies with regard to technical specification i.e. a) weight scale not available, b) variation in size and thickness (width x length) and c) test report on Thermal Overall Grade (TOG) of min 2.5 was not available. However, the items were accepted and full payment was made to the supplier.
- iii. The supplier delivered 11,100 blankets on 22.11.2022 after expiry of stipulated time period i.e. 15.10.2022 i.e. after lapse of 5 weeks however, management failed to impose LD charges amounting to Rs. 0.378 million (11,100 @ 1363 per unit = Rs. 15.130 million x LD @ 0.5% per week x 5 weeks).

Audit held that procurement of items was made without observance of technical specification resulting into irregular payment. Moreover, non-imposition of LD charges was loss to government.

Initial audit observation was issued on 13.10.2023. In response the management replied that due of flood emergency situation these procurements were made. Moreover, Project Implementation Unit (PIU) uphold all required measures even within these urgent circumstances. SRP is committed to enhancing internal controls to prevent such gaps and ensure clear documentation of inspection outcomes.

Para was discussed in DAC meeting held on 04.12.2023. The forum directed the management to submit revised SGS report clearly showing that the specifications of the blanket were in accordance with standard specification. Moreover, correspondence with M/s Sanaullah Textile Mills regarding delivery of blanket may also be provided to Audit authorities for verification.

Audit recommends implementation of DAC decision.

(OS No.11 of FAP Audit 2022-23 SRP Sindh)

1.4.4. Irregularities in de-watering activity during flood relief 2022 – Rs. 36.550 million

According to Transportation agreement with PDMA and M/s Bukhari Group of Company, the rate for Shahzor / Mazda vehicle for dewatering activity was fixed as Rs. 18,500 per 12 hours.

Provincial Disaster Management Authority (PDMA), Sindh engaged M/s Bukhari Group of Companies for de-watering activities and transportation of relief items at various destinations in the 2022 flood affected districts of Sindh province. An amount of Rs. 440.00 million was claimed by vendor upon completion of work against which an amount of Rs. 216.472 million was paid to the vendor.

During audit of PDMA, Sindh for the financial year 2022-2023, it was observed as under:

- i) In nineteen (19) cases, the supplier was paid an amount of Rs. 15.481 million for de-watering activities for a definite period / dates against specific vehicles. Upon scrutiny of record it was revealed that the said vehicles were engaged in distribution of relief items on the same dates which indicate that the de-watering activity was not carried out during that claimed period / dates and payment was not justified.
- ii) In a number of cases, duplicate payments were made to the supplier. For instance in one case, vehicle No. TKY-339 was paid for de-watering activity from 23.07.2022 to 29.07.2022, while at the same time the said vehicle was also paid for the activity separately on 23rd& 29th July, 2022.
- iii) In some cases, payment was made in excess of actual work done. For instance in one case, de-watering activity was carried from 04.07.2022 to 19.07.2022 which comes to 16 days, however payment was made for 18 days. In another case, the activity was carried out from 04.07.2022 to 19.07.2022 which comes to 16 days, however payment was made for 19 days.
- iv) PDMA Sindh dispatched truck mounted de-watering pumps to DDMAAs for de-watering activities to be performed in flood affected districts. However, during audit of the DDMAAs / DCs, variation was observed regarding the number of truck mounted de-watering pumps received by DDMAAs/DCs. For instance in one case, three (03) truck mounted de-watering pumps were dispatched to district Sanghar for the de-watering

activity, however the district administration confirmed the receipt of only two (02) truck mounted de-watering pumps. The above reconciliation by audit team indicated that de-watering activity shown by PDMA Sindh for 10 days in district Sanghar was not carried out. PDMA Sindh paid an amount of Rs. 373,000 on this account.

- v) An amount of Rs. 912,500 was claimed against vehicle No. JY-0214 for dewatering activity at District Matiari for the period 03.09.2022 to 27.09.2022. However, as per certificate of DC concerned, the said de-watering pump was out of order. As such, no activity of de-watering was performed and the amount of Rs. 912,500 was paid against the vehicle.
- vi) In five (05) cases, the suppliers was paid an amount of Rs. 9.730 million for dewatering activities, however, dispatch plans and duty certificates from the concerned DCs were not available to authenticate the de-watering activity and corresponding payments.

Audit held that irregular payment resulted in loss to the government.

The above observation was issued to the management on 02.02.2023. It was replied that there were typographical errors in the initial bills provided by the transporter, however, only those bills were processed for the payments which were supported by the certificates issued by the respective Deputy Commissioners and no final payment has yet been made.

DAC meeting was held with the Principal Accounting Officer (PAO) on 21.02.2023 in which audit authorities stressed the Administrative department to conduct an inquiry into the matter and recover the amount from the supplier. Moreover, the department may also look into the matter of logistics / operational capacity and financial health of the company to carry out the transportation activities during the flood across the province.

Audit recommends to recover the overpaid amount.

(Para No 2.4.1.1. of Forensic Audit 2022 Sindh)

1.4.5. Undue favor to suppliers on account of transportation cost of relief items –Rs. 30.660 million

According to the terms and conditions of the Invitation for Quotations by PDMA published in daily Jang newspaper dated 07.09.2022, the prices of relief items must include packing and transportation charges for all the districts of province of Sindh.

Further according to Para 2(q)(1)(a) of NDMA Guidelines on Stocking, Maintenance and Supply of Relief and Rescue items, contractor should be responsible for transportation of procured items (all relief items) from manufacturing facility / port to the desired warehouse.

Provincial Disaster Management Authority (PDMA), Sindh issued various purchase orders to different suppliers / vendors for supply of ration bags to flood affectees of 2022.

During audit of PDMA, Sindh for the financial year 2022-2023, it was observed that purchase orders for supply of 250,000 ration bags were issued to M/s Chase Department Store and M/s Unity Food Limited as under:

(Rs. in million)

Sr. No.	Purchase Order No. and Date	Name of Vendor	Rate/ration bag	Quantity	Amount paid
1.	PDMA/Rain Emergency/2022 dated: 08-09-2022	M/s Unity Food	3,450	100,000	345.000
2.	PDMA/Rain Emergency/2022 dated: 02-09-2022	M/s Chase Department Store	3,475	50,000	173.750
3.	PDMA/Rain emergency/2022/1074 dated: 14-09-2022	Chase Department Store	3,700	75,000	277.500
4.	PDMA/Rain Emergency/2022/ 1368-A dated: 09-10-2022	M/s Chase Department Store	3,450	25,000	86.250
Total					882.500

The record further revealed that PDMA Sindh paid an amount of Rs. 16.970 million and Rs. 13.690 million to M/s Bukhari Group of Companies on account of transportation charges from the warehouses of M/s Chase Department Store and M/s Unity Food Limited to warehouse of PDMA and other flood affected districts, which was not justified as the suppliers of ration bags were bound to bear the transportation charges.

It was also observed that various other suppliers had provided the ration bags @ Rs. 3,350 per bag inclusive of transportation charges as detailed under:

(Rs.)

Sr. No.	Name of vendor	Supply order No.	Rate per Ration bag	Agreed destination of delivery
1.	M/s New Step In Pharmacy & General Store	PDMA/Rain Emergency/2022/1484-A of 20.10.2022	2,900	Any district of province
2.	M/s Khalid Flour Mills Sukkur	PDMA/Rain Emergency/2022/1484-C of 20.10.2022	2,900	Any district of province
3.	M/s Dewan Plastic Industry Sukkur	PDMA/Rain Emergency/	3,350	Sukkur Warehouse

		2022/1311-13 of 05.10.2022		
4.	M/s Jasmine Enterprises, Karachi	PDMA/Rain Emergency/ 2022/1311-E of 05.10.2022	3,350	Jamshoro Warehouse

Thus, with the addition of transportation charges the cost of the ration bags provided by the M/s Unity Food and M/s Chase Department Store further increased by an average of Rs. 123 per bag having a cumulative effect of Rs. 30.660 million for all the supplied ration bags which was not justified.

Audit held that irregular payment resulted in loss to the government.

The observation was issued to the management on 02.02.2023. It was replied that some of the vendors expressed their inability for supply of ration bags with transportation, however they offered much lower rates. The rest of the vendors supplied the items as per specifications along with transportation. This was done in order to cater high demand and emergent flood situation.

The reply was not acceptable because as per Invitation for Quotations, the vendors were required to quote the rate inclusive of transportation charges. The acceptance of rates without transportation charges and collection of rations bags from the facility of vendors was undue favor to the suppliers on one hand, and on the other government had to bear an additional cost of Rs. 30.660 million.

DAC meeting was held with the Principal Accounting Officer (PAO) on 21.02.2023 in which audit authorities stressed upon the Administrative department to recover the transportation cost from M/s Chase Department Store and M/s Unity Food Ltd and deposit into government treasury.

Audit recommends recovery of the observed amount.

(Para No 2.4.1.5. of Forensic Audit 2022 Sindh)

1.4.6. Irregular payment to M/s Excel Tex Industries on account of procurement of uniform kit-Rs. 28.754 million

According to General Condition of the Contract clause 26.1 & 26.2, the inspections and test shall be: Inspection will be conducted by nominated procurement committee, the inspection and test should be conducted at project site.

Sindh Resilience Project (SRP), PDMA-Component awarded contract amounting to Rs. 28.754 million to M/s Excel Tex Industries (Pvt) Ltd for supply of complete uniform kits for Rescue 1122. Payment amounting to Rs. 21.853 million (including advance payment Rs. 2.958 million) was made to the supplier during Financial Year 2022-23. The detail is as under:

(Rs. in million)

S. No.	Description	Quantity	Unit rate	Amount
1.	Cotton Shirt and Reflective vest	1122	4,599	5.160
2.	Trousers and Belt	1122	4,374	4.908
3.	Jogging suits (trousers with t-shirt)	1122	3,492	3.918
4.	Safety shoes	561	5,949	3.337
5.	Jersey /Sweaters	1122	1,899	2.131
6.	Barret Caps	1122	666	0.747
7.	Winter Jacket	1122	6,795	7.624
8.	Socks	2244	414	0.929
Total		11220	28,188	28.754

During audit of SRP (PDMA-component) it was observed as under:

- i. The contractor failed to supply the required quantities amounting to Rs. 9.858 million till period of audit i.e. October, 2023.
- ii. Advance paid to the contractor Rs. 2.957 million was not recovered.
- iii. The contractor submitted performance guarantee and the same was expired on 13.03.2023, which was not renewed.
- iv. The contractor had not supplied required quantities within stipulated time period, however, the management failed to impose LD charges amounting to Rs. 2.875 million (Rs. 28.754 million x 10% of contract price).
- v. The procurement committee had not signed the documents i.e. sample evaluation sheet and fabric quality sheet.

Audit held that payment without fulfilling the codal formalities was a serious lapse on the part of the management resulting into excess payment to the vendor without supply of uniform kits and loss to the government.

Initial audit observation was issued on 13.10.2023. In response the management replied that the contract is ongoing and delay is mainly due to slow hiring process. Moreover, the department is making efforts to recover the advance from the invoices submitted by the contractor.

Para was discussed in DAC meeting held on 04.12.2023. The forum directed the management that matter regarding hiring of the cadets may be expedited besides successful completion of the contract with the vendor. The compliance report may be provided in the next DAC meeting.

Audit recommends implementation of DAC decision.

(OS No.9 of FAP Audit 2022-23 SRP-Sindh)

1.4.7. Irregular procurements for flood relief 2022 by facilitation committee comprising of private individuals

The Services, General Administration & Coordination Department, Government of Sindh vide Notification No. SO(C-IV)/SGA&CD/4-8/22 dated 07.09.2022 constituted a committee to facilitate PDMA in procurement process for emergency supplies related to flood 2022. The composition of the notified Committee was as under:

Mr. Mushtque Chappra	Convener
Mr. Saleem Tabani	Member
Mr. Tariq Mian	Member
Assistant Director Procurement, PDMA	Member / Secretary

As per ToRs of the Committee, the role of the committee was to facilitate PDMA in all procurement related activities including but not limited to finding better quality emergency material in good price for flood affectees.

Provincial Disaster Management Authority (PDMA), Sindh carried out entire procurements for flood relief 2022 through the facilitation committee.

During audit of PDMA, Sindh for the financial year 2022-2023, it was observed that the facilitation committee held 24 meetings from 28.08.2022 to 29.10.2022, wherein all major decisions related to procurement of relief items by PDMA were taken and approvals of purchase orders amounting to Rs. 23,369.698 million to various suppliers for supply of relief items were accorded. **(Annexure-IV)**.

Audit held that the role of the committee was to provide facilitation in procurement related activities, however, the committee which comprised of private individuals controlled and carried out the entire procurement amounting to Rs. 23,369.698 million instead of its assigned role of facilitating the procurement process.

The observation was issued to the management on 02.02.2023. It was replied that Government of Sindh notified the committee to facilitate PDMA Sindh in Procurement Process. The Committee facilitated PDMA while making procurements by assisting in locating market suppliers / vendors of relief items in better rates and quality.

DAC meeting was held with the Principal Accounting Officer (PAO) on 21.02.2023 in which audit authorities stressed upon the Administrative department to look into the matter for addressing the audit observation.

Audit recommends that the matter may be inquired at appropriate level.

Internal Control Weaknesses**1.4.8. Missing relief items during flood relief 2022**

According to Section I ‘General Principles’ of Sindh 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 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’.

Provincial Disaster Management Authority (PDMA), Sindh dispatched a quantity of 1,800 ration bags to DC Sanghar from its warehouse at Jamshoro in connection with relief activities during flood 2022.

During audit of PDMA, Sindh for the financial year 2022-2023, it was observed from the scrutiny of acknowledgement receipts that a quantity of 37 rations bags were less received at DDMA / DC Sanghar. The details are as under:

Sr. No.	Invoice No.	Date	Dispatched from PDMA Warehouse	Quantity Dispatched by PDMA	Quantity Received by DC Sanghar	Quantity missing
1.	2122	28.09.2022	Jamshoro	300	287	13
2.	2122	28.09.2022		300	296	04
3.	2172	30.09.2022		300	299	01
4.	2251	09.10.2022		300	294	06
5.	2270	10.10.2022		300	291	09
6.	2288	11.10.2022		300	296	04
Total				1,800	1,763	37

Similarly, PDMA Sindh dispatched various relief items to DC Dadu from its warehouses at Sukkur and Jamshoro. The scrutiny of acknowledgement receipts revealed that dispatches made were not completely received at DDMA / DC Dadu. The details are given as under:

Sr. No.	Invoice No.	Date	Dispatched from PDMA Warehouse	Description of Items	Quantity Dispatched by PDMA	Missing items not received at DDMA Dadu
1.	93	11.09.2022	Sukkur	Drip Stand	24	01
2.	93	11.09.2022		Portable Chair	196	04
3.	93	11.09.2022		Portable Toilets	150	04
4.	94	11.09.2022		Bed Side Screen	56	01
5.	332	30.09.2022	Jamshoro	Ration Bags	500	03
6.	334	30.09.2022		Ration Bags	500	02

Moreover, PDMA Sindh had also dispatched different relief items to DC Khairpur against various invoices / dispatch orders. The scrutiny of acknowledgement receipts revealed that dispatches made were not completely received at DDMA / DC Khairpur. The details are given as follows:

Sr. No.	Invoice No.	Date	Dispatched from PDMA Warehouse	Description of items	Quantity Dispatched by PDMA	Quantity of missing items not received at DDMA Khairpur
1.	1149	29.09.2022	Sukkur	Tarpaulin Sheet	1,200	240
2.	1098	28.09.2022		Tarpaulin Sheet	750	05
3.	1086	28.09.2022		Tarpaulin Sheet	1,500	30
4.	991	24.09.2022		Mosquito Nets	9,000	128
5.	996	24.09.2022		Tarpaulin Sheet	1,400	24
6.	998	24.09.2022		Tarpaulin Sheet	1,500	12
7.	861	19.09.2022		Tarpaulin Sheet	2,000	15
8.	867	20.09.2022		Tent	200	01
9.	286	10.09.2022		Tent	180	08

Likewise, PDMA Sindh dispatched different relief items to DC Jamshoro. The scrutiny of acknowledgement receipts revealed that dispatches made were not completely received at DDMA / DC Jamshoro. The details are given below:

Sr. No .	Shipment No.	Shipment Date	Dispatched from PDMA Warehouse	Description of items	Quantity Dispatched by PDMA	Quantity of missing items not received at DDMA Jamshoro
1.	1351	26.07.2022	Jamshoro	Tents	200	20
2.	199	23.08.2022	Karachi	School Shelter etc.	125	10
3.	Nil	Nil	Chase Deptt Store	Ration Bags	250	07
4.	Nil	Nil	Chase Deptt Store	Ration Bags	250	07
5.	120	04.09.2022	Sukkur	Jerry Cans	400	03
6.	Nil	Nil	Chase Deptt Store	Ration Bags	250	75
7.	1876	12.09.2022	Jamshoro	Ration Bags	200	01
8.	560	17.09.2022	Sukkur	Sleeping Mats	3,000	1,500
9.	Nil	Nil	Chase Deptt Store	Ration Bags	1,000	12
10.	3	Nil	Chase Deptt Store	Ration Bags	1,000	01
11.	2372	01.11.2022	Jamshoro	Blankets	9,800	2,000
12.	2303	07.11.2022	Sukkur	Quilts	140	03
13.	2303	07.11.2022	Sukkur	Blankets	200	10
14.	Nil	10.09.2022	Chase Deptt Store	Ration Bags	250	11

Audit held that missing relief items resulted in loss to the government.

The audit observation was issued to the management on 02.02.2023. It was replied that the quantity actually received from PDMA was acknowledged.

DAC meeting was held with the Principal Accounting Officer (PAO) on 21.02.2023 in which audit authorities stressed upon the Administrative department to recover the missing relief items and initiate necessary action against the responsible officials / individuals.

Audit recommends recovery of relief items within 30 days.

(Para No 2.3.3.1.1. of Forensic Audit 2022 Sindh)

1.4.9. Issues / shortcomings observed in distribution of relief items by DDMA's / DCs during flood relief 2022

According to Section I 'General Principles' of Sindh 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 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'.

District Disaster Management Authorities (DDMA's)/Deputy Commissioners (DCs) of the affected districts distributed relief items among the affectees of flood 2022.

During audit of DDMA's/DCs for the financial year 2022-23, several issues and discrepancies were observed in distribution of relief items as detailed under:

- A.** In case of District Khairpur it was observed that:
- i. The record of Taluka ThariMirwa was presented in loose form and the description / quantity of relief items distributed was not recorded and therefore it was not possible to verify the quantity of relief items distributed to all such affectees.
 - ii. In Talukas Gambat and Kingri the items were shown distributed to affectees without obtaining any proof of receipt of items and thus not verifiable.
 - iii. Distribution record of Taluka Nara was not maintained at all. Tokens issued to the flood affectees were produced in loose form, which were not auditable. No registers/lists showing names, CNIC numbers and thumb impressions of the flood affectees were maintained for Taulaka Nara to authenticate the distribution of relief items.
 - iv. Lists of distribution of relief items pertaining to Union Council Razaabad was scrutinized and it was observed that the signatures of all 100 beneficiaries were in same ink and handwriting
- B.** Record of Taluka Bhirio DDMA / DC NaushahroFeroze was not auditable. Further, the representative of taluka Mehrabpur brought record consisting of an unsigned computerized list containing details of few beneficiaries without complete particulars or acknowledgements. Hence, this record was also considered un-auditable. Moreover, stock register showing date-wise receipt of relief items from PDMA Sindh and its subsequent issuance to talukashad not been maintained.
- C.** Book No. 06 of Taluka Kotri, District Jamshoro showed details of 464 beneficiaries, however entries from 200 to 400 were missing. Hence, total number of beneficiaries entered in the record becomes 263, whereas distribution summary showed that relief items (tents) were provided to 464 affectees. This resulted in over-statement of 201 recipients.

- D.** Data of book No. 09 of Taluka Kotri, District Jamshoro contained lists having data of 418 beneficiaries which showed that one item of tent, mosquito nets, solar lamp and mineral water was provided to every beneficiary. However, abstract of book showed that no tent was provided to the said beneficiaries. This shows that the record was not prepared with due diligence resulting in wrong calculation of overall distribution of relief items in the district.
- E.** During scrutiny of distribution record of District Mitiari, it was observed that the registers for distribution of relief items were not properly maintained as the record showed only names and CNIC numbers of beneficiaries, however description of relief items and quantity handed over to recipient was not recorded in respective registers. Only a general abstract was recorded at the end of registers which showed total number of items distributed. Thus, the items / quantity of relief items distributed was unverifiable.
- F.** Scrutiny of distribution list of Taluka Juddho, District Mirpurkhas revealed that the number of beneficiaries entered on one page ranged from 30 to 50, but the thumb impressions affixed on each page were only 8 to 12. Therefore, the thumb impressions of all beneficiaries were not obtained.
- G.** During scrutiny of record of distribution of relief items of Taluka Khairpur Nathan Shah, District Dadu, it was observed that register for distribution of relief items was not properly maintained as the record only showed names and CNICs / cell numbers of beneficiaries, however description of relief items and quantity handed over against each recipient were not recorded in respective registers. Only a general abstract at the end of registers showing total number of items distributed was recorded.
- H.** During scrutiny of record of Taluka Mehar District Dadu, it was observed that relief items were distributed in bulk quantities to affectees. For illustration, in one case 40 tents and 50 ration bags were shown handed over to one Anwar Ali. In another case, 40 ration bags were given to one Ghulam Sarwar.
- I.** In DDMA / DC Sukkur, it was observed that relief items were distributed in Taluka Pano Aqil and the particulars of flood affectees were prepared, however, the details of quantity of relief items provided to individual beneficiary were not available.
- J.** In case of DDMA / DC Shaheed Benazirabad it was observed that:
- i. Summary of record / books of distribution of relief items of Taluka Daur revealed that the number of beneficiaries varied from book to book, however, exactly same number of relief items were shown distributed in all these books which was not possible
 - ii. 2,151 tents were distributed during the month of December, 2022 when the disaster was almost over and that too without recording complete particulars of the recipients.
- K.** Seven districts provided to the audit team the computerized lists showing names, CNICs and quantity of relief items distributed to flood affectees. The analysis of data revealed

that there were multiple instances of distribution of relief items against one CNIC / affectee, including showing distribution of same relief items to same affectees again and again. Details are as under:

Sr. No.	Name of Districts	No. of Duplicate Entries of affectees
1.	DC Sanghar	11,922
2.	DC Khairpur	3,419
3.	DC Kamber@Shahdadt	6,410
4.	DC Matiari	2,948
5.	DC Shikarpur	2,516
6.	DC Larkana	1,649
7.	DC Jamshoro	07
	Total	28,871

Two instances are given as under for illustration:

District Kambar@Shahdadt, Taluka Kambar							
Case No.	Entry No. in list of distribution	Name of flood affectee	Duplication of same relief items				
			CNIC	Tents	Mosquito Nets	Tarpaulins Sheets	Blankets
1.	5819	Sahab Dino Rid	4340203596985	2	2	1	2
	11106	Sahib Dino Rid	4340203596985	2	1	1	2
	11022	Sahab Dino S/o Dur Muhammad	4340203596985	2	1	1	4
	15378	Sahab Dino S/o Dur Muhammad	4340203596985	2	2	1	2
	15462	Sahib Dino Rid	4340203596985	2	2	1	2
2.	4446	Zahida	4340206235288	3	2	1	3
	4553	Zahida	4340206235288	3	2	1	3
	15927	Zahida	4340206235288	2	2	1	3
	16034	Zahida	4340206235288	2	2	1	5

The above audit observations were issued to the management on 02.02.2023. It was replied that distribution of relief items was made in calamity and at that time all the areas were badly hit by rain and flood. Best efforts were made to obtain the particulars to complete the record.

DAC meeting was held with the Principal Accounting Officer on 20.02.2023. Audit stressed upon the Administrative department to look into the matter to address the observations of audit for taking necessary corrective steps.

Audit recommends that necessary corrective action may be taken by the DDMA's and the PAO to address the audit observations.

(Para No 2.3.3.2.1. of Forensic Audit 2022 Sindh)

1.4.10. Overpayment to suppliers on account of GST – Rs. 429.676 million

According to SRO No. 1636(1)/2022 dated 30.08.2022, Federal Government exempted for a period of ninety days the import and supply of the goods as certified by the National Disaster Management Authority or a Provincial Disaster Management Authority for relief operation for flood affectees, from the whole of the sales tax.

Provincial Disaster Management Authority (PDMA), Sindh issued various purchase orders for supply of relief items / goods / provision of services to different suppliers/vendors out of funds released by Finance Department, Government of Sindh for the flood affectees 2022.

During audit of PDMA, Sindh for the financial year 2022-2023, it was observed that the suppliers/vendors quoted the unit cost of these items inclusive of 17% GST. PDMA, while releasing the payment to the vendors, withheld 1/5th GST amounting to Rs. 107.451 million, whereas the remaining 4/5th share of GST i.e. Rs. 429.676 million was released to the suppliers.

Audit held that in the light of exemption of whole of GST by Federal Government, the entire amount of GST i.e. 17% of the gross payment was required to be withheld from the suppliers, instead of releasing GST to the vendors. Further, the deposit of 4/5th share of GST by the vendors into Government treasury was also not confirmed. As such, the suppliers were overpaid for an amount of Rs. 429.676 million. (**Annexure-V**).

The observation was issued to the management on 02.02.2023. It was replied that the purchase orders under question were issued before the issuance of SRO dated 30.08.2022. These vendors were of the view that they had procured raw material / relief items by paying sales tax. However, vendors were advised to submit undertaking on stamp paper for any future recovery regarding taxes.

DAC meeting was held with the Principal Accounting Officer (PAO) on 21.02.2023. The forum decided that tax liability stands at the part of the vendors. In case, any vendor fails to deposit the remaining tax to the FBR, their names along with the amount due shall be intimated to FBR for recovery, failing which the companies in question shall be blacklisted and legal action shall be taken against them.

Audit recommends implementation of DAC decision within 30 days.

(Para No 2.4.1.6. of Forensic Audit 2022 Sindh)

1.4.11. Non recovery of advance payments made to the contractors – Rs. 128.785 million

According to Section 16 of General Conditions of Contract of bidding documents, the Contract Price, including any Advance Payments, if applicable, shall be paid as specified in the Special Conditions of the Contract.

Sindh Resilience Project (SRP), PDMA-component entered into contract agreements amounting to Rs. 1,711.672 million with the various contractor/suppliers for provision of goods and services. Advance payment amounting to Rs. 615.776 million was made to the contractors during the financial year 2022-23. The completion period of contract agreements was upto June-2023.(Annexure-VI).

During audit of SRP (PDMA-component) for Financial Year 2022-23, it was observed that the contractor failed to supply the items within the contract completion period i.e. upto June-2023, despite having received the amount in advance. The suppliers neither supplied the items nor returned the advance amount Rs. 128.785 million.

Audit held that non supply of the items by the suppliers was not justified. Moreover, non-recovery of the advance from the suppliers resulted into loss to the government.

Initial audit observation was issued on 13.10.2023. In response the management replied that the contracts are still in progress and time extension has been granted due to project dynamics. The PIU is diligently overseeing these contracts and ensuring the completion of pending activities within the extended timelines.

Para was discussed in DAC meeting held on 04.12.2023. The forum directed the management to provide the relevant document of time extension and status of payment detail in respect to payment of contractor and recovery of advances to audit within 3-week time for verification.

Audit recommends implementation of DAC decision. Besides, satisfactory completion of contracts within extended period of time.

(OS No.10 of FAP Audit 2022-23 SRP Sindh)

1.4.12. Loss to Government revenues due to non-deduction of stamp duty – Rs. 82.865 million

According to Section 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 (Currently 0.35) paisa per hundred rupees of the value of the agreement or against tender cost.

Provincial Disaster Management Authority (PDMA), Sindh issued various purchase orders for procurement of relief items (food items & non-food items) for the affectees of flood 2022 amounting to Rs. 23,675.690 million.

During audit of PDMA, Sindh for the financial year 2022-2023, it was observed that payments were made to the suppliers without deduction of stamp duty. The detail is given below:

(Rs. in million)

Sr. No.	Name of item procured	Qty.	Total Value of work order issued	Stamp duty @ 0.0035%
1.	Tents	781,657	13,938.484	48.785
2.	Tarpaulin Sheets	398,140	922.226	3.228
3.	Mosquito Nets	232,000	195.560	0.684
4.	Animal Mosquito Nets	150,000	405.000	1.418
5.	Blankets	1,650,000	1,633.900	5.719
6.	Ration Bags	1,755,547	6,383.421	22.342
7.	Miscellaneous items	-	197.101	0.690
Total			23,675.692	82.865

Audit held that non-deduction of stamp duty resulted in loss to the government revenues.

The observation was issued to the management on 02.02.2023. It was replied that since the rules were exempted and emergency procurement was allowed, therefore in the emergency situation, stamp duty was not deducted from the vendors to ensure quick supply of relief goods.

The reply was not satisfactory as stamp duty was required to be deducted from the suppliers / vendors.

DAC meeting was held with the Principal Accounting Officer (PAO) on 21.02.2023. The forum directed PDMA to approach the competent authority to waive off the stamp duty as per policy and in view of emergency situation. Audit stressed upon the administrative department to recover the stamp duty from the suppliers.

Audit recommends recovery of the stamp duty.

(Para No 2.4.1.7. of Forensic Audit 2022 Sindh)

1.4.13. Non-renewal of Performance Security – Rs. 62.777 million

According to clause 18.1 and 18.4 of General Contract Conditions of Contract agreement, a performance security shall be required. The amount of the performance security shall be 10% of contract price. The performance security shall take place 28 days after the completion of warranty period.

Sindh Resilience Project (SRP), PDMA-component entered into contract agreements with various contractors/suppliers for supply of goods and services during the financial years 2021-22 and 2022-23. The contractors/suppliers submitted performance security amounting to Rs.62.777 million.

During audit of SRP (PDMA-component) for Financial Year 2022-23, it was observed that the works were not completed till date of audit i.e. October, 2023 however, the performance securities of the contractors were not got renewed. Detail is as under:

(Rs. in million)

S. #	Name of Contractor	Description	Date of Award Contract	Date of Issue of performance security	Date of Expiry performance security	Amount
1.	M/S CGD Consulting	Procurement of Sandwich Panels for Rescue HQ & Stations	6.5.2022	09.05.2022	08.05.2023	32.610
2.	M/S Lab Link Enterprises	Supply of Oxygen Equipment	7.4.2022	13.04.2022	13.09.2022	4.140
3.	M/S NPI Construction & Engineering	Refurbishment of Existing Public Health Facilities	5.4.2022	05.04.2022	04.04.2023	26.027
Total						62.777

Audit held that non-renewal of performance securities of the suppliers was not justified as in the event of non-performance by the suppliers, no remedy will be available with the government to make the loss good.

Initial audit observation was issued on 13.10.2023. In response the management replied that SRP team has communicated with the contractors, urging them to renew their performance securities. Most of the contracts are in their final stages, and the department currently holds adequate resources to cover the safeguarding of the project's interests.

The reply of the management was not satisfactory as the performance security of the contractors were not got renewed.

Para was discussed in DAC meeting held on 04.12.2023. The forum directed the management to renew the performance security and got verified from Audit authorities.

Audit recommends implementation of DAC decision.

(OS No.18 of FAP Audit 2022-23 SRP Sindh)

1.4.14. Un-verifiable expenditure on POL utilized for de-watering and rescue activities - Rs.41.053 million

According to Rule 88 of the Sindh Financial Rule Vol-1, every public officer should exercise the same vigilance in respective of expenditure incurred from Government revenues as a person of ordinary prudence would exercise in spending his own money.

District Disaster Management Authorities (DDMAs)/Deputy Commissioners (DCs) of two (02) districts incurred an expenditure amounting to Rs. 41.053 million on account of POL for de-watering activities during flood 2022 through truck mounted vehicles. Details are as follows:

(Rs. in million)

Sr. No.	Name of Entities	Name of Contractor	Amount
1.	DC NaushahroFeroze	M/s Al-Rehman Attock Petroleum Services and eight other filling stations	31.465
2.	DC Jamshoro	M/s Rahim Petroleum Services and M/s Sikandar Petroleum service	9.588
Total			41.053

During audit of DDMA/DCs for the financial year 2022-23, it was observed as under:

- i. Log books / movement record and history sheets of the boats and vehicles used in de-watering activities were not maintained rendering the expenditure unverifiable.
- ii. The details of working hours / running of de-watering machines along with the exact locations were also not maintained.

Audit held that absence of record rendered the expenditure as un-verifiable.

The observation was issued to the management on 02.02.2023. The management replied that relevant record is available.

DAC meeting was held with the Principal Accounting Officer (PAO) on 20.02.2023. Audit stressed upon the administrative department to look into the matter for addressing the observations of audit.

Audit recommends to provide the supporting record for verification.

(Para No 2.4.2.2 of Forensic Audit 2022 Sindh)

1.4.15. Less deduction of Sindh Sales Tax on Services from M/s Neotec- Rs. 8.14 million

According to 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. The rate of tax for 'Other services not specified elsewhere' was specified @ 13%.

Further, according to Clause 3 of renewal/extension in Contract Agreement for Mobile Diagnostic Services for Breast Cancer "The sales tax on services if applicable on the service charges shall be borne by the service provider".

Directorate of Mobile Diagnostic & Emergency Healthcare Services (MD&EHS) Karachi made payment of Rs. 656.863 million to M/s Neotec (Pvt) Limited during financial year 2022-23 on account of services provided under the contract agreement titled "Mobile Emergency Health Care Units (MECHU)" signed on January 2023 and "Mobile Diagnostic Services for Breast Cancer (MDSBC)" signed on May 2017.

During audit of Directorate of MD&EHS Karachi for the financial year 2022-2023, it was observed that the department had deducted less amount of tax (1/5th portion) being withholding agent. M/s Neotech Pvt Limited was registered with Sindh Revenue Board (SRB), under SNTN 3541656-4 since 23.01.2025 for principal activity code 9809 of the second schedule to Sindh Sales Tax on Services Act, 2011 and fall under tariff description “Services provided or rendered by persons engaged in contractual execution of works for furnishing supplies” The said services are chargeable to Sindh Sales tax at the statutory rate of 13% in term of the second schedule of Act, 2011.

The details of Sindh Sales tax deducted from M/s Neotech during financial year 2022-23 are as under.

(Rs. in million)

Project	F.Y.	Total billed amount	SST required to be deducted (1/5 th) @ 13%	SST deducted	Difference	Remarks
Mobile Emergency Health Care Unit	2022-23	439.027	11.41	6.04	5.37	Detail is given at (Annexure VII)
Mobile Diagnostic Services for Breast Cancer		217.835	5.66	2.89	2.77	
Total		656.862	17.07	8.93	8.14	

Audit held that less deduction of Sindh Sales Tax was a serious lapse on the part of the management and resulted into a loss to government revenues.

Initial audit observation was issued on 27.07.2023. In response the management replied that Directorate had sent the bills of M/s Neotec Pvt. Ltd. after deducting the SST for seven months payments. Moreover, M/s Neotec Pvt. Ltd. has also filed the appeal to the Chairman SRB for further clarification. The Directorate will deduct the remaining tax according to the decision of Sindh Revenue Board against the appeal of contractor

Para was discussed in DAC meeting held on 04.12.2023. DAC decided to stand the para till the decision of SRB. The tax deduction will be made in line with clarification/ decision of SRB.

Audit recommends that due taxes may be recovered and deposited into Government treasury.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide Para No. 1.4.4. Recurrence of same irregularity is a matter of serious concern.

(Para No.5 of AIR 2022-23 MD&EHS)

1.4.16. Loss due to non-imposition of liquidated damages – Rs. 161.999 million

According to Special Condition of Contract 19, the Supplier will provide the supplies on or before due date and the maximum deduction of liquidated damages will be 0.5% per week up to 10% of the maximum.

Sindh Resilience Project (SRP), PDMA-component entered into contract agreement with contractor for supply of various equipment amounting to Rs. 1,619.991 million during the financial year 2022-23. (**Annexure-VIII**).

During audit of SRP (PDMA-component) for Financial Year 2022-23, it was observed that the supplier failed to supply the equipment within stipulated time period and liquidated damages were not imposed amounting to Rs. 161.999 million.

Audit held that despite late delivery, the liquidated damages were not imposed and recovered from the contractor which resulted in loss of Rs. 161.999 million.

Initial audit observation was issued on 13.10.2023. In response the management replied that all the contacts were allowed time extension and Extension of Time (EOT) was allowed under justified circumstances.

The reply of the management was not satisfactory as no documentary evidence was provided in support of reply.

Para was discussed in DAC meeting held on 04.12.2023. The forum directed the management to provide EOT documents along with justification and circumstances where EOT was allowed within 3 week time.

Audit recommends implementation of DAC decision.

(OS No.14 of FAP Audit 2022-23 SRP Sindh)

1.4.17. Non-deduction of Sindh Sales Tax on Services – Rs. 7.310 million

According to Sindh Sales Tax on Services Act, 2011, Second Schedule (Taxable Services), contractor of building (including water supply, gas supply and sanitary works), electrical and mechanical works (including air conditioning, multi-disciplinary work including turnkey projects) and similar other works shall pay tax @ 13%.

Provincial Disaster Management Authority (PDMA) Sindh paid an amount of Rs. 55.367 million and Rs. 0.873 to M/s K.K Construction and M/s Shahzad Associates respectively for consultancy services for establishment of PDMA regional offices at Larkana and Mirpur Khas during the financial year 2022-23.

During audit of PDMA Sindh for the financial year 2022-23, it was observed that the amount was paid without deduction of Sindh Sales Tax @13% . Details are as under:

(Rs. in million)

Sr. No.	Description	Bill No.	District	Payment	SST@13%
1.	M/s KK construction	13 th Running Bill	Larkana	26.334	3.423
2.		13 th Running Bill	Larkana	27.642	3.593
3.		8 th Running Bill	Mirpur Khas	1.391	0.181
4.	M/s Shahzad Associates	Consultant	Regional offices consultant services	0.873	0.113
Total				56.24	7.31

Audit held that non-deduction of sales tax on services was a lapse on the part of the management which resulted in loss to government revenues.

Initial audit observation was issued on 25.09.2023. In response the management replied that earlier Audit raised the observation regarding Non-deduction of Sindh Sales Tax in the FY(2017-18), accordingly the matter was discussed with Assistant Commissioner, Sindh Revenue Board as to whether Sindh Sales Tax is applicable on those ADP Schemes which are included in Sindh ADP FY 2016-17. The Assistant Commissioner, SRB has informed that Sindh Sales Tax is not applicable on those ADP Schemes which are included in Sindh ADP before FY 2017-18.

The reply of the management was not satisfactory as the said schemes are still running and not completed in stipulated time period.

Para was discussed in DAC meeting held on 04.12.2023. DAC directed that matter may be taken with Sindh Revenue Board for clarification as the schemes are still in process despite lapse of stipulated time period. The outcome be shared in next DAC meeting.

Audit recommends implementation of DAC decision.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide Para No. 1.4.3 & 1.4.9. Recurrence of same irregularity is a matter of serious concern.

(Para No.4 &5 of AIR 2022-23 PDMA

Sindh)

1.4.18. Over payment to the contractor – Rs. 4.651 million

According to Rule 88 of Sindh Financial Rules, 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.

According to Rule 9.3(c) of Sindh Public Procurement Regulation (Works), all intermediate and running payments to the contractor against measurements are made through running account bills, and for all purposes are treated as measured advances subject to adjustment in final measurement/bill.

Provincial Disaster Management Authority (PDMA), Sindh made 13th running bill payment amounting to Rs. 26.334 million to M/s K.K Construction Works on account of establishment of PDMA regional office Larkana vide cheque No. 367330 dated 17.04.2023 during the financial year 2022-23.

During audit of PDMA, Sindh for the financial year 2022-23, it was observed that excess payment was made to the contractor by carrying forward erroneous amount from 12th running bill of total work done in 13th running bill. Details are as under:

(Rs. in million)

Total work done as per 12 th Running bill	Total work done brought forward from 12 th Running bill in 13 th Running Bill	Payment made as difference in 13 th running bill
367.345	369.949	2.605

It was also observed from the scrutiny of 13th running bill that excess payment amounting to Rs. 2.046 million was made to the contractor by reflecting excessive amounts in the summary as compared to abstract sheet (item wise quantity executed). Details are as under:

(Rs. in million)

Description	Present Amount (work done) as Summary of 13 th Running Bill	Present Amount (work done) as per Abstract Sheet of 13 th Running Bill	Excess Payment
3rd Type Bungalow	1.568	0.523	1.045
Schedule Items		0.484	
Non-schedule Items		0.039	
5th Type Bungalow	2.002	1.001	1.001
Schedule Items		0.760	
Non-schedule Items		0.241	
Total	3.569	1.523	2.046

Audit held that excess payment made to the contractor resulted in loss to the government.

Initial audit observation was issued on 25.09.2023. In response the management replied that all the items and quantities of residential quarters will be re-measured in actual at site and the amount may be adjusted in the next running bill.

Para was discussed in DAC meeting held on 04.12.2023. DAC directed the department to conduct fact finding report about the actual measurements of work done and payment made to the contractor duly verified by the engineer. The report thereof be presented in the next DAC meeting.

Audit recommends implementation of DAC decision. Besides, excess payment may be recovered / adjusted in the next running bill by measuring actual work done at site.

(Para No.9 of AIR 2022-23 PDMA

Sindh)

1.4.19. Physical verification of assets/stocks and relief items not carried out by PDMA, Sindh

According to Rule 116 of Sindh Financial Rules, the balance in stock should be examined yearly to see whether the balance in hand represent the quantities. Any discrepancy discovered in the verification should be fully explained.

Provincial Disaster Management Authority (PDMA) Sindh was requested to provide annual physical asset verification report for the financial year 2022-23, however the department was not able to produce the report.

During audit of PDMA Sindh for the financial year 2022-23, it was observed that the Authority failed to undertake the physical verification of stock, store and costly relief items to ascertain and verify the receipt, proper storage and issuance of the item and identify theft, misplacement and misuse of items, if any.

Audit held that non-conducting of physical verification of relief items and stocks was not justified as physical verification of stocks was extremely important for an organization like PDMA which was constantly engaged in procurement, storing and distribution of relief and other item to multiple agencies and users.

Initial audit observation was issued on 25.09.2023. In response the management replied that physical verification of stocks is regularly conducted by PDMA, however at the time of heavy floods the inspection was not conducted in time due to the operational challenges faced by PDMA. Moreover, a committee has been constituted vide Notification No.PDMA(S)/AD(Admn)/Committee/23/4019 dated 27.10.2023 for the physical verification of assets /stock and relief items. As per TORs, the committee will submit the report within one month.

Para was discussed in DAC meeting held on 04.12.2023. DAC directed that physical verification of assets and store/stocks may be carried out and report be presented in next DAC.

Audit recommends implementation of DAC decision.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide Para No. 1.4.26. Recurrence of same irregularity is a matter of serious concern.

(Para No.12 of AIR 2022-23 PDMA Sindh)

1.4.20. Non-retrieval of costly relief related items issued to DDMA's resulting into risk of loss and misplacement

According to letter No. PDMA(S)/7(Dewatering Pumps)/2022/2314 dated 11.02.2023, Provincial Disaster Management Authority, Sindh issued instructions to District Disaster Management Authorities / Deputy Commissioners that PDMA Sindh has provided dewatering pumps to the respective district and the same may be returned.

Provincial Disaster Management Authority (PDMA), Sindh issued dewatering pumps, boats / rubber boats and outboard motors for use by the DDMA's during monsoon 2022. Details are as under:

Name of Warehouse	Description of Items	Not returned to PDMA warehouse by Districts
Sukkur	Dewatering Pumps 40 HP, 24HP, 30-38 HP, Jhatta etc.	72
	Rescue and Rubbar Boats	3
	OBM Boats	9
Jamshoro	Dewatering Pumps 40 HP, 24HP, 30-38 HP, Jhatta etc.	140
	Rescue and Rubbar Boats	25
	OBM Boats	11

During audit of PDMA, Sindh for the financial year 2022-23, it was observed that the DDMA's/DCs had not returned the relief items to PDMA despite clear instructions.

Audit held that non-retrieval of relief items was lapse on the part of management and violation of instructions resulting into risk of misplacement and loss of the costly relief items and non-availability for future disasters.

Initial audit observation was issued on 25.09.2023. In response the management replied that PDMA had taken steps to retrieve the equipment(s) from the concerned DDMA(s) and to undertake repair and maintenance of the equipment(s) for any other emergency and letters have been sent to the concerned DDMA(s) for the return of equipment(s). further, it was also noted that frequent movement of the relief equipment(s) requires transportation which is very costly. Presently in some cases de-watering pumps are stationed in the offices of Deputy Commissioner(s) until complete normalization of the situation.

Para was discussed in DAC meeting held on 04.12.2023. DAC directed the department that relevant record along with status of equipment may be provided to audit for verification within 3 week time.

Audit recommends implementation of DAC decision. Besides, taking necessary steps to assess the condition of the returned relief items so as to make them ready for future disasters and relief activities.

Sindh)

1.4.21. Non-adjustment / non-retrieval of equipment after expiry of contract agreement

According to Section I 'General Principles' of Sindh 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 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'.

Mobile Directorate & Emergency Healthcare Services (MD&EHS) signed a contract agreement on 22.05.2017 with M/s Neotec (Private) limited for operational services for Mobile Diagnostic Services for Breast Cancer (MDSBC) for a period of 01 year extendable for another 05 years. The contract was further renewed /extended w.e.f. 1st July 2022 to 30th June 2023.

During audit of the Directorate of MD&EHS Karachi for the financial year 2022-23, it was observed that contract agreement had expired, however all non-functional and missing equipment as per technical visit report were not adjusted by the contractor. (**Annexure-IX**).

Audit held that after expiry of contract agreement for MDSBC non-adjustment of non-functional and missing equipment was a lapse on part of the management which resulted into loss to government and devaluation of public assets.

Initial audit observation was issued on 27.07.2023. In response the management replied that the Directorate has included the handing and taking clause in the extension of MDSBC contract and after the contract period expires, the Directorate will make proper handing / taking of the mobile units.

Para was discussed in DAC meeting held on 04.12.2023. DAC directed the management for provision of fresh visit report regarding equipment and verification of record from audit authorities.

Audit recommends implementation of DAC decision. Besides, proper handing taking of all equipment based on technical visit report may be ensured so that all items are adjusted or safely retrieved by the Directorate.

(Para No.6 of AIR 2022-23 MD&EHS)

1.4.22. Irregular expenditure without supporting vouchers – Rs. 1,343.639 million

According to Rule 23 of Sindh Financial Rules Vol-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. As far as possible, the particular form of voucher applicable to the case should be used.

Further, according to Rules and Regulations for Finance and Accounts laid down in Section 5 of Operational Manual of Sindh Resilience Project, for each payment the Financial Management Section placed at IAs will review that the payment claim is appropriately supported by documents, is in compliance with approved policies and has been approved by the competent authority.

Sindh Resilience Project (SRP), PDMA-component incurred an expenditure amounting to Rs. 1,343.639 million and made payment to different contractors on account of misc. items. (**Annexure-X**).

During the audit of SRP (PDMA-component) for the financial year 2022-23, it observed that the payment record supported by complete vouchers was not available on record. Moreover, the following documents were not found attached with the contingent bills.

- i. Financial Sanction of the Project Director.
- ii. Quotations, purchase orders and comparative statement.
- iii. Supplier invoices and GST invoice/bill.
- iv. Delivery challan/Goods Receiving Notes.
- v. Entry in Stock Registers.
- vi. Inspections Reports from Inspection committee / firm.

Audit held that payments made to suppliers without supporting vouchers was irregular.

Initial audit observation was issued on 13.10.2023. In response the management replied that all relevant record of supporting vouchers has been updated and ready for verification.

Para was discussed in DAC meeting held on 04.12.2023. The forum directed the management that supporting vouchers along with record may arranged in line with audit observation and presented to audit within 3 weeks' time for verification.

Audit recommends implementation of DAC decision. Besides, internal controls may be strengthened to avoid recurrence of similar irregularity in future.

(OS No.4 of FAP Audit 2022-23 SRP Sindh)

1.4.23. Non-obtaining of vouched accounts for the released funds - Rs. 306.440 million

According to Rule 213(5) General Financial Rules (GFR), advances made for public expenditure will be held under objection until a detailed account duly supported by vouchers is furnished in adjustment of them.

Provincial Disaster Management Authority (PDMA), Sindh transferred funds amounting to Rs. 90.000 million to Deputy Commissioners of various districts of Sindh for relief activities related to preparedness / response of Cyclone Storm (BIPORJOY) during the financial year 2022-23. Details are as under:

(Rs. in million)

Cheque No.	Date	Name of District	Amount
367400	12.06.2023	Deputy Commissioner, Thatta	20.000
367401	12.06.2023	Deputy Commissioner, Badin	20.000
367402	12.06.2023	Deputy Commissioner, Hyderabad	20.000
367403	12.06.2023	Deputy Commissioner, Sujawal	20.000

367469	16.06.2023	Deputy Commissioner, Tharparkar	10.000
Total			90.000

Similarly, PDMA, Sindh had also transferred/released funds amounting to Rs. 216.440 million during Financial Year 2022-23 as under:

(Rs. in million)

Cheque No.	Date	To whom released	Amount
367399	12.06.2023	Headquarters Engineer 5 Corps Karachi	16.440
367354	17.04.2023	HQ 5 Crops-IS Branch	200.000
Total			216.44

During certification audit of PDMA, Sindh for the financial year 2022-23, it was observed that vouched accounts and details of the payment were not obtained from the concerned entities and the amount was not adjusted after proper verification of the expenditure.

Audit held that release of funds in lump sum and non-obtaining of the vouched account was not justified resulting in unverifiable and unadjusted expenditure.

Initial audit observation was issued on 25.09.2023. In response the management replied that PDMA had requested Deputy Commissioners for submission of vouched account against funds transferred for relief activities to be carried out for preparedness / response of Cyclone Storm (BIPORJOY). Deputy Commissioner, Tharparkar has provided vouched account to PDMA Sindh, whereas vouched account from Deputy Commissioner Thatta, Badin, Hyderabad and Sujawal has not yet been received. PDMA did not reply to the observation regarding obtaining to vouched account from HQ 5 Crops Karachi.

Para was discussed in DAC meeting held on 04.12.2023. DAC directed to obtain vouched accounts from Deputy Commissioner Badin, Sujawal and Hyderabad for review, verification and adjustment by PDMA in its books of accounts.

Audit recommends implementation of DAC decision. Besides obtaining of vouched account from HQ 5 Crops Karachi.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide Para No. 1.4.7. Recurrence of same issue / irregularity is a matter of serious concern.

(OS No.6 of Certification Audit 2022-23 PDMA Sindh)

1.4.24. Non-retention/non-renewal of Performance Guarantee

According to Rule 39(I) of Sindh Public Procurement Rule 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”

Further, according to Clause 7.1 of General Conditions of Contract, the amount of performance security shall be 5% of the contract price, in the shape of Bank Guarantee from the schedule bank of Pakistan, till completion of contract including warranty period.

Directorate of Mobile Diagnostic & Emergency Healthcare Services (MD&EHS) Karachi signed a contract agreement titled “Mobile Diagnostic Services for Breast Cancer (MDSBC)” in May 2017 with M/s Neotec (Pvt) Limited for a period of one (01) year extendable for another 05 years. The contract agreement was expired on completion of five (05) years. Directorate of Mobile Diagnostics and Emergency Healthcare Services (MD&EHS) incurred an expenditure of Rs 217.835 million during financial year 2022-23 on account of operational cost of the project The year-wise detail of operational cost of the project for 05 years as per contract agreement is as under.

(Rs in million)

Year	Vendor	Description of Work	Operational Cost
1 st	M/s Neotech	Provision of Operational Services for Mobile Diagnostic Breast Cancer.	159.574
2 nd			175.532
3 rd			193.086
4 th			212.388
5 th			233.626

During audit of the Directorate of MD&EHS Karachi for the financial year 2022-23, it was observed that performance guarantee was neither retained by the department till expiry of contract agreement nor renewed at later stage at the time of extension on yearly basis for further 05 years. Non retention of Performance Guarantee resulted into risk of loss of public assets.

Audit held that the project had been completed and the process of handing /taking was to be carried out. MD&EHS had no security at this stage to bound contractor for repair of non-functional equipment and to ensure the availability of missing equipment.

Initial audit observation was issued on 27.07.2023. In response the management replied that MD&EHS had incorporated the condition of proper handing / taking as per technical report and to submit the Performance Security in the extension of contract agreement made for the period of five years or till the new tender process is completed.

Para was discussed in DAC meeting held on 04.12.2023. DAC directed that performance guarantee may be obtained from the contractor till successful completion of the contact and get the record verified from audit authorities.

Audit recommends implementation of DAC decision. Besides, performance security clause may be incorporated in the new tender of MDSBC.

(Para No.3 of AIR 2022-23 MD&EHS)

Public Service Delivery / Performance

1.4.25. Non-holding of meetings of Provincial Disaster Management Commission in the Province

According to Section 13 of National Disaster Management Act-2010, each Provincial Government shall, as soon as may be after the issue of the notification under sub-section (1) of section 3, by notification in the official Gazette, establish a Provincial Disaster Management Commission for the Province.

Provincial Disaster Management Authority (PDMA), Sindh was established in 2010 after promulgation of National Disaster Management Act, 2010. The PDMA aims towards mitigation, preparedness and to provide an organized response to the disasters.

During audit of PDMA, Sindh for the financial year 2022-23, it was observed that Provincial Disaster Management Commission (PDMC), Sindh was not notified in the official Gazette despite lapse of considerable time and resultantly, PDMC meetings were not being held in the Province.

Audit held that non-convening of regular meetings of PDMC in violation of the Act was not justified resulting in lack of oversight of the apex body on the disaster management cycle i.e. preparedness, mitigation, response and rehabilitation activities in the province.

Initial audit observation was issued on 25.09.2023. In response the management replied that exercising the powers conferred by Sub Section (1) of Section 13 of National Disaster Management Authority Act 2010, the Government of Sindh re-constituted and notified Provincial Disaster Management Commission (PDMC) on 14th April, 2014. PDMC is apex body to oversee and manage disaster management in the province. PDMA Board is primary disposing body to oversee and in-principally decide matters related to disaster management. Regular and special PDMA Board meetings are conveyed for strategic decision making of the Authority. The Notification issued on 14th April, 2014 for re-constitution of PDMC shall be sent for official Gazette for publication. Sindh Disaster Management Policy and Disaster Management Plans and Atlases endorsed and approved by PDMA Board shall be sent to PDMC for formal approval.

Para was discussed in DAC meeting held on 04.12.2023. DAC directed the department to take necessary steps for convening of PDMC meeting with the permission of the honorable Chief Minister. Progress would be presented in next DAC meeting.

Audit recommends implementation of DAC decision. Besides necessary steps may be taken for proper functioning of PDMC to oversee the disaster management issues in the Province.

(Para No.1 of AIR 2022-23 PDMA Sindh)

1.4.26. Non-establishment of Disaster Risk Reduction (DRR) wing by PDMA

According to Rule 29 of the Provincial Disaster Management Authority Sindh (Conduct of Business) Rules 2016, the Authority may constitute such wings as may be expedient for carrying out the purpose of these rules as under:

- a) Finance & Administration Wing
- b) Operation & Planning Wing
- c) Disaster Risk Reduction Wing

Provincial Disaster Management Authority (PDMA) Sindh organogram showed a Wing titled “Disaster Risk Reduction” Wing headed by a director.

During the audit of PDMA Sindh for the financial year 2022-23 it was observed that Disaster Risk Reduction Wing was not established despite having provision in the PDMA Rules of Business, 2016. The Disaster Risk Reduction Wing was essential for pre-disaster activities like mitigation and planning for future disasters and minimizing the risks and damages arising thereof. **(Annexure-XI)**.

Audit held that DRR wing was essential for taking mitigatory measures and to help reducing the risk of disasters in future.

Initial audit observation was issued on 25.09.2023. In response the management replied that PDMA Sindh realizes the importance of DRR Wing in PDMA and striving to implement and mainstream disaster risk reduction in development planning. The matters have been discussed at various forums and importance of the initiative have been sensitized. The establishment of DRR wing with all necessary details including man and material requirements were chalked out and SNE was endorsed by PDMA Board and was forwarded for financial approval to concerned authorities.

Para was discussed in DAC meeting held on 04.12.2023. DAC directed that the Authority may pursue Finance Department to sanction the posts for establishment of DRR and outcome be shared with audit authorities.

Audit recommends implementation of DAC decision.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide Para No. 1.4.28. Recurrence of same issue/irregularity is a matter of serious concern.

(Para No.2 of AIR 2022-23 PDMA Sindh)

Financial Management

1.4.27. Suspected misappropriation of funds - Rs. 44.753 million

According to Rule 88 of the Sindh Financial Rule Vol-1, every public officer should exercise the same vigilance in respective of expenditure incurred from Government revenues as a person of ordinary prudence would exercise in spending his own money.

District Disaster Management Authority (DDMA)/Deputy Commissioner (DC) Matiari incurred expenditure in connection with relief activities during flood relief 2022.

During audit of DDMA/DC, Matiari for the financial year 2022-23, it was observed as under:

- i. An amount of Rs. 44.753 million was unauthorizedly drawn in cash through open cheques by Deputy Commissioner Matiari from bank Account No. PK12SIND0004150749051000 maintained by DC office in Sindh Bank, Matiari.
- ii. As per the bank statement dated 17.01.2023, the amount (Rs. 44.753 million) was drawn in cash from the bank by the Accountant and Kotar of DC office during August and September, 2022. (**Annexure-XII**).
- iii. The audit team was provided certain record related to utilization of the funds, however the authenticity of the record could not be confirmed.
- iv. As per the said record, the amount drawn in cash from the bank was shown distributed/paid to different individuals / officers in cash by DC Matiari on different pretext which were unauthentic and non-verifiable resulting in suspected misappropriation of public funds.

Audit held that the suspected misappropriation of funds resulted in loss to the government exchequer.

The observation was issued to the management on 03.02.2023. It was replied that the details of expenditures made by Ex-DC Matiari may be rectified through concerned dealing hand i.e. Mr. Jurial Shah, Ex-Accountant.

DAC meeting was held with the Principal Accounting Officer (PAO) on 20.02.2023, wherein the audit observation was accepted by the management. Audit stressed to get the matter further investigated and to initiate necessary legal action and recover the amount from the officers/officials involved in suspected misappropriation.

Audit recommends implementation of DAC decision.

(Para No 2.4.2.1. of Forensic Audit 2022 Sindh)

1.4.28. Irregular payments to supplies/vendors in cash – Rs. 77.150 million

According to Rule 157 of FTR, Volume-I, the cheques drawn in favour of government officers and departments in settlement of government dues shall be crossed “A/c payee only-not negotiable. Moreover, the cheques drawn in favour of firms or private persons for payment shall also be crossed.

District Disaster Management Authorities (DDMAs)/Deputy Commissioners (DCs) of seven (07) districts incurred an expenditure amounting to Rs. 77.150 million in connection with relief activities during flood 2022.

During audit of DDMAs/DCs for the financial year 2022-23, it was observed that the amount (Rs. 77.150 million) was paid to various vendors/suppliers through cash instead of payments through cross-cheques. Details are as under:

(Rs.in million)

Sr. No.	Description	Amount
1.	Deputy Commissioner Sanghar	3.455
2.	Deputy Commissioner Jamshoro	2.539
3.	Deputy Commissioner Tharparkar	1.927
4.	Deputy Commissioner Mitiari	28.929
5.	Deputy Commissioner NaushaharoFeroze	35.683
6.	Deputy Commissioner Khairpur	3.617
7.	Deputy Commissioner Mirpurkhas	1.000
Total		77.150

Audit held that there were chances of misappropriation when payments are not made through cross-cheques and are handed over to the employees / beneficiaries / suppliers in cash.

The observation was issued to the management on 02.02.2023. It was replied that huge rescue and relief activities were carried out for facilitation of the flood affectees in rain emergency. Due to failure of banking system, the mode of payments through DDO was opted to meet the dire needs of the early days of disaster.

DAC meeting was held with the Principal Accounting Officer (PAO) on 20.02.2023. Audit stressed that the matter should be looked into by the administrative department to ascertain the legitimacy and authenticity of the payments.

Audit recommends that payments to vendors/suppliers may be made through cross cheques in the respective bank accounts only.

(Para No 2.4.2.3. of Forensic Audit 2022 Sindh)

1.4.29. Non-encashment of performance security and insurance guarantee against mobilization advance – Rs. 574.907 million

According to Section 16.1(i) of General Condition of Contract of bidding documents, advance payment ten (10) percent of the contract price shall be paid within thirty (30) days of signing of the contract against invoice and an irrevocable bank guarantee issue by scheduled bank for the equivalent amount and in the form provided in the bidding document or another form acceptable to the purchaser. Further, according to Section 18.1, the amount of the Performance Security shall be 10% of contract price.

Sindh Resilience Project (SRP), PDMA-component awarded contract amounting to Rs. 1,437.268 million to M/s Global Connect Synergy Pvt. Ltd. (JV) M/s. Meraj Limited for supply of rescue equipment. The management made advance payment amounting to Rs. 431.180 million as mobilization advance to the contractor during the financial year 2022-23. The equipment was required to be delivered within 120 days w.e.f. 14.10.2022 to 10.02.2023. The detail is as under:

(Rs. in million)

Sr. No.	Description	Amount
1.	Insurance Guarantee against Advance Payment	431.180

2.	Performance Security	143.727
Total		574.907

During audit of SRP (PDMA-component) for Financial Year 2022-23, it was observed as under:

- i. The contractor was paid advance payment in contravention of rules.
- ii. The contractor failed to supply the items till 10.02.2023 in violation of the contractual obligation.
- iii. The items remained unsupplied till date of audit i.e. September, 2023.
- iv. The management failed to encash the performance security and insurance guarantee provided by the contractor.

Audit held that non supply of the items by the supplier despite having paid in advance resulted in loss to the government.

Initial audit observation was issued on 13.10.2023. In response the management replied that due to constraint in opening of Letter of Credit (LC) delay was occurred in completion of the contract. Due to closure of SRP the department made a decision to cancel the contract. Moreover, the advance was fully recovered from the already supplied items and payment made to the contractor.

Para was discussed in DAC meeting held on 04.12.2023. The forum directed the management that a fact-finding report may be provide to ascertain the factual position in line with audit observation within 3 week time.

Audit recommends implementation of DAC decision.

(OS No.13 of FAP Audit 2022-23 SRP Sindh)

1.4.30. Creation of liabilities amounting to Rs. 441.252 million

According to Rule 9 of General Financial Rules, Volume-I, as a general rule no authority may incur any expenditure or enter into any liability involving expenditure from public funds until the expenditure has been sanctioned by general or special orders of the President or by an authority to which power has been duly delegated in this behalf and the expenditure has been provided for in the authorized grants and appropriations for the year.

District Disaster Management Authorities (DDMAs)/Deputy Commissioners (DCs) of eight (08) districts made procurements amounting to Rs. 1,756.029 million in connection with relief activities during flood 2022.

During audit of DDMAs/DCs for the financial year 2022-23, it was observed that the amount of funds released was Rs. 1,314.777 million only and expenditure over and above the releases/allocation resulted in creation of liabilities amounting to Rs. 441.252 million in the respective districts. Details are as under:

(Rs. in million)

Sr. No.	Name of Entity	Funds Released till cut of date of audit	Fund utilized till cut of date of audit	Liabilities created
1.	DC Sanghar	160.000	207.142	47.142
2.	DC Dadu	271.000	341.000	70.000
3.	DC Jamshoro	9.600	109.600	100.000
4.	DC Mirpurkhas	100.000	120.680	20.680
5.	DC Shaheed Benazirabad	180.000	197.419	17.419
6.	DC Larkana	170.000	206.407	36.407
7.	DC NoushahroFeroze	183.343	197.691	14.348
8.	DC Sukkur	240.834	376.090	135.256
Total		1,314.777	1,756.029	441.252

Audit held that expenditure without funds was not justified resulting in creation of huge liabilities.

The observation was issued to the management on 02.02.2023. It was replied that massive rescue and relief activities were carried out for facilitation of the flood affectees in rain emergency. There was shortage of funds to meet the disastrous situation which resulted in creation of liabilities. Accordingly, request for funds was submitted to the concerned quarters for release of funds to clear the liabilities.

DAC meeting was held with the Principal Accounting Officer (PAO) on 20.02.2023. The forum directed that a case to clear liabilities be submitted to Sub-Committee of Public Financial Management Committee as per the policy.

Audit recommends implementation of DAC decision. Moreover, the entities may incur expenditure within the budgetary allocation and funds committed so that no liabilities are created.

(Para No 2.4.2.4 of Forensic Audit 2022 Sindh)

1.4.31. Non submission of monthly Accounts to AG Sindh – Rs. 9,061.022 million

According to Para 6(III) of the Revised Accounting Procedure for Revolving Fund Accounts circulated by Finance Division vide OM No. F.2(3)BI-I/2022-RFA dated 04.08.2022, the Project Authority/DDO shall also provide/submit a statement of accounts to AGPR / AG on monthly basis.

Sindh Resilience Project (SRP) (PDMA-component) incurred an expenditure amounting to Rs. 9,061.022 million during the financial year 2022-23. Details are as under:

(Rs. in million)

Description	IDA Credit 67940-PK (A)	IDA Credit 5880-PK (B)
Payments made by the project	9,060.514	0.508

Total payments	9,060.514	0.508
Grand Total (A+B)	9,061.022	

During audit of SRP (PDMA-component) for Financial Year 2022-23, it was observed that expenditure amounting to Rs.9,061.022 million was not reported to the AG Sindh.

Audit held that non-reporting of expenditure and submission of Accounts to AG was not justified.

Initial audit observation was issued on 13.10.2023. In response the management replied that the District Treasury Officer Karachi, Government of Sindh, endorses all cheques, and the treasury arranges a reconciliation of these with the AG.

The reply of the management was not satisfactory as management of Project did not submit monthly accounts to AG office for post audit.

Para was discussed in DAC meeting held on 04.12.2023. The forum directed the management for submission of monthly accounts to AG Sindh on regular basis for post audit and compliance report should be presented in next DAC meeting.

Audit recommends implementation of DAC decision.

(OS No.1 of FAP Audit 2022-23 SRP- Sindh)

1.4.32. Cost and Time overrun due to slow pace of work on establishment of PDMA Regional Offices and non-revision of PC-I

According to Clause 43.1 of the Conditions of the Contract, time for completion of the project was 02 years and 06 months after the receipt of Engineer's notice to commence.

Provincial Disaster Management Authority (PDMA) Sindh signed three contract agreements amounting to Rs. 870.038 million on 05.06.2018 with M/s K.K Construction and M/s Muhammad Hasni Builder & M/s Raza Muhammad & Co (JV) for establishment of PDMA regional offices at Larkana, MirpurKhas and Benazirabad. The completion period of the projects was two years and six months, which was subsequently extended up to June-2022. Payment amounting to Rs. 53.568 million was made to the contractors up to 30th June, 2023. The details are as under:

(Rs. in million)

Sr. No.	Name of contractor	District	Work award amount	Payment	Status of Progress		
					Expenditure (%)	Structuring work	Finishing work
1.	M/s K.K Construction	Larkana	347.107	382.749	110%	75%	36%
2.	M/s K.K Construction	MirpurKhas	169.748	185.84	109%	88%	51%

3.	M/s Muhammad Hasni Builders Raza Muhammad & Co. (JV)	Shaheed Benaziraba d	338.21 2	176.458	52%	53%	31%
Total			855.06 7	745.047	87%		

During audit of PDMA, Sindh for the financial year 2022-23, it was observed as under:

- i. The work was not completed within stipulated time period despite extension of time.
- ii. The progress reports of the work revealed that the overall progress for structural work was 71.5% and finishing work was 40% as in June 2023.
- iii. The expenditure was incurred in Excess of scheme wise allocation. However, the PC-I was not revised in accordance with increase and decrease in quantities and design of the development schemes.

Audit held that slow pace of work resulted in cost and time overrun and non-achievement of the contract agreement.

Initial audit observation was issued on 25.09.2023. In response the management replied that request for extension of the scheme was moved to Planning & Development Department through Rehabilitation Department. As the scheme is under revision, the plan of the scheme would be automatically extended once revised. The pace of work was slow due to heavy rains and floods damage in the second half of year 2022, the allocated funds were initially frozen, then curtailed to half. The department has already taken measures for revision of PC-I.

Para was discussed in DAC meeting held on 04.12.2023. DAC directed the department to provide approved revised PC-I for verification of audit authorities within 15 days.

Audit recommends implementation of DAC decision.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide Para No. 1.4.25. Recurrence of same issue / irregularity is a matter of serious concern.

(Para No.07 of AIR 2022-23 PDMA Sindh)

1.4.33. Non-provision of insurance coverage for Mobile Emergency Healthcare Units

According to Para 11 of Instructions to bidders in Bidding Document, the quoted rates should include all costs of whatsoever description and expenses necessary for the whole work together with all risks, taxes, liabilities and obligations, specific or implied, in the tender documents. Arithmetical errors, if any shall be corrected and tender price amended accordingly.

Directorate of Mobile Diagnostics and Emergency Healthcare Services (MD&EHS) signed contract agreement amounting to Rs 462.720 million with M/s Neotech for operational services for 16 Mobile Emergency Healthcare Units (MEHCU).

During audit of MD&EHS for financial year 2022-23, it was observed that M/s Neotech incurred an expenditure amounting to Rs 439.027 million, however insurance coverage as required under the bidding document was not provided by the vendor.

Audit held that non provision of insurance resulted into risk to public assets and also violation of terms and conditions of the contract as prescribed in the bidding document.

Initial audit observation was issued on 27.07.2023. In response the management replied that this Directorate will procure the Insurance from the Sindh Insurance Limited to minimize the risk of public assets in current financial year.

Para was discussed in DAC meeting held on 04.12.2023. DAC directed the management to provide the insurance cover for operational services for 16 Mobile Emergency Healthcare Units to safeguard the public interest and progress would be produced before next DAC.

Audit recommends implementation of DAC decision.

(Para No.2 of AIR 2022-23 MD&EHS)

Chapter-2

2.3.4.1 *Sindh Environmental Protection Agency and Sindh Coastal Development Authority under Environment, Climate Change & Coastal Development Department, Government of Sindh*

2.1 Introduction

A. Environment, Climate Change & Coastal Development Department of Government of Sindh is the concerned department dealing with subject of environment and climate change in the province. The main agencies under the department include Sindh Environmental Protection Agency (SEPA) and Sindh Coastal Development Authority (SCDA).

The Sindh Environmental Protection Agency (SEPA) was established in 1989 having its Headoffice at Karachi and Regional Offices in Karachi, Hyderabad, Sukkur, Shaheed Benazirabad, Mirpur Khas and Larkana. Recently, the EPA has also established offices at District level. The major functions of EPA include protection, conservation, rehabilitation and improvement of the Environment; prevention and control of pollution; and promotion of sustainable development through enforcement of Environmental Laws.

Environmental Protection was a Federal subject, enacted through Pakistan Environmental Protection Act, 1997. However, after 18th Amendment in the Constitution of Islamic Republic of Pakistan, the subject of Environment was devolved to the provinces. Consequently, Sindh Province enacted the Sindh Environmental Protection Act, 2014 and developed rules and regulations for carrying the purposes of the Act.

The Sindh Coastal Development Authority (SCDA) was created through an Act of Sindh Provincial Assembly in 1994 for improvement, beautification and development of the coastal areas.

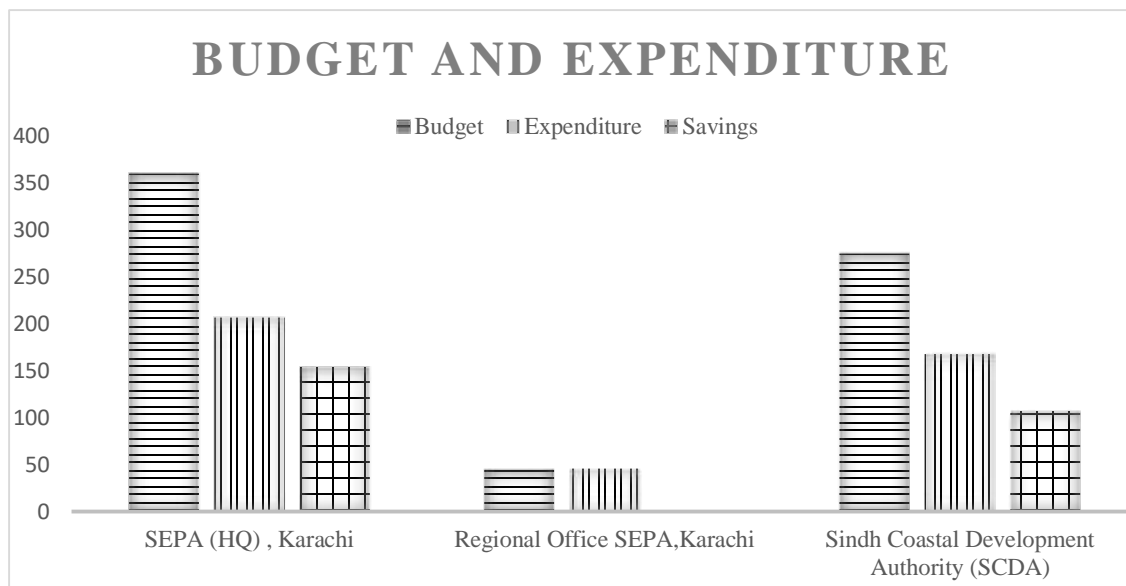
B. **Comments on Budget & Accounts of audited entities (Variance Analysis)**

(Rs. in million)

Sr. No.	Financial Year	Formations	Funds Released	Expenditure	Savings
1.	2021-23	Sindh Environmental Protection Agency, Karachi	359.879	206.056	153.823
2.	2022-23	Regional Office SEPA, Karachi	45.225	45.225	0
3.	2021-23	Sindh Coastal Development Authority, Karachi	274.292	167.327	106.965
Total			679.396	418.608	260.788

Source: expenditure and budget statements

The comparison of expenditure incurred vis-à-vis funds released to the Sindh Environmental Protection Agency (SEPA), Regional Office Karachi and Sindh Coastal Development Authority (SCDA), graphically illustrated is as under:



C. Sectoral Analysis

The major functions of Sindh Environmental Protection Agency (SEPA) include protection, conservation, rehabilitation and improvement of the environment; prevention and control of pollution; and promotion of sustainable development through enforcement of environmental laws.

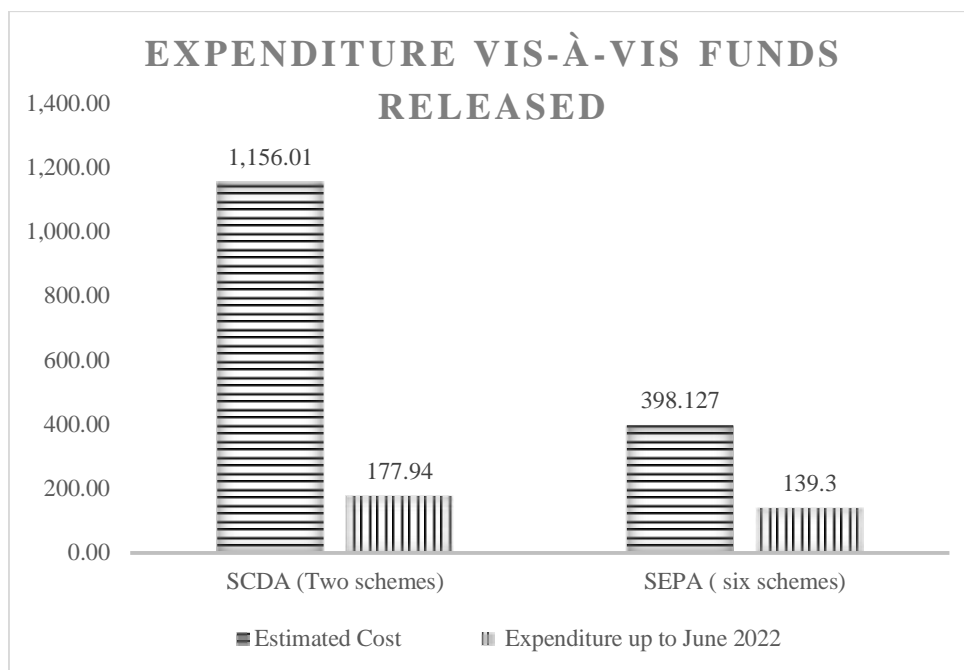
Sindh Coastal Development Authority (SCDA) is responsible for development projects on coastal areas of Sindh and the Authority has played a vital role for development of vast area of more than 15,000 square kilometers along 300 km long coast in Sindh. The Authority works under the administrative control of Secretary Environment, Climate Change and Coastal Development Authority, Government of Sindh.

Currently SEPA is executing Six ADP schemes, having an estimated cost of Rs. 398.127 million, while an expenditure amounting to Rs. 139.289 million was incurred upto 30th June 2023. The details of the schemes are as under;

- i. Study of Environmental & Health Impacts of Pesticides and Chemical Fertilizer in Sindh Province.
- ii. Strengthening of Environmental Monitoring System in EPA.
- iii. Environmental Awareness & Education for Conservation and Protection of Natural and Ecological Resources of Sindh.
- iv. Study of Ambient Air Quality in Major Urban Areas of Sindh.
- v. Construction of Additional Floor, Renovation and Rehabilitation of EPA Building at Hyderabad.
- vi. Construction of Additional Block, Renovation and Rehabilitation of EPA Building at Sukkur.

In case of SCDA, currently two schemes are in progress with an estimated cost of Rs. 1,156.01 million with an expenditure amounting to Rs. 177.944 million incurred upto 30th June 2023.

The financial progress of the development schemes of SEPA and SCDA is graphically illustrated as under:



Slow progress on the schemes related to environment as indicated above is mainly due to non-release of ADP funds by the Provincial Government in a timely manner. Therefore, it is essential that sufficient funds are provided by the Government for the ongoing ADP schemes to complete them as per the target dates.

Based on the audit findings of this report and previous audit reports it appears that Sindh Environmental Protection Agency (SEPA) and its regional offices, were not able to fully achieve their objectives as were conceived in the SEPA Act. SEPA laboratory was established in the province, however, the lab is not performing up to its full potential. The equipment is mostly outdated / out of order due to which the necessary testing cannot be performed properly resulting in weak enforcement of environmental laws in the province. Moreover, Regional Environmental Offices were established at Karachi, Hyderabad, Sukkur, MirpurKhas and Larkana, however, these are not working properly due to non-appointment of staff and lack of proper infrastructure. The similar situation was observed in newly established district offices of EPA.

SEPA is required to take concrete steps and improve its monitoring mechanism and strengthen the existing enforcement regime. Further, lack of coordination between SEPA (Hqs) and its regional offices has also led to increased cases of non-compliance of environmental laws. SEPA is required to put in place a proper coordination/mechanism between the Hqs and the regional/district offices for smooth functioning and implementation of SEPA Act and Regulations in letter and spirit for the betterment of the environment in the province.

Similarly, the SCDA is also lacking in taking up the environmental and coastal issues /challenges effectively. The Authority is required to adopt research-based strategies to understand and minimize environmental hazards and natural threats in the province.

Table I: Audit profile of Environment, Climate Change & Coastal Development Department of Government of Sindh

(Rs. in million)

Sr. No	Description	Total Nos.	Audited	Expenditure audited FY 2020-21
1.	Formations	9	3	418.608
2.	<ul style="list-style-type: none"> • Assignment Account • SDAs • Sustainable Development Fund Account • Etc.(excluding FAP) 	1 Nil 1	Nil Nil Nil	-
3.	Authorities /Autonomous bodies etc. under the PAO	1	1	-
4.	Foreign Aided project (FAP)	Nil	-	-

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 1,092.740million have been raised in this report pertaining to Sindh Environmental Protection Agency and Sindh Coastal Development Authority. Recovery amounting to Rs. 10.046 million has been pointed out in the audit observations Summary of the audit observations classified by nature is as under:

Table II: Overview of Audit Observations**(Rs. in million)**

Sr. No	Classification	Amount
1.	Irregularities	574.522
A	Procurement	64.801
B	Internal Control Weaknesses	509.721
2.	Public Service Delivery / Performance	288.000
3.	Financial Management	230.218

2.3 Brief Comments on the Status of Compliance with PAC Directives

This Directorate General Audit (CC&E) started auditing and reporting Environment related departments of the Government of Sindh since FY 2016-17.No Audit Report has been discussed in the PAC and no directives were issued.

2.4 AUDIT PARAS**Procurement****2.4.1. Non-obtaining of Performance Guarantee from contractors-Rs. 46.109 million**

According to 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”

Sindh Coastal Development Authority (SCDA) executed a scheme titled ‘Communication Access & Allied Facilities in the Coastal Areas of Sujawal& Badin (SDG No 6,9,14 & 15)’ having estimated cost of Rs. 496.051 million. The NIT was published on 10.04.2022 for construction of 36 different roads and accordingly work was awarded to lowest bidders. **(Annexure-XIII)**.

During audit of SCDA for the financial years 2021-23, it was observed that the selected contractors were required to provide performance guarantee prior to commencing of work, however the required guarantees were not obtained and the work was executed by contractors without performance guarantees in place.

Audit held that non-obtaining of performance guarantees from the contractors was unjustified and violation of rules resulting in putting government interest at stake.

Initial audit observation was issued on 11.08.2023. In response the management replied that deductions were made as 5% bid security and 3% deduction as retained payment from the contractor bills.

Para was discussed in DAC meeting held on 01.12.2023. DAC directed the department to ensure deduction of 10% from the contractors and compliance be shown in next DAC meeting.

Audit recommends implementation of DAC decision.

(Para No.6 of AIR 2021-23, SCDA)

2.4.2. Irregular expenditure on procurement of items-Rs. 16.888 million

According to 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.”

Further, according to Rule 16 (a) (d), “the request for quotation shall indicate the description and quantity of the goods or specifications of works, as well as desired delivery, or completion time and place.”

Sindh Environmental Protection Agency (SEPA) incurred an expenditure amounting to Rs. 16,888,547 under different heads of accounts during financial year 2021-23. (**Annexure-XIV**).

During audit of Sindh EPA for the financial years 2021-23, it was observed as under:

- i. Same items were purchased on recurring basis without assessment of need and proper indent.
- ii. The procurement was made through splitting of expenditure to avoid open tendering process.
- iii. Invoices were found without bearing any reference of supply order and receiving of store keeper. Moreover, the invoices received were without date & No.
- iv. The acknowledgement of end users was not available on record.
- v. Bills of M/S Sami Trading Company were not in a chronological order so genuineness of the procurement could not be verified and authenticated (**Annexure-XV**).
- vi. Quotations from open market were not obtained to promote competition and almost all procurements were made from a single firm i.e.M/s Al Fatima (**Annexure-XVI**).
- vii. Neither any committee was constituted nor inspection carried out to verify the quality of the procured items.

Audit held that discrepancies observed were not justified and genuineness of the procurement process was not verifiable resulting into irregular expenditure.

Initial audit observation was issued on 11.08.2023. In response the management replied that the pointed amount was the annual release of different cost center(s) which was released on quarterly basis and below three hundred thousand rupees which required quotations as per law. This office invited three quotations from supplier/vendors as per requirement/needs of this office on available released amount on quarterly basis.

Para was discussed in DAC meeting held on 01.12.2023.DAC decided to regularize the expenditure through Finance Department, Government of Sindh. Moreover, the forum directed EPA and its regional/district offices to avoid such practices in future.

Audit recommends implementation of DAC decision. Besides, internal controls may be strengthened to avoid recurrence of similar irregularities in future.

(Para No.13 of AIR 2021-23, SEPA HQ)

2.4.3. Unauthorized / fraudulent procurement of vehicle-Rs. 1.804 million

According to Finance Division O.M No 7(1)Exp.IV/2016-540 dated 26.07.2017, “There will be complete ban on purchase of all type of vehicles (excluding motorcycles) both for current as well as development expenditure except operational vehicles of law enforcing agencies for which NOC from finance division would be required”. Further, as per Finance Department, Government of Sindh, budget analysis 2017-18, the austerity measures have been taken to curtail the unnecessary expenditure and there was ban on procurement of new vehicles except for operational vehicles for police, armed forces and hospitals.

Sindh Environmental Protection Agency (SEPA) procured vehicle bearing No. GSE 471 Suzuki Ciaz during financial year 2017-18.

During audit of Sindh EPA for financial years 2021-23, it was observed that vehicle, Suzuki Ciaz, was procured by one Mr Irfan Ahmed Abbasi, Director (Admin & Finance) while holding the charge of Drawing and Disbursing Officer during the period of ban.

Audit further observed as follows:

- i. The vehicle No GSE 471 Suzuki Ciaz was procured without the approval of Chief Minister Sindh and DG, SEPA as communicated vide letter dated 03.11.2021.
- ii. The vehicle was procured by the then Director (Admin & Finance) however, DG SEPA being head of department was bypassed and the head of department was unaware of the procurement of vehicle.

Audit held that purchase of vehicle without approval of the Chief Minister, Sindh and DG, SEPA was unauthorized and deviation from financial and administrative discipline and instructions resulting in loss to the government.

Initial audit observation was issued on 11.08.2023. In response the management replied that the matter was highlighted when SGA&CD Sindh sought information about the vehicle bearing no.GSE-471, Suzuki Ciaz, 1380 CC under registration of Environment, Climate Change and Coastal Development, Government of Sindh which was kept hidden from the department since 2017. DG, SEPA reported to administrative department and independent inquiry conducted by Secretary Social Welfare Department, Government of Sindh to probe this matter. In the inquiry report, Mr. Irfan Abbasi Ex- Director (A&F) under suspension was found guilty on account of misappropriation, financial appropriation, misuse and misclassification of heads while exercising the power of Drawing Disbursing Officer. The officer was also involved in financial offence by paying the part payment of vehicle through a private bank as well as other head of accounts. Personal hearing has been afforded by him from the worthy Chief Secretary Sindh consequence upon serving Final Show cause Notice to him.

Para was discussed in DAC meeting held on 01.12.2023. DAC directed that outcome of personal hearing of the Chief Secretary Sindh on the matter and efforts for the retrieval of vehicles be shared with the audit authorities in the next DAC meeting.

Audit recommends implementation of DAC decision. Besides, loss be made good from the officer at fault.

(Para No.7 of AIR 2021-23, SEPA HQ)

2.4.4. Award of development/civil works without technical evaluation of the selected contractor

According to Rule 47(1) of Sindh Public Procurement Rules, 2010 “Single Stage One Envelope Bidding Procedure shall be used as the standard bidding procedure for procurement of goods, works and services of simple and routine nature and where no technical complexity or innovation is involved.

Further, according to Rule 47(2) “Single Stage Two Envelope Bidding Procedure shall be used where the bids are to be evaluated on technical and financial grounds and price is taken into account after technical evaluation.

Sindh Coastal Development Authority (SCDA) executed the scheme titled ‘Communication Access & Allied Facilities in the Coastal Areas of Sujawal& Badin (SDG No 6,9,14 & 15)’ for an estimated cost of Rs. 496.051 million. The NIT was published on 10.04.2022 for construction of 36 different roads through Single Stage One Envelope Procurement method and accordingly work was awarded to lowest bidders.

During audit of SCDA for the financial years 2021-23, it was observed that the procurement method of single stage one envelope was adopted which was a standard bidding procedure for simple routine nature procurement of goods and services, whereas the construction of roads work was technical in nature and single stage two envelope procedure was required to be adopted to ascertain the technical soundness of the bidders.

Audit held that no technical evaluation was carried out and work was awarded to lowest bidders based on the financial bid which resulted in inappropriate evaluation and selection of the contractor thereby compromising the quality and technical standard of the development work.

Initial audit observation was issued on 11.08.2023. In response the management replied that the scheme was sponsored by Sindh Coastal Development Authority, but executed by Works& Services Department. The bidder participated in tender and was already registered with Pakistan Engineering Council. The work under the scheme were all routine works, hence Procurement method of single stage One envelopewas adopted as per Rule 47(i) of Sindh Public Procurement Rules.

Para was discussed in DAC meeting held on 01.12.2023. The DAC directed for conducting inquiry regarding the procurement process and submit report to the Audit within one month.

Audit recommends implementation of DAC decision.

(Para No.5 of AIR 2021-23, SCDA)

Internal Control Weaknesses

2.4.5. Execution of project without Feasibility Study- Rs. 496.051 million

According to Para 5 of minutes of technical committee meeting held on March 18, 2022, issued vide No. SO(TC)37/-P&D/2022 dated 25 March, 2022, “It was pointed out that AD (Administrative Department) has not conducted any feasibility study, therefore, AD is required to carry out proper feasibility study, reflecting technical, economic and other related factors viability even if cost is less than 500 million. Moreover, if the cost of scheme remains 500 million & above,

then AD has to conduct feasibility study through PC-II as per planning commission guidelines, prior to executing PC-I Schemes”.

Further, according to Paragraph 2.08 of Chapter 2 of Manual of Development Projects, 2021 issued by Planning Commission of Pakistan, “The PC-II approved by the relevant competent forum is required for the conduct of feasibility study, including technical investigations, market surveys and other studies.

Sindh Coastal Development Authority (SCDA) executed the scheme titled “Communication Access & Allied Facilities in the Coastal Areas of Sujawal& Badin ADP No 699 (SDG No 6,9,14 & 15)” for an estimated cost of Rs. 496.051 million.

During the audit of Sindh Coastal Development Authority (SCDA) for the financial years 2021-23, it was observed that project was launched and executed without conducting the mandatory feasibility study despite the fact it was a mandatory requirement at the planning stage of the scheme.

Audit held that non-preparation of feasibility study before execution of project was not justified and resulted in violation of the mandatory requirements.

Initial audit observation was issued on 11.08.2023. In response the management replied that the project was initiated without preparation of feasibility study because the cost of the project was within Rs. 500.00 million in pursuance of Government of Sindh’s guidelines contained in Planning & Development Department’s Circular.

Para was discussed in DAC meeting held on 01.12.2023. DAC directed the management that a fact finding may be carried out for non-conducting of feasibility study and progress be shown in next DAC meeting.

Audit recommends implementation of DAC decision.

(Para No.10 of AIR 2021-23, SCDA)

2.4.6. Non-publication of Annual Sindh Environment Report by Sindh EPA

According to Section 6(1)(d) of Sindh Environmental Protection Act 2014, the Agency shall prepare and publish an Annual Sindh Environment Report on the state of the environment in the province and cause it to be laid before the Provincial Assembly.

The Sindh Environmental Protection Agency (SEPA) was required to prepare annual environment report each year as required under the Act.

During audit of Sindh EPA for financial years 2021-23, it was observed that Sindh Environmental Protection Agency had not prepared and published annual Sindh Environment Report.

Audit held that due to non-preparation and non-publication of Annual Sindh Environment Report on the state of the environment, the performance of Sindh EPA could not be assessed.

Initial audit observation was issued on 11.08.2023. In response the management replied that SEPA celebrated various awareness activities and programmes regarding general public in respect of environment in different occasions like environmental day with collaboration to NGOs, civil society, private sectors etc. Further, the SEPA accorded different approvals as well as rejection

under Section 17 and its Regulations 2021 after its careful review of EIA, IEE and ECL. All these data need to be complied for given the shape of annual report of SEPA.

Para was discussed in DAC meeting held on 01.12.2023. DAC directed that Annual Environment Report may be published without further delay and outcome be shared in the next DAC meeting.

Audit recommends that implementation of DAC decision.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide Para No. 2.4.8. Recurrence of same irregularity is a matter of serious concern.

(Para No.9 of AIR 2021-23, SEPA HQ)

2.4.7. Non-framing of guidelines for preparation of IEE and EIA cases for approval by EPA

According to Rule 7(1) of Sindh Environmental Protection Agency (Review of Initial Environmental Examination and Environmental Impact Assessment) Regulations, 2014, the Agency may issue guidelines for preparation of an IEE or an EIA or an environmental checklist, including guidelines of general applicability, and sectoral guidelines indicating specific assessment requirements for planning, construction and operation of projects relating to particular sector.

Further, according to Rule 5 of the Sindh Environmental Protection Agency (Strategic Environment Assessment) Rules 2015, the Agency shall develop and issue guidelines and methodologies for undertaking strategic environmental assessment and cumulative impact assessment.

Sindh Environmental Protection Agency (SEPA) issued various environmental approvals in shape of Initial Environmental Examinations (IEEs), Environmental Impact Assessments (EIAs) and Environmental checklists during financial years 2021-23.

During audit of Sindh EPA for the financial years 2021-23, it was observed as under:

- i. Sindh EPA had not issued guidelines for preparation of IEE, EIA and environmental checklists. Due to non-issuance of guidelines, the IEE and EIA cases received in SEPA were not on a uniform format, besides lacking required information for scrutiny before issuance of environmental approval.
- ii. Despite notifying Strategic Environment Assessment Rules 2015, the necessary guidelines as required under Rule 5(6) were not formulated and notified.

Audit held that due to non-issuance of requisite regulations and guidelines, the process of environmental approvals through IEE/EIA was not carried out in a uniform manner resulting in inconsistent environmental approvals by the EPA.

Initial audit observation was issued on 11.08.2023. In response the management replied that currently Environmental Assessment reports are being prepared in light of Guidelines for the Preparation and Review of Environmental Reports 1997. However, the draft of SEA guidelines has been finalized and is under process for vetting and will be subsequently notified.

Para was discussed in DAC meeting held on 01.12.2023. DAC directed that matter regarding vetting of guidelines may be expedited and notify the same without further delay. The compliance would be shown in next DAC meeting.

Audit recommends implementation of DAC decision.

(Para No.11 of AIR 2021-23, SEPA HQ)

2.4.8. Non-refund of withholding tax deducted by FBR- Rs. 5.925 million

According to FBR letter No. ACIR/UNIT-05/WHT ZONE-V./RTO-III/2016-17 dated 30.11.2016, SCDA was requested to furnish information as evidence of withholding taxes. FBR further stated that in case of non-compliance penalty shall be initiated accordingly.

Sindh Coastal Development Authority (SCDA) entered into a contract agreement with consulting firm i.e. M/S Agha Khan Planning & Building Service, on 09.03.2016 for execution of community relevant interventions such as drinking water supply, culverts, one room school building and solar electrification etc. At the time of payment, income tax was not deducted as the consultant was declared exempted from tax by the FBR.

During audit of SCDA for the financial years 2021-23, it was observed that the tax department deducted an amount of Rs. 5,925,464 from the SCDA's Bank Account No.4105289810 maintained in NBP on 24.06.2017 on behalf of the consultant which was not justified.

Audit held that the management was unable to secure the interest of the department by not timely pursuing the case with FBR resulting in unjustified deduction of tax from SCDA.

Initial audit observation was issued on 11.08.2023. In response the management replied that SCDA is actively pursuing the said case with FBR through tax consultant and it is expected to be resolved in short course of time.

Para was discussed in DAC meeting held on 01.12.2023. The DAC directed the management to follow the matter with FBR for refund of the amount in question and outcome be shared in next DAC meeting.

Audit recommends that the case for refund of Income Tax may be pursued with FBR and the amount be got refunded.

(Para No.11 of AIR 2021-23, SCDA)

2.4.9. Non-retrieval of vehicles and un-authorized utilization of POL – Rs. 2.443 million

According to Section I 'General Principles' of Sindh 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 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'.

Sindh Coastal Development Authority (SCDA) incurred an expenditure amounting to Rs. 5,348,722 on account of POL during financial years 2021-23.

During audit of SCDA for the financial years 2021-23, it was observed that 03 vehicles were allocated to Ex-Minister and Ex-Advisor of the Environment Climate Change & Coastal Development Department (ECC&CDD) and the same were not retrieved till date of audit i.e.

August,2023. Moreover, POL for these vehicles amounting to Rs. 2,443,300 was drawn through fleet cards of SCDA. (Annexure-XVII).

Audit held that non-retrieval of vehicles from ex-officers was unjustified resulting in loss to government exchequer.

Initial audit observation was issued on 11.08.2023. In response the management replied that no POL fleet card was allotted to Minister, ECC&CDD as pointed out by the audit. The retrieval of 03 vehicles of SCDA is in process and efforts are continued to retrieve the said vehicles.

Para was discussed in DAC meeting held on 01.12.2023. DAC directed that the efforts be taken for retrieval of said vehicles and record of the POL fleet card may also be verified and place the matter in next DAC meeting.

Audit recommends implementation of DAC decision. Besides record of the POL fleet card may also be got verified from audit authorities with 15 days.

(Para No.12 of AIR 2021-23,
SCDA)

2.4.10. Unjustified inclusion of cost of escalation in PC-I-Rs. 2.296 million

According to Standing Rates Committee, Sindh (SRC), addendum & corrigendum No. 02 dated 1st December 2021, the SRC decided to allow difference of cost on the items including cement (ordinary) Portland, Steel (deformed) per metric ton, bricks first class and wood (deodar) first class per Cft in addition to difference of materials already notified.

Sindh Environmental Protection Agency (SEPA) was allocated budget during financial year 2022-23 for an Annual Development Plan (ADP) scheme (ADP 2023-24, Sr. No. 1193) which was approved on 22.03.2022 with estimated cost of Rs. 54.621 million for construction of additional block, renovation & rehabilitation of Environmental Protection Agency (EPA) building at Sukkur. The abstract of the cost as per PC-I was Rs. 54.621 including Rs. 2.296 million added as cost of escalation.

During audit of Sindh EPA for financial years 2021-23, it was observed that cost of escalation was allowed in PC-I, whereas the Standing Rates Committee (SRC) had already decided to allow difference of cost of items like cement, steel, bricks etc. Therefore, inclusion of cost of escalation in PC-I was duplication resulting in enhancement of cost.

Audit held that allowing cost of escalation in PC-I was not justified resulting in overpayment to contractor at the time of execution of project and loss to the government.

Initial audit observation was issued on 11.08.2023. In response the management replied that the costs of escalation were allowed due to escalation of the cost with passage of time. It was further informed that as per prescribed schedules @ 3.5% are allowed in each year in the item in case the scheme may not completed within due course of time.

Para was discussed in DAC meeting held on 01.12.2023. DAC directed to take up the matter with Works and Services department, Government of Sindh for clarification and outcome be shared in the next DAC meeting.

Audit recommends implementation of DAC decision.

2.4.11. Overpayment to contractor over and above the BOQ rates-Rs. 1.678 million

According to Clause 10.2 of instruction to bidders “unless otherwise stipulated in the Conditions of Contract, prices quoted by the bidder shall remain fixed during the bidder’s performance of the contract and not subject to variation on any account”

Further, according to contract agreement schedule of prices/bill of quantities (BOQ) item at Sr. No. 1 (Part-A-Road Works) “Earthwork for road embankment by bulldozers including ploughing, mixing clod breaking, ramming, dressing & compacting with optimum moisture content 85% as per modified AASHO density, lead up to 100’ft & lift up to 5’ ft in all type of soil except rocks will be executed and the unit rate of work as per BOQ was 3656.23 per cft.

Sindh Coastal Development Authority (SCDA) signed a contract agreement with M/s Rajgan Enterprises on 18th April 2018 for construction of road from JeandZangejo to village Master Hussain Mandhro via Haji UmerZangejo Road (3 km) Taluka Shah Bander District Sujawal. Payment amounting to Rs. 5,458,926 was made to M/s Rajgan Enterprises in 4th running bill against the work executed for Part–A (road work) in financial year 2021-22.

During audit of SCDA for the financial years 2021-23, it was observed that M/s Rajgan Enterprises was paid an amount of Rs. 1,678,648 against the earthwork of road over and above the BOQ rates. Details are as follows:

(Rs. in million)

Description of work	BOQ Rate Per Cft	Rate Paid Per Cft	Difference of Rate Per Cft	Total Quantity %	Over payment
Earthwork for road embankment by bulldozer including ploughing mixing clod breaking ramming with OMC 85% as per modified AASHO density.	3,656.23	7,738	4,081.77	411.25 5	1.678

Audit held that the payment to M/s Rajgan Enterprises over and above the agreed rates resulted into overpayment and loss to government.

Initial audit observation was issued on 11.08.2023. In response the management replied that individual item- wise rates were filled by the contractor which were 30% below the approved cost and same was uploaded on SPPRA Website and no any objection was raised. Furthermore, it is clarified that procurement committee minutely assessed the bidding process and M/S Rajgan was the lowest bidder.

Para was discussed in DAC meeting held on 01.12.2023. DAC directed that fact finding report may be prepared to ascertain the factual position regarding over payment to the contractor within 3 week time.

Audit recommends implementation of DAC decision. Besides, taking corrective measures to avoid recurrence in future.

(Para No. 2 of AIR 2021-23, SCDA)

2.4.12. Unauthorized enhancement and payment of rent of hired building- Rs. 1.328 million

According to Section 9(1) of the Sindh Rented Premises Ordinance, 1979 “where the fair rent of any premises has been fixed no further increase thereof shall be effected unless a period of three years has lapsed from the date of such fixation or commencement of this Ordinance whichever is later.

Further, according to Section 9(2) “the increase in rent shall not, in any case, exceed ten percent per annum on the existing rent”.

Sindh Coastal Development Authority (SCDA) hired rented premises at 1st floor of PIDC Building at Karachi with covered area of 2616 sq.ft and made payment amounting to Rs. 2,963,926 during financial year 2022-23 to PIDC.

During audit of SCDA for the financial years 2021-23, it was observed that payment was made to PIDC on account of rent for the period July 2022 to June 2023 at the enhanced rate i.e. Rs. 100 sq.ft instead of Rs. 53.57 sq.ft. The enhancement of rent upto 10% only was allowed per annum on the existing rent as per rules. Details are as under:

(Rs. in million)

Existing Rent Per Month including SRB (53.57/Sq.ft)	Rate with 10% increase as per Rule (58.927/Sqft)	Rate Enhanced by SCDA Per Month i.e. 86 % (100/Sqft) including SRB	Difference Per Month (Rs.)	No Of Months for which rent paid	Overpayment to Owner
144,343	158,777	269,448	110,671	12	1.328

Audit held that increase of rent against the rules and admissibility led to unauthorized payment amounting to Rs. 1,328,052 to owner of the building resulting in loss to the government.

Initial audit observation was issued on 11.08.2023. In response the management replied that PIDC was apprised and requested to follow the Sindh Rented Premises Ordinance, 1979, but the request was regretted and informed that they are unable to accommodate request of SCDA due to implementation of policy decision of minimum rental ceiling of Rs. 100/- per sq.ft as per market rates. PIDC management served evacuation notice to SCDA on 10-01-2022. Hence, the agreement was got signed and continued due to non -availability of office space in government departments / buildings.

Para was discussed in DAC meeting held on 01.12.2023. DAC directed to take up the matter with Rent Controller/Works & Services Department to assess the prevailing rates in the market and present the progress in next DAC.

Audit recommends implementation of DAC decision.

(Para No. 1 of AIR 2021-23, SCDA)

Public Service Delivery / Performance

2.4.13. Delay in processing of Environmental Approvals by Sindh EPA

According to Section 17(4) of Sindh Environmental Protection Act 2014, the Sindh Environmental Protection Agency shall communicate its approval or otherwise within a period of two months from the date that the initial environmental examination is filed, and within a period of four months from the date that the environmental impact assessment is filed complete in all respects in accordance with the regulations, failing which the initial environmental examination or, as the case may be, the environmental impact assessment shall be deemed to have been approved, to the extent to which it does not contravene the provisions of this Act and the rules and regulations.

Sindh Environmental Protection Agency (SEPA) issued environmental approvals on account of Environmental Impact Assessment (EIA) to different proponents during the financial years 2021-23.

During audit of Sindh EPA for the financial years 2021-2023, it was observed that different proponents had submitted cases for grant of approval of EIA, however, the EPA was not able to process the cases on time and resultantly, the cases were not finalized within the specified time i.e. four months as per rules. Details are as under:

Sr No	Tracking Number	Date of Submission	Name of Proponent	Status
1.	341	22.10.2021	Sino-Pak Refinery Corporation Ltd	In Process
2.	342	24.09.2021	National Highway Authority	In Process
3.	348	28.01.2022	JB Holdings	In Process
4.	349	31.01.2022	Oil & Gas Company Ltd	In Process
5.	350	31.01.2022	National Highway Authority	In Process
6.	351	07.02.2022	Oil & Gas Company Ltd	In Process
7.	354	26.05.2022	Roomi Iconic Builders & Developers	In Process
8.	355	31.05.2022	Almas Builders & Developers	In Process
9.	356	03.06.2022	K-Electric	In Process
10.	357	03.06.2022	Kedawari Block	In Process
11.	358	06.06.2022	SPA Enterprises	In Process
12.	364	28.10.2022	National Highway Authority	In Process
13.	366	02.12.2022	The Green Infrastructure Dev Pvt Ltd Jinnah Special Economic Zone.	In Process

Audit held that non-finalization of EIA cases within timeframe was against Sindh Environmental Act, 2014.

Initial audit observation was issued on 11.08.2023. In response the management replied that the different proponents submitted cases for grant of environmental approval and these cases were proceeded and decided in a timely manner. However, in some cases delay in approval usually occurred on public sector project due to their internal management system/hierarchy where matter could not be perused in time.

Para was discussed in DAC meeting held on 01.12.2023. DAC directed to take up all pending cases of approval and same should be decided without further delay and submit compliance report in the next DAC meeting.

Audit recommends implementation of DAC decision. Besides, internal control mechanism should be strengthened to avoid such lapses in future.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide Para No. 2.4.1. Recurrence of same irregularity is a matter of serious concern.

(Para No.12 of AIR 2021-23, SEPA HQ)

2.4.14. Mis-management in three ADP Schemes - Rs. 288.00 million.

According to Section I 'General Principles' of Sindh 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 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'.

Sindh Environmental Protection Agency (SEPA) was allocated budget amounting to Rs. 68.511 million, Rs.66.250 million and Rs. 13.950 million during the financial year 2022-23 for three (03) ADP schemes. These schemes were initially approved on 29.10.2013 and 15.05.2012 with a total estimated cost of Rs. 288 million funded by Government of Sindh. The completion period of these schemes was June 2023.

During audit of Sindh EPA for financial years 2021-23, it was observed that the ADP schemes were initiated in 2012 & 2013 and an expenditure amounting to Rs. 139.289 million was incurred till date, however no progress was made for achievement of core objectives of the said schemes. Further, the relevant record i.e. expenditure statements, paid vouchers and cash books etc. were also not available with SEPA office. Detail of schemes are as follows:

(Rs. in million)

S. No.	Name of Scheme	Estimated cost of Scheme	Approved date	Allocated fund during F.Y 2022-23	Overall Expenditure incurred till date
1	ADP scheme- Sr. No. (916) "Strengthening of Environmental Monitoring System in EPA Sindh" (SDG # 13)	140	29.10.2013	68.511	71.489
2	Environmental Awareness and Education for Protection and Conservation of Natural Resources in Sindh" (SDG # 13).	115	29.10.2013	66.250	48.750
3	ADP scheme- Sr. No. (915) "Study of Environment & Health Impacts of Pesticides and Chemical Fertilizer in Sindh" (SDG # 13)	33	15.05.2012	13.950	19.050
Total		288		148.711	139.289

Audit held that non-achievement of objectives of the schemes despite lapse of a decade and incurring of expenditure without any documentary record was against the rules and made the execution process doubtful.

Initial audit observation was issued on 11.08.2023. In response the management replied that inquiry under these schemes was already submitted to the administrative department. Moreover, Planning and Development Department, Government of Sindh also furnished adverse and unsatisfactory report against these schemes. The matter was also forwarded to Anti-Corruption and Enquiries department, Government of Sindh by the administrative department.

Para was discussed in DAC meeting held on 01.12.2023. DAC directed to stand the Para as the matter was subjudice under Anti-corruption and Enquiries department, Government of Sindh.

Audit recommends that the management may look into the matter and fact finding related to schemes may be shared with audit and also communicate the progress of the schemes in relation with stated objectives.

(Para No.1, 5 & 6 of AIR 2021-23, SEPA HQ)

Financial Management

2.4.15. Non-provision of insurance cover for development works- Rs. 13.767 million

According to Clause 14.1 of Conditions of Contract, “The contractor shall, prior to commencing the works, effect insurances of the types, in the amounts and naming as insured the persons stipulated in the contract except for items (a) to (e) and (i) of the procuring agency’s risks under Sub-Clause 6.1. The policies shall be issued by insurers and in terms approved by the procuring agency. The contractor shall provide the Engineer / Procuring Agency with evidence that any required policy is in force and that the premiums have been paid”.

Further, Clause 14.2 states that, “if the contractor fails to effect or keep in force any of the insurances referred to in the previous Sub-Clause, or fails to provide satisfactory evidence, policies or receipts, the Procuring Agency may, without prejudice to any other right or remedy, effect insurance for the cover relevant to such as a default any pay the premiums due and recover the same plus a sum in percentage given in contractor data from any other amounts due to the contractor”.

Sindh Coastal Development Authority (SCDA) executed development project titled ‘Improvement of Major Fisherman’s Settlement & Rehabilitation of Flood Affected Areas (IMFS) in Coastal Areas of Thatta, Sajawal& Badin (revised)’ amounting to Rs. 997.575 million. Different schemes for construction of roads were approved under the project.

During audit of SCDA for the financial years 2021-23, it was observed that contractors had not provided insurance cover prior to commencing of work. The works were executed by contractors without insurance cover in place and neither the contractors provided insurance cover nor the department effected insurances on behalf of contractor in accordance with clauses of contract agreements. Details are as under:

(Rs. in million)

Description of Work	Contractor	Cost of Scheme
Construction of Road from Nooh Baran Road to Village WaryamChalko Road (1 km)	M/s Askari Enterprises	5.525
Construction of Road from Pir Lal BuxAbro to Village Haji Ibrahim Jat Road (1.8 km)	M/s Rajgan Enterprises	8.241
Total		13.767

Audit held that non-provision of insurance cover was against the provisions of contract leading to non-protection and insurance of the specified items resulting into non-coverage of risks and loss to the government.

Initial audit observation was issued on 11.08.2023. In response the management replied that insurance of farm to market road was not in practice in any department of Sindh Government. However, 10% of contract amount in shape of pay order was retained as performance guarantee which is being returned after 3 months of successful completion of the scheme.

Para was discussed in DAC meeting held on 01.12.2023. DAC directed to provide the insurance cover of the works as provided in contract agreement.

Audit recommends that insurance cover of above schemes may be obtained as per provisions of contract agreement in order to safeguard interest of the government.

(Para No.3 of AIR 2021-23, SCDA)

2.4.16. Non-utilization of Sindh Sustainable Development Fund by Sindh EPA for the stated purposes

According to Section 8 (3) of Sindh Environmental Protection Act, 2014, the Sindh Sustainable Development Fund shall be utilized for providing financial assistance to the projects for protection, conservation, rehabilitation and improvement of the environment; prevention and control of pollution and sustainable development.

Further, According to Section 9 (6) of the Act, the Board shall constitute committees of its members to undertake regular monitoring of projects financed from the Sindh Sustainable Development Fund and to submit progress reports to the Board. Moreover, as per section 9(5)(b), the Board shall have power to invest this money in such profit bearing government bonds, saving schemes and securities as it may deem suitable.

Sindh Environmental Protection Agency (SEPA) had established Sindh Sustainable Development Fund and an amount of Rs. 456.846 million was accumulated in the Fund as on 30th June 2023.

During audit of Sindh EPA for financial years 2021-23, it was observed that the said funds were neither utilized for control of pollution and sustainable development nor were invested in profitable securities or bonds.

Audit held that the failure on part of the management to utilize the funds for the stated purposes resulted in non-achievement of the objectives of the Fund.

Initial audit observation was issued on 11.08.2023. In response the management replied that the account of Sindh Sustainable Development Funds operated under Profit/lost basis and received monthly profit in accordance with a schedule and prescribed rates by the government. Presently, there are around seven (07) ADP schemes under allocated funds for Environment by Sindh Government. Since, SSDF continuously received the profit from the account. The meeting of the board may be convened in future for the utilization of the funds accordingly. It was further informed that presently the term of the member of the boards are expired which need to be reconstituted for its function.

Para was discussed in DAC meeting held on 01.12.2023. DAC directed that matter regarding reconstitution/formulation of new members of board for notification by administrative department be taken up and also efforts be made to convene Board meeting in the next financial year.

Audit recommends that Sindh Sustainable Development Fund may be utilized for environmental protection and sustainable development in the Province as conceived in the Sindh Environmental Protection Act, 2014.

(Para No.10 of AIR 2021-23, SEPA HQ)

2.4.17. Non-maintenance of Cash book-Rs. 206.057 million

According to Rule 34 (b) of Sindh Financial Rules “the cash book should be closed and balanced each day, and the balance of each column at the end of 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 the Government servant responsible for the money”.

Sindh Environmental Protection Agency (SEPA) incurred an expenditure amounting to Rs. 206.057 million during financial years 2021-23.

During audit of Sindh EPA for the financial years 2021-23, it was observed that the transactions were made from various heads of accounts, however cash books were not maintained. Details of expenditure are as follows:

(Rs. in million)

Sr. No	Name of Cost Centre	Expenditure Financial Year		Total Expenditure
		2021-22	2022-23	
1.	Sindh Environmental Protection Agency (Headquarters) (KQ2039)	77.311	82.897	160.208
2.	Law Enforcement Wing Environmental Protection, Karachi (KQ2643)	3.555	6.050	9.604
3.	Research & Development Wing, Environmental Protection, Karachi (KQ2644)	1.291	2.253	3.544
4.	Data Archives Cell, Environmental Protection, Karachi (KQ2645)	1.803	3.012	4.816
5.	Vehicular Emission Control Program (KQ2042)	12.725	15.160	27.885
Total		96.685	109.372	206.057

Audit held that due to non-maintenance of cash books the expenditure could not be verified and chance of misappropriation and misuse of funds could not be ruled out.

Initial audit observation was issued on 11.08.2023. In response the management replied that cash book was maintained and updated in line with audit observation and ready for verification.

Para was discussed in DAC meeting held on 01.12.2023. DAC directed that the DDO shall update the cash book by including all the entries in appropriate manner and same shall be presented within twenty-one (21) days for verification of audit authorities.

Audit recommends implementation of DAC decision.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide Para No. 2.4.21. Recurrence of same irregularity is a matter of serious concern.

(Para No.14 of AIR 2021-23, SEPA HQ)

2.4.18. Irregular expenditure on POL and repair of vehicles – Rs. 10.394 million

As per Rule (ii) of Staff Car Rules “A bound register in the form as set out in Annex “B” shall be maintained as the vehicle Log Book by the Officer-In-charge of the staff car which shall form a permanent historical record of the staff car including all brief description of accidents etc. during its life which shall be entered therein”. Furthermore, Rule 7 (1) states that the details (specific places from which and to which journey is performed) and purpose (whether official or otherwise) of each journey shall be stated in the Movement Register maintained for the purpose.

Sindh Environmental Protection Agency (SEPA) held 12 vehicles at its pool for monitoring purposes. The department incurred an expenditure amounting to Rs. 10,394,097 during financial year 2021-23 on account of POL charges and repair & maintenance of vehicles. Details are as under:

Sr. No.	Head Of Account POL	POL		Repair & Maintenance		Total Expenditure (Rs. in million)
		FY 2021-22 (Rs.)	FY 2022-23 (Rs.)	FY 2021-22 (Rs.)	FY 2022-23 (Rs.)	
1.	SEPA(Headquarters) (KQ2039)	2,992,000	3,890,000	318,000	333,992	7.534
2.	Law Enforcement Wing,EPA Karachi (KQ2643)	109,782	775,318	210,000	132,800	1.228
3.	Vehicular Emission Control Program (KQ2042)	484,000	625,225	255,000	267,980	1.632
Total						10.394

During audit of Sindh EPA for the financial years 2021-23, it was observed as under:

- i. Log books and movement registers of the vehicles showing the detail of journey were not prepared and maintained.
- ii. Detail of monitoring / visit reports or purpose of journey or detail of site visited for monitoring, was not found attached with the vouchers.
- iii. Approval of Competent Authority to visit the sites was also not available on record.
- iv. Request regarding repair of vehicle from the driver was not found on record.

Audit held that the expenditure on account of POL and repair and maintenance of vehicles without proper documentation and maintenance of log books was irregular and unjustified.

Initial audit observation was issued on 11.08.2023. In response the management replied that utilization of POL was as per ceiling/entitlement of the officer(s) notified by the Government of Sindh. Moreover, log books of each vehicle are prepared and maintained accordingly. The movement register are also maintained from where notices were issued to different public and private entities for the implementation of the SEP Act-2014.

Para was discussed in DAC meeting held on 01.12.2023.DAC directed to update log books, repair and maintenance registers and requisition from drivers and same shall be submitted within twenty-one (21) days to audit authorities for verification.

Audit recommends implementation of DAC decision.



**AUDIT REPORT
ON THE ACCOUNTS OF
LOCAL GOVERNMENT & HOUSING
TOWN PLANNING DEPARTMENT
GOVERNMENT OF SINDH
AUDIT YEAR 2023-24**

AUDITOR-GENERAL OF PAKISTAN

LOCAL GOVERNMENT & HOUSING TOWN PLANNING DEPARTMENT

Chapter-1

Office of the Secretary, Local Government & Housing Town Planning Department, Sub-ordinate offices and Authorities

1.1 Introduction/Profile of the Entities

Secretary, Local Government & Housing Town Planning Department, Government of Sindh, being the PAO is the overall administrative head of regulatory authorities, KMC/Municipal Corporations, KW&SB, Municipal/Town Committees and Union Committees/Councils.

Sindh Local Government is governed by the Sindh Local Government Act, 2013 which is an initiative taken towards enhancing service delivery of Local Government in Sindh.

1.2 Comments on Budget and Accounts (Variance Analysis)

[Rs. in Million]

Sr. No.	Name of office	Head of account	Budget	Actual	Excess (+) Savings (-)
1	Secretary, LG&HTPD	Establishment	229.363	222.335	-7.028
		Non-salary	4,819.599	4,360.283	-459.316
		Development	1,000.139	1,000.139	-0.000
		Total Expenditure	5,939.354	5,483.794	-455.560
		Receipts	0.000	0.000	0.000
2	Project Director, LGD Karachi	Establishment	-	-	-
		Non-salary	-	-	-
		Development	8,365.860	8,120.540	-245.320
		Total Expenditure	8,365.860	8,120.540	-245.320
		Receipts	-	-	-
3	Project Director, LGD Hyderabad	Establishment	-	-	-
		Non-salary	-	-	-
		Development	8,757.374	8,727.640	-29.734
		Total Expenditure	8,757.374	8,727.640	-29.734
		Receipts	-	-	-
4		Establishment	230.000	187.949	-42.051

[Rs. in Million]

Sr. No.	Name of office	Head of account	Budget	Actual	Excess (+) Savings (-)
	Sindh Solid Waste Management Board	Non-salary	19,970.000	19,902.898	-67.102
		Development	-	-	-
		Total Expenditure	20,100.000	20,090.847	-9.153
		Receipts	22,447.727	22,020.692	-427.035
5	Sindh Master Plan Authority	Establishment	527.329	156.248	-371.080
		Non-salary	118.298	27.308	-90.990
		Development	-	-	-
		Total Expenditure	645.627	183.556	-462.071
		Receipts	365.674	671.572	+305.898
6	Sindh Building Control Authority	Establishment	3,044.868	2,269.925	-774.943
		Non-salary	1,204.581	311.831	-892.750
		Development	-	-	-
		Total Expenditure	4,249.449	2,581.756	-1,667.693
		Receipts	4,760.916	4,467.586	-293.330
7	Secretary, Local Government Board	Establishment	165.866	150.477	-15.389
		Non-salary	21.750	13.497	-8.253
		Development	-	-	-
		Total Expenditure	187.616	163.974	-23.642
		Receipts	-	-	-
Total	Establishment	4,197.426	2,986.935	-1,210.491	
	Non-salary	26,134.228	24,615.816	-1,518.412	
	Development	18,123.373	17,848.319	-275.054	
	Total Expenditure	48,245.280	45,352.107	-2,893.173	
	Receipts	27,574.317	27,159.850	-414.467	

The budgeted expenditure of Local Government & Housing Town Planning Department, sub-ordinate offices and authorities for the financial year 2022-23 was Rs48,245.280 million, against which the actual expenditure was Rs45,352.107 million, resulting in saving of Rs2,893.173 million. The management was unable to realize the targeted receipts resulting in shortfall of Rs414.467 million.

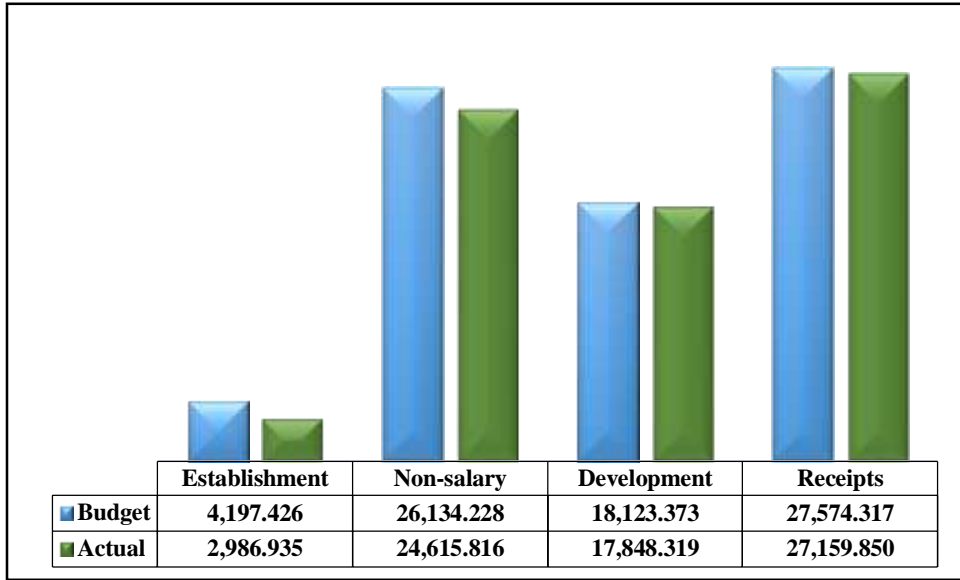


Table-: Audit Profile of Local Government & Housing Town Planning Department

[Rs. in million]

Sr.	Description	Formations		Financial Year 2022-2023	
		Planned	Audited	Expenditure audited	Revenue / Receipts audited
1.	Formations	13	11	42,586.795	22,020.692
2.	Assignment Accounts, SDAs (excluding FAP)	-	-	-	-
3.	Authorities/Autonomous Bodies under the PAO	2	2	2,765.312	5,139.158
4.	Foreign Aided Projects (FAP)	-	-	-	-

1.3 Classified Summary of Audit Observations

Audit observations amounting to Rs53,163.767 million were raised in this report during the current audit of Local Government & Housing Town Planning Department and authorities. The amount also includes recoveries of Rs853.224 million as pointed out by Audit. Summary of the audit observations classified by nature is as under:

Table: Overview of Audit Observations:

[Rs. in Million]

Sr.	Classification	Amount
1	Non-Production of Record	-
2	HR/Employees related irregularities	331.228
3	Procurement related irregularities	38,239.635
4	Recoveries related irregularities	853.224
5	Management of Accounts with Commercial Bank related issues	-
6	Other issues	13,739.680
Total		53,163.767

1.4 Brief comments on the status of compliance with PAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Sindh. Detail of paras presented in PAC meetings is reflected hereunder:

Audit Years	No. of Paras	Status of Paras discussed in PAC Meetings
2011-12	13	1 - Partial
2012-13	11	1 - Partial
2013-14	15	1 - Partial
2014-15	22	-Nil-
2015-16	31	-Nil-
2016-17	37	-Nil-
2017-18	26	-Nil-
2018-19	39	-Nil-
2019-20	43	-Nil-
2020-21	13	-Nil-
2021-22	24	-Nil-
2022-23	23	-Nil-

1.5 Audit Paras

1.5.1 Non-production of record

1.5.1.1 Non-production of record

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

- “(2) The officer in-charge of any office or department shall afford all facilities and provide record 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 Local Government Department, for the financial years 2021-22 to 2022-23, it was observed that the management did not produce auditable record pertaining to establishment, development, contingency, revenue, adjustment of advances and various registers etc., involving minimum financial impact of Rs1,025.649 million for audit scrutiny. Detail is at **Annex-LGD1**.

[Rs. in Million]

Sr.	Name of Entity	AIR	F. Y	Amount
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No.		Para		
1	Additional Director, Local Government Badin	08	2021-22	0.743
2	Regional Director, Local Government Sukkur	1, 4		0.272
3	Regional Director, Local Government Shaheed Benazirabad	01		-
4	Regional Director, Local Government Larkana	01		-
5	Project Director, Local Government Projects Karachi	14	2022-23	878.678
6	Secretary, Local Government Housing & Town Planning Department	01		132.039
7	Director General, Sindh Building Control Authority	01		-
		23		13.917
8	Senior Director, Sindh Master Plan Authority	01		-
9	Sindh Local Government Board, Karachi	14		-
Total				1,025.649

Audit was of view that non-production of record was a serious lapse on the part of management which caused hindrance in performance of the functions of audit, besides, authenticity of the related transactions could not be ascertained.

The matter was reported to the management from May to November 2023. The office of the Secretary Local Government, Housing & Town Planning Department, Government of Sindh, Karachi replied that the office did not make any expenditure under the head of account "A13602-Highways". However, this department vide letter dated 31-07-2023 has requested the Finance Department to furnish clarification regarding said expenditure. The reply was not tenable as no documentary evidence in support of reply was provided. The office of the Senior Director, Sindh Master Plan Authority replied that the requisitioned record pertaining to the Department of Planning and Urban Design was transferred to Karachi Development Authority and remaining record is ready and can be audited at any time. The reply was not tenable as the management failed to provide requisitioned record during course of audit, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 03-01-2024, followed by reminders dated 04-08-2023, 19-09-2023, 12-01-2024 and 19-01-2024.

Audit recommends inquiry into the matter and fixing of responsibility on the person(s) at fault for non-provision of record.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para numbers 1.5.1.1, 1.5.1.1, 1.5.2.1, 1.2.1.1, and 1.2.2.1 having financial impact of Rs1,095.331 million, Rs1,267.305 million,

Rs6,055.360 million, Rs45.255 million, and Rs44,774.942 million respectively. Recurrence of same irregularity is a matter of serious concern.

1.5.2 HR/Employees related irregularities

1.5.2.1 Unauthorized payment of various allowances - Rs222.882 Million

According to Rule 27(3) of Sindh Solid Waste Management Act, 2021, “The pay, allowances and honoraria of the employees shall be as such as may be determined by the Board subject to its approval from the Steering Committee”.

Finance Department, Government of Sindh vide O.M No.FD (SR-III)-5-145/2012, dated 02/03/2012, allowed grant of utility allowance w.e.f. 01-01-2012 to regular employees of Sindh Civil Secretariat and Provincial Assembly Sindh.

During audit of following offices of Local Government Department, for the financial year 2022-23, it was observed that management of SSWMB incurred an expenditure of Rs48.530 million on account of payment of utility allowance and SSWMB allowance to the employees without approval from Steering Committee. Further, it was observed that the management of SBCA also paid utility allowance to the employees amounting to Rs174.352 million without entitlement as detailed below.

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	Description	Amount
1.	Director General, Sindh Building Control Authority	19	Utility allowance	174.352
2.	Managing Director, Sindh Solid Waste Management Board	11	SSWMB allowance	39.332
		12	Utility allowance	9.198
Total				222.882

Audit was of the view that payment of SSWMB allowance and utility allowance to the employees without approval/entitlement was unauthorized which indicated poor financial management and weak internal controls.

The matter was reported to the management during September and October, 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders 12-01-2024 and 19-01-2024.

Audit recommends that the unauthorized payment of SSWMB allowance and utility allowance may be discontinued and recovery effected.

Note: The issue was reported earlier also in the Audit Reports for Audit Years

2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para numbers 1.5.2.2, 1.5.2.1, 1.5.3.3, 1.2.2.5 and 1.2.3.6 & 1.2.3.14 having financial impact of Rs108.061 million, Rs118.260 million, Rs165.411 million, Rs437.552 million, and Rs172.380 million & Rs24.181 million respectively. Recurrence of same irregularity is a matter of serious concern.

1.5.2.2 Irregular payment of leave encashment - Rs77.921 Million

According to Rule 18-A of Revised Leave Rules, 1980, “A civil servant may fifteen months before the date of superannuation or thirty-year qualifying service on or after the 01-07-1983, at his option, be allowed to encashment his leave preparatory to retirement if he undertakes to 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 following offices of Local Government Department, for the financial year 2022-23, it was observed that the management irregularly paid an amount of Rs77.921 million to employees on account of leave encashment on yearly basis without occasion of retirement in violation of Revised Leave Rules, 1980. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	Amount
1.	Director General, Sindh Building Control Authority	9	70.440
2.	Senior Director, Sindh Master Plan Authority	20	7.481
Total			77.921

Audit was of the view that payment of leave encashment on yearly basis without occasion of retirement was violation of the rules which indicated poor financial management and weak internal controls.

The matter was reported to the management during September and October, 2023. Senior Director, Sindh Master Plan Authority replied that leave encashment account was being maintained properly. The reply was irrelevant as payment of leave encashment was made on yearly basis without occasion of retirement, whereas no reply was received from the office of DG, SBCA. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends that irregular payment of leave encashment on yearly basis may be stopped and recovery effected.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22 and 2019-20 vide para numbers 1.5.2.3, 1.5.2.2 & 1.2.2.7 having financial

impact of Rs10.772 million, Rs52.594 million and Rs141.105 million respectively. Recurrence of same irregularity is a matter of serious concern.

1.5.2.3 Unauthorized hiring of legal advisors - Rs20.263 Million

Para-2 of Letter No.ADDL.A.G/(LRK) 1570/08-08-2016 issued by Additional Advocate General Sindh, High Court Larkana addressed to Chief Secretary Sindh, stipulated that the departments were engaging private counsels without obtaining the sanction from Law Department which was against the rules. The Chief Secretary of Sindh was therefore requested to look into the matter.

During audit of Sindh Building Control Authority, for the financial year 2022-23, it was observed that the management hired legal advisors and paid an amount of Rs20.263 million on account of legal fees without sanction of Law Department, Government of Sindh, as detailed below:

[Amount in Rs.]

Sr. No.	Name of Office	No. of legal advisors	Amount
1.	SBCA Head Office	35	10,489,913
2.	Regional Director Sukkur	6	3,703,740
3.	Regional Director Hyderabad	8	3,105,745
4.	Regional Director Larkana	3	1,470,353
5.	Regional Director Mirpurkhas	2	994,500
6.	Regional Director Shaheed Benazirabad	1	499,217
Total		55	20,263,468

Audit was of the view that hiring of legal advisors without sanction of Law Department, Government of Sindh was unauthorized and indicated weak internal controls.

The matter was reported to the management during October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2019-20 vide para number 1.2.2.60 having financial impact of Rs22.137 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 24]

1.5.2.4 Unauthorized payment of House Building Advance - Rs10.162 Million

According to Rule 294(a)I, Chapter-10 of Sindh Financial Rules Vol-I, “Advances may be made under the sanction of Government and Heads of Departments to Governments servants, other than temporary Governments servants, who desire to build the houses, for occupation by themselves, at places where no houses are available, or where house rent is exceptionally high. Also no advance is ordinarily permissible to a Government servant who is likely to be transferred or to retire before complete recovery can be effected”.

During audit of Sindh Building Control Authority, Karachi, for the financial year 2022-23, it was observed that Mr. Muhammad Ishaque Khuhro, Ex-Director General, SBCA, a Provincial Secretariat Services officer, allowed himself House Building Advance of Rs10.162 million on 23-08-2022.

Audit observed following discrepancies:

- i. The facility of HBA was for the permanent employees of SBCA, whereas, the officer was not permanent employee of SBCA, but posted for a certain period which is evident from the fact that he was transferred from SBCA on 03-05-2023.
- ii. SBCA is an Authority which should have a Board of Directors (BoD) constituting of Government and Private members as per rules. The matter of HBA of Ex-DG SBCA was required to be placed before the BoD. The management has neither framed delegation of financial powers for sanction of HBA in respect of various grade officials including DG, the head of SBCA nor have any BoD for making such important administrative and financial decisions.

Audit was of the view that self-drawl of house building advance by Ex-DG, SBCA without approval of competent forum was unauthorized which indicated poor financial management and weak internal controls.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends fixing responsibility on person(s) at fault, besides recovery of house building advance.

[AIR Para: 22]

1.5.2.5 Irregular inclusion of posts in schedule of establishment

Section 123(1), Chapter-XIV of Sindh Local Government Act, 2013, stipulates that a Council shall prepare a Schedule of Establishment showing the number of posts in each grade which are deemed necessary for the efficient performance of its functions under this Act and submit the same within three months of the coming into force of this Act to Government for approval. Further, sub-section (3) of section 123 ibid stipulates that a change in the Schedule of Establishment approved by the Government under sub-section (1) shall be made in the same manner as the Schedule of Establishment.

During audit of Sindh Local Government Board, Karachi, for the financial year 2022-23, it was observed that the management included 3,062 number of SCUG posts in the Schedule of Establishment without approval from Administrative Department. Detail is as under:

Sr. No.	Nomenclature of Post	BPS	No. of posts included
1.	Secretary	11	948
2.	Town Officer	16	698
3.	Accountant	14	594
4.	Municipal Officer	17	465
5.	Assistant Executive Engineer (Civil)	17	161
6.	Assistant Accounts Officer	16	117
7.	Assistant Executive Engineer (Mechanical)	17	40
8.	Assistant Executive Engineer (Electrical)	17	39
Total			3,062

Audit was of the view that inclusion of posts in schedule of establishment without approval of administrative department indicated poor financial management and weak internal controls.

The matter was reported to the management in November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

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

[AIR Para: 01]

1.5.2.6 Irregular award of promotions to employees

Rule 11 of Sindh Council Unified Grades Rules 2020, states that no person convicted for an offence by any court of law or dismissed from Government service shall be appointed to service.

Further, according to Rule 15(3) of Sindh Council Unified Grades Rules 2020, persons possess such qualification and fulfill the conditions laid down for the purpose of promotion to a post shall be considered by the promotion committee giving due regard to the following criteria:

- (vii) that the employee has not been awarded minor or major penalties;
- (viii) that there are no any enquiries pending against the employee with Anti-corruption Establishment or any Law Enforcement Agency.

During audit of Sindh Local Government Board, Karachi, for the financial year 2022-23, it was observed from the letter No.PA/AS/LG/VR(NAB)/2016, dated

27-09-2016, issued by Local Government Department, Government of Sindh, that some of employees made voluntary return of public money to National Accountability Bureau and the Secretary Board was requested to take action against the employees. The action taken against such employees was not provided to audit. It was further observed that management promoted few of the employees who made voluntary return of public money instead of taking action against them. Detail is at **Annex-LGD2(a) & (b)**.

Audit was of the view that award of promotion to the employees who made voluntary returns public money to NAB was violation of the rules which indicated poor management.

The matter was reported to the management in November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

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

[AIR Para: 03]

1.5.2.7 Irregular promotion of employees without fulfilment of prescribed criteria

Rule-15(3) of Sindh Council Unified Grades Rules 2020, stipulates that a persons who possesses such qualification and fulfill the conditions laid down for the purpose of promotion to a post shall be considered by the promotion committee giving due regard to the criteria that employee:

- i. Should possess the required qualification and experience for the post to which he is promoted;
- ii. Must possess the minimum length of service as specified by the Government, from time to time, for the posts or basic pay scales;
- iii. Should have completed the training and passed departmental examinations as may be prescribed.

During audit of Sindh Local Government Board, Karachi, for the financial year 2022-23, it was observed that the management promoted various employees without considering prescribed qualifications, mandatory trainings and length of service, in violation of rules. Detail is at **Annex-LGD3**.

Sr. No.	Name of Office	AIR Para	Remarks
1	Secretary Sindh Local Government Board, Karachi	5	Promoted without prescribed qualification
		6	Promoted without mandatory trainings
		7	Promoted without verification of degrees
		8	Promoted without minimum qualification

Audit was of the view that award of promotion to the employees without considering requisite qualification, mandatory trainings and length of service was violation of the rules which indicated poor management and weak internal controls.

The matter was reported to the management in November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

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

1.5.2.8 Irregular posting of council employees

As per Local Government Department, Government of Sindh, letter No.RO(LG)/Korangi 2(28)/2016 dated 20-01-2017, "Local Government Department is competent to make transfer & posting of officers/officials of Local Councils from one Council to another council against equivalent grade, post and cadre subject to NOC from both councils".

Further, Circular No.SLGB/SCUG/AO(Estt)Gen/2015/1570 dated 29-10-2015 issued by Local Government Department, Government of Sindh, Karachi, stipulates that no any ex-cadre officer/official may be assigned the charge of cadre posts of SCUG Service.

During audit of Sindh Local Government Board, Karachi, for the financial year 2022-23, it was observed that management of Board posted various council employees on the posts of Sindh Council Unified Grades (SCUG), in violation of rules and without approval of administrative department. Detail is at **Annex-LGD4**. Further, verification of following record was not conducted while issuance of transfer posting orders:

- i. Appointment orders from the concerned administrative department.
- ii. Medical fitness from issuing authority.
- iii. Service books from Local Fund Audit Department.
- iv. Copy of bank statement(s) from the date of appointment till to date.
- v. Endorsement of Last Pay Certificates (LPCs) by the concerned council.

Audit was of the view that transfer and posting of council employees against SCUG posts without observing codal requirements was irregular which indicated poor management and weak internal controls.

The matter was reported to the management in November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

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

[AIR Para: 09]

1.5.3 Procurement related irregularities

1.5.3.1 Award of work after expiry of bid validity period - Rs13,973.113 Million

According to Rule 38 (1), Part-II of Sindh Public Procurement Rules, 2010, “A procuring agency, shall subject the bid to a validity period, which shall be specified in the bidding document and not be more than 90 days in case of National Competitive Bidding and 120 days in case of International Competitive Bidding”.

Further, Rule 38 (4) & (5) *ibid*, stipulates that an extension shall not be more than one third of original period of bid validity and in case the procuring agency fails to finalize the bid evaluation within the extended time, the bids shall stand cancelled and a fresh bidding process shall be initiated.

During audit of Sindh Solid Waste Management Board, for the financial year 2022-23, it was observed that management invited bids through tender notice dated 28-09-2021, for the work of establishment of primary and secondary solid waste collection system for Hyderabad city, Qasimabad and Kotri areas with an estimated cost of Rs13,973.113 million through international competitive bidding. Technical bids for the above work were opened on 10-11-2021 and the work was to be awarded before the expiry of bid validity period of 120 days (upto 09-03-2022). However, the work was awarded to M/s Altas Waste Management Company Private Limited-SPV on 25-10-2022 after lapse of 07 months & 16 days of bid validity period, in violation of above rules.

Audit was of the view that award of work after lapse of bid validity was irregular which indicated poor management and weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

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

[AIR Para: 03]

1.5.3.2 Unjustified payment of works in US dollar instead of Pak Rupees Rs9,753.00 Million

Section (1) of Appendix 18-A of Sindh Financial Rule Vol-I, 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 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 Sindh Solid Waste Management Board, for the financial year 2022-23, it was observed that management paid Rs9,753.00 million to the contractors for hiring of local labour, transportation and other activities for solid waste management in USD at current exchange rates

instead of Pak Rupees, despite the fact that payment of salaries to the locally hired labour and expenses of machinery and equipment, transportation, POL and other operating expenses were paid in Pak Rupees instead of USD by the contractors. Detail is at **Annex-LGD5**.

Audit was of the view that undue favor was extended to various contractors by making payment in USD instead of Pak Rupees without any justification which indicated poor financial management and weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

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

[AIR Para: 01]

1.5.3.3 Execution of schemes without obtaining approval from competent forum
Rs5,553.639 Million

Rule 2.22 of SPPRA Guidelines / Regulations for Procurement of Works 2010 states that PC-I & PC-II of the schemes/projects prepared by the administrative department is required to be placed before the Development Working Party /committee according to the cost /competency of the forum as enumerated below:

Sr. No.	Competent Forum	Cost of Scheme Up to
1	District Development Working Committee (DDWC)	20 million
2	Departmental Development Working Party (DDWP)	40 million
3	Provincial Development Working Party (PDWP)	50 million
4	Central Development Working Party (CDWP)	One Billion
5	Executive Committee of the National Economic Council (ECNEC) after Clearance from CDWP	Above One Billion

During audit of following offices of Local Government Department, for the financial year 2022-23, it was observed that the management awarded various development works amounting to Rs5,553.639 million without approval of Central Development Working Party and ECNEC in violation of SPPRA regulations. Detail is at **Annex-LGD6**.

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	Amount
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1	Project Director, Local Government Project, Hyderabad	02	4,293.407
2	Project Director, Local Government Project, Karachi	01	1,260.232
Total			5,553.639

Audit was of the view that execution of schemes without obtaining approval from the competent forum was violation of SPPRA regulations which indicated weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2018-19 vide para number 1.2.3.35 having financial impact of Rs3,870.646 million. Recurrence of same irregularity is a matter of serious concern.

1.5.3.4 Award of works without execution of contract agreements Rs4,945.343 Million

Clause (iii) and (iv) of Para 7.12.3 of Sindh Public Procurement Authority Regulation for Procurement of Works, stipulates that within 28 days of receipt of the letter of acceptance, the procuring agency will send all copies of the contract to the bidder, with a covering letter or contractor shall attend the offices of the procurement agency for the purpose of signing the agreement duly stamped at the rate of 35 Paisa/100 rupees of the contract value (as amended and updated by the Government from time to time and which shall be borne by the contractor). Failure to sign the agreement shall lead to cancellation of the award and forfeiture of the bid security.

During audit of Project Director, Local Government Projects Hyderabad, for the financial year 2022-23, it was observed that the management awarded works of Rs4,945.343 million without executing contract agreements with the contractors. Further, government also sustained loss of Rs17.308 million on account of stamp duty. Detail is at **Annex-LGD7**.

Audit was of the view that non-execution of contract agreements was violation of the rules. The government also sustained loss of revenue in the shape of stamp duty which indicated poor financial management and weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks clarification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2019-20 and 2018-19 vide para numbers 1.2.2.27 and 1.2.3.43 having financial impact of

Rs742.023 million and Rs667.400 million respectively. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 01]

1.5.3.5 Execution of scheme without PC-I and PC-II - Rs1,450.177 Million

Guideline No. 2.11 of SPPRA, Regulation for Procurement of Works 2013, stipulates that after conceiving a development project/scheme, it is processed through following stages to secure funds for physical implementation:

- i. Preparation of the PC-I or PC-II as the case may be.
- ii. Approval from the competent forum.

During audit of Project Director, Local Government Projects, Karachi, for the financial year 2022-23, it was observed that management executed scheme “Rehabilitation of Roads on the Routes of Peoples Bus Service (Route-I to VII)” amounting to Rs1,450.177 million without preparation of PC-I and PC-II. Detail is at **Annex-LGD8**.

Audit was of the view that award of works without preparation of PC-I and PC-II was irregular which indicated weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks clarification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2019-20 vide para number 1.2.2.19 having financial impact of Rs8,199.682 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 08]

1.5.3.6 Technical sanction beyond delegated financial powers - Rs1,135.378 Million

According to S.No.12(1)(a) of Sindh Delegation of Financial Powers and Financial Control Rules 2019, in case of original works following powers shall be exercised for technical sanctions:

Administrative Department	Full Powers
Chief Engineer	Rs 100.00 million, beyond that concurrence of the administrative department is required
Superintending Engineer	Upto Rs 7.000 million in each case
Executive Engineer	Upto Rs 2.500 million in each case

During audit of Project Director, Local Government Projects Hyderabad, for the financial year 2022-23, it was observed that the management awarded seven contracts at sanctioned cost of Rs1,135.378 million to various contractors with the technical sanction of Project Director (Superintendent Engineer) instead of administrative department in violation of delegated financial powers. Detail is at **Annex-LGD9**.

Audit was of the view that grant of technical sanction of schemes by the Superintendent Engineer beyond delegated powers was violation of the rules which indicated poor financial management and weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 1.5.3.2 having financial impact of Rs246.088 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 03]

1.5.3.7 Irregular award of development works - Rs695.897 Million

Rule 46(2) (a), Part-II of Sindh Public Procurement Rules, 2010, states that single stage - two envelope procedure -bid shall comprise a single package containing two separate envelopes. Each envelope shall contain separately the financial proposal and the technical proposal (b) envelopes shall be marked as “FINANCIAL PROPOSAL” and “TECHNICAL PROPOSAL” in bold and legible letters to avoid confusion.

During audit of Project Director, Local Government Projects Karachi, for the financial year 2022-23, it was observed that management floated Notice Inviting Tender of works valuing Rs695.897 million on the basis of single stage one envelope method without obtaining technical proposals despite the fact that civil works required technical evaluation of bids by adopting single stage two envelope procedure. Detail is as under:

[Rs. in Million]

Sr. No.	Description of Works	ADP. No.	Tender Amount
1.	Construction of Allama Iqbal Park at Federal B Area Karachi	2484	250.000
2.	Imp./ Installation of Water Supply and Sewerage Lines, Paver Blocks and Road Carpeting in UC-23 & 25 District West Karachi	1809	239.713

3.	Reh./Imp/ of Road, Sewerage Line & Water System at PC-106 District East Karachi	1768	206.184
Total			695.897

Audit was of the view that evaluation of bids only on financial grounds instead of technical evaluation of bids was an undue favour extended to the contractors which indicated poor management and weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

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

[AIR Para: 05]

1.5.3.8 Award of work without requisite category of PEC - Rs472.483 Million

The bids were invited from the contractors registered with PEC in the following category vide NIT No.PM/ZONE-A/LGP/GOS/2022/390 dated 07-06-2022:

Description of Works	Estimated Cost	PEC Category with Codes
Construction of Civic Centre at Mula Fazal Auditorium Hall Chawkiwara Road Lyari. (ADP-1937)	417.012 million	Valid PEC License, Category-03 & above specialization Code CE01, CE09, CE10, BC03, ME03 & 04, EE03 & EE06

During audit of Project Director, Local Government Projects Karachi, for the financial year 2022-23, it was observed that management awarded work of construction of civic center for Rs472.483 million to M/s Yawar Builders despite the fact that the contractor did not possess the requisite criteria of Pakistan Engineering Council i.e., BC-03 (high rise buildings), ME-03 (Lifts and escalators, compressor, generators) and ME-04 (building automation systems). Detail is as follows:

[Rs. in Million]

Description of Works	Name of Contractor	Work Order # & Date	Contract Cost
Construction of Civic Centre at Mula Fazal Auditorium Hall Chakiwara Road Lyari	M/s Yawar Builders	05 / 04-01-2023	472.483

Audit was of the view that award of work in violation of the requisite PEC specialization showed that an undue favour was extended to the contractor which indicated poor management and weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks clarification in the matter.

[AIR Para: 03]

1.5.3.9 Irregular award of work without technical sanction - Rs210.000 Million

Section 11.1 of Sindh Public Procurement Regulatory Authority (SPPRA) Procurement Regulations (Works) 2013, stipulates that no development work shall be started unless technical sanction is accorded by the competent authority.

During audit of Project Director, Local Government Projects Hyderabad, for the financial year 2022-23, it was observed that management awarded and executed different works amounting to Rs210.000 million to different contractors without obtaining technical sanction from the competent authority, in violation of regulations as stated above. Detail is at **Annex-LGD10**.

Audit was of the view that execution of development works without obtaining technical sanction from the competent authority in violation of SPPRA Regulations indicated weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2018-19 vide para number 1.2.3.57 having financial impact of Rs147.171 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 04]

1.5.3.10 Irregular payments to the contractor - Rs34.571 Million

According to Rule-42, Part-II of Sindh Public Procurement Rules, 2010, Evaluation of Bids, “(1) All bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the bidding documents”.

Further, according to Rule 46 *ibid*, “Procedures of open competitive bidding-Save as otherwise provided in these rules, the following procedures shall be permissible for open

competitive bidding (1) Single Stage – One Envelope Procedure (a) Notice Inviting Tenders and bidding documents of this method shall contain the following eligibility criteria; (i) relevant experience; (ii) turn-over of at least last three years; (iii) registration with Income Tax, Sales Tax and Pakistan Engineering Council (where applicable).

Furthermore, Finance Department, Government of Sindh O.M No.FD/B&E-I/51/2007 dated 02-07-2007, stipulates that liability of previous years shall not be allowed to be cleared unless concurrence is given by Finance Department (FD).

During audit of Sindh Building Control Authority, Karachi, for the financial year 2022-23, it was observed that the management paid an amount of Rs34.571 million to M/s ANI Expert Dangerous Building & Demolition for demolition of various dangerous buildings and removal of debris. Detail is at **Annex-LGD11**. Audit observed following discrepancies:

- i. The record pertaining to tendering process was neither available in file nor provided to audit.
- ii. The work completion certificates of the site engineer or any inspection committee constituted by competent authority was not available in the file.
- iii. The contractor was not registered with FBR and SRB.
- iv. Further, the old liabilities amounting Rs28.515 million pertaining to financial years 2020-21 and 2021-22 were also paid during 2022-23 in violation of Finance Department instructions.

Audit was of the view that award of work and payment of liabilities without following codal requirements was irregular which indicated poor financial management and weak internal controls.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

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

[AIR Para: 13]

1.5.3.11 Award of consultancy work without inviting open tender - Rs8.423 Million

Rule 73(1), Part-III Sindh Public Procurement Rules 2010, stipulates that request for expression of interest shall be advertised or announced in accordance with the provisions of Rule 17.

Further, according to Rule 17(1A), Part-II ibid as amended upto date, “all procurement opportunities over two million rupees shall be advertised on the Authority's website as well as in the newspapers as prescribed. (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 Project Director, Local Government Projects, Karachi, for the financial year 2022-23, it was observed that management engaged M/s NESPAK (Pvt) Ltd for Consultancy Services for the Project “Rehabilitation of Roads on the Routes of Peoples Bus Service (Route-I to VII)” for Rs8.423 million through direct contracting instead of inviting Expression of Interest through open tender, in violation of rules.

Audit was of the view that due to award of work without inviting open tender competitive rates could not be achieved which indicated poor financial management and weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 09]

1.5.3.12 Non-imposition of liquidated damages - Rs7.611 Million

As per Para 10.3 of Sindh Public Procurement Regulatory Authority Guidelines 2013, “If the contractor fails to comply with time for completion mentioned in bid data except the conditions mentioned above, then procuring agency can penalize the contractor by adopting any one of the prescribed courses provided under clause (c) 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 Project Director, Local Government Projects Hyderabad, for the financial year 2022-23, it was observed that the management awarded various works of Rs152.227 million but the contractors failed to complete the works within stipulated period. However, the liquidated damages amounting to Rs7.611 million @ 5% of contract value were not imposed. Detail is at **Annex-LGD12**.

Audit was of the view that due to non-imposition of liquidated damages undue favor was extended to the contractors which indicated weak financial management and internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22 and 2018-19 vide para numbers 1.5.6.6, 1.5.6.1 and 1.2.3.17 having financial impact of Rs3.571 million, Rs226.837 million and Rs16.249 million respectively. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 12]

1.5.3.13 Non-observance of terms and conditions of contract agreements

Clause 4.3.3 of Request for Proposal (RFP) of bidding document for the work primary and secondary collection, manual sweeping, mechanical sweeping and mechanical washing in District East stipulated that the sanitary workers knock on each door or ring door bell and wait for waste to be brought out by the residents. The 100% door to door collection will be make sure where the waste is left outside the house or the property by the residents which will be collected at door step by the Sanitary Workers every day equipped with handcart and disposal of to the nearest dustbins sites.

Further, as per Clause-viii of contract agreements between SSWMB and M/s Changyi Kangjiic Sanitation & M/s Hangzhou Jinjiang Sanitation, "The contractors shall provide and replace the damaged litter bins, metal buckets and metal containers as and when required on the basis of their service life.

As per Clause-8 of contract agreement between SSWMB and M/s. Gansu Construction Heavy Industry Technology Co. "There will be a fixed six-month focused awareness activity by involving minimum 200 mobilizers to take the citizens on board and educate them to do the compliance on the proposed door to door collection mechanism in different zones of Korangi".

During audit of Sindh Solid Waste Management Board, Karachi, for the financial year 2022-23, it was observed that the management failed to achieve the core objective of SSWMB i.e., door to door garbage collection from residents' homes through M/s Changyi Kangjie Sanitation Engineering Company Ltd in respective districts. Further, the contractor neither replaced/provided required number of dust bins as per contract agreement nor hired 200 mobilisers for a period of six-months for awareness activity about the proposed door to door collection mechanism. Detail is at

Annex-LGD13.

Audit was of the view that due to non-compliance of various clauses of contract agreements, the actual objective of the SSWMB has not been achieved which indicated poor management and weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks clarification in the matter.

[AIR Paras: 19, 20, 21]

1.5.3.14 Non-deployment of third party for monitoring the work of waste management

According to Rule 7 (1) (xv) of Sindh Solid Waste Management Act, 2021, "the Board shall employ third party to take over management of solid waste on behalf of the Board which shall have the authority as vested in the Managing Director, to employ such parties as may expedite the waste management and benefit the people".

As per Clause-xxi of contract agreement dated 06-10-2017 signed b/w SSWMB and M/s Hangzhou Jinjiang Group Sanitation Co. Ltd. "The procuring agency may hire the services of a consulting firm for third party Monitoring

& Evaluation of the scheme. In addition to regular monitoring, evaluation and feedback, this third-party consulting firm shall also carry out verification of supplies made, works and services carried out as well as claims / bills submitted by the contractors. Payment to the contractor shall be made on verification of their claims/ bills by third party or the departmental scrutiny and verification committee, as the case may be.”

During audit of Sindh Solid Waste Management Board, Karachi, for the financial year 2022-23, it was observed that management failed to deploy third party for monitoring the work performed by the solid waste collection companies according to the contract agreement.

Audit was of the view that non-deployment of third party for monitoring the performance of contractors was violation of the Sindh Solid Waste Management Act, 2021.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 17]

1.5.4 Recoveries related issues

1.5.4.1 Non-deposit of taxes into public exchequer - Rs593.864 Million

Section 160 of Income Tax Ordinance, 2001, as amended vide Finance Act 2002, stipulates that any tax that has been collected or purported shall be paid to the Commissioner by the person making the collection or deduction within the time and in the manner as may be prescribed.

Further, according to Rule 41(a), Chapter-3 of Sindh Financial Rules Volume-1, “The departmental controlling officers should see that all sums due to Government are regularly received and checked against demands and that they are paid into the treasury”.

During audit of following offices of Local Government Department, for the financial year 2022-23, it was observed that the management deducted an amount of Rs593.864 million on account of income tax, general sales tax and Sindh sales tax on services from the bills of contractors but failed to deposit the same into public exchequer as detailed below.

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	Description	Amount of taxes deducted but not deposit
1.	MD, Sindh Solid Waste Management Board	09	Income Tax	409.455
		10	Sindh Sales Tax and GST	169.148

2.	Project Director Local Government Project, Hyderabad	10	Sindh Sales Tax and Income Tax	10.859
3.	Senior Director, Sindh Master Plan Authority	05	Income Tax on salary	4.402
Total				593.864

Audit was of the view that non-deposit of collected taxes into public exchequer indicated poor financial management and weak internal controls.

The matter was reported to the management during September 2023. The office of Senior Director Sindh Master Plan Authority replied that this office is regularly collecting/ deducting tax from the monthly salaries and subsequently depositing the same into the relevant head of account. The reply was not tenable as no relevant documentary evidence was provided, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends depositing of deducted taxes into public exchequer, besides fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21 and 2018-19 vide para numbers 1.5.4.1 & 1.5.4.3, 1.5.4.3 1.5.3.2, 1.5.3.5 & 1.5.3.6, and 1.2.3.3 having financial impact of Rs67.272 million & Rs2.422 million, Rs8.943 million, Rs248.162 million, Rs3.241 million & Rs1.455 million and Rs837.166 million respectively. Recurrence of same irregularity is a matter of serious concern.

1.5.4.2 Non-recovery of outstanding dues - Rs238.468 Million

As per Rule-7(1)(v) of Sindh Solid Waste Management Act, 2021, “The Board shall collect and recover cess, rates and charge fee or impose fine for collection and disposal of solid waste as may be prescribed by rules”.

Further, as per Section 100 (2), Chapter-X of Sindh Local Government Act 2013, “All arrears of taxes, rates, tolls and fees and other moneys claimable by a Council under this Act shall be recoverable as arrears of land revenue through Government agency or by the Council authorized by Government for such recovery through such employees or class of employees of the Council as may be prescribed”.

During audit of following offices of Local Government Department, for the financial year 2022-23, it was observed that the management did not recover outstanding dues of Rs238.468 million on account of various heads from defaulters as detailed below.

[Rs. in Million]

Sr. No.	Name of Office	Particulars of dues	Defaulters	AIR Para	Outstanding dues as on 30-06-2023
1	MD, Sindh Solid Waste Management Board	Front end collection services Fee and Tipping Fee	Korangi Association of Trade & Industry (KATI), Korangi Creek Industrial Park (KCIP), Pakistan Telecommunication Authority (PTA), Sindh Industrial Trading Estate (SITE), Cantonment Boards, Other Industries and agencies	08	237.838
2	Sindh Master Plan Authority, Hyderabad Directorate	Less recovery of no objection certificate (NOC) for Layout Plan	Different town/ housing schemes.	06	0.630
Total					238.468

Audit was of the view that non-recovery of outstanding dues indicated weak financial management.

The matter was reported to the management in September 2023, but no reply was received.

The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2020-21, 2019-20 and 2018-19 vide para numbers 1.5.3.1, 1.2.2.4, and 1.2.3.1 having financial impact of Rs4,228.191 million, Rs1,481.577 million and Rs66,930.450 million respectively. Recurrence of same irregularity is a matter of serious concern.

1.5.4.3 Non-deduction of government taxes - Rs10.063 Million

Section 8(1) of Sindh Sales Tax on Services Act 2011, stipulates that taxable services shall be charged, levied and collected for a tax, known as sales tax, on the value of a taxable service at the specified rate.

Further, as per Section 153 of Income Tax Ordinance, 2001 read with Income Tax Rules, 2002, "Payment on account of supply of goods and rendering of services are subject to deduction of income tax at source @ 4.5% and 7.5% respectively".

During audit of following offices of Local Government Department, for the financial year 2022-23, it was observed that the management paid an amount of Rs69.554 million to various contractors and suppliers, but did not deduct Rs10.063 million on account of income tax and Sindh sales tax on services from contractors/suppliers. Detail is at **Annex-LGD14**.

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	Description	Amount of taxes not deducted
1.	Managing Director, Sindh Solid Waste Management Board	13	Income tax & Sindh Sales Tax on Services	7.635
2.	Director General, Sindh Building Control Authority	15	Sindh Sales Tax on Services	1.729
3.	Project Director, Local Government Project Karachi	11	Income tax	0.699
Total				10.063

Audit was of the view that non-deduction of taxes was loss to public exchequer which reflected weak financial and internal controls.

The matter was reported to the management during September and October, 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2019-20 and 2018-19 vide para numbers 1.5.4.2, 1.5.4.2, 1.2.2.6, 1.2.2.12 & 1.2.2.16 and 1.2.3.5, 1.2.3.11, 1.2.3.12 & 1.2.3.20 having financial impact of Rs82.498 million, Rs409.965 million, Rs28.710 million, Rs33.899 million & Rs3.442 million, Rs215.159 million, Rs77.174 million, Rs52.606 million & Rs6.088 million respectively. Recurrence of same irregularity is a matter of serious concern.

1.5.4.4 Non-recovery of shrinkage charges - Rs1.868 Million

As Per Sr. No.8, Para (2) of Introduction to the Schedule Rates (Composite) For finished items of works, 2012, "Deduction for shrinkage, from the bank measurements:- To unify the various formulae now being followed in different parts of the province and to standardize instructions on the subject, the following allowances should be provided for :- (b) Deduction for

settlement from the bank measurement when the earth work is done by machine. (Tractor, Scrapers etc.... 5%)”.

During audit of Project Director, Local Government Projects Hyderabad, for the financial year 2022-23, it was observed that management incurred expenditure of Rs4.314 million on account of earth work, but failed to deduct 5% shrinkage charges amounting to Rs1.868 million from the bills of contractors. Detail is at **Annex-LGD15**.

Audit was of the view that non-recovery of shrinkage charges on earth work was an undue favour extended to contractor which indicated weak financial management.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 14]

1.5.4.5 Non-recovery of stamp duty - Rs1.377 Million

According to Schedule of prescribed Stamp Duties in Stamp Act, 1899 as amended vide Stamp (Sindh Amendment) Ordinance, 2002 & Sindh Finance Act, 2009, notified vide No. PAS/Legis-B10/2009, dated 08-07-2009 and published in the Sindh Government Gazette on 09-07-2009, “the rate of proper Stamp Duty is thirty-five paise for every hundred rupees of the amount of the contract”.

During audit of Project Director, Local Government Projects Hyderabad, for the financial year 2022-23, it was observed that the management awarded various works of Rs393.332 million to the contractors, but the Stamp Duty of Rs1.377 million @ Rs0.35 paise per hundred rupees of the total amount of the agreements was not recovered, in violation of rules. Detail is at **Annex-LGD16**.

Audit was of the view that non-affixing of prescribed stamp duty was an undue favour extended to the contractors which indicated weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends recovery of stamp duty, besides taking remedial measures to avoid recurrence.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2018-19 vide para numbers 1.5.4.4 and 1.2.3.8 having financial impact of Rs1.453 million and Rs103.470 million respectively. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 15]

1.5.4.6 Non-recovery of Outer Development Charges of layout Plan Rs7.624 Million

According to letters No.URP-42-609/SMPA/2022/UD/3478 and even No. 3479 dated 16-08-2022 issued by Sindh Master Plan Authority, the applicants were required to deposit Outer Development Charges in four equal installments. Further, as per condition No.13 of letter (ibid), if he fails to make payment of installments within stipulated time i.e. each installment in three months, the NOC for Layout Plan will be treated as cancelled/withdrawn automatically.

During audit of Sindh Master Plan Authority, Karachi, for the financial year 2022-23, it was observed that allottees did not pay Outer Development Charges of Rs7.624 million but the management failed to cancel the NOCs for layout plans. Detail is at **Annex-LGD17**.

Audit was of the view that undue favour was extended to the allottees by non-cancelling the NOCs for layout plans despite non-payment of Outer Development Charges.

The matter was reported to the management in September 2023. The management replied that the owners of the plots had submitted the cross cheques amounting to Rs4,374,516/- and Rs3,249,033/-. The reply was not tenable as no documentary evidence in support of reply was provided. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks clarification in the matter.

[AIR Para: 04]

1.5.5 Management of Accounts with Commercial Banks

1.5.5.1 Unauthorized operation of bank accounts with private banks

In pursuance of instructions of Chief Minister Sindh, the office of Secretary, Local Government & Housing Town Planning Department issued letter vide No.SOG (LG)/Misc/2013-2014 dated 03-05-2016, wherein all offices under Local Government Department were directed to open and operate official Bank Accounts/transactions with Sindh Bank.

During audit of Sindh Building Control Authority, Karachi, for the financial year 2022-23, it was observed that the management was operating official bank accounts with private banks instead of Sindh Bank in violation of above instructions. Detail is at **Annex-LGD18**.

Audit was of the view that continuing operation of bank accounts with private banks in violation of Government instructions indicated weak internal controls.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends opening and operation of official bank accounts with Sindh Bank as per instructions of Government of Sindh.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 1.5.5.1. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 30]

1.5.6 Other issues

1.5.6.1 Variation of expenditure in the record of department and AG Sindh Rs10,397.172 Million

As per Rule-42 of Central Public Works Department Code, “The Divisional Officer is required to take the necessary steps for obtaining cash for the works under-his control, to keep accounts, and to submit them punctually to the Audit Officer under the rules for the time being in force. He is responsible for the arrangements for account keeping, in which matter he will be assisted by his Divisional Accountant, and he must see that his accounts are posted from day to day and that the Accountant carries out his duties regularly and punctually. The responsibility for the correctness, in all respects, of the original records of cash and stores, receipts and expenditure, as also for seeing that complete vouchers are obtained rests with the Divisional Officer, who will, before submitting the monthly accounts, carefully examine the books, returns and papers from which the same are compiled”.

During audit of Project Director, Local Government Projects Karachi, for the financial year 2022-23, it was observed from the record provided by the management that the total expenditure in cost center KQ6059 under the head of development works (ADPs) was Rs8,120.542 million. Whereas, the data extracted from SAP (A.G Sindh) showed the expenditure of Rs18,499.714 million under the same head, thereby creating variation of Rs10,397.172 million. Further, monthly accounts of the project were also not prepared due to which the actual expenditure incurred could not be reconciled. Detail is as follows:

[Rs. in Million]

Cost Centre	Head of Accounts	Budget Releases	Actual Expenditure
KQ6059	Development Works (ADPs) figures provided by management	8,365.856	8,120.542
	Expenditure as per SAP Data (AG Sindh)		18,499.714
	Difference (un-reconciled Expenditure)		10,397.172

Audit was of the view that variation of figures in the record of two offices indicated that the management failed to reconcile monthly expenditure with the office of Accountant General Sindh in violation of rules which indicated poor financial management and weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends that the management should get the issue of variation resolved by carrying out reconciliation of record with Accountant General Sindh, besides taking remedial measures.

[AIR Paras: 15, 16]

1.5.6.2 Non-maintenance of works and deposit register - Rs2,844.592 Million

Para 285, Chapter-X of the Central Public Works Accounts Code, states that register of works are posted monthly from work abstracts. The transactions relating to each work abstract should be posted separately and an abstract for the entire work should be prepared for comparing the cost of work and its sub-works with the provisions in the estimate.

Further, Para 401 *ibid*, stipulates that a record of the transactions relating to Public Works deposit should be maintained in the divisional office in a register. This deposit register should show, month by the month, the total receipts and adjustments and the closing balance of each separate deposit item.

During audit of Sindh Solid Waste Management Board, Karachi, for the financial year 2022-23, it was observed that an expenditure of Rs2,844.592 million was incurred by the management on execution of different works. However, management failed to maintain works and security deposit register, in violation of above rules.

Audit was of the view that non-maintenance of relevant registers was violation of the rules which indicated weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends maintenance of relevant registers, besides fixing responsibility on the person(s) at fault.

[AIR Para: 06]

1.5.6.3 Less realization of targeted receipts - Rs293.330 Million

Section 100 (1) of Sindh Local Government Act 2013, states that unless otherwise provided, all taxes, rates, tolls and fees levied under this act shall be collected in the prescribed manner by the persons authorized for such collection: provided that where any tax, rate, toll or fee levied by a Council is also levied by Government, such tax, rate, toll or fee shall be collected with Government tax, and the proceeds thereof be credited to the local fund of the Council.

During audit of Sindh Building Control Authority, Karachi, for the financial year 2022-23, it was observed that the management did not take appropriate measures to realize revenue targets of Rs293.330 million from various heads i.e., e-payment fee, manual fee, e-payment additional floor charges, infrastructure betterment charges (25% share) etc., as detailed below.

[Amount in Rs.]

Targeted Receipts FY 2022-23	Actual Recovery during FY 2022-23	Shortfall
4,760,916,000	4,467,586,230	293,329,770

Audit was of the view that due to less-realization of revenue targets, the authority was deprived of legitimate revenue which indicated poor financial controls.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends fixing responsibility on the person(s) at fault for non-achievement of revenue targets.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2019-20 and 2018-19 vide para numbers 1.5.6.1, 1.5.4.1, 1.2.2.18 and 1.2.3.32 having financial impact of Rs193.609 million, Rs497.028 million, Rs9,364.747 million and Rs9,192.926 million respectively. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 12]

1.5.6.4 Unjustified deduction of tax on exempted income - Rs92.867 Million

According to sub-section (2) of Section 49 of Income Tax Ordinance, 2001, the income of a Provincial Government or a Local Government in Pakistan shall be exempt from tax under this Ordinance, other than income chargeable under the head "Income from Business" derived by a Provincial Government or Local Government from a business carried on outside its jurisdictional area.

Further, sub-section (2)3 any payment received by the Federal Government, a Provincial Government or a [Local Government] shall not be liable to any collection or deduction of advance tax.

During audit of following offices of Local Government Department, for the financial year 2022-23, it was observed that management invested an amount of Rs2,842 million in Term Deposit Receipts in Sindh Bank civic center branch Karachi, and Sindh Bank Shahbaz Building Hyderabad. The said banks credited an amount of Rs309.560 million on account of monthly profit of investment and deducted income tax amounting to Rs92.867 million in violation of above rule provisions. The management also did not take any efforts for recovery of wrongfully deducted income tax by the banks as detailed below.

[Rs. in Million]

Sr. No.	Bank Name and Transaction ID/Cheque No. & Date	TDR Bank Account No.	Amount of Investment for F. Y 2022-23	Amount of Profit for F. Y 2022-23	Amount of Income Tax deducted
Sr. Director, SMPA, Karachi					
1	170787 and 171788 / 4-4-23 (Sindh Bank civic centre A/c No. 0369-621522-1000)	0369-621522-1000 (Sindh Bank civic centre)	2,372.000	261.279	78.383
Director, Town Planning Sindh, Hyderabad					
2	4717851/13-03-2023 (4002734890 NBP Shahbaz building Hyderabad)	007275491756100 (Sindh Bank Shahbaz building Hyderabad)	470.000	48.281	14.484
Total			2,842.000	309.560	92.867

Audit was of the view that deduction of income tax was in violation of provisions of Income Tax Ordinance 2001, which resulted into loss of profit to the organization.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends recovery of wrongfully deducted income tax, besides taking remedial measures.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 1.5.6.8 having financial impact of Rs7.522 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 24]

1.5.6.5 Non-maintenance of POL record - Rs62.218 Million

As per Rule- 20 of the Staff Car Rules 1980, as amended in 2001, "The Log Book, History Sheet, and Petrol Account Register shall be maintained for each official vehicle".

According to Rule 159(4) of Sindh Local Council (Accounts) Rules 1983, "A council vehicle shall not be driven except by a driver appointed by the competent authority, for the vehicle. Every person using a council vehicle shall make and sign entries in the Petrol and lubricant account in Form No. 116 and in Log Book of the vehicle kept in the custody of the driver. Log book shall be maintained in Form No. 117".

During audit of following offices of Local Government Department, for the financial year 2022-23, it was observed that management incurred an expenditure of Rs62.218 million on POL for official vehicles but did not maintain of petrol account register, history sheet, log book of each vehicle, tour program/diary of official vehicles as detailed below.

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	Amount
1	Director General, Sindh Building Control Authority	26	59.463
2	Secretary, Sindh Local Government Board	10	2.755
Total			62.218

Audit was of the view that incurrence of expenditure on account of POL without maintenance of relevant prescribed record indicated weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends that responsibility be fixed on person(s) at fault for incurring expenditure without maintenance of prescribed record.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2019-20 and 2018-19 vide para numbers 1.2.2.33 and 1.2.3.47 having financial impact of Rs336.492 million and Rs454.876 million respectively. Recurrence of same irregularity is a matter of serious concern.

1.5.6.6 Unauthorized retention of KW&SB share - Rs41.201 Million

Notification dated 19-11-2012 issued by KMC, stipulates that levy of 20% additional charge for changes of land use fee is to be collected by Master Plan Department, KMC and be remitted to Karachi Water & Sewerage Board with effect from 11-07-2012.

During audit of Sindh Master Plan Authority, Karachi, for the financial year 2022-23, it was observed from Bank Statement of account No. 0010011062510291 titled as “Master Plan Department (KW&SB Share)” maintained at Allied Bank, Civic Centre Branch, Karachi that management retained KW&SB share amounting to Rs41.201 million, collected from different applicants but did not remit the same to KW&SB.

Audit was of the view that non-remitting of due share of KW&SB by the management indicated weak financial management.

The matter was reported to the management in September 2023. The management replied that KW&SB share collected in 14 cases have been cancelled / withdrawn and the same would be refunded to the applicants. The reply was not tenable as management failed to remit the due share of KW&SB already available in account. The PAO did not convene DAC meeting till finalization

of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2019-20 vide para numbers 1.5.6.3 and 1.2.2.11 having financial impact of Rs6.976 million and Rs94.382 million respectively. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 07]

1.5.6.7 Non-publication of advertisements regarding sale of projects

As per Section 5-2.4 of Chapter-5 pertaining to Public Sale Projects of The Karachi Building & Town Planning Regulations, 2002, the authority shall publish the public notice within 15 days of the issuance of NOC for sale and advertisement of the projects in leading newspapers regarding salient features of each public sale project including name of project location, developer's name, office address, name of Town Planner, nos. and size of plots offered for Sale, detail of mortgaged plots, date of completion and selling price.

During audit of Sindh Building Control Authority, Karachi, for the financial year 2022-23, it was observed that the management collected advertisement fee of Rs13.200 million from builders of various projects for publication of public notice in leading newspapers regarding salient features of each public sale projects. Public Notices were to be published by Public Relation Department SBCA within 15 days from issuance of NOC for information of general public, but the management failed to publish the advertisements, in violation of above regulations.

Audit was of the view that due to non-publication of advertisement about the projects by SBCA, the general public could not be informed about the salient features of the projects.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 14]

1.5.6.8 Non-maintenance of stock registers - Rs4.474 Million

According to Rule-25(1) of Sindh Local Councils (Accounts) Rules, 1983, "Every officer or servant of the Council in charge of stocks of articles or materials kept for issue other than stamps shall maintain a stock register (in Form No. 16) in which shall be entered every transaction effecting such stocks and separate pages of the register shall be assigned to different classes of stocks."

During audit of following offices of Local Government Department, for the financial year 2022-23, it was observed that management incurred an expenditure of Rs4.474 million on the purchase of stationery and miscellaneous items but did not maintain stock registers. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	Amount
1	Secretary, Local Government Housing & Town Planning Department	07	4.231
2	Secretary, Local Government Board, Karachi	11	0.243
Total			4.474

Audit was of the view that non-maintenance of stock register indicated weak internal controls, besides misuse of funds as well as procured items could not be ruled out.

The matter was reported to the management during September to November, 2023. Secretary, Local Government Housing & Town Planning Department, Karachi replied that the stock register on account of purchase of computer stationery was maintained. The reply was not tenable as stock registers were not maintained as per prescribed format, whereas no reply was received from office of Secretary, Local Government Board. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends that stock register may be maintained on the prescribed format.

1.5.6.9 Savings not surrendered - Rs3.826 Million

According to Para 162 of Sindh Budget Manual, all anticipated Savings should be surrendered to government immediately as they are foreseen without waiting close of financial year.

During audit of following offices of Local Government Department, for the financial year 2021-22, it was observed that an amount Rs3.826 million was neither utilized nor surrendered in time as detailed below.

[Rs. in Million]

Sr. No.	Name of Entity	Budget	Expenditure	Saving
1.	Regional Director, Local Government Mirpurkhas	3.403	-	3.403
2.	Additional Director, Local Government Badin	0.423	-	0.423
Total		3.826	-	3.826

Audit was of the view that non-surrendering of savings reflected poor financial management.

The matter was reported to the management in May 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter

dated 19-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit seeks clarification in the matter.

[AIR Paras: 2, 3]

1.5.6.10 Opportunity loss due to non-generation of energy from solid waste

According to Rule 7 (1) (xi) of Sindh Solid Waste Management Act, 2021, “The Board shall get the schemes prepared or arrangement made for outsourcing any function relating to the collection, transfer, re-cycling of waste, compost making and energy generation out the solid waste, development of filling sites of the solid waste”.

During audit of Sindh Solid Waste Management Board, Karachi for the financial year 2022-23, it was observed that the management was required to make arrangement for energy generation from solid waste, but the same has not been done despite lapse of considerable time.

Audit was of the view that non-arrangement of energy generation from solid waste showed lethargic attitude of management. Further, the public was also deprived of provision of low-cost energy.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 16]

1.5.6.11 Non-demolition of dangerous buildings

According to Section 14(1) of The Sindh Building Control Ordinance, 1979, “If it comes to the notice of the authority that a building is likely to collapse, the authority may, after such inquiry as it deems fit order for carrying out the specific repairs or demolition of the whole or part of the building”.

During audit of Sindh Building Control Authority, Karachi, for the financial year 2022-23, it was observed that the management did not demolish 713 dangerous buildings declared by the Technical Committee, SBCA as hazardous for living. Detail is as under:

Sr. No	Name of District	No. of Dangerous Buildings
1.	District South	440
2.	Hyderabad Division	81
3.	District Central Karachi	65

Sr. No	Name of District	No. of Dangerous Buildings
4.	Sukkur Division	60
5.	District Keamari	23
6.	District Korangi	14
7.	District East Karachi	13
8.	Mirpurkhas Division	07
9.	District Malir	04
10.	Larkana Division	04
11.	District West	02
Total		713

Audit was of the view that due to non-demolition of the dangerous buildings precious lives of the citizens were at high risk which indicated poor management and weak internal controls.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21 and 2019-20 vide para numbers 1.5.6.5, 1.5.5.6, 1.5.5.4 and 1.2.2.90 respectively. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 07]

1.5.6.12 No mechanism to check completion and occupancy process of the projects

As per Section 4-13.2.7 of Karachi Building & Town Planning Regulations-2002, “The builder/developer shall complete the construction/development work within specified time mentioned in sale and advertisement NOC, hand over possession of units and execute lease/sub-lease in favour of respective allottees on receiving agreed sale price, after obtaining completion plan/occupancy certificate from the authority.”

Further, as per Section 7-E(2) of the Sindh Building Control Ordinance, 1979, “The Authority shall cause every building which has been completed to be inspected, and if it has been constructed in violation or contravention of any provisions of this ordinance, if any, the authority may require the alterations of the buildings so as to be in compliance therewith, and where such an alteration is not possible, the authority may require the building or any part thereof to be

demolished if it involves any violation or contravention of the provisions of a master plan or of a sanctioned site development scheme.”

During audit of Sindh Building Control Authority, Karachi, for the financial year 2022-23, it was observed that the SBCA did not take any action against the builders who failed to submit occupancy certificates to SBCA after completion of their projects. Due to non-submission of occupancy certificates, it could not be checked whether the builders have made any violation in map or in the approved structure. Detail is at **Annex-LGD19**.

Audit was of the view that due to non-obtaining of completion and occupancy certificates of each project, the chances of various fatal incidents due to faulty design or structure could not be ruled out.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 04]

1.5.6.13 Irregular issuance of NOCs without site inspection

According to Regulation No. 3-3.12.1 of Karachi Building and Town Planning Regulations 2002, the applicant submitting a sub-division plan shall arrange for at least one site inspection by a representative of the concerned Authority or Master Plan Authority & Environmental Control Department or both, as the case may be.

During audit of Sindh Master Plan Authority, Karachi and Director, Town Planning Sindh, Hyderabad, for the financial year 2022-23, it was observed that management issued No Objection Certificates for layout plan without site inspection by a representative of concerned Authority or representative of Master Plan Authority & Environmental Control Department (MP&ECD), in violation of above rules. Detail is as under:

S. No.	Approval No. & Date	Description
(1) Sindh Master Plan Authority, Karachi [OM # 09]		
	967/ 12-5-23	Approval of Layout Plan in respect of land measuring 09-08 acres, sector No. 25-A deh Songal scheme-33 Karachi.
(II) Director, Town Planning Department, Hyderabad [OM # 17]		
1	147/ 3-8-22	Approval of proposed Layout Plan of "Gulshan-e-Hyder Extension housing scheme over R.S.Nos 234, 236,238 (part), 239 (part), 240 (part), 266 and 406 admeasuring area 39 Acre 2.5 Gunta, situated at deh 109, taluka Hussain Bux Mari, district Mirpur Khas

2	73/ 22-2-23	Approval of proposed Layout Plan of Al-Ghafoor Residency Housing Scheme Phase-I, over survey Nos. 52, 54, 55 and 737 admeasuring area 11 Acers and 15 Gunta situated at deh Gosirji, taluka New Sukkur, district Sukkur
3	243/ 2-11-22	Approval of proposed Layout Plan of Indus Vista Housing Scheme, over survey Nos. 1069 to 1076, 978 and 979 admeasuring area 15 Acers and 4 Gunta situated at deh old Sukkur, taluka new Sukkur, District Sukkur

Audit was of the view that issuance of NOCs without site inspection was irregular which indicated weak internal controls.

The matter was reported to the management during September 2023. The management replied that the audit has not specified/identified the NOCs issued without site inspection reports with their plot numbers etc. Hence, it was very difficult to give any plausible elucidation. The reply was not tenable, as audit provided details of the schemes for which NOCs were issued without inspection. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 10]

1.5.6.14 Irregular approval of Layout Plans

According to Regulation No 20-4.2.4 of Karachi Building and Town Planning Regulations 2002, “On industrial plots of 5 acres and more, 8% of the total plot area in the rear shall be allowed for residential, local commercial, amenity, road etc, within the premises for labour and staff for which a separate approach shall have to be provided. The minimum distance between the factory and residential units shall be at least 40 feet (12.18 m.)”

Further, according to Regulation No 18-3.1.5 (ibid), “In case of sub-division of industrial plot having area upto 1000 SqYd the sub-divided area shall not be less than 25% of the original allotted plot and for plots having area more than 1000 Sq. yds (836.12 Sq.m) the minimum sub-divided area shall not be less than 1000 Sq. yds”.

During audit of Sindh Master Plan Authority, Karachi, for the financial year 2022-23, it was observed that management approved and issued No Objection Certificates (NOCs) for layout plan of plots in violation of above rules as detailed below.

Sr. No.	Description	Survey No.	Violation
Sindh Master Plan Authority, AIR Paras no. 11 and 12			
1	Plot at Deh Dehj, Sub-division Korangi, district Korangi	Survey No. 579, admeasuring 5-0 acres from NA-Class No. 24	Without allocating 8% of total area of plot/land for residential and amenities like Masjid, Hospital, Post office etc.

2	Sub-division of plot Deh Sharafi, Tappo Landhi, Taluka Ibrahim Hyderi, District Malir	Survey No. 99 Admeasuring 03-33 Acres	The plot was divided into area measuring less than 1000 sq. yards in violation of regulations.
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Audit was of the view that approval of layout plan of plots without observing prescribed requirements indicated poor management and weak internal controls.

The matter was reported to the management in September 2023. The management replied that NOCs were issued by observing prescribed criteria. The reply was not tenable as the management failed to provide documentary evidence in support of reply. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2018-19 vide para number 1.2.3.103. Recurrence of same irregularity is a matter of serious concern.

[AIR Paras: 11, 12]

1.5.6.15 Non-preparation of Master Plan of all districts of Sindh

According to Section 3(7-B) of Sindh Building Control (Amendment) Act, 2014, “The Authority shall draw up a Master plan for all Districts of the Province which shall, among other matters, as provided below:

- i. a survey of the district including its history, statistics, public services and other prescribed particulars;
- ii. development, expansion and improvement of any part of the district;
- iii. restrictions, regulations and prohibitions to be imposed with regard to the development of sites, and erection and re-erection of buildings within the district; and
- iv. earmarking of land for mosques where necessary”.

During audit of Sindh Master Plan Authority, Karachi, for the financial year 2022-23, it was observed that management did not prepare master plan of all districts of Province of Sindh. The non-preparation of Master Plan deprived the citizens of purpose-built civic facilities.

Audit was of the view that non-preparation of Master Plan for all districts of Sindh was violation of the Act, which indicated weak internal controls.

The matter was reported to the management in September 2023. The management replied that it had taken up the matter with the higher authorities. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends effective steps for preparation of master plan for all districts of Sindh.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide para number 1.5.5.8. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 14]

1.5.6.16 Approval of layout plans without obtaining NOCs from utility agencies

As per Regulation No.5-2.28 of Karachi Building & Town Planning Regulation 2002 as amended in 2019, “Developer seeking NOC for sale and advertisement for the housing scheme (open plots) outside planned schemes of KDA/MDA/LDA having no integrated utility infrastructure shall furnish NOC of utility agencies, the concerned agencies must assure the availability of the services before the completion date of the project”.

During audit of following offices of Local Government Department, for the financial year 2022-23, it was observed that management approved layout and building plans without obtaining NOCs from utility agencies for provision of basic utilities. Detail is at **Annex-LGD20**.

Sr. No.	Name of Office	AIR Para
1	Sindh Master Plan Authority, Hyderabad	15
2	Sindh Building Control Authority, Karachi	09

Audit was of the view that the management approved layout and building plans for housing schemes without obtaining NOCs from utility agencies which indicated weak internal controls.

The matter was reported to the management during September and October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide para number 1.5.6.5. Recurrence of same irregularity is a matter of serious concern.

1.5.6.17 Issuance of No Objection Certificates without observing codal requirements

Section 3-3.11(1), ‘Approval procedure for Special Development Permit’ of Karachi Building & Town Planning Regulations, 2002, stipulates that the owner shall apply to the concerned authority for special development permit for major sub-division and the concerned authority shall refer the case to Master Plan Group of offices for approval. (2c) the approval of civil aviation, defense authorities, or any other concerned authority, if required.

Further, Section 3.2(3)(III) *ibid*, states that structural engineer and relevant Engineering and Building Services (E&BS) consultant shall sign on respective drawings and architectural plan.

Furthermore, NOCs of water and sewerage, electricity, natural gas were required for every new project in compliance of Supreme Court of Pakistan orders in C.P. No. 38/2017, dated 05-03-2018 as circulated by Sindh Building Control Authority on 06-03-2018.

During audit of following offices of Local Government Department, for the financial year 2022-23, it was observed that management approved and issued No Objection Certificates for layout plans of various town/housing schemes and building plans without taking into account the requirements and ensuring the compliance of prescribed procedures i.e., attachment of applicant's ownership title, physical and topographical surveys of the site, approval from civil aviation etc. Detail is at

Annex-LGD21.

Sr. No.	Name of Entity	AIR Para
1	Sindh Master Plan Authority, Hyderabad	16
		17
		21
2	Sindh Building Control Authority, Karachi	02

Audit was of the view that issuance of NOCs without observing requirements was irregular which indicated weak internal control system.

The matter was reported to the management during September and October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

1.5.6.18 Non-observance of prescribed criteria for housing schemes

According to Regulation No 20-4.1(1)(2) & (3) of Regional Interim Building & Town Planning Regulations-2018, allocations for various land uses for new residential schemes shall be as follows.

Sr. No.	Total Saleable Area	Percentage %
1	Residential area maximum	55
2	Commercial maximum	5
	Total Non-saleable Area	

3	Roads/Streets, right of way minimum	25
4	Parks and playground minimum	8
5	Public uses minimum	4
6	Education uses minimum	3
Total area		100

During audit of Sindh Master Plan Authority, Hyderabad, for the financial year 2022-23, it was observed that management issued layout plan of new housing schemes for different districts of Sindh without observing prescribed standards ratio, i.e., applicable percentage of reserved area for residential and amenities. The violation could increase the commercial area of the housing schemes at the cost of facilities for residential units. Detail is at **Annex-LGD22**.

Audit was of the view that issuance of layout plan for new housing schemes without observing prescribed standard ratio indicated that undue favour was extended to the builders and developers.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 and 2018-19 vide para numbers 1.5.5.7 and 1.2.3.102 respectively. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 20]

1.5.6.19 Approval of proposed building plan without verification of title of land

Sindh Building Control Authority, Karachi office order No.SBCA/Secy to DG/SBCA/2016/206 dated 12-08-2016, stipulated that in future at the time of submission of building plan / demolition permission, the owner shall submit a certificate under Section 3-2.2.1 KB&TPR-2002 from the lessor / concerned authority confirming the title of land / land use, physical demarcation of the plot along with any road widening / cut line reservation details. After receiving the case, SBCA shall get re-verification of the letter from the Concerned Authority.

During audit of Sindh Building Control Authority, Karachi, for the financial year 2022-23, it was observed that management approved proposed building plans and layout plans for schemes without confirming the title of land from lessors concerned as well as verification of ownership documents. The site inspection of respective land and plots were also not ensured. Detail is at **Annex-LGD23**.

Audit was of the view that non-verification of the documents submitted by applicants indicated weak internal controls.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks clarification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 1.5.6.2. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 10]

1.5.6.20 Conversion of residential/agricultural lands into commercial despite ban

Notification No.SBCA/PS-CE/2019/01 dated 10-12-2019 issued in compliance of the orders of Honourable Supreme Court of Pakistan dated 22-01-2019, stipulates that there was complete ban on conversion of residential Plots, amenity plots like that of parks, playgrounds and other amenities across Karachi city including cantonment areas.

During audit of following offices of Local Government Department, for the financial year 2022-23, it was observed that management issued various approvals for conversion of residential/agricultural land into commercial despite ban. Detail is at **Annex-LGD24**.

Sr. No.	Name of Office	AIR Para
1	Sindh Master Plan Authority, Hyderabad	22
2	Sindh Building Control Authority, Karachi	08
		11

Audit was of the view that conversion of residential/agricultural lands into commercial despite ban indicated weak internal controls prevailing in the organization.

The matter was reported to the management during September and October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Report for Audit Year 2018-19 vide para number 1.2.3.99. Recurrence of same irregularity is a matter of serious concern.

Karachi Metropolitan Corporation



Karachi Water & Sewerage Board



Chapter-2: KMC and KW&SB

2.1 Introduction

i. Karachi Metropolitan Corporation

Karachi has three tiers of Local Government system comprising of Karachi Metropolitan Corporation, District Municipal Corporation and Union Committees. Following are the functions to be performed exclusively by Karachi Metropolitan Corporation.

- i. Planning development and maintenance of Inter-district roads, bridges, street lights and storm water drains.
- ii. Special Development Programs.
- iii. Coordination, monitoring and supervision of all inter-district development / maintenance work.
- iv. Maintenance of Abattoirs and Cattle Colonies to be specified by Government.
- v. Medical College and Teaching/Specialized Hospitals, e.g., Karachi Medical and Dental College, Abbasi Shaheed Hospital, Sobhraj Maternity Home, Sarfraz Shaheed Hospital, Spencer's Eye Hospital and Leprosy Hospital.
- vi. Zoological Gardens, Safari Park, Aquarium, Sports Complex and Beaches.
- vii. Art Gallery, Museum and Metropolitan Library.
- viii. Municipal Watch and Ward.
- ix. Fire Fighting Service.
- x. Civil Defense.
- xi. Traffic Engineering.
- xii. Control of Land owned by Metropolitan Corporation and Removal of Encroachments from the properties owned
- xiii. Celebration of National Days.
- xiv. Reception of Foreign dignitaries/distinguished guests.
- xv. Providing protection against stray animals and animal trespass, and establishing cattle pounds; and
- xvi. Regulation or prohibition of the establishment of brick kilns, potteries and other kilns within the residential areas.

Activities of KMC are managed through offices of Mayor and Senior Directors under Sindh Local Government Act, 2013. Each group of offices consists of a Senior Director. The Senior Director, by means of a standing order, distributes the work amongst the officers, branches, or sections of each office. Following is the list of departments which manage the activities of KMC.

1. Mayor

2. Senior Director (FA)

- | | |
|-------------------------------------|---------------------------------|
| 3. Senior Director (Law) | 4. Senior Director (IT) |
| 5. Senior Director (MUCT) | 6. Senior Director (Veterinary) |
| 7. Senior Director (E&IP) | 8. Senior Director (MS) |
| 9. Senior Director, Health Services | 10. Senior Director (SP) |
| 11. Director General (P&H) | 12. Director General (TS) |
| 13. Municipal Commissioner | 14. Senior Director (HRM) |

ii. Karachi Water & Sewerage Board

The Government enacted the Sindh Local Government (Amendment) Ordinance, 1983 leading to creation of the Karachi Water & Sewerage Board within KMC. In 1996, a new Act called the Karachi Water & Sewerage Board Act, 1996 was enforced. Under this Act, the Karachi Water & Sewerage Board was separated from KMC and the annual budget is approved by the Government.

The legal frame-work, functions, delegation of powers as well as financial guidelines are provided in the Karachi Water & Sewerage Board Act, 1996. The functions of Karachi Water & Sewerage Board are as follows:

- (i) sanction in the manner and on payment of fees as may be prescribed by regulations:
 - (a) water connection
 - (b) water supply to tankers and
 - (c) sewerage connection
- (ii) levy, collect or recover rates, charges of fees for water supply and sewerage service, including arrears thereof
- (iii) undertake construction improvement, maintenance and operation of:
 - (a) water works including wells and recharge facilities for collecting, purifying, pumping, storing and distributing water to all types of consumers.
 - (b) Sewerage works for collecting, pumping, treating and disposing of sewerage and industrial waste,
- (iv) produce and supply potable water
- (v) place, maintain aqueducts, conduits, sewers etc.

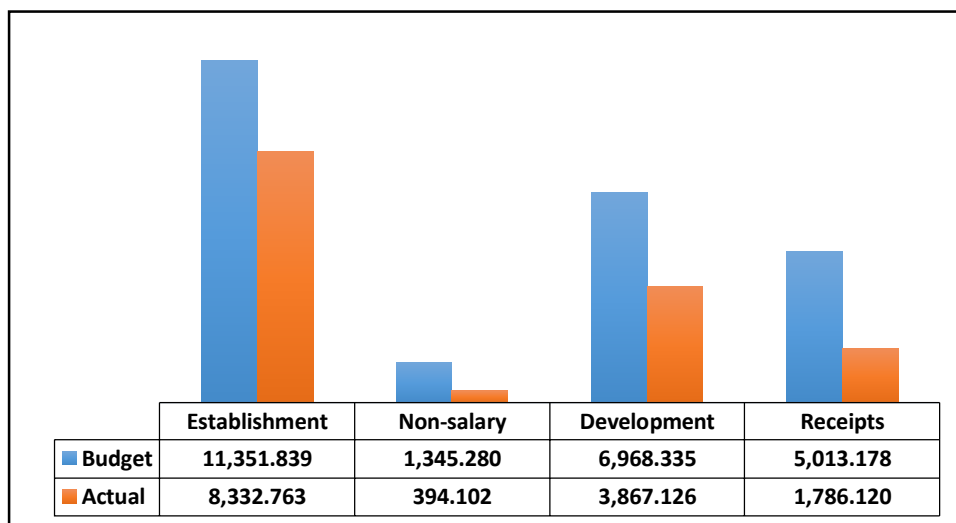
The office of Managing Director, Water & Sewerage Board, Karachi, comprises of five departments, i.e., Planning, Technical Services, Finance, Revenue Resources Generation and Human Resource Development and Administration headed by Deputy Managing Directors. There are Executive Engineers at each divisional level with the supervision of Superintending Engineer at each district under the control of Chief Engineer(s) of Water, Sewerage and Equipment and Machinery.

2.2 Comments on Budget and Accounts (Variance Analysis)

i. Budget of Karachi Metropolitan Corporation

[Rs. in Million]

Formation	Particulars	Budget	Actual	Excess (+) Savings (-)
Karachi Metropolitan Corporation	Salary	11,351.839	8,332.763	-3,019.076
	Non-Salary	1,345.280	394.102	-951.177
	Development	6,968.335	3,867.126	-3,101.209
	Total Expenditure	19,665.453	12,593.991	-7,071.462
	Receipts	5,013.178	1,786.120	-3,227.058



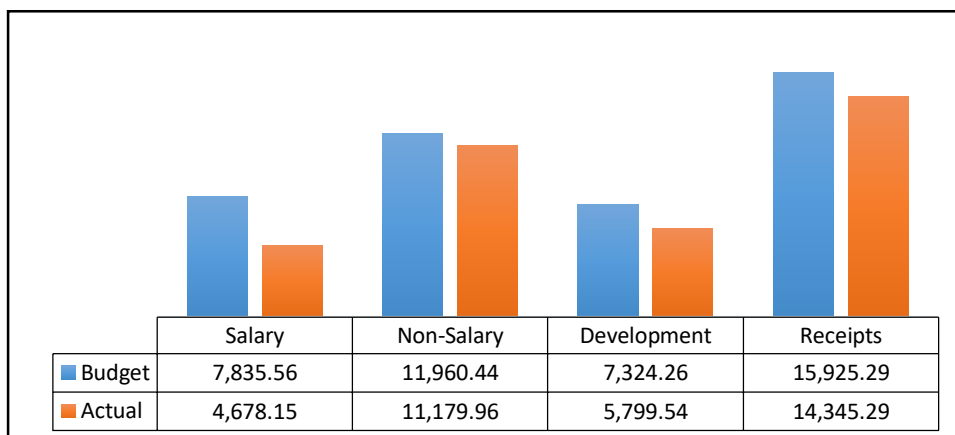
The budgeted expenditure of Karachi Metropolitan Corporation for the financial year 2022-23 was Rs19,665.453 million, against which the actual expenditure was Rs12,593.991 million, resulting in saving of Rs7,071.462 million. The management of KMC was unable to realize the receipts' targets resulting in shortfall of Rs3,227.058 million.

ii. Budget of Karachi Water & Sewerage Board

[Rs. in Million]

Formation	Particulars	Budget	Actual	Excess (+) Savings (-)
	Salary	7,835.558	4,678.148	-3,157.410

Karachi Water & Sewerage Board	Non-Salary	11,960.436	11,179.964	-780.473
	Development	7,324.257	5,799.540	-1,524.717
	Total Expenditure	26,120.251	21,657.652	-4,462.599
	Receipts	15,925.293	14,345.293	-1,580.000



The budgeted expenditure of Karachi Water & Sewerage Board for the financial year 2022-23 was Rs26,120.251 million, against which the actual expenditure was Rs21,657.652 million, resulting in savings of Rs4,462.599 million. The management of KW&SB was unable to realize the receipts targets resulting in shortfall of Rs1,580.000 million.

Table:- Audit Profile of KMC and KW&SB

[Rs. in Million]

Sr.	Description	Formations		Financial Year 2022-2023	
		Planned	Audited	Expenditure audited	Revenue / Receipts audited
1.	Formations	130	92	34,251.643	16,131.413
2.	Assignment Accounts, SDAs (excluding FAP)	-	-	-	-
3.	Authorities/Autonomous Bodies under the PAO	-	-	-	-
4.	Foreign Aided Projects (FAP)	-	-	-	-

2.3 Classified Summary of Audit Observations

Audit observations amounting to Rs124,443.813 million were raised in this report during the current audit of KMC and KW&SB. The amount also includes recoveries of Rs96,535.006 million as pointed out by Audit. Summary of the audit observations classified by nature is as under:

Table: Overview of Audit Observations:

		[Rs. in Million]
Sr.	Classification	Amount
1	Non-Production of Record	-
2	HR/Employees related irregularities	295.721
3	Procurement related irregularities	3,681.689
4	Recoveries related irregularities	96,535.006
5	Management of Accounts with Commercial Bank related issues	-
6	Value for money and service delivery issues	-
7	Other issues	23,931.397
Total		124,443.813

2.4 Brief comments on the status of compliance with PAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Sindh. Detail of paras presented in PAC meetings is reflected hereunder:

Audit Year	No. of Paras	Status of Paras discussed in PAC Meetings
2011-12	31	1 - Partial
2012-13	28	1 - Partial
2013-14	28	1 - Partial
2014-15	36	-Nil-
2015-16	28	-Nil-
2016-17	51	-Nil-
2017-18	69	-Nil-
2018-19	72	-Nil-
2019-20	69	-Nil-
2020-21	16	-Nil-
2021-22	23	-Nil-
2022-23	38	-Nil-

2.5 Audit Paras

2.5.1 Non-production of record

2.5.1.1 Non-production of record

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, provides 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 all 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 relevant Efficiency and Discipline Rules applicable to such person”.

During audit of various offices of Karachi Metropolitan Corporation and Karachi Water & Sewerage Board, for the financial years 2021-22 and 2022-23, the management did not produce auditable record related to establishment, contingency, revenue, development and various registers etc., involving minimum financial impact of Rs1,633.591 million for audit scrutiny. Detail is at **Annex-KH11**.

Audit was of view that non-production of record was a serious lapse on the part of management which caused hindrance in performance of the functions of audit, besides, authenticity of the related transactions could not be ascertained.

The matter was reported to the management from March to December 2023. The office of Senior Director Estate replied that vehicle Department of KMC issued vouchers to the officers and utilized the POL budget. Reply was not tenable as management allowed utilization of their POL budget for the vehicle department of KMC. The Project Director, S-III replied that payment has been made according to Engineer's Estimate therefore, there was no need of supporting vouchers. Reply was not tenable as the management failed to maintain requisite record. The offices of Executive Director, Karachi Institute of Heart Disease, Senior Director Estate, Director Katchi Abadies, Director Store & Procurement, Incharge Hydrant and DMD Finance replied that requisite record is ready for audit scrutiny. Reply was not tenable as the management failed to provide requisite record during course of audit, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letters dated 24-07-2023 and 03-01-2024, followed by reminders dated 04-08-2023, 19-09-2023, 12-01-2024 and 19-01-2024.

Audit recommends inquiry into the matter and fixing of responsibility on the person(s) at fault for non-provision of record.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18 vide para numbers 2.5.1.1, 2.5.1.1, 2.5.1.1, 1.2.1.1, and 1.2.2.1 respectively having financial impact of Rs1,403.590 million, Rs163.041 million, Rs308.434 million, Rs8.173 million and Rs4,774.942 million respectively. Recurrence of same irregularity is a matter of serious concern.

2.5.2 HR/Employees related irregularities

2.5.2.1 Irregular payment of leave encashment - Rs227.269 Million

According to Rule 18-A of Revised Leave Rules 1980, “A civil servant may fifteen months before the date of superannuation or thirty-year qualifying service on or after the 01-07-1983, at his option, be allowed to encashment his leave preparatory to retirement if he undertakes to 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 various offices of Karachi Water & Sewerage Board, for the financial years 2021-22 and 2022-23, it was observed that the management irregularly paid an amount of Rs227.269 million to employees on account of leave encashment on yearly basis without occasion of retirement in violation of Revised Leave Rules, 1980. Detail is **Annex-KHI2**.

Audit was of the view that payment of leave encashment on yearly basis without occasion of retirement was violation of the rules which indicated poor financial management and weak internal controls.

The matter was reported to the management from March to December 2023. The office DMD (RRG), DMD (Finance) and Executive Engineer, Hub Trunk Main replied that leave encashment was allowed to KW&SB employees of BS-1 to BS-15 as per agreement between the management and CBA. Reply was not tenable as the management allowed leave encashment in violation of rules, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letters dated 24-07-2023 and 03-01-2024, followed by reminders dated 04-08-2023, 19-09-2023, 12-01-2024 and 19-01-2024.

Audit recommends that irregular payment of leave encashment on yearly basis may be stopped and recovery effected.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2019-20 and 2018-19 vide para numbers 2.5.2.3, 2.5.2.3, 1.2.2.7, and 1.2.3.7 respectively having financial impact of Rs356.368 million, Rs292.622 million, Rs141.105 million and Rs106.272 million respectively. Recurrence of same irregularity is a matter of serious concern.

2.5.2.2 Non-posting of officers and staff

According to budget books of various hospitals of KMC, the position of sanctioned and working strength of various technical and non-technical posts is provided at **Annex-KHI3**.

During audit of various hospitals of Karachi Metropolitan Corporation, for the financial year 2021-22, it was observed that various posts of technical and non-technical officers/staff viz consultants, medical officers, surgeons, anesthetist, paramedics, nurses, radiologists, O.T. technicians, laboratory technicians, pharmacists, mid wives etc. were lying vacant since long. The management did not take serious steps for filling 56.4% of the vacancies of important technical and non-technical officers/staff. Detail is at **Annex-KHI3**.

Audit was of the view that due to non-filling of posts of officers and staff public was being deprived of the proper medical services which indicated poor management and weak internal controls.

The matter was reported to the management in June 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 24-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

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

[AIR Paras: 10, 12]

2.5.2.3 Irregular payment of salary without sanctioned posts - Rs4.685 Million

Rule 123(1), Chapter-XIV of the Sindh Local Government Act, 2013, stipulates that a council shall prepare a Schedule of Establishment showing the numbers of posts in each grade which are deemed necessary for the efficient performance of its functions under this Act and submit the same within three months of the coming into force of this Act to government for approval.

During audit of following offices of Karachi Metropolitan Corporation and Karachi Water & Sewerage Board, for the financial year 2021-22, it was observed that the management posted various employees without sanctioned strength and paid an amount of Rs4.685 million against salary. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	Remarks	Salary paid
1.	Senior Director, Human Resource Management	6	01 employee posted as Senior Director HRM, BPS-20 without sanctioned post	3.743
2.	Executive Engineer Sewerage Malir Town	9	01 employee posted as Program Officer, BPS-18 without sanctioned post	0.942
3.	Senior Director, Human Resource Management	7	02 employees posted beyond sanctioned strength in BPS-7 & BPS-16	-
Total				4.685

Audit was of the view that payment of salary without sanctioned posts was irregular which indicated poor management and weak internal controls.

The matter was reported to the management in March 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 24-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2021-22 vide para numbers 2.5.2.4 and 2.5.2.2 respectively having financial impact of Rs32.052 million and Rs146.325 million respectively. Recurrence of same irregularity is a matter of serious concern.

2.5.2.4 Irregular appointment of employees on daily wages - Rs22.399 Million

In compliance of Honorable Supreme Court of Pakistan in Human Rights case No. 104/92, Local Government Department issued directives vide letter No.SO-V(LG)5(69)/2009/29-06-2010 that even an appointment on adhoc basis cannot be made without publication and proper advertisement.

Further, Rule 8(2) of Sindh Local Councils Employees (Service) Rules 2017 stipulates that initial appointment to the posts in all basic scales not falling within the purview of SPSC, shall be made on the recommendations of the Selection Committee on the basis of interview or test to be held by the Selection Committee after the vacancies have been advertised in leading newspapers in Urdu, Sindhi and English Languages.

During audit of following offices of Karachi Water & Sewerage Board, for the financial year 2022-23, it was observed that the management appointed employees on daily wages without observing prescribed procedure and incurred expenditure of Rs22.399 million on the wages. Further, approval from administrative department was also not obtained. Detail is as under:

[Rs. in Million]

Sr. No.	Name of entity	AIR Para	Appointment of daily wages employees	Amount
1.	Executive Engineer Sewer Cleaning Equipment and Services Division	9	25 Drivers 25 Cleaners	18.720
2.	Executive Engineer Sewerage Liaquatabad Town	6	12 Health Workers	3.679
3.	DMD HRD&A	6	200 Health workers	-
Total				22.399

Audit was of the view that appointment of employees on daily wages without following prescribed procedure was violation of the rules and Local Government orders which indicated weak internal controls.

The matter was reported to the management in November and December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

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

2.5.2.5 Irregular payment of house rent allowance - Rs31.785 Million

Para 11 of Finance Department, Government of Sindh's O.M. No.FD (SR-IV)-I (12)/77 dated 13-05-1977, stipulates that the house rent allowance is not admissible to whom accommodation is provided by government.

Further, according to Finance Department, Government of Sindh Notification No. FD(SR-III)5/20-2008 dated 15-07-2008, "All employees not provided with Government accommodation shall continue to be entitled to house rent allowance @ 45% of the minimum basic pay scale, 2008 in big cities of Sindh under jurisdiction of metropolitan/ municipal corporations and 30% of minimum of basic pay scale, 2008 in other cities".

During audit of various offices of Karachi Metropolitan Corporation and Karachi Water & Sewerage Board, for the financial years 2021-22 and 2022-23, it was observed from the salary bills and list of accommodation that the management was paying house rent allowance to the officers and staff to whom residential accommodation was allotted which resulted into irregular payment of Rs29.660 million. Further, it was also observed that in two offices of KW&SB, excess payment of Rs2.125 million was made on account of HRA @ 45% instead of 30%, in violation of their entitlement. Detail is at **Annex-KHI4**.

Audit was of the view that irregular payment of house rent allowance was made in violation of Finance Department notifications which reflected poor financial management.

The matter was reported to the management from March to December 2023. The offices of DMD RRG and Executive Engineer Hub Trunk Main replied that house rent allowance along with official residential accommodation was allowed by a resolution of City Districts Council duly approved by Chairman KW&SB. Reply was not tenable as the management allowed house rent allowance along with official residential accommodation in violation of rules, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letters dated 24-07-2023 and 03-01-2024, followed by reminders dated 04-08-2023, 19-09-2023, 12-01-2024 and 19-01-2024.

Audit recommends that the irregular payment of house rent allowance should be stopped and recovery effected.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22 and 2020-21 vide para numbers 2.5.2.1, 2.5.4.5 and 2.5.4.1 respectively having financial impact of Rs20.645 million, Rs9.784 million and Rs20.863 million respectively. Recurrence of same irregularity is a matter of serious concern.

2.5.2.6 Unauthorized payment of various allowances - Rs9.583 Million

According to Para-4 of Finance Department O.M. No.FD(SR-I) 1(32)/2008-2011 dated 10-07-2012, "Revised rate of conveyance allowance shall be admissible to civil servants working in BPS 16-19 @ Rs 5,000/- per month".

Further, according to Finance Division (Regulation wing) O.M No.F.3(1) Reg 5/2010 dated 01-10- 2013, “It has been decided that conveyance allowance @ Rs 5,000/- per month will be admissible to officers in BPS-20-22 who are neither availing free transport facility nor have been allowed monetization of transport allowance”.

Furthermore, Rule 13.5 of DDO Handbook, “No conveyance allowance is allowed to the employees, who are entitled to draw the same due to their posting in big cities, while on leave of any kind, except casual leave.”

Moreover, as per Finance Department, GoS OM No.FD(SR-III)29-2008(B) dated 16.02.2009, “In order to resolve the anomaly in respect of Project Allowance for officers/staff working on Foreign Aided Projects/Programs and locally fund priority programs in Sindh, Government of Sindh with the approval of Competent Authority hereby allows/admissible revised rates of project allowance to regular employees of the Government of Sindh Officers/staff working on Provincial Development Projects/Priority Programs as per Government policy”.

During audit of following offices of Karachi Metropolitan Corporation and Karachi Water & Sewerage Board, for the financial years 2021-22 and 2022-23, it was observed that management paid an amount of Rs9.583 million to staff on account of project, conveyance and technical allowances without entitlement as detailed below.

[Rs. in Million]

Sr. No.	Name of entity	AIR Para	F. Y.	Description	Amount
1	Karachi Medical & Dental College	8	2021-22	Increased conveyance allowance of officers from BPS-18 to BPS-20 beyond entitlement [BPS-20 Rs15,000 per month BPS-19 Rs12,000 per month BPS-18 Rs9,000 per month]	7.104
3	Project Director, S-III	1	2022-23	Project allowance paid without working in the project ranging from Rs30,000-75,000	1.260
6	Executive Engineer, Sewerage Jamshed Town	3		Technical allowance paid to non- technical employees ranging from Rs252 to Rs428 per month	0.391
2	MS Abbasi Shaheed Hospital	3		Conveyance allowance paid to the employees during earned leave	0.286

[Rs. in Million]

Sr. No.	Name of entity	AIR Para	F. Y.	Description	Amount
4	Executive Engineer, Sewerage Pumping Division-I	3		Technical allowance paid to non- technical employees ranging from Rs252 to Rs428 per month	0.279
5	Executive Engineer, Sewerage Pumping Division -II	3			0.263
Total					9.583

Audit was of the view that payment of various allowances without entitlement resulted into loss to public exchequer which indicated poor financial management.

The matter was reported to the management from June to November 2023. The Project Director, S-III replied that Mr. Ateeq ur Rehman (Superintendent) was posted in S-III Project but was directed to work at M.D. Secretariat, whereas Mr. Muhammad Umaid (Supervisor) was allowed to work at S-III Project and draw his salary from the office of Chief Engineer (Projects). Reply was not tenable as the management allowed project allowance to the employee who was not entitled for the same, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letters dated 24-07-2023 and 03-01-2024, followed by reminders dated 04-08-2023, 19-09-2023, 12-01-2024 and 19-01-2024.

Audit recommends that payment of the allowances without entitlement should be stopped and recovery effected.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2020-21, 2019-20 and 2018-19 vide para numbers 2.5.4.2, 1.2.2.5 and 1.2.3.14, respectively having financial impact of Rs5.843 million, Rs437.225 million and Rs24.181 million respectively. Recurrence of same irregularity is a matter of serious concern.

2.5.3 Procurement related irregularities

2.5.3.1 Irregular award of works beyond delegated powers - Rs1,152.733 Million

According to Delegation of Powers of Karachi Water & Sewerage Board issued in 1991, for “Sanction and acceptance of tenders for works by contract” is as follows:

Nature of Power	Extent of Power
Sanction and acceptance of Tenders for works by contract	Upto Rs 25.00 Lacs by Managing Director Upto Rs 50.00 Lacs by Chairman

Further, Section 7 (v) Chapter-V of Karachi Water & Sewerage Board Act, 1996, stipulates that the Board shall have full financial powers within the budget grant.

During audit of following offices of Karachi Water & Sewerage Board, for the financial year 2022-23, it was observed that the management awarded works of Rs1,152.733 million to various contractors with the approval of Managing Director instead of Chairman and Board according to delegated powers. Detail is as **Annex-KHI5**.

[Rs. in Million]

Sr. No.	Name of entity	AIR Para	Amount
1.	P.D R.O Plants	10	918.863
2.	DMD RRG	15	228.094
3.	Executive Engineer Hub Trunk Main	8	5.776
Total			1,152.733

Audit was of the view that award of the works by Managing Director beyond delegated powers indicated weak internal controls.

The matter was reported to the management in September and October 2023. Office of DMD, Revenue Resource Generation replied that approval was accorded by Chairman who was competent for approval of the subject works. Reply was not tenable as the subject works required approval of the Board, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 2.5.3.7 having financial impact of Rs154.633 million. Recurrence of same irregularity is a matter of serious concern.

2.5.3.2 Execution of additional work beyond permissible limit Rs11.025 Million

Rule 16(1)(e-i), Part-II of SPPRA Rules 2010, stipulates that repeat Orders means procurement of additional quantities of the item(s) from the original contractor or supplier, where, after the items originally envisaged for the project or scheme have been procured through open competitive bidding, and such additional quantities of the same item(s) of goods or works are needed to meet the requirements of the project or scheme; provided that the cost of additional quantities of item(s) shall not exceed 15% of the original contract amount.

During audit of office of the Director General, Technical Services, Karachi Metropolitan Corporation, for the financial year 2022-23, it was observed that management executed quantities of different development works amounting to Rs11.025 million which were beyond permissible limit of the sanctioned quantities of the original estimates ranging from 31% to 118%. Detail is as under:

Name of Work and Contractor	Qty. as per estimate % cft	Qty. Executed % Cft	Excess Qty. %Cft	Rate in Rs	Amount in million	% Increase in Qty
Construction of road from Ramsawmi to Jubile (Dual Track) KMC South Karachi (M/s Shaheen Trading Company)	171,432	305,379	133,947	5,542.24	7.423	71%
	229,800	302,596	72,796	3,341.71	2.432	31%
Construction of Road from Mehran Hotel to Thaddo Nallah and Veryo Goth Sukhya Goth, Jalbani Goth, UC-12, District Malir, (M/s. Allied International)	29,610	64,633	35,023	3,341.71	1.170	118%
Total					11.025	-

Audit was of the view that execution of excess quantities from the original estimates beyond permissible limit was irregular which indicated that undue favour was extended to the contractors.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Report for Audit Year 2018-19 vide para number 1.2.3.44 having financial impact of Rs598.975 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 14]

2.5.3.3 Irregular expenditure beyond the sanctioned estimates - Rs95.910 Million

According to Delegation of Powers of Karachi Water & Sewerage Board issued in 1991, "For sanction of the amount in excess of the sanctioned estimate (Works): Upto 3%, DMD (Tech. Services) is authorized. In addition, Karachi Water & Sewerage Board Act, 1996 "Appendix "A", Managing Director of the Board is authorized for sanction of the amount in excess of the sanctioned estimate in respect of all works upto 5% and Chairman upto 10%".

Further, Section 7 (v) Chapter-V of Karachi Water & Sewerage Board Act, 1996, stipulates that the Board shall have full financial powers within the budget grant.

Furthermore, according to Para 532 and 767 of PWD Manual, Volume-I, "A revised estimate containing the facts and causes of revision must be submitted when sanctioned estimate is likely to be exceeded by more than 5% either from the rate being found in sufficient or from any other cause whatever".

During audit of following offices of Karachi Metropolitan Corporation and Karachi Water & Sewerage Board, for the financial year 2022-23, it was observed that the management of

KW&SB awarded contracts of Rs212.677 million with the approval of Managing Director, KW&SB against sanctioned estimates of Rs180.309 million. Thus, approval of amount in excess of the sanctioned estimate by Managing Director, KW&SB beyond his powers ranging from 7.14% to 19.95% resulted into irregular expenditure of Rs32.368 million. Further, management of DG, Technical Services, KMC paid Rs489.136 million against sanctioned estimates of Rs425.594 million without approval of competent authority, resulting into excess payment of Rs63.542 million, ranging from 11.87% to 33.85% in excess of permissible limit. Detail is as under:

[Rs. in Million]

Sr. No.	Name of entity	AIR Para	F. Y.	Estimated Cost	Actual Expenditure	Excess amount	Excess in %
1.	Executive Engineer, Purification Plant Division	7	2021-22	12.001	14.375	2.374	19.95
2.	D.G Technical Services	5	2022-23	366.402	409.908	43.506	11.874
		15		59.192	79.228	20.036	33.849
3.	P.D R.O Plants	8		7.500	9.000	1.500	20.000
4.	Executive Engineer Sewerage Liaquatabad Town	4		9.765	11.716	1.951	19.980
5.	Executive Engineer Sewerage Shah Faisal	5		6.184	7.415	1.231	19.906
6.	Executive Engineer Water Keamari Town	5		17.319	20.742	3.423	19.764
7.	Executive Engineer Gharo Division Civil	4		18.794	22.436	3.642	19.379
8.	Executive Engineer Water Shah Faisal	5		3.901	4.647	0.746	19.123
9.	Executive Engineer Sewerage Keamari Town	5		29.519	35.128	5.609	19.001
10.	Executive Engineer KD Civil-I	5		17.119	20.309	3.190	18.634
11.	RE Hub Pumping (Old & New)	4		2.154	2.530	0.376	17.456
12.	Executive Engineer Water Lyari Town	4		12.081	14.187	2.106	17.432

[Rs. in Million]

Sr. No.	Name of entity	AIR Para	F. Y.	Estimated Cost	Actual Expenditure	Excess amount	Excess in %
13.	Executive Engineer Hub Division Civil	5		30.508	35.517	5.009	16.419
14.	Executive Engineer K.D Civil-II	5		4.378	4.816	0.438	10.005
15.	Executive Engineer Hub Trunk Main	5		5.066	5.552	0.486	9.593
16.	Executive Engineer Dumlootee	5		4.020	4.307	0.287	7.139
Total				605.903	701.813	95.910	-

Audit was of the view that expenditure in excess of sanctioned estimates without approval of the competent forum was irregular which indicated poor financial management and weak internal controls.

The matter was reported to the management from March to December 2023. The Office of Executive Engineer, Hub Trunk Main replied that Sindh Public Procurement Rule 11.3.3 allowed to accept the bid when amount of bid exceeded the engineer's estimate by 20%. Reply was not tenable as audit observation pertained to the powers exercised by MD beyond delegation, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2021-22 vide para numbers 2.5.3.5 and 2.5.3.1 having financial impact of Rs81.911 million and Rs229.640 million respectively. Recurrence of same irregularity is a matter of serious concern.

2.5.3.4 Award of works without execution of contract agreements - Rs4.672 Million

Clause (iii) and (iv) of Para 7.12.3 of Sindh Public Procurement Authority Regulation for Procurement of Works, stipulates that within 28 days of receipt of the letter of acceptance, the procuring agency will send all copies of the contract to the bidder, with a covering letter or contractor shall attend the offices of the procurement agency for the purpose of signing the agreement duly stamped at the rate of 35 Paisa/100 rupees of the contract value (as amended and updated by the Government from time to time and which shall be borne by the contractor). Failure to sign the agreement shall lead to cancellation of the award and forfeiture of the bid security.

During audit of Karachi Medical & Dental College, Karachi Metropolitan Corporation, for the financial year 2021-22, it was observed that the management awarded contracts of Rs4.672 million without executing contract agreements with the contractors. Further, government also sustained loss of Rs0.164 on account of stamp duty. Detail is as under:

[Amount in Rs.]

Sr. No	Name of Work	Name of Contractor	Amount
1	Private Security Services	Saviours Security (Pvt) Ltd	2,996,137
2	Private Janitorial Services	Al-Basit Enterprises	1,675,800
Total			4,671,937

Audit was of the view that non-execution of contract agreements was violation of the rules. The government also sustained loss of revenue in the shape of stamp duty which indicated poor financial management and weak internal controls.

The matter was reported to the management in June 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 24-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2019-20, and 2018-19 vide para numbers 2.5.3.10, 2.5.4.7, 1.2.2.27 and 1.2.3.43 having financial impact of Rs0.996 million, Rs7.828 million, Rs742.023 million and Rs667.400 million respectively. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 6]

2.5.3.5 Unauthorized expenditure beyond domain - Rs40.000 Million

According to Section 3 (vii) of KW&SB Act, 1996, the Board shall undertake construction improvement, maintenance and operation of:

- Water works including wells and recharge facilities for collecting, purifying, pumping, storing and distributing water to all types of consumers,
- Sewerage works for collecting, pumping, treating and disposing of sewerage and industrial waste.

During audit of office of the Director General, Technical Services, Karachi Metropolitan Corporation, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs40.000 million on account of providing and laying water supply and sewerage line beyond domain as the works pertained to the jurisdiction of the Karachi Water & Sewerage Board. Detail is as under:

[Rs. in Million]

Sr. No.	Contractor	Detail of works	Estimated Cost
1	M/s Noman Builder	Providing and laying water supply system for Yousuf Goth Bus Terminal.	20.000

2	M/s Shehzad Yousuf Zai	Providing and Laying 18'' Dia Sewerage Drain from Khokhrapar No. 6 Naddi to Saudabad Chowk District Malir	20.000
Total			40.000

Audit was of the view that incurrence of expenditure beyond domain indicated poor management and weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

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

[AIR Para: 12]

2.5.3.6 Irregular award of works to various contractors - Rs286.571 Million

Rule 17(1), Part-II of Sindh Public Procurement Rules 2010, as amended in 2019, stipulates that procurements over three hundred thousand rupees and up to two 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, Rule 2(1)(r), Part-I ibid, as amended in 2021, states that emergency means natural calamities, disasters, accidents, war and breakdown of operational equipment, plant, machinery or engineering infrastructure, which may give rise to abnormal situation requiring prompt and immediate action to limit or avoid damage to person(s), property or the environment.

Furthermore, as per Rule 16(1)(b)(viii) Part-II ibid, "in cases of emergency" Provided that the Head of the Department or any other officer not below BPS-20 to whom such powers have been delegated by the Head of the Department, declares that a situation of emergency has arisen and reasons for making such a declaration shall be recorded in writing".

During audit of following offices of Karachi Water & Sewerage Board, for the financial years 2021-22 and 2022-23, it was observed that the management awarded various works of Rs286.571 million to the contractors by way of direct contracting in violation of rules by invoking emergency clause without meeting the conditions of emergency laid down in Sindh Public Procurement Rules as detailed below.

[Rs. in Million]

Sr. No.	Name of entity	AIR Para	F. Y	Amount
1.	Executive Engineer Sewerage Bin Qasim Town	2	2021-22	61.255
2.	Executive Engineer Water Bin Qasim Town	2		54.121
3.	Executive Engineer, Water North Nazimabad	4		7.108
4.	Executive Engineer, Sewerage North Nazimabad	3		5.608
5.	Executive Engineer Hub Division Civil	6		35.517

[Rs. in Million]

Sr. No.	Name of entity	AIR Para	F. Y	Amount	
6.	Executive Engineer KD Civil-I	6	2022-23	24.361	
7.	Executive Engineer Sewerage Liaquatabad Town	5		16.917	
8.	Executive Engineer Sewerage Shah Faisal Town	6		11.744	
9.	Executive Engineer City Trunk Main (CTM)	1		10.687	
10.	Executive Engineer Sewerage Korangi Town	3		10.269	
11.	Executive Engineer Sewerage Keamari Town	3		9.702	
12.	Executive Engineer Sewerage Landhi Town	4		9.634	
13.	Executive Engineer K.D Civil-II	6		6.258	
14.	Executive Engineer Federal Trunk Main (FTM)	2		5.484	
15.	Executive Engineer Water Keamari Town	4		5.226	
16.	Executive Engineer Water Liaquatabad Town	4		4.933	
17.	Executive Engineer Dumlotee Division	6		4.426	
18.	Executive Engineer Water Korangi Town	3		3.321	
Total				286.571	

Audit was of the view that invoking of emergency clause of Sindh Public Procurement Rules by the management for ordinary works without declaring emergency by competent forums reflected poor oversight mechanism and weak financial management.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 24-07-2023 and 03-01-2024, followed by reminders dated 04-08-2023, 19-09-2023, 12-01-2024 and 19-01-2024.

Audit seeks clarification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2019-20 and 2018-19 vide para numbers 2.5.3.8, 1.2.2.53, 1.2.3.65 having financial impact of Rs1,034.976 million, Rs43.310 million and Rs33.408 million respectively. Recurrence of same irregularity is a matter of serious concern.

2.5.3.7 Irregular expenditure without provision in estimates - Rs8.583 Million

Para No. 2.86 of The West Pakistan Buildings & Roads Department Code states that, “The authority granted by a sanction to an estimate must on all occasions be looked upon as strictly limited by the precise objects for which the estimate was intended to provide. Accordingly, any anticipated or actual savings on a sanctioned estimate for a definite project should not, without

special authority be applied to carry out additional work not contemplated in the original project or fairly contingent on its actual execution.”

During audit of office of the Director General, Parks & Horticulture, Karachi Metropolitan Corporation, for the financial year 2022-23, it was observed that management awarded construction work of jogging track with rubber base paint at Polo ground, KMC, ADP-372 to M/s Venture, Karachi vide work order No. 148/2019 dated 17-05-2019 and paid an amount of Rs8.583 million to the contractor on account of extra items which were not included in the original estimate.

Audit was of the view that incurrence of expenditure without provision in estimate was violation of the rules which indicated poor financial management and weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2018-19, vide para number 1.2.3.78 having financial impact of Rs6.371 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 02]

2.5.3.8 Excess payment to the contractor - Rs3.515 Million

According to PC-I, the item No. 7 of work "Improvement of roads from M.A. Jinnah to I.I. Chundrigar Road" was awarded @ Rs8,274.73 per Sft.

During audit of office of the Director General, Technical Services, Karachi Metropolitan Corporation, for the financial year 2022-23, it was observed that management paid Rs3.515 million to M/s M. Zahid & Contractor in the 2nd Running Bill for the work "Improvement of roads from M.A. Jinnah to I.I. Chundrigar Road". However, the payment was made at enhanced rate of Rs11,000 per sft instead of the awarded rate of Rs8,274.73 per sft, leading to an excess payment of Rs2,725.27 per sqft. Detail is as under:

[Amount in Rs.]

Detail of item Quantity Executed (Sft)	Approved Rate per Sft	Actual Rate paid per Sft	Variation per Sft	Total Variation	Remarks
<p>Item No.7: 2 inch (50 mm) thick asphalt concrete wearing course plant mix laying to proper line and grade plant mixed asphalt concrete paver finished (Hydraulic / Electronic control) prepared to specified formula according to job mix formula approved by engineer in charge including rolling and finishing to proper line, grade level and camber etc: (Machinery with POL cost of material carriage)</p>					

128,986	8,274.73	11,000	2,725.27	3,515,216	75% in excess of the original rate of the item
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Audit was of the view that payment to the contractor on enhanced rates was an undue favour extended to the contractor, which indicated poor financial management and weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

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

[AIR Para: 17]

2.5.3.9 Non-publication of tender in widely circulated newspapers Rs263.373 Million

According to Rule 17(1A), Part-II of Sindh Public Procurement Rules 2010, as amended in 2019, "All procurement opportunities over two million rupees shall be advertised on the Authority's website as well as in the newspapers as prescribed. (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 office of the Director General Technical Services, Karachi Metropolitan Corporation, for the financial year 2022-23, it was observed that management awarded development works amounting to Rs263.373 million. However, notices for inviting tender were not published in widely circulated newspapers, instead the tenders were published in Daily Awami Mahaaz, Daily Parcham, Sindh Sujag, Daily Wisdom and the Explorer, which are less known and not widely circulated newspapers. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Work	AIR Para	Contractor	Work Order No. & date	Original Estimate
1.	Rehabilitation of Road Mewa Shah Graveyard and Surrounding area of District West. ADP No. 2256	18	M/s King Enterprises	No.PD/ENGG/KMC/002 /2022 Dated 29-08-2022	200.839
2.	Improvement of roads from M.A Jinnah to I.I Chundirigar Road. ADP No. 2486		M/s M. Zaid & Contractor	No.PD/ENGG/KMC/004 /2022 Dated 29-08-2022	62.534
Total					263.373

Audit was of the view that non-publication of NIT in widely circulated newspapers for obtaining more competitive bidding was violation of Sindh Public Procurements Rules, which indicated weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2018-19 vide para number 1.2.3.53 having financial impact of Rs237.678 million. Recurrence of same irregularity is a matter of serious concern.

2.5.3.10 Expenditure through invalid procurement committee - Rs1.497 Million

According to Rule-7, Part-I of Sindh Public Procurement Rules 2010, “The procuring agency shall, with approval of its Head of the Department, Constitute as many procuring committees, as it deems fit, each comprising odd number of persons and headed by the gazette officer not below the rank of BPS-18, or 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 or departments other than the procuring agency”.

During audit of office of the Executive Engineer (Water), Saddar Town, Karachi Water & Sewerage Board, for the financial year 2022-23, it was observed that the management incurred expenditure of Rs1.497 million on procurement of works and services without inclusion of external member for evaluation of rates. Detail is as under:

[Amount in Rs.]

Sr. No.	Name of Work	Name of Contractor	Expenditure Amount
1.	Replacement of Damaged / Contaminated 8” Dia Water Line By 200 mm P.E Pipe Near Moin Plaza Baba-E-Urdu Road Saddar District South-B.	M/S Khizer Enterprises	199,991
2.	Replacement of Rusted / Damaged / Old 4” Dia Ac/Ci Water Line By 110mm P.E Pipe at Picture House Street UC-23 Saddar and Repairing of Leakages of 12” Dia In Saddar District South-B.		199,858
3.	Replacement of 8” Dia A.C Water Line By 200 mm P.E Pipe at Outram Road Saddar District South-B.	M/S Shaikh Brothers	199,836
4.	Replacement of 6” Dia A.C Water Line By 160mm P.E Pipe at Mandviwala Old Queens Rd UC-26 Saddar District South-B.		199,817
5.	Replacement & P/F of 6” Dia Sluice Valve and Replace the Damaged Portion of 10” Dia Water Line By 250mm P.E Pipe Near KPT Sports Complex UC-25 Saddar District South-B.		199,680
6.	Replacement of Contaminated / Damaged 4” Dia Water Line By 110mm P.E Pipe at Rew Rajlal St. UC-22 Saddar	M/S Khizer Enterprises	199,222

[Amount in Rs.]

Sr. No.	Name of Work	Name of Contractor	Expenditure Amount
	& Repairing of Leakages of 12" Dia Water Lines in Saddar District South-B.		
7.	Replacement of 6" Dia A.C Water Line By 160 mm P.E Pipe at Madina Road Saddar & Repairing of Leakages of 12" Dia & 15" Dia Water Lines In District South-B.	M/S DSA Associate	199,153
8.	Repair the Leakages of 12" Dia and 24" Dia Prcc Water Lines in Different Areas of Saddar Town District South-B.	M/S Shaikh Brothers	99,852
Total			1,497,409

Audit was of the view that procurements without inclusion of external member was irregular which indicated poor management and weak internal controls.

The matter was reported to the management in November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks clarification in the matter.

[AIR Para: 5]

2.5.3.11 Non-obtaining of performance security - Rs76.708 Million

According to Rule 39(1), Part-II of Sindh Public Procurement Rules 2010 (Amended 2019), "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; (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 following offices of Karachi Water & Sewerage Board, for the financial year 2022-23, it was observed that management awarded contracts without obtaining/ revalidating performance security/bank guarantees from different contractors amounting to Rs76.708 million. Detail is at **Annex-KHI6**.

[Rs. in Million]

Sr. No.	Name of entity	AIR Para	Amount
1	Project Director R.O Plants	1	45.943
2	Project Director, S-III Project	11	30.765

Total	76.708
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Audit was of the view that non-obtaining/revalidating of performance security/bank guarantee indicated weak internal controls.

The matter was reported to the management in September and October 2023. The Project Director, S-III project replied that 5% performance security was obtained in shape of bank guarantee and 5% was deducted from running bills. Reply was not tenable as the management failed to provide documentary evidence in support of reply, whereas no reply was received from P.D (R.O. Plants). The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 and 2018-19, vide para numbers 2.5.7.2 and (1.2.3.39 & 12.3.49) having financial impact of Rs219.038 million and (Rs1,639.998 million & Rs324.846 million). Recurrence of same irregularity is a matter of serious concern

2.5.3.12 Splitting up of expenditure to avoid open tender - Rs33.513 Million

As per Rule 12(1), Part-II of Sindh Public Procurement Rules, 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".

Further, Rule 17(1), Part-II of Sindh Public Procurement Rules 2010, as amended in 2019, stipulates that procurements over three hundred thousand rupees and up to two 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 Karachi Water & Sewerage Board, for the financial years 2021-22 and 2022-23, it was observed that the management incurred expenditure of Rs33.513 million through quotations by splitting the procurements which resulted into non-achievement of competitive rates as detailed below.

[Rs. in Million]

Sr. No.	Name of entity	AIR Para	F. Y.	Amount
1	Director, City Warden, KMC	7	2021-22	2.787
2	Executive Engineer City Trunk Main (CTM)	4	2022-23	9.213
3	Executive Engineer E&M Keamari Town	1		5.672
4	Executive Engineer Sewerage Scheme – 33	4		3.502
5	Executive Engineer Water Lyari Town	1		2.710
6	Executive Engineer Gharo Division Civil	5		2.592

[Rs. in Million]

Sr. No.	Name of entity	AIR Para	F. Y.	Amount
7	Executive Engineer Water Saddar Town	1		2.588
8	Resident Engineer Gharo (P&F) Division	6		2.004
9	Executive Engineer Sewerage Saddar Town	5		1.957
10	Executive Engineer Sewerage Lyari Town	4		0.488
Total				33.513

Audit was of the view that incurrence of expenditure by splitting the procurements was violation of Sindh Public Procurement Rules which indicated weak internal controls.

The matter was reported to the management from May to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 24-07-2023 and 03-01-2024, followed by reminders dated 04-08-2023, 19-09-2023, 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19, vide para numbers 2.5.3.4, 2.5.3.2, 2.5.3.5, 1.2.2.49 and 1.2.3.60 having financial impact of Rs167.513 million, Rs1.204 million, Rs1.822 million, Rs54.386 million and Rs112.285 million respectively. Recurrence of same irregularity is a matter of serious concern.

2.5.3.13 Irregular expenditure without inviting open tender - Rs33.898 Million

Rule 17(1), Part-II of Sindh Public Procurement Rules 2010, as amended in 2019, stipulates that procurements over three hundred thousand rupees and up to two 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 Zoo, Karachi Metropolitan Corporation, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs33.898 million on procurements without inviting open tenders. Detail is as under:

[Amount in Rs.]

Sr. No.	Description	Name of Contractor	Amount
1	Supply of Monthly Dietary articles to the Animals of Karachi Zoo Rec, KMC for the months from July-2022 to March-2023	M/s Mehboob Enterprises	6,930,396

[Amount in Rs.]

Sr. No.	Description	Name of Contractor	Amount
2	Supply of Monthly Dietary articles to the Animals of Karachi Zoo Rec, KMC for the months from March-2023 to June-2023		2,358,841
3	Supply of Daily Diet for the M/o July-22	M/s Bilal Construction & Co.	2,952,082
4	Supply of Daily Diet for the M/o Aug-22		2,875,152
5	Supply of Daily Diet for the M/o Sep-22		2,648,478
6	Supply of Daily Diet for the M/o Oct-22		2,753,025
7	Supply of Daily Diet for the M/o Nov-22		2,611,500
8	Supply of Daily Diet for the M/o Dec-22		2,936,653
9	Supply of Daily Diet for the M/o Jan-23		2,843,523
10	Supply of Daily Diet for the M/o Feb-23		2,535,677
11	Supply of Daily Diet for the M/o Mar-23		2,452,547
Total			33,897,874

Audit was of the view that due to award of work without inviting open tender competitive rates could not be achieved which indicated poor financial management and weak internal controls.

The matter was reported to the management in October 2023. The management replied that that tenders for dietary articles were invited twice but were not responded. For the third time tender was sent to media management, department of KMC but the same could not be published. Reply was not tenable as procurement was made without inviting open tender. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks clarification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2019-20, vide para numbers 2.5.3.1 and 1.2.2.51 having financial impact of Rs1,659.140 million and Rs48.085 million respectively. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 03]

2.5.3.14 Unauthorized technical sanction beyond powers - Rs55.890 Million

The Karachi Water & Sewerage Board in exercise of its powers set out limits of power of Technical Sanction vide Resolution No.02 dated 03-06-1991 for original/repairs/maintenance (works) for different authorities as follows:

To Whom Delegated	Extent of Power
DMD (Tech. Services):	Upto Rs. 2.0 million
Dir. BT/WD/Sew/E&M:	Upto Rs. 1.0 million
Dy. Chief Engineer:	Upto Rs. 0.05 million
Supt. Engineer:	Upto Rs. 0.20 million
Executive Engineer:	Upto Rs. 0.05 million

Further, Karachi Water & Sewerage Board Act, 1996 APPENDIX “A” stipulates that the MD of the Board shall have full powers in terms of Technical Sanction of works.

During audit of following offices of Karachi Water & Sewerage Board, for the financial year 2022-23, it was observed that the technical sanctions of various development/ repair and maintenance works amounting to Rs55.890 million were granted by the Superintending Engineer and Chief Engineer beyond delegated powers as detailed below.

[Rs. in Million]

Sr. No.	Name of entity	AIR Para	Amount
1.	Executive Engineer Water Lyari Town	5	12.273
2.	Executive Engineer Sewerage Liaquatabad Town	2	11.716
3.	Executive Engineer Sewerage Landhi Town	1	10.920
4.	RE Hub Pumping (Old & New)	1	8.196
5.	Executive Engineer Federal Trunk Main (FTM)	1	7.852
6.	Executive Engineer Water Liaquatabad Town	2	4.933
Total			55.890

Audit was of the view that grant of technical sanctions by the Superintending Engineer and Chief Engineer beyond delegated powers indicated poor management and weak internal controls.

The matter was reported to the management in November and December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2019-20, vide para numbers 2.5.3.6 and 1.2.2.77 having financial impact of Rs183.334 million, Rs2.762 million and Rs48.085 million respectively. Recurrence of same irregularity is a matter of serious concern.

2.5.3.15 Non-publication of tenders in print media - Rs48.010 Million

As per Rule 12(1), Part-II of Sindh Public Procurement Rules 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".

Further, Rule 17(1A), Part-II *ibid*, states that all procurement opportunities over two million rupees shall be advertised on the Authority's website as well as in the newspapers as prescribed. (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 following offices of Karachi Metropolitan Corporation and Karachi Water & Sewerage Board, for the financial year 2022-23, it was observed that management awarded various works of Rs48.010 million to different contractors by splitting up the procurements to avoid publication in print media as detailed below.

[Rs. in Million]

Sr. No.	Name of entity	AIR Para	Amount
1.	Executive Engineer Sewerage Scheme – 33	5	13.140
2.	Executive Engineer Sewerage Landhi Town	3	11.131
3.	Executive Engineer Sewerage Malir	6	9.870
4.	Executive Engineer Sewerage Saddar Town	6	6.631
5.	Senior Director, Municipal Services	13	3.982
6.	Executive Engineer Sewerage Lyari Town	5	3.256
Total			48.010

Audit was of the view that due to splitting up the works the competitive rates could not be achieved which indicated weak financial management.

The matter was reported to the management from September to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

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

2.5.3.16 Procurement without constituting committee - Rs9.295 Million

According to Rule 7, Part-I of Sindh Public Procurement Rules 2010, "The procuring agency shall, with approval of Head of the Department, constitute as many procuring committees,

as it deems fit, each comprising odd number of persons and headed by a gazetted officer not below the rank of BS-18, or 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 or departments other than the procuring agency”.

During audit of following offices of Karachi Metropolitan Corporation, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs9.295 million, on various purchases and works without constitution of procurement committee to evaluate rates offered by bidders, as detailed below.

[Rs. in Million]

Sr. No.	Name of entity	AIR Para	Amount
1	Director, Zoo	1	5.375
2	Senior Director Finance, KMC	14	3.920
Total			9.295

Audit was of the view that purchases and works were made without constituting the procurement committee which indicated weak internal controls.

The matter was reported to the management in October 2023. The Office of Director Zoo replied that all the procurements were made by the procurement committee. Reply was not tenable as the management failed to provide documentary evidence in support of reply, whereas no reply was received from the office of Senior Director, Finance, KMC. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

2.5.3.17 Irregular award of development works - Rs 882.248 Million

Rule 46(2)(a), Part-II of Sindh Public Procurement Rules, 2010, states that single stage - two envelop procedure -bid shall comprise a single package containing two separate envelopes. Each envelope shall contain separately the financial proposal and the technical proposal (b) envelopes shall be marked as “FINANCIAL PROPOSAL” and “TECHNICAL PROPOSAL” in bold and legible letters to avoid confusion.

During audit of office of the Director General, Technical Services, Karachi Metropolitan Corporation, for the financial year 2022-23, it was observed that management floated Notice Inviting Tender of works valuing Rs882.248 million on the basis of single stage one envelope method without obtaining technical proposals despite the fact that civil works required technical evaluation of bids by adopting single stage two envelope procedure. Detail is as follows:

[Rs. in Million]

Sr. No.	Name of Work	Contractor	Work Order No. & date	Original Estimate
1.	Rehabilitation of Road Mewa Shah Graveyard and Surrounding area of District West. ADP No. 2256	M/s King Enterprises	No.PD/ENGG/KMC/002 /2022 Dated 29-08-22	200.839
2.	Improvement / Rehabilitation of Shaheed e Millat Express way. ADP No. 2485	M/s Kaim Khani Competition International	No.PD/ENGG/KMC/006 /2022 Dated 29-08-2022	618.875
3.	Improvement of roads from M.A Jinnah to I.I Chundirigar Road. ADP No. 2486	M/s M.Zaid & Contractor	No.PD/ENGG/KMC/004 /2022 Dated 29-08-2022	62.534
Total				882.248

Audit was of the view that evaluation of bids only on financial grounds instead of technical evaluation of bids was an undue favour extended to the contractors which indicated poor management and weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks clarification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2020-21 vide para number 2.5.3.1 having financial impact of Rs209.142 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 8]

2.5.3.18 Irregular award of development works without technical sanction Rs555.809 Million

Section 11.1 of Sindh Public Procurement Regulatory Authority (SPPRA) Procurement Regulations (Works) 2013, stipulates that no development work shall be started unless technical sanction is accorded by the competent authority.

During audit of following offices of Karachi Metropolitan Corporation and Karachi Water & Sewerage Board, for the financial years 2021-22 and 2022-23, it was observed that the management awarded different development works amounting to Rs555.809 million without obtaining technical sanction from the competent authority, in violation of regulations as stated above. Detail is as follows:

[Rs. in Million]

Sr. No.	Name of entity	AIR Para	F. Y.	Amount
1.	Executive Engineer Sewerage Malir Town	5	2021-22	15.376

[Rs. in Million]

Sr. No.	Name of entity	AIR Para	F. Y.	Amount
2.	Resident Engineer Hub Filter Plant	1		6.728
3.	Executive Engineer, Water Malir Town	3		1.995
4.	ADP Schemes	10	2022-23	379.880
5.	D.G, Technical Services	9		95.503
6.	R.E Dhabeji Pumping Division	8		15.137
7.	Executive Engineer Sewerage Gulshan-e-Iqbal Town	4		13.304
8.	Executive Engineer Water Gulshan-e-Iqbal Town	4		11.840
9.	Executive Engineer Water Jamshed Town	5		10.228
10.	Executive Engineer Canal Maintenance Division	4		5.818
Total				555.809

Audit was of the view that execution of development works without obtaining technical sanction from the competent authority in violation of SPPRA Regulations indicated weak internal controls.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 24-07-2023 and 03-01-2024, followed by reminders dated 04-08-2023, 19-09-2023, 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2018-19 vide para numbers 2.5.3.3 and 1.2.3.57 having financial impact of Rs224.430 million and Rs147.171 million respectively. Recurrence of same irregularity is a matter of serious concern.

2.5.3.19 Non-imposition of liquidated damages - Rs118.439 Million

As per Para 10.3 of Sindh Public Procurement Regulatory Authority Guidelines 2013, “If the contractor fails to comply with time for completion mentioned in bid data except the conditions mentioned above, then procuring agency can penalize the contractor by adopting any one of the prescribed courses provided under clause (c) 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 following offices of Karachi Metropolitan Corporation and Karachi Water & Sewerage Board, for the financial year 2022-23, it was observed that the management awarded various works of Rs2,368.768 million but the contractors failed to complete the works within

stipulated period. However, the liquidated damages amounting to Rs118.439 million @ 5% of contract value were not imposed as detailed below.

[Rs. in Million]

Sr. No.	Name of entity	AIR Para	Contract Amount	Penalty @ 5%
1.	Project Director, S-III	6	1,634.46	81.723
2.	ADP Schemes	11	349.222	17.461
3.	Senior Director, Municipal Services	6	193.53	9.677
4.	D.G, Technical Services	4	131.656	6.583
5.	D.G, Parks & Horticulture	1	59.905	2.995
Total			2,368.77	118.439

Audit was of the view that due to non-imposition of liquidated damages undue favor was extended to the contractors which indicated weak financial management and internal controls.

The matter was reported to the management from September to November 2023. The Project Director, S-III replied that heavy rain falls and Covid epidemic caused the major delay in progress of work at site. Reply was not tenable as the management failed to impose liquidated damages, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2018-19 vide para numbers 2.5.6.5 and 1.2.3.17 having financial impact of Rs290.040 million and Rs16.249 million respectively. Recurrence of same irregularity is a matter of serious concern.

2.5.4 Recoveries related issues

2.5.4.1 Non-deduction of government taxes - Rs57.612 Million

Section 8(1) of Sindh Sales Tax on Services Act, 2011, stipulates that taxable services shall be charged, levied and collected for a tax, known as sales tax, on the value of a taxable service at the specified rate.

Further, as per Section 153 of Income Tax Ordinance, 2001 read with Income Tax Rules, 2002, "Payment on account of supply of goods and rendering of services are subject to deduction of income tax at source @ 4.5% and 7.5% respectively. Moreover, Section 236 (A) ibid, rate of collection of tax shall be 10% of the gross sale price of any property or goods sold by auction.

Furthermore, according to Section 3(1) of Sales Tax Act 1990, as amended upto July 2015, "There shall be charged, levied and paid a tax known as sales tax at the rate of 17% of the value of (a) taxable supplies made by a registered person".

During regularity audit of various offices of Karachi Metropolitan Corporation and Karachi Water & Sewerage Board, for the financial years 2021-22 and 2022-23, it was observed that the management paid an amount of Rs1,096.459 million to various contractors and suppliers, but did not deduct Rs57.612 million on account of income tax, general sales tax and Sindh sales tax on services from contractors/ suppliers. Detail is at **Annex-KHI7**.

Audit was of the view that non-deduction of taxes was loss to public exchequer which reflected weak financial and internal controls.

The matter was reported to the management from March to December 2023. The Office of Executive Director, Karachi Institute of Heart Diseases replied that hospitals were exempted from GST under section 13 read with sixth schedule S.No. 52-A of sales tax Act 1990. Reply was not tenable as quoted section has already been omitted. The Office of Director, Zoo replied that all the licensees were asked to deposit advance tax into NBP. Reply was not tenable as the management failed to collect and deposit amount of advance tax into public exchequer. The Project Director, S-III replied that agreement was executed in 2008 wherein no provision for deduction of SST was kept. Reply was not tenable as the management failed to deduct due amount of SST, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letters dated 24-07-2023 and 03-01-2024, followed by reminders dated 04-08-2023, 19-09-2023, 12-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para numbers 2.5.4.3, 2.5.4.4, 2.5.2.2, (1.2.2.6, 1.2.2.12 and 1.2.2.17) and (1.2.3.5, 1.2.3.11, 1.2.3.12 and 1.2.3.20) having financial impact of Rs216.975 million, Rs236.682 million, Rs90.997 million, (Rs28.710 million, Rs33.899 million and Rs1.342 million) and (Rs215.159 million, Rs77.174 million, Rs52.606 million and Rs6.088 million) respectively. Recurrence of same irregularity is a matter of serious concern.

2.5.4.2 Less-deduction of government taxes - Rs43.062 Million

Section 8(1) of Sindh Sales Tax on Services Act 2011, stipulates that taxable services shall be charged, levied and collected for a tax, known as sales tax, on the value of a taxable service at the specified rate.

Further, as per Section 153 of Income Tax Ordinance, 2001 read with Income Tax Rules, 2002, "Payment on account of supply of goods and rendering of services are subject to deduction of income tax at source at the rates as under:

	Heads	Filer	Non-filer
For rendering or providing of services other than transport services referred to clause (b) of section 153 (1)	Sale of goods	4.5%	9%
	Services	7.5%	15%
	Companies	8 %	12 %

	Others	10%	15%
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During audit of following offices of Karachi Metropolitan Corporation and Karachi Water & Sewerage Board, for the financial year 2022-23, it was observed that the management paid Rs1,342.626 million to various contractors and suppliers, but less deduct Rs Rs43.062 million on account of income tax, general sales tax and Sindh sales tax on services from contractors/suppliers as detailed below.

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	IT	SST	GST	Amount
1.	P.D R.O Plants	7	3.159	25.711	-	28.870
2.	Project Director, S-III	14	7.149	-	-	7.149
3.	Executive Engineer (Sew) Malir Town	5	4.341	-	-	4.341
4.	Executive Engineer (Sew) Bin Qasim Town	4	2.263	-	-	2.263
5.	Senior Director, Municipal Services	5	0.405	-	-	0.405
6.	M.D KW&SB	4	-	-	0.034	0.034
Total			17.317	25.711	0.034	43.062

Audit was of the view that less deduction of taxes resulted into loss to public exchequer which indicated poor financial management and weak internal controls.

The matter was reported to the management from September to December 2023. The Project Director, S-III replied that income tax was deducted on payable amount after deduction of secured advance. Reply was not tenable as Income Tax was to be deducted on gross amount, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2019-20 and 2018-19 vide para numbers 1.2.2.16 and 2.3.3.3 having financial impact of Rs3.442 million and Rs107.087 million respectively. Recurrence of same irregularity is a matter of serious concern.

2.5.4.3 Non-deposit of taxes into public exchequer - Rs434.427 Million

Section 160 of Income Tax Ordinance, 2001, as amended vide Finance Act 2002, stipulates that any tax that has been collected or purported shall be paid to the Commissioner by the person making the collection or deduction within the time and in the manner as may be prescribed.

Further, according to Rule 41(a), Chapter-3 of Sindh Financial Rules Volume-1, “The departmental controlling officers should see that all sums due to Government are regularly received and checked against demands and that they are paid into the treasury”.

During audit of various offices of Karachi Metropolitan Corporation and Karachi Water & Sewerage Board, for the financial years 2021-22 and 2022-23, it was observed that the management deducted an amount of Rs434.427 million on account of income tax, general sales tax and Sindh sales tax on service from contractors/employees but failed to deposit the same into public exchequer. Detail is at **Annex-KHI8**.

Audit was of the view that non-deposit of collected taxes into public exchequer indicated poor financial management and weak internal controls.

The matter was reported to the management from March to December 2023. The Offices of Director Zoo, DMD, RRG and Executive Engineer, Hub Trunk Main replied that deduction and deposition of income tax and SST was made centrally by Finance & Accounts Department of respective offices. The Offices of DMD, Finance and Project Director, S-III replied that all the deducted taxes were deposited with the concerned tax authorities. The replies were not tenable as the management of respective offices failed to provide documentary evidence in support of reply, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letters dated 24-07-2023 and 03-01-2024, followed by reminders dated 04-08-2023, 19-09-2023, 12-01-2024 and 19-01-2024.

Audit recommends depositing of deducted taxes into public exchequer, besides fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21 and 2018-19 vide para numbers 2.5.4.2, 2.5.4.2, 2.5.2.3, and 1.2.3.3 having financial impact of Rs630.619 million, Rs340.973 million, Rs24.577 million and Rs837.166 million respectively. Recurrence of same irregularity is a matter of serious concern.

2.5.4.4 Non-recovery of outstanding dues - Rs95,840.027 Million

As per Section 100 (2), Chapter-X of Sindh Local Government Act 2013, “All arrears of taxes, rates, tolls and fees and other moneys claimable by a Council under this Act shall be recoverable as arrears of land revenue through Government agency or by the Council authorized by Government for such recovery through such employees or class of employees of the Council as may be prescribed”.

Further, Section 41(a), Chapter-3 of Sindh Financial Rules Volume-1, stipulates that 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 claiming credit for so much paid into the treasury and compare with the figures in the statements supplied by the comptroller.

During audit of following offices of Karachi Metropolitan Corporation and Karachi Water & Sewerage Board, for the financial years 2021-22 and 2022-23, it was observed that the management did not recover outstanding dues on account of rent of shops and other properties, water charges, sewerage charges etc. amounting to Rs95,840.027 million from defaulters as detailed below.

[Rs. in Million]

Sr. No	Name of entity	AIR Para	F. Y	Description	Outstanding Dues as on 30-06-2023
1.	Senior Director, Veterinary	5	2021-22	Amount of auction fees receivable from DMC Malir	145.090
2.		7		Dues from North Karachi Slaughter House	1.885
3.		2		Private Slaughtering Houses Fee, Malir	1.875
4.	Karachi Medical & Dental College	9		Fees receivable from students	24.956
5.	DMD RRG	1	2022-23	Dues of water to Bulk & retail	93,407.611
6.		5		Less collection of new water connections charges	10.567
7.		6		Non-collection of sewerage charges on new water connections	16.072
8.	Incharge, Hydrant Services & Tanker Cell	2		Dues of water to Government owned dignities	2,137.165
9.	P.D Orangi Township	2		Dues from Police & PTCL	51.213
10.	Director Land Management	3		Rent dues of petrol pump	40.202
11.	D.G, Parks & Horticulture	9		Water charges	1.856
12.	Senior Director, Estate	3		Outstanding dues of shops rent	0.947
13.	R.E Dhabeji Pumping Division	5		Less-recovery of water charges	0.488
14.	R.E Pipri (P&F) Division	3			0.100
Total					95,840.027

Audit was of the view that non-recovery of outstanding dues indicated weak financial management.

The matter was reported to the management from March to December 2023. The Office of Senior Director Estate replied that outstanding dues of shops have been recovered from tenants

and deposited into bank account. Reply was not tenable as the management failed to provide documentary evidence in support of reply. The Office of Incharge Hydrant Services & Tanker Cell replied that the office had collected Rs482,518/-, whereas the efforts are under way for recovery of the remaining amount. The office of DMD, RRG replied that they were making efforts for recovery of outstanding dues whereas, in some cases recoveries were obsolete in nature and other were subjudice. The replies were not tenable as the management of respective offices failed to recover the outstanding dues, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letters dated 24-07-2023 and 03-01-2024, followed by reminders dated 04-08-2023, 19-09-2023 and 12-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para numbers 2.5.4.1, 2.5.4.1, 2.5.2.1, (1.2.2.1 and 1.2.2.4) and 1.2.3.1 having financial impact of Rs134,760.038 million, Rs7,047.571 million, Rs903.610 million, (Rs31,771.461 million and Rs1481.577 million) and Rs66,930.450 million respectively. Recurrence of same irregularity is a matter of serious concern.

2.5.5 Management of Accounts with Commercial Bank

2.5.5.1 Unauthorized operation of bank accounts with private banks

In pursuance of instructions of Chief Minister Sindh, the office of Secretary, Local Government & Housing Town Planning Department issued letter vide No.SOG (LG)/Misc/2013-2014 dated 03-05-2016, wherein all offices under Local Government Department were directed to open and operate official Bank Accounts/transactions with Sindh Bank.

During audit of following offices of Karachi Metropolitan Corporation and Karachi Water & Sewerage Board, for the financial year 2022-23, it was observed that the management was operating official bank accounts with private banks instead of Sindh Bank in violation of above instructions. Detail is as under:

Sr. No.	Name of entity	AIR Para	Account details
1	Director Land Management	6	HBL account No. 0015 00260790 03
2	DMD RRG	12	ABL account No 490075
3	DMD Finance	10	Detail of accounts at Annex-KHI9

Audit was of the view that continuing operation of bank accounts with private banks in violation of Government instructions indicated weak internal controls.

The matter was reported to the management in September 2023. The office of DMD, RRG replied that this matter pertains to Finance Department, KW&SB. The office of DMD, Finance replied that KW&SB was in business with scheduled banks. Reply was not tenable as management failed to comply with the government instructions, whereas no reply was received from the office

of Director, Land Management. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends opening and operation of official bank accounts with Sindh Bank as per instructions of Government of Sindh.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2021-22 vide para numbers 2.5.5.1 and 2.5.5.1. Recurrence of same irregularity is a matter of serious concern.

2.5.6 Value for Money and Service Delivery issues

2.5.6.1 Non-development of parks and evacuation of encroached land

As Per Schedule-II (Section 72) of Sindh Local Government Act, 2013, compulsory functions to be performed by Metropolitan corporation (3) Co-ordination. Monitoring and supervision of all inter-district development / maintenance works (13) Control of Land owned by Metropolitan Corporation and Removal of Encroachments from the properties owned by Metropolitan Corporation.”

During audit of office of the Director General Parks & Horticulture, Karachi Metropolitan Corporation, for the financial year 2022-23, it was observed that the management failed to develop parks on the land reserved for the purpose. Further the management also failed to evacuate the encroached land of parks, depriving the local community of the recreational facilities. Detail is as under:

Sr. No	Name of Park	Total area in acres	Area developed in acres	Undeveloped area in acer	Remarks
1	Family Park ST-4, Block-4, Clifton	2.23	0	2.23	Fully Encroached
2	Family Park ST-2, Block-4, Clifton	4	0	4	
3	City Park, Sohrab Goth	26.49	0	26.49	
4	Family Park ST-21, Block-4, Clifton	1.27	0	1.27	Undeveloped
5	Family Park ST-5, Block-4, Clifton	1.37	0	1.37	
6	Hippodrum Park, ST-21/B, Block-5 Clifton	7.25	0	7.25	
7	Bath Island Gulshan-e- Faisal ST-17, Block-7, Clifton	1.63	0	1.63	
8	Aziz Bhatti Park, Gulshan-e-Iqbal	38	6	32	

Sr. No.	Name of Park	Total area in acres	Area developed in acres	Undeveloped area in acres	Remarks
9	National Park (Gutter Baghicha) Pak Colony	180	25	155	Partially Developed

Audit was of the view that non-development and non-evacuation of the encroached land of parks indicated poor management and weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends that management should develop and evacuate encroached land of parks on priority basis.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2020-21 vide para numbers 2.5.6.1 and 2.5.5.2. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 14]

2.5.6.2 Non-functioning of nursing school and hospital equipments

Para 21.14 of Sindh Service Delivery Standards for Hospitals established by Sindh Health Care Commission, Karachi stipulates that the regular and routine checks of equipment (equipment audit) are carried out in accordance with the operational manual, maintenance contract and/or a history sheet of the equipment by the store in-charge.

During audit of following hospitals of Karachi Metropolitan Corporation, for the financial years 2021-22 and 2022-23, it was observed that nursing school and essential hospital machinery and equipment were non-functional for the period ranging from three to five years. Resultantly, the general public was deprived of basic medical services and the management did not take serious efforts to make them operational. Detail at

Annex-KHI10.

Sr. No.	Name of entity	F. Y	AIR Para
1	MS Spencer Eye Hospital	2021-22	4
2	MS Sobhraj Maternity Hospital		2
3	MS Sarfaraz Rafiqui Shaheed Hospital		3
4	Executive Director, KIHD	2022-23	6
5	MS Abbasi Shaheed Hospital		12
6			13

7	MS, Landhi Medical Complex		3
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Audit was of the view that non-functioning of nursing school and various hospital equipments since long indicated lethargic attitude of management towards service delivery.

The matter was reported to the management from June to October 2023. The Office of Executive Director Karachi Institute of Heart Diseases replied that repairing of non-functional machinery was under process, whereas, some machinery was obsolete. The office of Medical Superintendent, Landhi Medical Complex replied that X-ray machine and laboratory was closed due to non-availability of films and the matter has been taken up with higher authorities. Reply was not tenable as the management of respective hospitals failed to make the machinery and equipment functional, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letters dated 24-07-2023 and 03-01-2024, followed by reminders dated 04-08-2023, 19-09-2023, 12-01-2024 and 19-01-2024.

Audit recommends that management should take steps to make the nursing school and hospital equipments functional on priority basis.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2018-19 vide para number 1.2.3.97. Recurrence of same irregularity is a matter of serious concern.

2.5.7 Other issues

2.5.7.1 Unjustified billing of bulk consumers on flat rate

The standard operating procedure No. 4 (IV-b) of the KW&SB order No. KW&SB/D.M.D/HRD&A/1020 dated 29-09-2016 states that monthly bills on commercial rates will be issued immediately after execution of water connection and installation of meter.

Further, Standard Operating Procedure No.6(h) *ibid*, states that immediately upon execution / installation of water connection the A&E section shall allot consumer number to the particular connection as per allotted sector of bulk and industrial divisions and send the information to the concerned Executive Engineer / Deputy Director for onward process of meter installation and monthly billing.

During the audit of office of the Deputy Managing Director, Revenue Resources Generation, Karachi Water & Sewerage Board, for the financial year 2022-23, it was observed that the management charged 4,642 bulk water consumers on actual billing through meter out of 7,347 bulk water connections which was 63%, whereas, 2,705 bulk water consumers were charged on flat rate basis (without installation of meters) which was 37% of total connections as detailed below.

Sr. No.	Sector	Total Consumers	Consumers Meter Installed	Consumers Meter Not Installed	Abandoned or Disconnected Consumers
1	Assorted	139	101	29	9
2	Bulk Sector	402	167	99	136
3	Cattle	1,209	29	1,150	30

Sr. No.	Sector	Total Consumers	Consumers Meter Installed	Consumers Meter Not Installed	Abandoned or Disconnected Consumers
4	GOP	606	185	307	114
5	GOS	626	58	501	67
6	High Rise	365	125	97	143
7	KIA	965	467	33	465
8	LIA	728	508	14	206
9	FBIA	820	456	214	150
10	NKIA	742	595	121	26
11	Bin Qasim I.A	271	237	9	25
12	Private Societies	238	110	58	70
13	Site I.A	90	79	0	11
14	K-Electric	78	3	57	18
15	KMC	68	0	16	52
Total		7,347	3,120	2,705	1,522

Audit was of the view that issuance of water charges bills on flat rate basis rather than actual consumption was unjustified which resulted into loss of revenue.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide para number 2.5.7.4. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 14]

2.5.7.2 Production of water without achieving WHO Standards

As per Article (6) of contract agreement, “The contract for Operation and Maintenance of RO Plants shall be one-year period from 1st January 2021 to 31st December 2021 renewable up to three years. The payments shall be made on monthly basis subject to production of product water as per WHO Standards. The payments viz supply and installation of Major spares i.e. Multimedia Filter, Membranes, High Pressure Pumps, Feed Pumps and Construction of new Tube Well and Rehabilitation of existing Tube Wells are subject to production of 50% portable water of that amount”.

According to Joint Inspection Report of Inventory by EE/Project Engineer, R.O. Plant Keamari & Lyari, KW&SB, “The WHO Standard of TDS is 500 ppm and production capacity of each R.O. Plant is 0.5 MGD.

During audit of Project Director, Reverse Osmosis Water Desalination Plants, Lyari & Keamari, Karachi Water & Sewerage Board, for the financial year 2022-23, it was observed from the joint inspection report of executive engineer in respect of R.O Plants, that each plant was not producing water as per WHO Standards of Total Dissolved Solids (TDS) of 500 Parts Per Million (PPM). Detail is as under:

Sr. No.	Name of R.O Plant	WHO Standard of TDS	Water produced of TDS	Variance
1	Muwach Goth	500 ppm	2,200 ppm	1,700 ppm
2	Musharraf Colony	500 ppm	800 ppm	300 ppm
3	500 Quarters	500 ppm	700 ppm	200 ppm
4	Budhni Goth	500 ppm	650 ppm	150 ppm

Audit was of the view that due to non-producing of water as per WHO Standards, the residents of area were consuming water containing high TDS which was hazardous and might cause health related issues.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

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

[AIR Para: 06]

2.5.7.3 Less production of water than production capacity of R.O Plants

According to Joint Inspection Report of Inventory by EE/Project Engineer, R.O. Plant Keamari & Lyari, KW&SB, “The production capacity of each R.O. Plant namely Muwach Goth, Musharraf Colony, 500 Quarters and Budhni Goth is 0.5 MGD”.

During audit of Project Director, Reverse Osmosis Water Desalination Plants, Lyari & Keamari, Karachi Water & Sewerage Board, for the financial year 2022-23, it was observed that R.O Plants installed at Muwach Goth and Musharraf Colony produced less water than production capacity of water by the said plants. Detail is as under:

Sr. No.	Name of R.O Plant	Production capacity of R.O Plant in MGD	Water Produced in MGD	Less production in MGD	Less Production in %
1	Muwach Goth	0.500	0.075	0.425	85%

2	Musharraf Colony	0.500	0.050	0.450	90%
3	500 Quarters	0.500	0.050	0.450	90%
4	Budhni Goth	0.500	0.080	0.420	84%

Audit was of the view that due to less production of water against production capacity of R.O Plants, proper service delivery could not be provided to the residents.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2020-21 vide para number 2.5.3.2 having financial impact of Rs207.169 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 09]

2.5.7.4 Unauthorized creation of liability - Rs18,220.213 Million

According to Section 105(1), Chapter-XI of Sindh Local Government Act 2013, "A Council shall not incur any debt nor borrow any money or give any guaranty without prior approval of Government" and Section 106(2) ibid, stipulates that the moneys credited to the Local Fund shall be applied; firstly, in the payment of salaries and allowances to the employees of the Councils.

Further, Finance Department, Government of Sindh, vide letter No.FD.SO(LF-I) Misc/(171)2013 dated 13-08-2013, instructed all the Local Councils/District Councils/defunct TMAs that payment of salaries and pension may be given first priority from the OZT funds released by Finance Department.

During audit of following offices of Karachi Metropolitan Corporation and Karachi Water & Sewerage Board, for the financial year 2022-23, it was observed that the management created liability amounting to Rs18,220.213 million under various heads and put extra burden over council funds. Creation of unauthorized liability under pension and financial assistance showed that payments were made by giving priority to development works in violation of rules. Further, creation of liability under the head of development works showed that management also executed development works without provision of funds/OZT share as detailed below.

[Rs. in Million]

Sr. No	Name of entity	AIR Para	Amount	Nature of liability
1.	Senior Director Finance, KMC	9	10,898.980	Pension liability
2.		7	229.142	Contractors' liability

[Rs. in Million]

Sr. No	Name of entity	AIR Para	Amount	Nature of liability
3.	DMD Finance	6	6,547.050	Employee related, contingency and contractors' dues
4.	Director Medical Services	4	117.844	Hospitals' dues
5.	D.G, Technical Services	13	221.530	Contractors' liability
6.	D.G, Parks & Horticulture	4	9.051	
7.	MS Abbasi Shaheed Hospital	10	145.978	Employee related dues
8.	Executive Engineer Sewerage Malir Town	2	30.075	Contractors' liability
9.	Executive Engineer Sewerage Bin Qasim Town	12	20.563	
Total			18,220.213	-

Audit was of the view that creation of liability was violation of the rules which indicated poor financial management and weak internal controls.

The matter was reported to the management from September to December 2023. The office of DMD, Finance replied that all payments of financial assistance were scrutinized and paid when cash was available. Reply was not tenable as the management created liability in violation of rules, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2019-20 and 2018-19 vide para numbers 2.5.6.3, 1.2.2.31 and 1.2.3.36 having financial impact of Rs9,646.236 million, Rs633.450 million and Rs2,972.295 million respectively. Recurrence of same irregularity is a matter of serious concern.

2.5.7.5 Loss due to purchase of medicines on lesser discount - Rs3.540 Million

According to S&GAD Government of Sindh Notification No.SO(C IV) SG&CD/6-25/97 dated 04-10-2001, out of such allocation, medicines upto 10% can be purchased for the Medical Superintendents of the teaching/major hospitals from the medical stores and 15% by the District

Health Officers by inviting quotation on special discount rate subject to the condition that price shall be at least 10% less in the case of local manufacturers and 5 % less in case of multinational companies than the trade price.

During audit of office of the Director Medical Services, Karachi Water & Sewerage Board, for the financial year 2022-23, it was observed that management paid Rs70.797 million to different medical stores at the panel of KW&SB for supply of medicines to employees/retiring employees and family pensioners of KW&SB by availing discount at the rate of 5% instead of 10 % on all medicines irrespective of verifying manufacturer of medicines, which resulted into loss of Rs3.540 million to public exchequer. Detail is as under:

[Amount in Rs.]

Sr. No.	Detail	Month	Gross amount of bill	Discount to be availed @ 10%	Discount availed @ 5%
1	Supply of medicines to officers/staff of KW&SB	Jun-22	6,107,678	610,768	305,384
2		Jul-22	4,594,460	459,446	229,723
3		Aug-22	5,207,294	520,729	260,365
4		Sep-22	5,503,520	550,352	275,176
5		Oct-22	6,717,387	671,739	335,869
6		Nov-22	10,128,051	1,012,805	506,403
8		Jan-23	10,663,861	1,066,386	533,193
9		Feb-23	7,520,221	752,022	376,011
10		Mar-23	9,306,551	930,655	465,328
11		Apr-23	3,793,196	379,320	189,660
12		May-23	1,254,898	125,490	62,745
Total			70,797,117	7,079,712	3,539,856

Audit was of the view that management failed to avail due discount on purchase of medicines as per orders which resulted into loss to public exchequer and indicated poor financial management.

The matter was reported to the management in November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 07]

2.5.7.6 Non-maintenance of POL record - Rs395.884 Million

As per Rule- 20 of the Staff Car Rules 1980, as amended in 2001, “The Log Book, History Sheet, and Petrol Account Register shall be maintained for each official vehicle”.

According to Rule 159(4) of Sindh Local Council (Accounts) Rules 1983, “A council’s vehicles shall not be driven except by a driver appointed by the competent authority, for the vehicle. Every person using a council vehicle shall make and sign entries in the Petrol and lubricant account in Form No. 116 and in Log Book of the vehicle kept in the custody of the driver. Log book shall be maintained in Form No. 117”.

During the audit of following offices of Karachi Metropolitan Corporation and Karachi Water & Sewerage Board, for the financial year 2022-23, it was observed that management incurred an expenditure of Rs395.884 million on POL for official vehicles and machinery but did not maintain of petrol account register, history sheet, log book of each vehicle, tour program/diary of official vehicles as detailed below.

[Rs in Million]			
Sr. No.	Name of entity	AIR Para	Amount
1	Executive Engineer Sewer Cleaning Equipment & Services Division	1	296.583
2	Senior Director, Municipal Services	14	33.329
3	Senior Director, Land Anti Encroachment	4	17.597
4	MS Abbasi Shaheed Hospital	14	6.443
5	Director Land Management	2	5.414
6	DMD HRD&A	10	4.740
7	R.E Dhabeji Pumping Division	7	4.481
8	Project Director, S-III	5	3.783
9	Director, Media Management	2	3.537
10	R.E Pipri (P&F) Division	4	3.330
11	M.D KW&SB	6	2.574
12	Director, Katchi Abadies	2	2.258
13	Director Charged Parking	2	2.257
14	R.E Ghara (P&F) Division	5	2.233
15	DMD, RRG	9	2.167
16	Senior Director, E&IP	2	2.129
17	Director, Zoo	9	1.311
18	P.D Orangi Township	3	0.810
19	Senior Director, MUCT	4	0.477
20	Senior Director, Medical & Health Services	5	0.355
21	Incharge, Hydrant Services & Tanker Cell	5	0.076
Total			395.884

Audit was of the view that incurrence of expenditure on account of POL without maintenance of relevant prescribed record indicated weak internal controls.

The matter was reported to the management from September to November 2023. The offices of Director, Katchi Abadies and Incharge, Hydrant Services & Tanker Cell replied that log

books have been maintained. Reply was not tenable as the management of respective offices failed to provide documentary evidence in support of reply, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends that responsibility may be fixed on person(s) at fault for incurring expenditure without maintenance of prescribed record.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2019-20 and 2018-19 vide para numbers 1.2.2.33 and 1.2.3.47 having financial impact of Rs336.492 million and Rs454.876 million respectively. Recurrence of same irregularity is a matter of serious concern.

2.5.7.7 Irregular expenditure over & above the allocated budget Rs97.602 Million

Rule 75(2) of Sindh Local Councils (Budget) Rules 2017, states that No expenditure shall be incurred without necessary appropriation or in excess of the sanctioned appropriation.

During audit of following offices of Karachi Water & Sewerage Board, for the financial years 2021-22 and 2022-23, it was observed that the management incurred an expenditure of Rs97.602 million over and above the allocated budget in violation of rules as detailed below.

[Rs. in Million]

Sr. No.	Name of entity	AIR Para	F. Y	Budget Allocation	Expenditure incurred	Excess expenditure
3	Executive Engineer Sewerage Malir Town	17	2021-22	37.500	46.867	9.367
2	Executive Engineer, Sewerage North Nazimabad	2		30.500	37.048	6.548
1	Executive Engineer, Water North Nazimabad	1		12.500	18.917	6.417
4	Executive Engineer Water Keamari Town	1	2022-23	130.298	176.799	46.501
5	Executive Engineer Sewerage Keamari Town	2		45.179	69.444	24.265
6	R.E Gharo (P&F) Division	3		24.903	29.407	4.504
Total				280.88	378.482	97.602

Audit was of the view that incurrence of expenditure over and above the allocated budget was irregular which indicated poor financial management and weak internal controls.

The matter was reported to the management in March and November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 24-07-2023 and 03-01-2024, followed by reminders dated 04-08-2023, 19-09-2023, 12-01-2024 and 19-01-2024.

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

2.5.7.8 Non-maintenance of property record

Rule 3(1), Chapter-1 of Sindh Local Councils (Property) Rules, 2017, stipulates that the Mayor or Chairman, as the case may be, shall take such steps as may be necessary to ensure that the property vested in the Council is managed and maintained in the best interest of the public for the purposes of the Act, the rules and the bye-laws made thereunder.

Further, S.No.(1) of Schedule of Rule 5(1) of Sindh Local Councils (Property) Rules 2017, requires that register of immovable property in Form P-I shall be maintained and Rule 5(2) requires that a Council shall provide at least 10% of its development budget for the maintenance and repairs of its immovable property regularly.

During audit of Project Director, Orangi Township (Katchi Abadies), Karachi Metropolitan Corporation, for the financial year 2022-23, it was observed that the management failed to maintain property record as mentioned in schedule of Sindh Local Councils (Property) Rules, 2017. The management also failed to allocate at least 10% of its development budget for the maintenance and repair of immovable property of the Council in violation of above rules.

Audit was of the view that management failed to comply with the prescribed rules for maintenance of property record which indicated weak internal controls. Besides, chances of encroachment could not be ruled out.

The matter was reported to the management in December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends maintenance of required property record at the earliest on the prescribed format.

[AIR Para: 07]

2.5.7.9 Non-reconciliation of receipts

According to Government instructions reflected in “Accounting Policies and Procedures” Chapter 6, Clause 6.3.4.1, “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”.

During the audit of office of Director Land Management, Karachi Metropolitan Corporation, for the financial year 2022-23, it was observed that managements did not reconcile the actual figures of receipts i.e Survey & land fee, transfer/mutation fee, Land rent, rent from

hawk sbay huts and different pakki abadies etc. of Rs396.585 million with the concerned finance department and banks. Detail is as under:

[Amount in Rs.]

Sr. No.	Head of account	Actual Recovery
1	Transfer Fee/Mutation Fee	142,502,887
2	Lease money & Lease renewal	108,880,692
3	Land Rent (Current Charges & Arrears)	85,900,795
4	Rent from Hawk sbay Huts	35,332,998
5	Cottage Industrial Zone Baldia Town & Orangi Town	7,770,000
6	Rent from Petrol Pumps	5,065,096
7	Misc Copying Charges	4,257,998
8	Scrutiny fee for building plan	4,014,009
9	Survey & Sand Fee	2,371,978
10	Non-Utilization Fee for Land	293,560
11	Copying Charges & CTC Fee	166,995
12	Gulshan-e-Mazdoor	18,000
13	Different Pakki Abadies	10,000
Total		396,585,008

Audit was of the view that non-reconciliation of revenue receipts with quarter concerned indicated poor financial management and weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends that reconciliation of receipts be made with concerned finance department and the banks.

[AIR Para: 5]

2.5.7.10 Unauthorized expenditure for arrangement of referendum of CBA Union Rs4.500 Million

According to Section (I) of Appendix 18-A 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 the Deputy Managing Director (HRD&A), Karachi Water & Sewerage Board, for the financial year 2022-23, it was observed that management incurred unauthorized expenditure of Rs4.500 million on account of Collective Bargaining Agent (CBA) referendum as detailed below.

[Amount in Rs.]

Sr. No.	Advance Paid to	Amount
1	Joint Director Labor	800,000
2	Joint Director Labor	800,000
3	Salah Enterprises	200,000
4	Rasheed Sons	200,000
5	Deposit challan	99,785
6	Other	92,085
7	Al-Hassan Corporation	80,000
8	Qadri Book Depo	63,750
9	Iqbal Photocopy	46,875
10	Madina Photocopy	46,875
11	Madina Photocopy	46,870
12	Madina Graphic	23,760
Total		2,500,000
1	Joint Director Labor	1,500,000
2	Others (Vender/suppliers i.e. photocopy, restaurant)	500,000
Total		2,000,000
Grand Total		4,500,000

Audit was of the view that incurrence of expenditure for arranging referendum for CBA union was unauthorized which indicated poor financial management.

The matter was reported to the management in November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 05]

2.5.7.11 Non-maintenance of works and security deposit register - Rs102.819 Million

Para 285, Chapter-X of the Central Public Works Accounts Code, states that registers of works are posted monthly from work abstracts. The transactions relating to each work abstract

should be posted separately and an abstract for the entire work should be prepared for comparing the cost of work and its sub-works with the provisions in the estimate.

Further, Para 401, Chapter-XV *ibid*, stipulates that a record of the transactions relating to Public Works deposit should be maintained in the divisional office in a register. This deposit register should show, month by the month, the total receipts and adjustments and the closing balance of each separate deposit item.

During audit of following offices of Karachi Water & Sewerage Board, for the financial year 2022-23, it was observed that an expenditure of Rs102.819 million was incurred by the management on execution of different works. However, management failed to maintain works and security deposit register, in violation of above rules as detailed below.

[Rs in Million]

Sr. No.	Name of entity	AIR Para	Amount
1	R.E Dhabeji Pumping Division	9	95.215
2	Executive Engineer Canal Maintenance Division	5	7.604
Total			102.819

Audit was of the view that non-maintenance of relevant record was non-compliance of government rules and procedures which indicated weak internal controls.

The matter was reported to the management in November and December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

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

2.5.7.12 Non-revision of fine rates/fees and rent of property

Section 9(1) of Sindh Rental Premises Ordinance 1979, stipulates that where the fair rent of any premises has been fixed, no further increase thereof shall be effected unless a period of three years has elapsed from the date of such fixation or commencement of this ordinance whichever is later. Further, sub-section (2) of Section 9 *ibid* states, the increase is allowed @ 10% per annum on the existing rent.

During audit of following offices of Karachi Metropolitan Corporation, for the financial year 2022-23, it was observed that the management rented out different shops and properties but failed to revise rent of shops and other properties allotted to various tenants. The record of allotments was also not provided; hence the actual period of tenancy could not be ascertained. Moreover, fine rates of confiscated property, monthly generator fee for utilizing KMC land and rent of bachat bazar, were also not revised resulting into loss of legitimate revenue to the council. Detail is at **Annex-KHI11**.

Sr. No.	Name of entity	AIR Para	Description
1	Senior Director, Estate	6	Non-revision of rent of shops & shopping centers since 2017
2	Senior Director, Enforcement/Ant i Encroachment	3	Non-revision of fine rates of confiscated property heads i.e. cattels, articles & generator fees since 1999 and 2000
3	Senior Director, E&IP	7	Non-revision of rent of bachat bazar since 2015

Audit was of the view that non-revision of rent/fees was a loss to the Council which reflected poor financial management.

The matter was reported to the management from September to December 2023. The office of Senior Director, Estate replied that case for enhancement of rent was forwarded with recommendations to the higher authorities for approval, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends revision of rent/fees, besides fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 2.5.6.7. Recurrence of same irregularity is a matter of serious concern.

2.5.7.13 Non-maintenance of stock registers - Rs51.604 Million

According to Rule-25(1) of Sindh Local Councils (Accounts) Rules, 1983, "Every officer or servant of the Council in charge of stocks of articles or materials kept for issue other than stamps shall maintain a stock register (in Form No. 16) in which shall be entered every transaction effecting such stocks and separate pages of the register shall be assigned to different classes of stocks."

During the audit of following offices of Karachi Metropolitan Corporation and Karachi Water & Sewerage Board, for the financial years 2022-23, it was observed that management incurred an expenditure of Rs51.604 million on the purchase of stationery, tranquilizer weapon, electrical items, printers, computers, furniture, main hole covers, ring slabs, etc., but did not maintain stock registers as detailed below.

[Rs. in Million]

Sr. No.	Name of entity	AIR Para	Amount
1.	Director, Zoo	10	22.633
2.	Executive Engineer, Sewerage Saddar Town	7	9.939

3.	Executive Engineer, Sewerage Landhi Town	5	9.151
4.	Senior Director Finance, KMC	12	4.087
5.	Senior Director, Recreation Culture and Sports	4	3.996
6.	Executive Engineer, Sewerage Bin Qasim Town	13	1.798
Total			51.604

Audit was of the view that non-maintenance of stock register indicated weak internal controls, besides misuse of funds as well as procured items could not be ruled out.

The matter was reported to the management from September to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 03-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends that stock register may be maintained on the prescribed format.

2.5.7.14 Less realization of targeted receipts - Rs4,981.144 Million

Section 100 (1) of Sindh Local Government Act 2013, states that unless otherwise provided, all taxes, rates, tolls and fees levied under this act shall be collected in the prescribed manner by the persons authorized for such collection: provided that where any tax, rate, toll or fee levied by a Council is also levied by Government, such tax, rate, toll or fee shall be collected with Government tax, and the proceeds thereof be credited to the local fund of the Council.

During the audit of following offices of Karachi Metropolitan Corporation, for the financial years 2021-22 and 2022-23, it was observed that the management did not take appropriate measures to realize revenue targets of Rs4,981.144 million from various heads i.e., income from amusement parks, entry fee of parks, parking fees from parking sites, income from jumping castle, safari cafeteria, lease, slaughtering fees, dues from bulk and retail consumers etc. as detailed below.

[Rs. in Million]

Sr. No.	Name of entity	AIR Para	F. Y	Targeted Receipts	Recovery Affected	Shortfall
1.	Senior Director, Veterinary, KMC	3	2021-22	216.959	13.361	203.598
2.	Director, Solid Waste Management	4		70.000	42.366	27.634
3.	MS Sobhraj Maternity Hospital	1		7.500	4.351	3.149
4.	Medical Superintendent, Gizri Maternity Hospital	3		4.400	1.705	2.695
5.	MS Spencer Eye Hospital	2		1.800	0.439	1.361

[Rs. in Million]

Sr. No.	Name of entity	AIR Para	F. Y	Targeted Receipts	Recovery Affected	Shortfall	
6.	Senior Director, MUCT	1	2022-23	2,500.000	127.541	2,372.459	
7.	DMD RRG	4		15,080.00 0	13,500.49 0	1,579.510	
8.	Director Land Management	4		565.100	143.427	421.673	
9.	P.D Orangi Township	5		105.000	-	105.000	
10.	Director, Zoo	5		111.300	32.084	79.216	
11.	Senior Director, Land Anti Encroachment	1		110.600	60.945	49.655	
12.	Director, Safari Park	3		45.200	6.635	38.565	
13.	Director, Katchi Abadies	3		110.000	81.205	28.795	
14.	Senior Director, Recreation Culture and Sports	2		32.750	9.809	22.941	
15.	D.G, Parks & Horticulture	5		27.740	8.260	19.480	
16.	Senior Director, E&IP	4		36.175	21.878	14.297	
17.	Director Charged Parking	8		85.000	74.800	10.200	
18.	Senior Director, Medical & Health Services	6		1.005	0.089	0.916	
Total				19,110.52 9	14,129.38 5	4,981.144	

Audit was of the view that due to less-realization of revenue targets, the organizations were deprived of legitimate revenue which indicated poor financial controls.

The matter was reported to the management from March to December 2023, The Office of Director Katchi Abadies replied that recovery targets could not be met due to declaring 200 acre of Katchi abadies land as Park at Gutter Baghicha and recovery from Katchi abadies of Baldia Town was stopped by Mukhtiarkar. The Office of Director Zoo replied that receipt target set-forth in the budget for the F.Y 2022-23, were overestimated and 10 Nos of annual revenue licenses could not be auctioned despite repeated attempts. The Office of DMD, RRG replied that short realization of targeted receipt was due to non-payment of Government Sector Entities of Bulk side. Replies were not tenable as the management of respective offices failed to achieve the targeted receipts, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letters dated 24-07-2023 and 03-01-2024, followed by reminders dated 04-08-2023, 19-09-2023, 12-01-2024 and 19-01-2024.

Audit recommends fixing responsibility on the person(s) at fault for non-achievement of revenue targets.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2019-20, 2018-19 vide para numbers 2.5.6.2, 2.5.7.1, 1.2.2.18 and 1.2.3.32 having financial impact of Rs8,052.751 million, Rs4,054.086 million, Rs9,364.747 million and Rs9,192.926 million respectively. Recurrence of same irregularity is a matter of serious concern.

2.5.7.15 Non-establishment of provident fund, pension fund and benevolent fund

Rule 125 (1), Chapter-XIV of SLGA 2013, states that a Council may, establish and maintain-

- (a) Provident fund for the benefit of its employees, who shall contribute to such fund in such manner and proportion as may be prescribed;
- (b) Pension fund from which pension, shall, in the prescribed manner, be paid to the employees of the Councils; and
- (c) Benevolent fund, in the prescribed manner from which any special pension or gratuity, shall, in the prescribed manner be paid to the family of employee of the Council, who dies of disease or injury contracted or suffered by him in the discharge of his official's duties.

During audit of Karachi Medical & Dental College, Karachi Metropolitan Corporation, for the financial year 2021-22, it was observed that the management failed to establish provident, pension and benevolent fund for the benefits of employees of the college. KMC is making payments of provident fund, pension and benevolent fund from the OZT share received from Government of Sindh.

Audit was of the view that non-establishment of mandatory funds indicated weak internal controls and poor financial management.

The matter was reported to the management in June 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 24-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit recommends establishment of mandatory funds as per provision of the SLG Act, 2013.

[AIR Para: 11]

Regularity paras of Performance Audit on "Construction of new 100 MGD Pump House (equipped with M&E Pumping Machineries) at Dhabeji", KW&SB – Audit Year 2022-23

2.5.7.16 Non-deduction of Sindh Sales Tax on Services - Rs84.651 Million

Section 8(1) of Sindh Sales Tax on Services Act 2011, stipulates that taxable services shall be charged, levied and collected for a tax, known as sales tax, on the value of a taxable service at the rate specified in the schedule of working tariff as given below:

No.	S.	Tariff Heading	Description	Rate
1		9815.5000	Services provided or rendered by professionals and consultants Technical, scientific and engineering consultants	13%
2		9824.0000	Construction Services	5%

During performance audit of the project, Construction of New 100 MGD Pump House (Equipped with M&E Pumping Machineries) at Dhabeji, it was observed that management did not deduct Sindh Sales Tax on Services from payments made to various contractors and consultant amounting to Rs84.651 Million. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Contractor	Amount Paid	% of SST to be deducted	Amount of sales tax to be deducted
1.	M/s KSB	875.976	5%	43.799
2.	M/s Construction Madni	405.318	5%	20.266
3.	M/s ATL	239.945	5%	11.998
4.	M/s Osmani & Co	66.061	13%	8.588
Total		1,587.300	-	84.651

Audit was of the view that non-deduction of taxes was loss to public exchequer which reflected weak financial and internal controls.

The matter was reported to the management in May, 2023. The management replied that the ADP schemes were exempted from Sindh sales tax on services. The reply was not tenable as the exemption was granted by Sindh Revenue Board on new development schemes and projects for the financial year 2019-20 or thereafter, whereas this project was executed in 2016. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 14-07-2023, followed by reminders dated 04-08-2023, 19-10-2023 and 22-11-2023.

Audit recommends recovery of Sindh sales tax on services, besides fixing responsibility on the person(s) at fault.

[OM # 10 & 17]

2.5.7.17 Non-deposit of income tax into public exchequer - Rs60.485 Million

Section 160 of Income Tax Ordinance, 2001, as amended vide Finance Act 2002, stipulates that any tax that has been collected or purported shall be paid to the Commissioner by the person making the collection or deduction within the time and in the manner as may be prescribed.

Further, according to Rule 41(a), Chapter-3 of Sindh Financial Rules Volume-1, “The departmental controlling officers should see that all sums due to Government are regularly received and checked against demands and that they are paid into the treasury”.

During performance audit of the project, Construction of New 100 MGD Pump House (Equipped with M&E Pumping Machineries) at Dhabeji, it was observed that the management deducted Income Tax amounting to Rs60.485 Million but failed to deposit the same into public exchequer. Detail is as follows:

[Rs. in Million]

Sr. No.	Name of contractor	Amount paid	Amount of income tax deducted but not deposited
1.	M/s Madni Construction	405.318	28.922
2.	M/s ATL	239.945	17.996
3.	M/s Osmani & Co (Consultant)	66.061	7.630
4.	M/s KSB	875.976	5.937
Total		1,587.300	60.485

Audit was of the view that non-deposit of collected taxes into public exchequer indicated poor financial management and weak internal controls.

The matter was reported to the management in May, 2023, but no reply was received. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 14-07-2023, followed by reminders dated 04-08-2023, 19-10-2023 and 22-11-2023.

Audit recommends depositing of deducted taxes into public exchequer, besides fixing responsibility on the person(s) at fault.

[OM # 20]

2.5.7.18 Non-deposit of water charges into KW&SB account - Rs14.742 Million

As per KW&SB Notification No. DMD/HRD&A/Works/265 dated 01-11-2019, water charges are to be deducted from contractor’s bills at the enhanced revised rates with effect from 01-07-2019, as specified below:

Particulars	Rates
For Drinking purpose	1% of the total cost of work
For Civil Works other than construction work	1.5% of the total cost of work
For construction work	2.5% of the total cost of work

During performance audit of the project, Construction of New 100 MGD Pump House (Equipped with M&E Pumping Machineries) at Dhabeji, it was observed that the management

deducted water charges of Rs14.742 million from the bills of contractors but did not deposit the same in to KW&SB account. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Contractors	Amount Paid	Amount of water charges deducted
1.	M/s KSB	875.976	7.987
2.	M/s Madni Construction	405.318	3.677
3.	M/s ATL	239.945	2.399
4.	M/s Osmani & Co	66.061	0.679
Total		1,587.300	14.742

Audit was of the view that non-deposit of collected water charges into KW&SB account indicated poor financial management and weak internal controls.

The matter was reported to the management in May, 2023, but no reply was received. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 14-07-2023, followed by reminders dated 04-08-2023, 19-10-2023 and 22-11-2023.

Audit recommends depositing of the amount of deducted water charges into KW&SB account.

[OM # 21]

2.5.7.19 Variation in reconciliation of expenditure - Rs74.091 Million

As per Rule-100 of Sindh Budget Manual, “The consolidated accounts of the controlling officer have to be reconciled/verified monthly with the accounts of the Government Treasury. The object of this procedure is to ensure 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.”

During performance audit of the project, Construction of New 100 MGD Pump House (Equipped with M&E Pumping Machineries) at Dhabeji, it was observed that there was variation of Rs74.091 million in the expenditure statement of the project reconciled with the record of the Provincial Treasury Office Government of Sindh. Detail is as under:

[Amount in Rs.]

Amount as per Provincial Treasury Office, Sindh	Amount as per expenditure statement	Variation
1,513,209,482	1,587,300,135	74,090,653

Audit was of the view that variation of figures in the record of two offices indicated that the management failed to reconcile monthly expenditure with the Provincial Treasury Office in violation of rules which indicated poor financial management and weak internal controls.

The matter was reported to the management in May, 2023. The management replied that in the light of the auditor’s recommendation, we will initiate an internal review of the expenditure statement and diligently work towards reconciling it with the Provincial Treasury Office. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 14-07-2023, followed by reminders dated 04-08-2023, 19-10-2023 and 22-11-2023.

Audit recommends that the management should get the issue of variation resolved by carrying out reconciliation of record with Provincial Treasury Office.

[OM # 34]

2.5.7.20 Non-taking over of electronic items

Clause 7.2 of Special Provision of Contract Agreement stipulates that the contractor shall keep insured all equipment supplied to the Employer to their full local value until the end of the Defect Liability Period when the same will be handed over to the Employer in satisfactorily working condition and shall remain Employer’s property.

During performance audit of the project, Construction of New 100 MGD Pump House (Equipped with M&E Pumping Machineries) at Dhabeji, it was observed that management failed to provide details of taking over of electronic items after the completion of the project. Detail is as under:

Sr. No.	Name of items	Quantity
1.	Laptops Core i7	03
2.	Digital Cameras (Brand New Nikon)	03
3.	Smart Phones	08

Audit was of the view that non-taking over of electronic items after completion of project indicated weak financial management and internal controls.

The matter was reported to the management in May, 2023. The management replied that the electronic items were entered in stock register. Reply was not tenable as the management failed to provide documentary evidence showing the proof of handing /taking over of the said items. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 14-07-2023, followed by reminders dated 04-08-2023, 19-10-2023 and 22-11-2023.

Audit recommends that the electronic items be taken over from the contractor on priority.

[OM # 30]

Karachi Division



Chapter-3: Local Councils, Karachi Division

3.1 Introduction

Karachi Division has been divided into one District Council and Seven District Municipal Corporations, namely, Karachi East, West, South, Central, Malir, Korangi and Keamari. Each Municipal Corporation/District Council is headed by Municipal Commissioner/Chief Officer who carries out operations as per Sindh Local Government Act, 2013. The functions of Municipal Corporation are as following:

- i. Prepare development plans for the Town including plans for land use, zoning and functions for which Municipal Corporation is responsible.
- ii. Exercise control over land use, land subdivision, land development and zoning by public and private sectors for any purpose, including agriculture, industry, commerce markets, shopping and other employment centers, residential, recreation, parks, entertainment, transport freight and transit stations.
- iii. Enforce all municipal laws, rules and bye-laws governing Municipal Corporations functioning.
- iv. Prepare budget, long term and annual municipal development programs in collaboration with the Union Councils.
- v. Collect approved taxes, cess, user fees, rates, rents, tolls, charges, fines and penalties.
- vi. Manage properties, assets and funds vested in the Municipal Corporations.
- vii. Develop and manage schemes, including site development in collaboration with Union Administration.
- viii. Issue notice for committing any municipal offence by any person and initiate legal proceedings for commission of such offence or failure to comply with the directions contained in such notice.
- ix. Prosecute, sue and follow up criminal, civil and recovery proceedings against violators of Municipal Laws in the courts of competent jurisdiction.
- x. Maintain municipal records and archives.

3.2 Comments on Budget and Accounts (Variance Analysis)

[Rs. in Million]

Sr. No.	Name of office	Head of Account	Budget	Actual	Excess (+) Savings (-)
1	DMC East	Establishment	1,842.500	1,308.602	-533.898
		Non-salary	514.200	315.837	-198.363
		Development	1,256.000	1,230.892	-25.108
		Total Expenditure	3,612.700	2,855.331	-757.369
		Receipts	3,312.700	2,368.948	-943.752
2	DMC Malir	Establishment	1,421.735	1,082.965	-338.770
		Non-salary	142.963	51.634	-91.329
		Development	1,098.341	338.672	-759.669
		Total Expenditure	2,663.039	1,473.271	-1,189.768
		Receipts	1,839.722	1,473.696	-366.026
3	DMC West	Establishment	1,570.000	966.491	-603.509
		Non-salary	407.500	244.866	-162.634
		Development	1,180.000	387.296	-792.704
		Total Expenditure	3,157.500	1,598.653	-1,558.847
		Receipts	3,158.000	1,602.683	-1,555.317
4	DMC South	Establishment	3,698.217	1,999.455	-1,698.762
		Non-salary	675.395	496.461	-178.934
		Development	1,244.050	755.375	-488.675
		Total Expenditure	5,617.662	3,251.291	-2,366.371
		Receipts	5,622.715	3,251.953	-2,370.762
5	DMC Korangi	Establishment	3,922.902	2,619.480	-1,303.422
		Non-salary	458.529	229.274	-229.255
		Development	687.793	22.682	-665.111
		Total Expenditure	5,069.224	2,871.437	-2,197.787
		Receipts	5,069.224	2,479.660	-2,589.564

[Rs. in Million]

Sr. No.	Name of office	Head of Account	Budget	Actual	Excess (+) Savings (-)
6	DMC Central	Establishment	6,109.416	3,992.611	-2,116.805
		Non-salary	976.960	200.422	-776.538
		Development	2,241.000	643.441	-1,597.559
		Total Expenditure	9,327.376	4,836.475	-4,490.901
		Receipts	9,327.911	4,710.172	-4,617.739
7	DMC Keamari	Establishment	2,397.600	2,098.409	-299.191
		Non-salary	270.000	238.355	-31.645
		Development	1,394.500	320.259	-1,074.241
		Total Expenditure	4,062.100	2,657.023	-1,405.077
		Receipts	3,961.968	2,660.966	-1,301.002
8	District Council	Establishment	1,941.399	1,053.017	-888.382
		Non-salary	742.358	507.207	-235.151
		Development	1,383.000	406.125	-976.875
		Total Expenditure	4,066.757	1,966.350	-2,100.407
		Receipts	3,387.150	1,909.295	-1,477.855
Grand Total		Establishment	22,903.769	15,121.032	-7,782.737
		Non-salary	4,087.905	2,284.058	-1,803.847
		Development	10,184.684	4,104.742	-6,079.942
		Total Expenditure	37,176.358	21,509.832	-15,666.526
		Receipts	35,679.389	20,457.373	-15,222.016

The budgeted expenditure of Local Councils of Karachi Division for the financial year 2022-23 was Rs37,176.358 million, against which the actual expenditure was Rs21,509.832 million, resulting in saving of Rs15,666.526 million. The management of Local Councils was unable to realize the receipts' targets resulting in shortfall of Rs15,222.016 million.

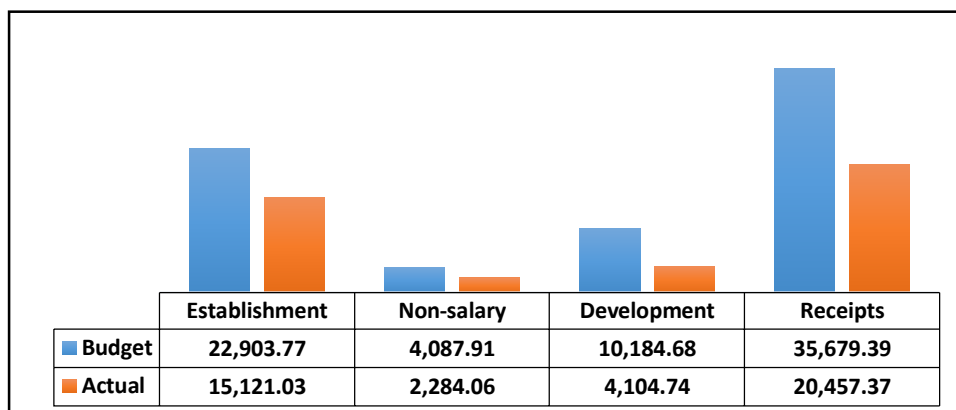


Table-: Audit Profile of DMCs and District Council, Karachi

[Rs. in Million]

Sr.	Description	Formations		Financial Year 2022-2023	
		Planned	Audited	Expenditure audited	Revenue / Receipts audited
1.	Formations	8	8	21,509.832	20,457.373
2.	Assignment Accounts, SDAs (excluding FAP)	-	-	-	-
3.	Authorities/Autonomous Bodies under the PAO	-	-	-	-
4.	Foreign Aided Projects (FAP)	-	-	-	-

3.3 Classified Summary of Audit Observations

Audit observations amounting to Rs6,084.846 million were raised in this report during the current audit of District Council and District Municipal Corporations of Karachi Division. The amount also includes recoveries of Rs317.459 million as pointed out by Audit. Summary of the audit observations classified by nature is as under:

Table: Overview of Audit Observations:

[Rs. in million]

Sr. No.	Classification	Amount
1	Non-Production of Record	-
2	HR/Employees related irregularities	95.181
3	Procurement related irregularities	1,787.922
4	Recoveries related irregularities	317.459
5	Value for money and service delivery issues	541.879
6	Other issues	3,342.405
Total		6,084.846

3.4 Brief Comments on the Status of Compliance with PAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Sindh. Detail of paras presented in PAC meetings is reflected hereunder:

Audit Year	No. of Paras	Status of Paras discussed in PAC Meetings
2012-13	8	2 – Partial
2013-14	7	1 – Partial
2014-15	70	-Nil-
2015-16	30	-Nil-
2016-17	32	-Nil-
2017-18	54	-Nil-
2018-19	35	-Nil-
2019-20	26	-Nil-
2020-21	15	-Nil-
2021-22	13	-Nil-
2022-23	17	-Nil-

3.5 Audit Paras

3.5.1 Non-production of record

3.5.1.1 Non-production of record

Section 14 (2) and (3) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, provides 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 all 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 relevant Efficiency and Discipline Rules applicable to such person”.

During audit of following Local Councils of Karachi Division, for the financial year 2022-23, the management did not produce auditable record related to establishment, development, contingency, revenue and various registers etc. involving minimum financial impact of Rs309.512 million for audit scrutiny. Detail is at **Annex-KYC1**.

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	Amount
1.	DMC Keamari Karachi	4	105.559
		1	-
2.	District Council Karachi	1	63.201
3.	DMC, South Karachi	3	45.483
4.	DMC Korangi Karachi	1	42.908
		18	8.412
5.	DMC, East Karachi	2	23.949
6.	DMC Malir Karachi	1	20.000
7.	DMC West Karachi	1	-
8.	DMC Central Karachi	1	-
Total			309.512

Audit was of view that non-production of record was a serious lapse on the part of management which caused hindrance in performance of the functions of audit, besides, authenticity of the related transactions could not be ascertained.

The matter was reported to the management from September to November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends inquiry into the matter and fixing of responsibility on the person(s) at fault for non-provision of record.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, and 2018-19 vide para numbers 3.5.1.1, 3.5.1.1, and 3.2.1.1 having financial impact of Rs592.061 million, Rs225.749 million, and Rs758.611 million respectively. Recurrence of same irregularity is a matter of serious concern.

3.5.2 HR/Employees related irregularities

3.5.2.1 Irregular appointment of staff on contract basis - Rs81.600 Million

In compliance of Honorable Supreme Court of Pakistan in Human Rights case No. 104/92, Local Government Department issued directives vide letter No.SO-V(LG)5(69)/2009/29-06-2010 that even an appointment on adhoc basis cannot be made without publication and proper advertisement.

Further, Para 8 (2) of Sindh Local Councils Employees (Service) Rules, 2017 stipulates that initial appointment to the posts in all basic scales not falling within the purview of SPSC, shall be made on the recommendations of the Selection Committee on the basis of interview or test to be held by the Selection Committee after the vacancies have been advertised in leading newspapers in Urdu, Sindhi & English Languages.

During audit of District Municipal Corporation, South, Karachi Division, for the financial year 2022-23, it was observed that the management appointed 272 employees on contract basis @ Rs25,000/- per month without observing prescribed procedure and incurred expenditure of Rs81.600 million. Further, approval from administrative department was also not obtained. Detail is as under:

[Rs in Million]

Sr. No.	Particulars	No. of Employees	Total Salary Per Month @ 25,000 per month	Total Salary Per Year
1	Education Branch	186	4.650	55.800
2	Medical Branch	86	2.150	25.800
Total		272	6.800	81.600

Audit was of the view that appointment of employees on contract basis without following prescribed procedure was violation of the rules and Local Government orders which indicated weak internal controls.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2019-20 vide para numbers 3.5.2.1 and 2.2.2.17 having financial impact of Rs75.000

million and Rs57.336 million respectively. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 1]

3.5.2.2 Unauthorized payment of overtime to staff - Rs5.890 Million

Para 2 of Finance Division O.M No.F.4(1) R-5/2010 dated 02-07-2018, stipulates that the overtime allowance to staff car drivers/dispatch riders will only be paid if it has been verified by the officer concerned.

Further, according to Rule 5, Chapter-1 of Sindh Financial Rules Volume-1, “The amount of allowance granted to meet expenditure of a particular type should be so regulated that allowances are not on the whole source of profit of the recipient”.

During audit of District Municipal Corporation, South, Karachi Division, for the financial year 2022-23, it was observed that management paid Rs5.890 million to the staff i.e. Fitter, Cooly, Electrician, Munshi, Telephone Operator, Supervisor, Foreman, Naib Qasid, Machine Attendant and Estimator etc. on account of overtime without entitlement. Detail is as under:

[Rs. in Million]

Sr. No.	Month	Amount
1	September-2022	0.692
2	October-2022	0.752
3	December-2022	0.739
4	January-2023	1.043
5	February-2023	0.763
6	March-2023	0.874
7	April-2023	0.061
8	May-2023	0.966
Total		5.890

Audit was of the view that payment of overtime to the employees without entitlement was unauthorized which indicated weak internal controls.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends that payment of the overtime allowances without entitlement should be stopped and recovery effected.

[AIR Para: 15]

3.5.2.3 Unauthorized hiring of legal advisors - Rs7.691 Million

Para-2 of Letter No.ADDL.A.G/(LRK)/1570 dated 08-08-2016 issued by Additional Advocate General Sindh, High Court Larkana addressed to Chief Secretary Sindh, stipulated that the departments were engaging private counsels without obtaining the sanction from Law Department which was against the rules. The Chief Secretary of Sindh was therefore requested to look into the matter.

During audit of following Local Councils of Karachi Division, for the financial year 2022-23, it was observed that the management hired legal advisors and paid an amount of Rs7.691 million on account of legal fees without sanction of Law Department, Government of Sindh. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	Amount
1.	DMC Keamari Karachi	12	2.909
2.	DMC Malir Karachi	8	2.070
3.	DMC Korangi Karachi	23	1.301
4.	DMC West Karachi	12	0.986
5.	DMC East Karachi	17	0.425
Total			7.691

Audit was of the view that hiring of legal advisors without sanction of Law Department, Government of Sindh was unauthorized and indicated weak internal controls.

The matter was reported to the management from September to November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 3.5.2.2 having financial impact of Rs9.146 million. Recurrence of same irregularity is a matter of serious concern.

3.5.3 Procurement related irregularities

3.5.3.1 Execution of works without PC-I - Rs192.954 Million

According to letter No.SOI/LG/MISC/10-7/2013 dated 07-01-2014 issued by Local Government Department, Government of Sindh, "All the development works of various local councils and other subordinate offices of Local Government Department, shall be carried-out after the approval/ permission of this department. In this regard PC-Is of all development works should be prepared according to the procedure/policy and be forwarded to this department for

approval/ permission and thereafter necessary action be taken for execution of such works after completion of required codal formalities”.

During audit of District Municipal Corporation, Central, Karachi Division, for the financial year 2022-23, it was observed that the management awarded various development works amounting to Rs192.954 million without preparation of PC-I and approval from administrative department. Detail is at **Annex-KYC2**.

Audit was of the view that execution of works without preparation of PC-I and approval from the competent authority was irregular which indicated weak internal controls.

The matter was reported to the management in October, 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 3.5.3.1 having financial impact of Rs127.212 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 2]

3.5.3.2 Splitting up of works to avoid open tender - Rs52.067 Million

As per Rule 12(1), Part-II of Sindh Public Procurement Rules, 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.

Further, Rule 17(1), Part-II (ibid), stipulates that procurements over three hundred thousand rupees and up to two 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 Local Councils of Karachi Division, for the financial year 2022-23, it was observed that the management incurred expenditure of Rs52.067 million through quotations by splitting the procurements which resulted into non-achievement of competitive rates. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	Amount
1.	DMC Malir Karachi	6	14.440
2.	District Council Karachi	2	11.340
3.	DMC Korangi Karachi	2	4.257
4.	DMC Central Karachi	4	6.577

		5	5.382
		3	4.781
5.	DMC South Karachi	4	3.867
6.	DMC Keamari Karachi	8	1.423
Total			52.067

Audit was of the view that incurrance of expenditure through splitting the procurements was violation of Sindh Public Procurement Rules indicated weak internal controls.

The matter was reported to the management from September to November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22, 2020-21, 2019-20 and 2018-19 vide para numbers 3.5.3.1, 3.5.3.2, 2.2.2.15 and 3.2.2.18 having financial impact of Rs37.348 million, Rs74.255 million, Rs102.355 million and Rs41.239 million respectively. Recurrence of same irregularity is a matter of serious concern.

3.5.3.3 Splitting up of works to avoid publication of tender in print media Rs187.580 Million

According to Rule 12(1), Part-II of Sindh Public Procurement Rules, 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".

Rule 17(1), Part-II (ibid), stipulates that procurements over three hundred thousand rupees and up to two 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 Local Councils of Karachi Division, for the financial year 2022-23, it was observed that the management awarded various works of Rs187.580 million by splitting of the expenditure to avoid publication of the tenders in print media. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	Amount
1.	DMC Keamari Karachi	6	169.747
2.	DMC West Karachi	5	13.929
3.	DMC Korangi Karachi	20	3.904
Total			187.580

Audit was of the view that award of works by splitting procurements to avoid publication of the tender in print media resulted into non-obtaining of competitive rates and violation of Sindh Public Procurement Rules which indicated weak internal controls.

The matter was reported to the management from September to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2018-19 vide para numbers 3.5.3.3 and 3.2.2.14 having financial impact of Rs63.197 million and Rs128.151 million respectively. Recurrence of same irregularity is a matter of serious concern.

3.5.3.4 Execution of development works through quotations instead of NIT Rs15.972 Million

According to the instructions issued by the Local Government Department, Government of Sindh vide letter No.SOI/LG/MICS/10-7/2013 dated 07-01-2014, "No development work on quotation should be carried-out. All development works be carried-out through NIT".

During audit of following Local Councils of Karachi Division, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs15.972 million on development works through quotations instead of inviting open tenders in violation of government instructions. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	Amount
1.	DMC Korangi Karachi	3	7.718
2.	District Council Karachi	3	5.277
3.	DMC South Karachi	5	2.977
Total			15.972

Audit was of the view that execution of development works through quotation in violation of government instructions was irregular which indicated weak internal controls.

The matter was reported to the management from September to October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 3.5.3.6 having financial impact of Rs20.540 million. Recurrence of same irregularity is a matter of serious concern.

3.5.3.5 Award of works without execution of contract agreement Rs1,009.035 Million

Clause (iii) and (iv) of Para 7.12.3 of Sindh Public Procurement Authority Regulation for Procurement of Works, stipulates that within 28 days of receipt of the letter of acceptance, the procuring agency will send all copies of the contract to the bidder, with a covering letter or contractor shall attend the offices of the procurement agency for the purpose of signing the agreement duly stamped at the rate of 35 Paisa/100 rupees of the contract value (as amended and updated by the Government from time to time and which shall be borne by the contractor). Failure to sign the agreement shall lead to cancellation of the award and forfeiture of the bid security.

During audit of following Local Councils of Karachi Division, for the financial year 2022-23, it was observed that the management awarded contracts of Rs1,009.035 million without executing contract agreements with the contractors. Further, government also sustained loss of Rs3.532 million on account of stamp duty. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	Contract Amount
1.	DMC Keamari Karachi	20	921.617
2.	District Council Karachi	10	45.639
3.	DMC Korangi Karachi	9	32.065
4.	DMC South Karachi	9	9.714
Total			1,009.035

Audit was of the view that non-execution of contract agreements was violation of the rules. The government also sustained loss of revenue in the shape of stamp duty which indicated poor financial management and weak internal controls.

The matter was reported to the management from September to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

3.5.3.6 Irregular award of work without technical sanction - Rs9.345 Million

Section 11.1 of Sindh Public Procurement Regulatory Authority (SPPRA) Procurement Regulations (Works) 2013, stipulates that no development work shall be started unless technical sanction is accorded by the competent authority.

During audit of District Municipal Corporation, West, Karachi Division, for the financial year 2022-23, it was observed that the management awarded and executed different development works amounting to Rs9.345 million without obtaining technical sanction from the competent authority, in violation of regulations as state above. Detail is as under:

[Rs. in Million]

Sr. No	Name of work	Name of Contractor	Amount
1.	Repair & Maintenance of Sanitation Tractor Trolley	M/S A.S Enterprises	1.780
2.	Rehabilitation of Road Carpeting at World Mobile Office	M/S Saleem & Co	1.641
3.	Improvement of CC Flooring in different Roads in UC-21	Fiza Group of Construction	1.638
4.	Providing / Fixing of Moon Lights & Repair UC 15	Waheed & Sons	1.387
5.	Construction of Damage Roads	Shams Construction Co	1.045
6.	Rehabilitation of Sewerage System Gali No 1 UC 22	Aqeel Khan Sherani & Brothers	0.996
7.	Rehabilitation of Sewerage System in Muslim Town	Tariq Jamal Company	0.858
Total			9.345

Audit was of the view that execution of development works without obtaining technical sanction from the competent authority in violation of SPPRA Regulations indicated weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2019-20 and 2018-19 vide para numbers 2.2.2.19 and 3.2.2.21 having financial impact of Rs47.449 million and Rs23.977 million respectively. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 10]

3.5.3.7 Irregular utilization of sanitation funds through quotations Rs9.190 Million

According to Rule 11(1), Part-II of Sindh Public Procurement Rules 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".

Rule 17(1), Part-II (ibid), stipulates that procurements over three hundred thousand rupees and up to two 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 District Council, Karachi, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs9.190 million on various sanitation works (hiring of machinery and labour for cleaning of streets, roads and drain/nallahs) through quotations by keeping each transaction below Rs300,000/- to avoid open competitive bidding; whereas, the work of sanitation being a mandatory function of the Council was foreseen prior to commencement of financial year at the time of budget preparation/approval. Detail is at **Annex-KYC3**.

Audit was of the view that incurrence of expenditure through quotations without obtaining competitive rates was violation of Sindh Public Procurement Rules which indicated weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2019-20 and 2018-19 vide para numbers 3.5.3.4, 3.5.3.2, 2.2.2.13 and 3.2.2.23 having financial impact of Rs33.039 million, Rs34.910 million, Rs144.400 million and Rs15.971 million respectively. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 8]

3.5.3.8 Irregular award of works without publication of tender in print media
Rs28.944 Million

Rule 17(1), Part-II of Sindh Public Procurement Rules 2010, as amended in 2019, stipulates that procurements over three hundred thousand rupees and up to two 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 District Municipal Corporation, Keamari, Karachi Division, for the financial year 2022-23, it was observed that management awarded various works of Rs28.944 million to different contractors without publication of tenders in print media. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Works	Name of Contractors	Amount
1	Improvement of CC Drain Mubarak Masjid UC-46	Dawood Engineering & Co.	2.438
2	Cons of CC Floor UC 44 Bhutta		2.328

[Rs. in Million]

Sr. No.	Name of Works	Name of Contractors	Amount
3	Rehib of CC Drain Nallah Keamari	Habib Gul & Brothers	3.552
4	Improvement of CC Flooring at Ward 1&2 in UC-45		2.386
5	Cleaning Nallah UC 42	Habibullah & Brothers	2.999
6	Cleaning Nallah UC 42		5.864
7	Construction of Road UC 40	Niaz Muhammad Construction	6.437
8	Imp rehabilitation from SWAT Net Zone UC 4 SITE	Sun Builder	2.940
Total			28.944

Audit was of the view that non-publication of tender in print media resulted into non-obtaining of competitive rates in violation of rules which indicated poor financial management and weak internal controls.

The matter was reported to the management in December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 3.5.3.5 having financial impact of Rs27.264 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 19]

3.5.3.9 Irregular procurement of electrical material - Rs91.763 Million

Rule 48 of Electricity Rules, 1937, states that all Government and Semi Government departments are bound to award contracts of electrical installation works to the contractors holding valid government electrical contractor license.

Further, S.No.(18) of Schedule of Rule 5(1) of Sindh Local Councils (Property) Rules 2017, requires that register of street light points and lamp posts in Form P-XVIII shall be maintained.

During audit of following Local Councils of Karachi Division, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs91.763 million on the procurement of electrical material as detailed below:

[Rs. in Million]

Sr.	Name of Entity	AIR	Amount
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No		Para	
1.	District Council Karachi	7	3.206
		5	15.289
2.	DMC, South Karachi	6	25.807
3.	DMC West Karachi	7	20.343
4.	DMC Central Karachi	7	11.681
5.	DMC Keamari Karachi	11	7.699
6.	DMC Korangi Karachi	19	3.975
		5	3.763
Total			91.763

Following irregularities were noticed:

- i. The electrical works were awarded to the contractors who had no government electrical contractor license.
- ii. Purchases were made on quotation basis by splitting up procurements.
- iii. Location for installation of purchased electric material was not recorded.
- iv. Inspection of street lights material was not carried out.
- v. Warranty cards of saver bulbs and other lights were not available.
- vi. Neither the purchased material was accounted for in the stock register nor issuance record of the material was available.
- vii. Inventory of replaced articles were not available.

Audit was of the view that procurement of electrical material without observing codal requirements was irregular and indicated weak internal controls.

The matter was reported to the management from September to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks clarification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2020-21 vide para number 3.5.3.1 having financial impact of Rs139.637 million. Recurrence of same irregularity is a matter of serious concern.

3.5.3.10 Non-mentioning of specific locations of the works in NIT - Rs19.437 Million

According to Local Government Department, Government of Sindh letter No.RO(LG)/MISC/4(25)/2016 dated 01-08-2016 on the subject, Indication of Exact Location of, Length Width Depth of C.C Blocks, Bricks Pavement, Drains, "All the councils were directed to

mention the location, starting and end point, length width of streets / drains etc. in the tenders being published in various dailies. It was further directed that in case of non-compliance it will be Prima facie presumed that there is malafide intension of the council functionaries, which will be viewed seriously”.

During audit of following Local Councils of Karachi Division, for the financial year 2022-23, it was observed that management hoisted tender notices through SPPRA website for various works costing Rs19.437 million without mentioning exact locations, starting and ending points etc. in the tenders. Detail is at **Annex-KYC4**.

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	Amount
1	DMC West	6	11.555
2	DMC Keamari	7	7.882
Total			19.437

Audit was of the view that hoisting of tenders without mentioning exact location of the works created ambiguity and resulted in non-transparency in use of public funds.

The matter was reported to the management from September to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 7]

3.5.3.11 Execution of scheme without approval of competent forum Rs171.055 Million

Rule 2.22 of SPPRA Guidelines / Regulations for Procurement of Works 2010 states that PC-I & PC-II of the schemes/projects prepared by the administrative department is required to be placed before the Development Working Party /committee according to the cost /competency of the forum as enumerated below:

Sr. No.	Competent Forum	Cost of Scheme up to
1	District Development Working Committee (DDWC)	Rs 20 million
2	Departmental Development Working Party (DDWP)	Rs 40.00 million
3	Provincial Development Working Party (PDWP)	Rs 5.00 billion
4	Central Development Working Party (CDWP)	Rs One billion
5	Executive Committee of the National Economic Council (ECNEC). After clearance from CDWP	Above Rs One billion

During audit of District Municipal Corporation, Keamari, Karachi Division, for the financial year 2022-23, it was observed that the management awarded 104 development works to various contractors amounting to Rs171.055 million without approval of District Development Working Party in violation of SPPRA regulations. Detail is at **Annex-KYC5**.

Audit was of the view that execution of schemes without obtaining approval from the competent forum was violation of SPPRA regulations which indicated weak internal controls.

The matter was reported to the management in December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

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

[AIR Para: 2]

3.5.3.12 Non-imposition of liquidated damages - Rs0.580 Million

As per Para 10.3 of Sindh Public Procurement Regulatory Authority Guidelines 2013, “If the contractor fails to comply with time for completion mentioned in bid data except the conditions mentioned above, then procuring agency can penalize the contractor by adopting any one of the prescribed courses provided under clause (c) 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 District Municipal Corporation, Malir, Karachi Division, for the financial year 2022-23, it was observed that the management awarded various works of Rs11.608 million but the contractors failed to complete the works within stipulated period. However, the liquidated damages amounting to Rs0.580 million @ 5% of contract value were not imposed as detailed below.

[Rs. in Million]

Sr. No.	Name of Contractor	Date of start	Stipulated date of completion	Status at the time of audit	Amount	Penalty 5%
Construction of Green Belt along Rice Godown in UC-01, DMC, Malir						
1	M/s Ahsan Enterprises	18-03-20	17-07-20	Not completed	3.631	0.181
Construction of metaled road from Hussaini Chowrangi to Star Ground ward-01 of UC-01, Dawood Chowrangi in DMC, Malir.						
2	M/s Muhammad Zada & Sons	17-09-20	17-03-21	Not completed	7.977	0.399
Total					11.608	0.580

Audit was of the view that due to non-imposition of liquidated damages undue favor was extended to the contractors which indicated weak financial management and internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2018-19 vide para number 3.2.2.11 having financial impact of Rs235.518 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 11]

3.5.4 Recoveries related issues

3.5.4.1 Non-deposit of taxes into public exchequer - Rs142.559 Million

Section 160 of Income Tax Ordinance, 2001, as amended vide Finance Act 2002, stipulates that any tax that has been collected or purported shall be paid to the Commissioner by the person making the collection or deduction within the time and in the manner as may be prescribed.

Further, according to Rule 41(a), Chapter-3 of Sindh Financial Rules Volume-1, "The departmental controlling officers should see that all sums due to Government are regularly received and checked against demands and that they are paid into the treasury".

During audit of following Local Councils of Karachi Division, for the financial year 2022-23, it was observed that the management deducted an amount of Rs142.559 million on account of income tax and Sindh sales tax on services and general sales tax from the bills of contractors but failed to deposit the same into public exchequer as detailed below.

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	IT deducted	SST deducted	GST deducted	Total Taxes deducted but not deposited
1.	District Council Karachi	12	36.375	20.366	8.812	65.553
2.	DMC West Karachi	3, 9	17.663	12.283	-	29.946
3.	DMC Malir Karachi	4, 5	9.047	8.956	-	18.003
4.	DMC Korangi Karachi	8	9.074	7.143	-	16.217
5.	DMC East Karachi	1, 5	5.123	7.717	-	12.840
Total						142.559

Audit was of the view that non-deposit of collected taxes into public exchequer indicated poor financial management and weak internal controls.

The matter was reported to the management from September to October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends depositing of deducted taxes into public exchequer, besides fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, and 2018-19 vide para numbers 3.5.4.1, 3.5.4.2 and 3.2.2.1 having financial impact of Rs134.637 million, Rs209.310 million and Rs237.063 million respectively. Recurrence of same irregularity is a matter of serious concern.

3.5.4.2 Non-deduction of government taxes - Rs7.122 Million

According to Section 3(1) of Sales Tax Act 1990, as amended upto July 2015, “There shall be charged, levied and paid a tax known as sales tax at the rate of 17% of the value of (a) taxable supplies made by a registered person”.

According to Seventh Schedule of Sindh Finance Act, 1964 amended vide Schedule-II of Sindh Finance Ordinance, 2000, Professional tax is required to be deducted from the payments made to the contractors engaged in construction work or providing services and labour vide Rate / Fee of Tax Receipts.

During audit of following Local Councils of Karachi Division, for the financial year 2022-23, it was observed that the management paid to different contractors on account of various heads but did not deduct general sales tax and professional tax amounting to Rs7.122 million as detailed below.

[Rs. in Million]

Sr. No.	Name of offices	AIR Para	Heads	Taxes not deducted
3	DMC West Karachi	11	GST	4.401
5	DMC Keamari Karachi	13		1.311
1	DMC East Karachi	9		1.280
4	DMC Malir Karachi	12	Professional Tax	0.066
2	DMC Central Karachi	16		0.064
Total				7.122

Audit was of the view that non-deduction of taxes was loss to public exchequer which reflected poor financial management and weak internal controls.

The matter was reported to the management from September to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para numbers 3.5.4.2, 3.5.4.4, 3.5.2.3, (2.2.2.1, 2.2.2.2, 2.2.2.3) and 3.2.2.3 having financial impact of Rs43.027 million, Rs33.504 million, Rs32.764 million, Rs113.569 million and Rs78.056 million respectively. Recurrence of same irregularity is a matter of serious concern.

3.5.4.3 Less deduction of income tax - Rs7.618 Million

As per Section-12 (1) of Income Tax Ordinance, 2001 (Amended up to date), any salary received by an employee in a tax year, other than salary that is exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head "Salary".

Further, as per Section 153 of Income Tax Ordinance, 2001 read with Income Tax Rules, 2002, "Payment on account of supply of goods and rendering of services are subject to deduction of income tax at source @ 4.5% and 7.5% respectively".

During audit of following Local Councils of Karachi Division, for the financial year 2022-23, it was observed that the management made payments to different contractors and salaries to employees but deducted less amount of income tax Rs7.618 million as detailed below. Further detail is as under:

[Rs in Million]

Sr. No.	Name of office	AIR Para	Income tax		
			Due	Deducted	Variation
1	DMC South Karachi	10	9.246	2.749	6.497
2	DMC Central Karachi	8	16.818	15.697	1.121
Total			26.064	18.446	7.618

Audit was of the view that less deduction of income tax resulted into loss to public exchequer which indicated weak financial management.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

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

3.5.4.4 Non-recovery of outstanding dues - Rs160.160 Million

As per Section 100 (2), Chapter-X of Sindh Local Government Act 2013, “All arrears of taxes, rates, tolls and fees and other moneys claimable by a Council under this Act shall be recoverable as arrears of land revenue through Government agency or by the Council authorized by Government for such recovery through such employees or class of employees of the Council as may be prescribed”.

Further, Section 41(a), Chapter-3 of Sindh Financial Rules Volume-1, stipulates that 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 claiming credit for so much paid into the treasury and compare with the figures in the statements supplied by the comptroller.

During audit of following Local Councils of Karachi Division, for the financial year 2022-23, it was observed that the management did not recover the outstanding dues of Rs160.160 million on account of rent of shops/bungalows and betterment charges from defaulters and Sindh Building Control Authority. Detail is as under:

[Rs. in Million]

Sr. No.	Name of office	AIR Para	Particulars	Outstanding
1.	DMC East Karachi	4	Betterment Charges from SBCA	100.000
2.	District Council Karachi	11	Milching Animals	58.980
			Rent from shops/bungalows	0.780
			Rent from NBP	0.400
Total				160.160

Audit was of the view that non-recovery of outstanding dues indicated weak financial management.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 and 2018-19 vide para numbers 3.5.4.3 and 3.2.2.2 having financial impact of Rs67.519 million and Rs199.867 million respectively. Recurrence of same irregularity is a matter of serious concern.

3.5.5 Value for Money and Service Delivery issues

3.5.5.1 Unjustified expenditure beyond purview - Rs541.879 Million

According to Section 8(1) of Sindh Solid Waste Management Board Act, 2014, “The Board shall have the right over the solid waste related issues, assets, funds and liabilities of the Councils and shall possess sole rights on all kinds of solid waste within the limit so fall Councils”.

Further, Rule 159(4) of Sindh Local Council (Accounts) Rules, 1983, stipulates that a council vehicles shall not be driven except by a driver appointed by the competent authority, for the vehicle. Every person using a council vehicle shall make and sign entries in the Petrol and lubricant account in Form No. 116 and in Log Book of the vehicle kept in the custody of the driver. Log book shall be maintained in Form No. 117.

During audit of following Local Councils of Karachi Division, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs541.879 million on POL for vehicles providing sanitation services despite the fact that lifting of door to door garbage was the responsibility of Sindh Solid Waste Management Board which is already incurring huge expenditure on this account through its contractors. It was further observed that no log book and POL accounts were maintained as per prescribed rule. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	Amount
1	DMC South Karachi	14	268.857
2	District Council, Karachi	9	256.437
3	DMC Central Karachi	15	16.585
Total			541.879

Audit was of the view that incurrence of expenditure on sanitation services despite availability of Sindh Solid Waste Management Board was un-justified. Further, the prescribed POL record was also not maintained which showed poor financial management and weak internal controls.

The matter was reported to the management from September to October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends that inquiry may be conducted into the matter for fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2018-19 vide para number 3.2.2.17 having financial impact of Rs43.499 million. Recurrence of same irregularity is a matter of serious concern.

3.5.5.2 Non-functioning of dispensaries

As per Section 116(7), Chapter-XII of Sindh Local Government Act 2013, every Member or Employee of a Council and every person, charged with the administration of the affairs of a Council, or acting on behalf of a Council shall be personally liable for the loss, waste, misapplication or unauthorized application of any moneys or property belonging to the Council which is a direct consequence of his negligence or misconduct, and the liability of such member, employee or person shall be determined by Government in the prescribed manner.

During audit of District Council, Karachi, for the financial year 2022-23, it was observed that there were 60 dispensaries in total out of which 30 were non-functional due to which health service delivery was not being provided to the general public. Further, it was also observed that one Medical Officer and 24 No. of staff e.g. Chowkidars, Naib Qasids, Senior Dispensers were posted in non-functional dispensaries. Detail is at **Annex-KYC6**.

Audit was of the view that due to non-functioning of dispensaries, health services delivery could not be provided to general public which indicated poor management and weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends that non-functional dispensaries be made functional on priority basis besides, fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide para number 3.5.5.2. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 14]

3.5.6 Other issues

3.5.6.1 Less realization of targeted receipts - Rs1,768.328 Million

Section 100 (1) of Sindh Local Government Act 2013, states that unless otherwise provided, all taxes, rates, tolls and fees levied under this act shall be collected in the prescribed manner by the persons authorized for such collection: provided that where any tax, rate, toll or fee levied by a Council is also levied by Government, such tax, rate, toll or fee shall be collected with Government tax, and the proceeds thereof be credited to the local fund of the Council.

During audit of following Local Councils of Karachi Division, for the financial year 2022-23, it was observed that the management did not take appropriate measures to realize revenue targets of Rs1,768.328 million from various heads i.e. rent of shops, road cutting charges, bill board fees, property tax, trade license fees, nursery fees, cattle pirri fees, parking fees, licensing fee etc. Detail is at **Annex-KYC7**.

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	Targeted Receipts	Recovery effected	Shortfall
1.	DMC Central Karachi	14	1,524.550	520.727	1,003.823
2.	DMC East Karachi	11	1,744.000	1,108.863	635.137
3.	DMC Malir Karachi	9	150.000	52.597	97.403
4.	DMC West Karachi	4	44.430	12.465	31.965
Total			3,462.980	1,694.652	1,768.328

Audit was of the view that due to less-realization of revenue targets, the councils were deprived of legitimate revenue which indicated poor financial controls.

The matter was reported to the management from September to October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends fixing responsibility on the person(s) at fault for non-achievement of revenue targets.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2019-20 and 2018-19 vide para numbers 3.5.5.1, 3.5.4.1, 2.2.2.5 and 3.2.2.7 having financial impact of Rs1,456.646 million, Rs1,035.276 million, Rs1,527.575 million and Rs1,424.010 million respectively. Recurrence of same irregularity is a matter of serious concern.

3.5.6.2 Non-deposit of security deposit in separate bank account - Rs7.873 Million

According to Rule 104 (3) of Chapter-XI of Sindh Local Government Act 2013, Refundable deposits credited by any person shall not form part of the Local Fund, but will be kept in a separate "Deposit Fund".

During audit of District Municipal Corporation, Malir, Karachi Division, for the financial year 2022-23, it was observed that the management deducted security deposit amounting to Rs7.873 million from contractors' bills, but did not maintain separate bank account for security deposit.

Audit was of the view that due to non-maintenance of separate security deposit account, the chances of misuse of the deducted security money could not be ruled out.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

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

[AIR Para: 16]

3.5.6.3 Unauthorized creation of liability - Rs810.497 Million

According to Section 105(1), Chapter-XI of Sindh Local Government Act-2013, "A Council shall not incur any debt nor borrow any money or give any guaranty without prior approval of Government." Further, Section 106(2) ibid, "The moneys credited to the Local Fund shall be applied in the order; firstly, in the payment of salaries and allowances to the employees of the Councils".

Further, Finance Department, Government of Sindh, vide letter No.FD.SO(LF-I)Misc/(171)2013 dated 13-08-2013, instructed all the Local Councils/District Councils/defunct TMAs that payment of salaries and pension may be given first priority from the OZT funds released by Finance Department.

During audit of following Local Councils of Karachi Division, for the financial year 2022-23, it was observed that the management created liability amounting to Rs810.497 million in the head of leave encashment, financial assistance, contingencies and development works etc. in violation of rule as detailed below.

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	Amount of Leave encashment/ Financial Assistance/ Group Insurance/ suppl. salary	Amount of contingencies	Amount of development	Total
1.	DMC Keamari Karachi	3	-	-	713.712	713.712
2.	DMC Malir Karachi	14	34.061	5.292	57.432	96.785
Total						810.497

Audit was of the view that creation of liability under the head of pensionary benefits, contingencies and development works indicated weak financial management.

The matter was reported to the management from September to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2020-21 vide para number 3.5.5.1 having financial impact of Rs1,079.899 million. Recurrence of same irregularity is a matter of serious concern.

3.5.6.4 Irregular payment on clearance of previous liability - Rs111.055 Million

Finance Department, GoS O.M No.FD/B&E-I/51/2007 dated 02-07-2007, stipulates that liability of previous years shall not be allowed to be cleared unless concurrence is given by Finance Department (FD).

Further, as per approval of budget by Secretary Local Government Department vide Letter No.SO-I(LG)/02-48/2017 N.F dated: 1st October 2021, "No liabilities of previous year will be cleared from yearly budget without approval of Local Govt. Department."

During audit of following Local Councils of Karachi Division, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs111.055 million on clearance of previous years' liability without approval of Finance Department and Local Government Department, Government of Sindh as detailed below. Further detail is at **Annex-KYC8**.

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	Year of liability	Amount
1	DMC West Karachi	8	2021-22	104.741
2	DMC Keamari Karachi	18	2020-21, 2021-22	6.314
Total				111.055

Audit was of the view that clearance of liabilities without approval of Finance Department and administrative department was irregular and indicated weak financial management.

The matter was reported to the management from September to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks clarification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2019-20 and 2018-19 vide para numbers 2.2.2.12 and 3.2.2.20 having financial impact of Rs167.066 million and Rs25.140 million respectively. Recurrence of same irregularity is a matter of serious concern.

3.5.6.5 Non-establishment of provident fund, pension fund and benevolent fund

Rule 125 (1), Chapter-XIV of SLGA 2013, states that a Council may, establish and maintain-

- Provident fund for the benefit of its employees, who shall contribute to such fund in such manner and proportion as may be prescribed.
- Pension fund from which pension, shall, in the prescribed manner, be paid to the employees of the Council.

- c. Benevolent fund, in the prescribed manner from which any special pension or gratuity, shall, in the prescribed manner be paid to the family of employee of the Council, who dies of disease or injury contracted or suffered by him in the discharge of his official's duties.

During audit of following Local Councils of Karachi Division, for the financial year 2022-23, it was observed that the management failed to establish provident, pension and benevolent fund for the benefits of employees of the council.

Sr. No.	Name of Entity	AIR Para
1	DMC East Karachi	15
2	DMC Malir Karachi	19
3	DMC South Karachi	2
4	DMC Korangi Karachi	29

Audit was of the view that non-establishment of mandatory funds indicated poor financial management and weak internal controls.

The matter was reported to the management from September to October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends establishment of mandatory funds as per provision of the Sindh Local Government Act, 2013.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide para number 3.5.2.1. Recurrence of same irregularity is a matter of serious concern.

3.5.6.6 Non-maintenance of property record

Rule 3(1), Chapter-1 of Sindh Local Councils (Property) Rules, 2017, stipulates that the Mayor or Chairman, as the case may be, shall take such steps as may be necessary to ensure that the property vested in the Council is managed and maintained in the best interest of the public for the purposes of the Act, the rules and the bye-laws made thereunder.

Further, S.No.(1) of Schedule of Rule 5(1) of Sindh Local Councils (Property) Rules 2017, requires that register of immovable property in Form P-I shall be maintained and Rule 5(2) requires that a Council shall provide at least 10% of its development budget for the maintenance and repairs of its immovable property regularly.

During audit of following Local Councils of Karachi Division, for the financial year 2022-23, it was observed that the management failed to maintain property record as mentioned in schedule of Sindh Local Councils (Property) Rules, 2017. The management also failed to allocate

at least 10% of its development budget for the maintenance and repair of immoveable property of the Council in violation of above rules.

Sr. No.	Name of Entity	AIR Para
1	DMC East Karachi	18
2	DMC Malir Karachi	18
3	DMC Korangi Karachi	28

Audit was of the view that management failed to comply with the prescribed rules for maintenance of property record which indicated weak internal controls. Besides, chances of encroachment could not be ruled out.

The matter was reported to the management from September to October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends maintenance of required property record at the earliest on the prescribed format.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 3.5.5.5. Recurrence of same irregularity is a matter of serious concern.

3.5.6.7 Non-maintenance of POL record - Rs276.033 Million

As per Rule- 20 of the Staff Car Rules 1980, as amended in 2001, “The Log Book, History Sheet, and Petrol Account Register shall be maintained for each official vehicle”.

According to Rule-159(4) of Sindh Local Council (Accounts) Rules 1983, “A council vehicles shall not be driven except by a driver appointed by the competent authority, for the vehicle. Every person using a council vehicle shall make and sign entries in the Petrol and lubricant account in Form No. 116, and in Log Book of the vehicle kept in the custody of the driver. Log book shall be maintained in Form No. 117”.

During audit of following Local Councils of Karachi Division, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs276.033 million on POL for official vehicles and machineries but did not maintain of petrol account register, history sheet, log book of each vehicle, tour program/diary of official vehicles. Detail is as follows:

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	Amount
1.	DMC East Karachi	3	88.924

2.	Karachi	DMC West	2	70.264
3.	Karachi	DMC Central	13	39.075
4.	Karachi	DMC Keamari	9	24.131
5.	Karachi	DMC Malir	2	23.723
6.	Karachi	DMC Korangi	10	15.433
7.	Karachi	District Council	13	9.348
8.	Karachi	DMC South	13	5.135
Total				276.033

Audit was of the view that incurrence of expenditure on account of POL without maintenance of relevant prescribed record indicated weak internal controls.

The matter was reported to the management from September to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends that responsibility may be fixed on person(s) at fault for incurring expenditure without maintenance of prescribed record.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2019-20 and 2018-19 vide para numbers 2.2.2.6 and 3.2.2.8 having financial impact of Rs620.315 million and Rs880.825 million respectively. Recurrence of same irregularity is a matter of serious concern.

3.5.6.8 Non-maintenance of stock registers - Rs127.724 Million

According to Rule 25(1) of Sindh Local Councils (Accounts) Rules, 1983, "Every officer or servant of the Council in charge of stocks of articles or materials kept for issue other than stamps shall maintain a stock register (in Form No. 16) in which shall be entered every transaction effecting such stocks and separate pages of the register shall be assigned to different classes of stocks."

During audit of following Local Councils of Karachi Division, for the financial year 2022-23, it was observed that management incurred an expenditure of Rs127.724 million on the purchase of stationery, furniture, electrical appliances, ration bags, fogging machines, medicines, dewatering pumps, crockery, electrical articles, sanitation material, fumigation chemical, etc. but did not maintain stock registers. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	Amount
1.	District Council Karachi	15	45.110
2.	DMC Malir Karachi	7	32.490
3.	DMC South Karachi	16	16.818
4.	DMC Korangi Karachi	13	15.284
5.	DMC East Karachi	12	7.367
6.	DMC Keamari Karachi	15	7.067
7.	DMC Central Karachi	17	3.588
Total			127.724

Audit was of the view that non-maintenance of stock register indicated weak internal controls, besides misuse of funds as well as procured items could not be ruled out.

The matter was reported to the management from September to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends that stock register may be maintained on the prescribed format.

3.5.6.9 Non-recording the particulars of payments in cheque register Rs240.895 Million

Rule 70 (3) of Sindh Local Councils Accounts Rules, 1983, stipulates that in Councils where there is no Day-to-Day audit of the Local Fund Audit Department, the Chief Accounts Officer shall proceed to issue cheque soon after Payment order has been recorded by the Chief Executive or his authorized delegate. Simultaneously with the preparation of the cheque, its entry shall be made in the cheque Register in Form No.62 and forwarded to the officers authorized to sign cheques of the Council for payment.

During audit of District Municipal Corporation, Keamari, Karachi Division, for the financial year 2022-23, it was observed that management incurred expenditure amounting to Rs240.895 million without recording details of work executed or particulars of payments in Cheque Issue Register produced to audit for scrutiny. Further, due to non-provision of cash book the expenditure could not be reconciled. Detail is at **Annex-KYC9**.

Audit was of the view that due to incurring of huge expenditure without recording details and particulars of executed works in Cheque Issue Register, the expenditure could not be verified.

The matter was reported to the management in December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

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

[AIR Para: 10]

Hyderabad Division



Chapter-4: Local Councils, Hyderabad Division

4.1 Introduction

Hyderabad Division consists of nine Districts namely Hyderabad, Badin, Dadu, Thatta, Matiari, Jamshoro, Sujawal, Tando Allahyar and Tando Muhammad Khan. Each Corporation / District Council / Municipal Committee / Town Committee in Hyderabad Division is headed by a Chairman/ MC/Chief Officer / Chief Municipal Officer/ Town Officer who carries out operations as per Sindh Local Government Act, 2013.

The functions of Local Councils are as following:

- i. Prepare development plans for the Town including plans for land use, zoning and functions for which Municipal Corporation/Committees are responsible.
- ii. Exercise control over land-use, land-subdivision, land development and zoning by the public and private sectors for any purpose, including agriculture, industry, commerce markets, shopping and other employment centers, residential, recreation, parks, entertainment, passenger and transport freight and transit stations.
- iii. Enforce all municipal laws, rules and bye-laws governing Municipal Corporation/Committees functioning.
- iv. Prepare budget, long-term and annual municipal development programs in collaboration with the Union Councils.
- v. Collect approved taxes, cess, user fees, rates, rents, tolls, charges, fines and penalties.
- vi. Manage properties, assets and funds vested in the Municipal Corporation/Committees.
- vii. Develop and manage schemes, including site development in collaboration with Union Administration.
- viii. Issue notice for committing any municipal offence by any person and initiate legal proceedings for the commission of such offence or failure to comply with the directions contained in such notice.
- ix. Prosecute, sue and follow up criminal, civil and recovery proceedings against violators of Municipal Laws in the courts of competent jurisdiction.
- x. Maintain municipal records and archives.

4.2 Comments on Budget and Accounts (Variance Analysis)

[Rs. in Million]

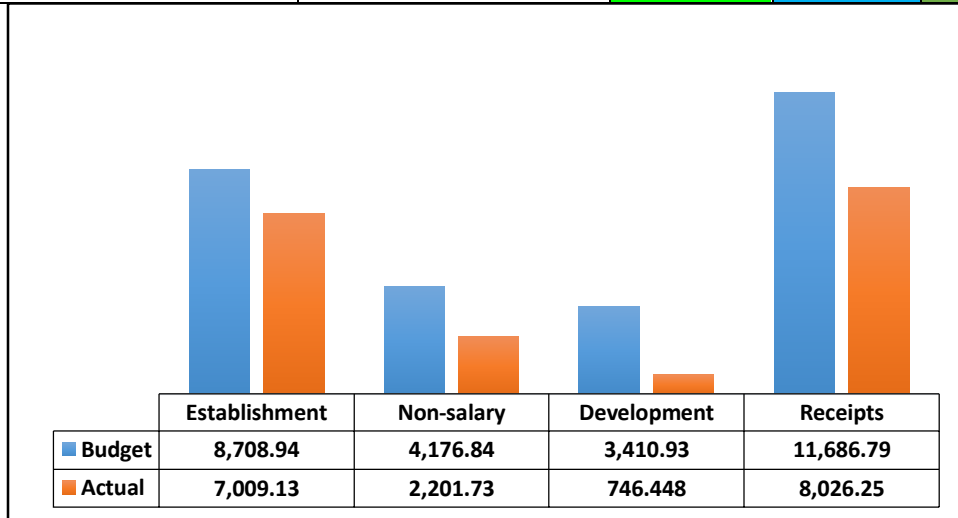
Sr. No.	Districts	Head of Account	Budget	Actual	Excess (+) Savings (-)
1	Hyderabad	Establishment	2,702.401	2,664.763	-37.638
		Non-salary	514.357	169.752	-344.605
		Development	404.467	135.661	-268.806

[Rs. in Million]

Sr. No.	Districts	Head of Account	Budget	Actual	Excess (+) Savings (-)
		Total Expenditure	3,621.225	2,970.176	-651.049
		Receipts	1,762.278	1,142.153	-620.125
2	TM Khan	Establishment	548.616	536.456	-12.160
		Non-salary	616.839	282.448	-334.392
		Development	336.400	16.803	-319.597
		Total Expenditure	1,501.855	835.707	-666.148
		Receipts	1,444.063	848.688	-595.375
3	Tando Allahyar	Establishment	628.112	494.417	-133.696
		Non-salary	458.538	436.744	-21.794
		Development	422.413	35.395	-387.018
		Total Expenditure	1,509.063	966.556	-542.507
		Receipts	1,033.072	831.420	-201.652
4	Jamshoro	Establishment	621.377	474.572	-146.805
		Non-salary	365.303	279.051	-86.252
		Development	312.791	85.122	-227.670
		Total Expenditure	1,299.471	838.745	-460.726
		Receipts	724.943	713.088	-11.855
5	Matiari	Establishment	838.042	432.690	-405.352
		Non-salary	692.626	184.499	-508.127
		Development	357.807	26.496	-331.311
		Total Expenditure	1,888.475	643.685	-1,244.789
		Receipts	1,722.469	687.215	-1,035.254
6	Dadu	Establishment	1,129.329	812.955	-316.374
		Non-salary	286.987	160.973	-126.014
		Development	298.577	121.655	-176.923
		Total Expenditure	1,714.894	1,095.583	-619.311
		Receipts	1,586.897	1,124.681	-462.215
7	Badin	Establishment	983.720	860.818	-122.902
		Non-salary	431.506	250.578	-180.928
		Development	774.585	154.441	-620.144
		Total Expenditure	2,189.811	1,265.837	-923.974
		Receipts	1,676.472	1,343.401	-333.071
8	Sujawal	Establishment	506.025	344.554	-161.470
		Non-salary	448.367	309.764	-138.603
		Development	65.495	0.000	-65.495
		Total Expenditure	1,019.886	654.318	-365.568
		Receipts	726.670	706.430	-20.240
9	Thatta	Establishment	751.315	387.908	-363.407
		Non-salary	362.315	127.919	-234.396
		Development	438.397	170.875	-267.522

[Rs. in Million]

Sr. No.	Districts	Head of Account	Budget	Actual	Excess (+) Savings (-)
		Total Expenditure	1,552.027	686.702	-865.325
		Receipts	1,009.927	1,002.927	-7.000
Grand-Total Hyderabad Division		Establishment	8,708.937	7,009.134	-1,699.803
		Non-salary	4,176.838	2,201.728	-1,975.111
		Development	3,410.932	746.448	-2,664.485
		Total Expenditure	16,296.707	9,957.309	-6,339.398
		Receipts	11,686.790	8,026.252	-3,660.538



The budgeted expenditure of Local Councils of Hyderabad Division for the financial year 2022-23 was Rs16,296.707 million, against which the actual expenditure was Rs9,957.309 million, resulting in saving of Rs6,339.398 million. The management of Local Councils was unable to realize the receipts' targets resulting in shortfall of Rs3,660.538 million.

Table:- Audit Profile of Hyderabad Division

[Rs. in million]

Sr.	Description	Formations		Financial Year 2022-2023	
		Planned	Audited	Expenditure audited	Revenue / Receipts audited
1.	Formations	90	48	9,957.309	8,026.252
2.	Assignment Accounts, SDAs (excluding FAP)	-	-	-	-
3.	Authorities/Autonomous Bodies under the PAO	-	-	-	-

4.	Foreign Aided Projects (FAP)	-	-	-	-
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4.3 Classified Summary of Audit Observations

Audit observations amounting to Rs1,985.036 million were raised in this report during the current audit of Hyderabad Division. The amount also includes recoveries of Rs234.205 million as pointed out by Audit. Summary of the audit observations classified by nature is as under:

Table: Overview of Audit Observations:

[Rs. in million]

Sr.	Classification	Amount
1	Non-Production of Record	-
2	HR/Employees related irregularities	79.693
3	Procurement related irregularities	471.650
4	Recoveries related irregularities	234.205
5	Value for money and service delivery issues	196.591
6	Other issues	1,002.897
Total		1,985.036

4.4 Brief Comments on the Status of Compliance with PAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Sindh. Detail of paras presented in PAC meetings is reflected hereunder:

Audit Year	No. of Paras	Status of Paras discussed in PAC Meetings
2012-13	81	2 - Partial
2013-14	39	3 - Partial
2014-15	80	-Nil-
2015-16	38	-Nil-
2016-17	67	-Nil-
2017-18	38	-Nil-
2018-19	51	-Nil-
2019-20	69	-Nil-
2020-21	20	-Nil-
2021-22	28	-Nil-
2022-23	25	-Nil-

4.5 Audit Paras

4.5.1 Non-Production of Record

4.5.1.1 Non-production of record

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, provides 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 all 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 relevant Efficiency and Discipline Rules applicable to such person".

During audit of various Local Councils of Hyderabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management did not produce auditable record pertaining to establishment, development, contingency, revenue, property, various registers, credentials of contractors etc. involving minimum financial impact of Rs282.065 million for audit scrutiny. Detail is at **Annex-HYD1**.

Audit was of view that non-production of record was a serious lapse on the part of management which caused hindrance in performance of the functions of audit, besides, authenticity of the related transactions could not be ascertained.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023 and 09-01-2024.

Audit recommends inquiry into the matter and fixing of responsibility on the person(s) at fault for non-provision of record.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18 vide para numbers 4.5.1.1, 4.5.1.1, 4.5.1.1, 3.2.1.1, 4.2.2.1 and 4.2.2.1 having financial impact of Rs194.265 million, Rs995.245 million, Rs96.062 million, Rs252.002 million, Rs553.830 million and Rs472.277 million respectively. Recurrence of same irregularity is a matter of serious concern.

4.5.2 HR/Employees related irregularities

4.5.2.1 Illegal authorization of expenditure after retirement - Rs27.228 Million

As per Notification issued by Local Government Department, Government of Sindh vide No.SLGB/SCUG/AO(U.A-II)/4(171)/2022/1169 dated 29-11-2021, Mr. Khair Muhammad s/o Haji Allah Bux Jhatial, Secretary (BPS-11/SCUG) Town Committee Makli, District Thatta retired from Government Service w.e.f. 02.03.2022 on attaining the age of superannuation.

During audit of Town Committee Makli, Hyderabad Division, for the financial year 2021-22, it was observed that Mr. Khair Muhammad, the Ex-Secretary of council retired on 02-03-2022 from service. However, he unauthorizedly continued service as administrator of the council and also approved expenditure of Rs27.228 million. Further, he also continued drawing his salary after retirement. Detail is at **Annex-HYD2**.

Audit was of the view that the authorization of payments after his retirement was illegal which indicated weak internal controls.

The matter was reported to the management in March 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 19-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

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

[AIR Para: 2]

4.5.2.2 Irregular inclusion of posts in schedule of establishment

According to Section 123(1), Chapter-XIV of Sindh Local Government Act, 2013, “A Council shall prepare a Schedule of Establishment showing the number of posts in each grade which are deemed necessary for the efficient performance of its functions under this Act and submit the same within three months of the coming into force of this Act to Government for approval. Further, sub-section (3) of section 123 ibid stipulates that a change in the Schedule of Establishment approved by the Government under sub-section (1) shall be made in the same manner as the Schedule of Establishment”.

During audit of Municipal Committee Badin, Hyderabad Division, for the financial year 2022-23, it was observed that the management included 04 number of posts in the Schedule of Establishment (SoE) without approval of the Administrative Department. Detail is as under:

Sr. No.	Nomenclature of the Post	Number of Posts Included
1	Chief Admin Officer (BS-17/18)	01
2	Audit Officer (BS-17/18)	01
3	Municipal Planning Officer (BS-17/18)	01
4	Chief Officer (BS-17)	01
Total		04

Audit was of the view that inclusion of posts in schedule of establishment without approval of competent authority indicated poor financial management and weak internal controls.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Report for Audit Year 2018-19 vide para number 4.2.3.47. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 5]

4.5.2.3 Irregular appointment of staff on adhoc basis - Rs46.442 Million

In compliance of Honorable Supreme Court of Pakistan in Human Rights case No. 104/92, Local Government Department issued directives vide letter No.SO-V(LG)5(69)/2009/29-06-2010 that even an appointment on adhoc basis cannot be made without publication and proper advertisement.

Further, Rule 8(2) of Sindh Local Councils Employees (Service) Rules, 2017 stipulates that initial appointment to the posts in all basic scales not falling within the purview of SPSC, shall be made on the recommendations of the Selection Committee on the basis of interview or test to be held by the Selection Committee after the vacancies have been advertised in leading newspapers in Urdu, Sindhi & English Languages.

During audit of following Local Councils of Hyderabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management appointed employees on adhoc basis without observing prescribed procedure and incurred expenditure of Rs46.442 million on the wages. Further, approval from administrative department was also not obtained as detailed below:

[Rs. in Million]

Sr. No.	Name of offices	AIR Para	F. Y	Number of Adhoc Employees	Amount
1.	Town Committee Husri	5	2021-22	36	2.500
2.	Town Committee Chamber	11		-	0.734
3.	Municipal Committee Sehwan	13	2022-23	120	23.396
4.	Municipal Committee Dadu	1		110	13.200
5.	Municipal Committee Qasimabad	7		29	6.612
Total					46.442

Audit was of the view that appointment of employees on adhoc basis without following prescribed procedure was violation of the rules and Local Government orders which indicated weak internal controls.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023 and 09-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2019-20, 2018-19 and 2017-18 vide para numbers 4.5.2.2, 4.5.2.1, 3.2.3.21 & 3.2.3.35, 4.2.3.10 and 4.2.3.12 having financial impact of Rs36.911 million, Rs137.945 million, Rs195.769 million, Rs131.422 million and Rs88.909 million respectively. Recurrence of same irregularity is a matter of serious concern.

4.5.2.4 Unauthorized hiring of legal advisors - Rs6.023 Million

Para-2 of Letter No.ADDL.A.G/(LRK) 1570/08-08-2016 issued by Additional Advocate General Sindh, High Court Larkana addressed to Chief Secretary Sindh, stipulated that the departments were engaging private counsels without obtaining the sanction from Law Department which was against the rules. The Chief Secretary of Sindh was therefore requested to look into the matter.

During audit of following Local Councils of Hyderabad Division, for the financial year 2022-23, it was observed that the management hired legal advisors and paid an amount of Rs6.023 million on account of legal fees without sanction of Law Department, Government of Sindh as detailed below.

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	No. of legal advisors	Paid Amount
1.	Municipal Committee Qasimabad	10	1	1.893
2.	District Council Hyderabad	5	1	1.430
3.	District Council Tando Muhammad Khan	9	2	0.625
4.	District Council Sujawal	10	1	0.600
5.	Town Committee Sujawal	5	3	0.492
6.	Municipal Committee Sehwan	14	3	0.445
7.	Municipal Committee Tando Jam	7	1	0.338
8.	District Council Dadu	9	2	0.200
Total			14	6.023

Audit was of the view that hiring of legal advisors without sanction of Law Department, Government of Sindh was unauthorized and indicated weak internal controls.

The matter was reported to the management from July to December 2023, but no reply was received. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2019-20 and 2018-19 vide para numbers 4.5.2.5, 3.2.3.58 and 4.2.3.28 having financial impact of Rs0.647 million, Rs1.040 million and Rs7.584 million respectively. Recurrence of same irregularity is a matter of serious concern.

4.5.2.5 Irregular payment of salary without sanctioned posts

Rule 123(1), Chapter-XIV of the Sindh Local Government Act, 2013, stipulates that a council shall prepare a Schedule of Establishment showing the numbers of posts in each grade which are deemed necessary for the efficient performance of its functions under this Act and submit the same within three months of the coming into force of this Act to government for approval.

During audit of following Local Councils of Hyderabad Division, for the financial year 2021-22, it was observed that the management posted employees on various posts without or beyond sanctioned strength. Detail is as follows. Further detail is at **Annex-HYD3**.

Sr. No.	Name of Offices	AIR Para	Name of Post	Sanctioned Strength	Working Strength	Variation
1	Municipal Committee Matli	10	Municipal Engineer	0	1	1
2	Town Chamber Committee	2	13 Different posts	14	36	22

Audit was of the view that posting of employees beyond or without sanctioned posts was irregular which indicated weak internal controls.

The matter was reported to the management from March to June 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 19-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2021-22 vide para numbers 4.5.2.3 and 4.5.2.2 having financial impact of Rs8.607 million and Rs9.776 million respectively. Recurrence of same irregularity is a matter of serious concern.

4.5.2.6 Irregular transfer and posting of employees from one council to another

As per Local Government Department, Government of Sindh, letter No.RO(LG)/Korangi 2(28)/2016 dated 20-01-2017, "Local Government Department is competent to make transfer & posting of officers/officials of Local Councils from one Council to another council against equivalent grade, post and cadre subject to NOC from both councils".

During audit of Municipal Committee Badin, Hyderabad Division, for the financial year 2022-23, it was observed that management allowed joining to 28 numbers of council employees of other councils without obtaining NOC from both councils. Further, transfer and posting of employees from one council to another council were made by Sindh Local Government Board without authorization of Secretary Local Government Department, Government of Sindh and verification of service profile of employees. Detail is at **Annex-HYD4**.

Further, verification of following record was also not conducted while issuance of transfer posting orders:

- i. Appointment orders from the concerned administrative department.
- ii. Medical fitness from issuing authority.
- iii. Service books from Local Fund Audit Department.
- iv. Copy of bank statement(s) from the date of appointment till to date.
- v. Endorsement of Last Pay Certificates (LPCs) and charge relieving report from the concerned council.

Audit was of the view that transfer and posting of employees from one council to another council were made without following due process and verification of service record due to which the authenticity of transferred employees could not be verified.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends that the inquiry may be conducted into the matter for fixing responsibility on the person(s) at fault.

[AIR Para: 06]

4.5.3 Procurement related irregularities

4.5.3.1 Execution of scheme without approval of competent forum Rs79.086 Million

Rule 2.22 of SPPRA Guidelines / Regulations for Procurement of Works 2010 states that PC-I & PC-II of the schemes/projects prepared by the administrative department is required to be placed before the Development Working Party /committee according to the cost /competency of the forum as enumerated below:

Sr. No.	Competent Forum	Cost of Scheme up to
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1	District Development Working Committee (DDWC)	Rs 20 million
2	Departmental Development Working Party (DDWP)	Rs 40.00 million
3	Provincial Development Working Party (PDWP)	Rs 5.00 billion
4	Central Development Working Party (CDWP)	Rs One billion
5	Executive Committee of the National Economic Council (ECNEC). After clearance from CDWP	Above Rs One billion

During audit of District Council Thatta, Hyderabad Division, for the financial year 2022-23, it was observed that the management awarded development work amounting to Rs79.086 million without approval of Provincial Development Working Party in violation of SPPRA regulations. Detail is as under:

[Rs. in Million]

Name of Work	Contractor	Amount
Repair of Metaled Road and protection of bund at different villages of various union councils of District Thatta and remaining construction of waiting shed for Darga Mian Syed Ali Shah Sheerazi.	M/s Maya Enterprises	79.086

Audit was of the view that execution of schemes without obtaining approval from the competent forum was violation of SPPRA regulations which indicated weak internal controls.

The matter was reported to the management in December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 02]

4.5.3.2 Award of auctions without publication - Rs1.825 Million

Rule 5(1)(i), Chapter-II of Sindh Local Councils (Auctioning of Collection Rights) Rules 2016, states that the public notice for conduct of an auction, in not less than three widely circulated newspapers in Urdu, Sindhi and English languages, shall be published by the Local Council, at least fifteen days before the date of auction.

During audit of Municipal Committee, Tando Muhammad Khan, Hyderabad Division, for the financial year 2022-23, it was observed that the management awarded various auction of collection rights of Rs1.825 million to different contractors without publishing auction notice in the newspapers in violation of rules. Detail is as follows:

[Rs. in Million]

Sr. No	Description of Contracts	Name of Contractors	Approved Bid
1	Katcha Pacca Pirri Fee	Mr. Gulzar Bhatti	0.975
2	Slaughter House Fee		0.300

3	Advertisement Fee	Mr. Khursheed Ali	0.400
4	Power Generator Fee		0.150
Total			1.825

Audit was of the view that award of auctions without publication of notice in the newspapers was irregular which indicated that undue favour was extended to the contractors.

The matter was reported to the management in September and December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

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

[AIR Para: 9]

4.5.3.3 Splitting up of expenditure to avoid open tender - Rs63.695 Million

As per Rule 12(1), Part-II of Sindh Public Procurement Rules, 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".

Further, Rule 17(1), Part-II of Sindh Public Procurement Rules 2010, as amended in 2019, stipulates that procurements over three hundred thousand rupees and up to two 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 Local Councils of Hyderabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management incurred expenditure of Rs63.695 million through quotations by splitting the procurements which resulted into non-achievement of competitive rates. Detail is as follows.

[Rs. in Million]

Sr. No.	Name of Offices	AIR Para	F.Y.	Amount
1.	Town Committee Tando Ghulam Hyder	4	2021-22	3.694
2.	Town Committee Phulji Station	2		2.463
3.	Town Committee Tharirri Muhabbat	2		1.728
4.	Town Committee Husri	1		1.309
5.	District Council Dadu	5	2022-23	15.302
6.	Town Committee Chuhar Jamali	2		11.633
7.	District Council Thatta	8		7.114

[Rs. in Million]

Sr. No.	Name of Offices	AIR Para	F.Y.	Amount
8.	Town Committee Bhit Shah	7		6.651
9.	Town Committee Jati	4		3.960
10.	Municipal Committee Sehwan	11		3.790
11.	Municipal Committee Qasimabad	4		3.597
12.	District Council Tando Allahyar	8		2.454
Total				63.695

Audit was of the view that incurrence of expenditure by splitting the procurements was violation of Sindh Public Procurement Rules which indicated weak internal controls.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023 and 09-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21 and 2019-20 vide para numbers 4.5.3.2, 4.5.3.2, 4.5.4.3 and 3.2.3.23 having financial impact of Rs137.649 million, Rs74.199 million, Rs215.020 million and Rs152.936 million respectively. Recurrence of same irregularity is a matter of serious concern.

4.5.3.4 Irregular utilization of sanitation funds through quotations Rs201.320 Million

According to Rule 11(1), Part-II of Sindh Public Procurement Rules 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".

Further, Rule 17(1), Part-II of Sindh Public Procurement Rules 2010, as amended in 2019, stipulates that procurements over three hundred thousand rupees and up to two 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 Local Councils of Hyderabad Division, for the financial years 2020-22 and 2022-23, it was observed that the management incurred an expenditure of Rs201.320 million on various sanitation works (hiring of machinery and labour for cleaning of streets, roads and drain/nallahs) through quotations by keeping each transaction below Rs300,000/- to avoid open competitive bidding. Whereas, the work of sanitation being a mandatory function of the Council

was foreseen prior to commencement of financial year at the time of budget preparation/ approval. Detail is as follows.

[Rs. in Million]

Sr. No.	Name of Offices	AIR Para	F.Y.	Amount
1	Town Committee Kadhan	2	2020-22	1.235
2	Town Committee Mirpur Bathoro	2	2021-22	7.376
3	Town Committee Gharo	3		6.960
4	Town Committee Makli	5		5.623
5	Town Committee Nassarpur	4		5.078
6	Municipal Committee Johi	1		4.237
7	Town Committee Chuhar Jamali	2		4.154
8	Town Committee Ghora Bari	3		3.089
9	Town Committee Chamber	10		2.537
10	Town Committee Tando Ghulam Hyder	1		2.278
11	Town Committee Khoski	3		1.744
12	Town Committee Shaheed Fazil Rahu	2	1.497	
13	Municipal Committee Tando Muhammad Khan	1	2022-23	7.981
		3		7.204
14	Municipal Committee Hala	4		16.093
		5		3.279
15	District Council Matiari	1		29.970
16	Town Committee Bhit Shah	4		12.537
17	District Council Hyderabad	1		28.246
18	Town Committee Matiari	3		6.473
		6		
19	District Council Badin	5		3.229
20	Town Committee Jamshoro	2	10.274	
21	Town Committee Tando Ghulam Hyder	2	11.330	
		13	5.898	
22	Municipal Committee Tando Jam	4	4.560	
23	Municipal Committee Tando Allahyar	3	8.438	
Total				201.320

Audit was of the view that incurrence of expenditure by quotations without obtaining competitive rates was violation of Sindh Public Procurement Rules which indicated weak internal controls.

The matter was reported to the management from March to December 2023. The office of District Council Matiari replied that sanitation works were executed on quotations due to emergency of heavy rain and district was declared as climate effected area by Government of Sindh. Reply was not tenable as no documentary evidence in support of reply was provided, whereas no reply was received from others offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2019-20, 2018-19 and 2017-18 vide para numbers 4.5.3.1, 4.5.3.3, 3.2.3.32, 4.2.3.14 and 4.2.3.24 having financial impact of Rs126.367 million, Rs133.119 million, Rs43.631 million, Rs59.561 million and Rs13.394 million respectively. Recurrence of same irregularity is a matter of serious concern.

4.5.3.5 Execution of development works through quotations instead of NIT Rs58.301 Million

According to the instructions issued by the Local Government Department, Government of Sindh vide letter No.SOI/LG/MICS/10-7/2013 dated 07-01-2014, “No development work on quotation should be carried-out. All development works be carried-out through NIT”.

During audit of following Local Councils of Hyderabad Division, for the financial years 2020-22 and 2022-23, it was observed that the management incurred an expenditure of Rs58.301 million on development works through quotations instead of open competitive bidding in violation of government instructions. Detail is as follows.

[Rs. in Million]

Sr. No.	Name of Offices	AIR Para	F.Y.	Amount
1.	Town Committee Kadhan	1	2020-22	1.852
2.	Town Committee Nassarpur	8	2021-22	2.769
3.	Municipal Committee Matli	3		1.751
4.	Town Committee Piyaro Lund	8		0.887
5.	Municipal Committee Tando Muhammad Khan	4	2022-23	13.730
6.	Municipal Committee Qasimabad	1		12.091
7.	District Council Hyderabad	10		8.430
8.	District Council Sujawal	3		7.559
9.	District Council Tando Muhammad Khan	6		5.610
10.	District Council Tando Allahyar	6		2.394
11.	Town Committee Tando Ghulam Hyder	7		1.228
Total				58.301

Audit was of the view that execution of development works through quotation in violation of government instructions was irregular which indicated weak internal controls.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2021-22 vide para numbers 4.5.3.3 and 4.5.3.1 having financial impact of Rs45.520 million and Rs4.752 million respectively. Recurrence of same irregularity is a matter of serious concern.

4.5.3.6 Non-transparency in procurement - Rs5.242 Million

Section 116(7), Chapter-XII of Sindh Local Government Act 2013, stipulates that every member or employee of a Council and every person, charged with the administration of the affairs of a Council, or acting on behalf of a Council shall be personally liable for the loss, waste, misapplication or unauthorized application of any moneys or property belonging to the Council which is a direct consequence of his negligence or misconduct, and the liability of such member, employee or person shall be determined by Government in the prescribed manner.

During audit of Town Committee, Bhit Shah, Hyderabad Division, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs5.242 million on account of procurement of various goods and services through doubtful work orders and bills. Further, the POL was filled in the vehicles beyond tank capacity at a time.

Following discrepancies were also noticed:

- i. Vouchers were pre-audited before work orders and submission of contractor's bills.
- ii. Contractors were not registered with SRB.
- iii. Procurement committee was not constituted.
- iv. Some work orders were issued on holidays.

Audit was of the view that pre-audit of vouchers before work orders and submission of contractors' bills indicated that the procurement was doubtful and chances of misuse of public funds could not be ruled out.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends that matter may be investigated for fixing responsibility on the person(s) at fault.

[AIR Para: 02]

4.5.3.7 Expenditure through invalid procurement committee - Rs5.468 Million

According to Rule-7, Part-I of Sindh Public Procurement Rules, 2010, "The procuring agency shall, with approval of its Head of the Department, Constitute as many procuring committees, as it deems fit, each comprising odd number of persons and headed by the gazette officer not below the rank of BPS-18, or 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 or departments other than the procuring agency”.

During audit of following Local Councils of Hyderabad Division, for the financial year 2021-22, it was observed that the management incurred expenditure of Rs5.468 million on procurement of works and services without inclusion of external member for evaluation of rates and quality of the procured items. Detail is as follows:

[Rs. in Million]

Sr. No.	Name of Offices	AIR Para	Amount
1	Town Committee Thariri Muhabbat	5	4.408
2	Town Committee Phulji Station	5	1.060
Total			5.468

Audit was of the view that procurements without inclusion of external member was irregular which indicated poor management and weak internal controls.

The matter was reported to the management in June 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 19-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2017-18 vide para number 4.3.2.7 having financial impact of Rs251.997 million. Recurrence of same irregularity is a matter of serious concern.

4.5.3.8 Irregular procurement without constituting procurement committee Rs25.179 Million

According to Rule-7, Part-I of Sindh Public Procurement Rules 2010, “The procuring agency shall, with approval of its Head of the Department, constitute as many procuring committees, as it deems fit, each comprising odd number of persons and headed by a gazetted officer not below the rank of BS-18, or 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 or departments other than the procuring agency”.

During audit of following Local Councils of Hyderabad Division, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs25.179 million on various purchases and works without constitution of procurement committee to evaluate rates offered by bidders. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	Amount
1.	Municipal Committee, Sehwan	19	22.738

2.	Town Committee, Chuhar Jamali	3	2.441
Total			25.179

Audit was of the view that purchases and works were made without constituting the procurement committee which indicated weak internal controls.

The matter was reported to the management from July to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2019-20 vide para number 3.2.3.17 having financial impact of Rs307.170 million. Recurrence of same irregularity is a matter of serious concern.

4.5.3.9 Irregular expenditure on earth filling without estimates - Rs2.185 Million

According to Rule 109, Chapter-XIII of Sindh Local Council (Accounts) Rules 1983, “No works shall be commenced unless administrative approval by competent authority is given and properly detailed design and estimate has been sanctioned, allotment of funds made, and order for its commencement are issued by competent authority”.

During audit of following Local Councils of Hyderabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management incurred an expenditure of Rs2.185 million on earth filling works without preparation of estimates as detailed below.

[Rs. in Million]

Sr. No.	Name of offices	AIR Para	F. Y	Amount
1.	Town Committee Tando Ghulam Ali	3	2021-22	0.731
2.	District Council Tando Muhammad Khan	19	2022-23	1.454
Total				2.185

Audit was of the view that incurrence of expenditure on earth filling without preparation of estimates reflected poor internal controls.

The matter was reported to the management in June and September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 and 2019-20 vide para numbers 4.5.3.11 and 3.2.3.52 having financial impact of

Rs6.287 million and Rs2.001 million respectively. Recurrence of same irregularity is a matter of serious concern.

4.5.3.10 Non-imposition of liquidated damages - Rs18.464 Million

As per Para 10.3 of Sindh Public Procurement Regulatory Authority Guidelines 2013, “If the contractor fails to comply with time for completion mentioned in bid data except the conditions mentioned above, then procuring agency can penalize the contractor by adopting any one of the prescribed courses provided under clause (c) 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 following Local Councils of Hyderabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management awarded various works of Rs369.280 million but the contractors failed to complete the works within stipulated period. However, the liquidated damages amounting to Rs18.464 million @ 5% of contract value were not imposed as detailed below.

[Rs. in Million]

Sr. No.	Name of Offices	AIR Para	F. Y.	Total Cost	Amount of liquidated damages @5%
1.	Town Committee Tando Ghulam Ali	11	2021-22	84.318	4.216
2.	Municipal Committee Qasimabad	3	2022-23	84.905	4.245
3.	District Council Dadu	1		44.500	2.225
4.	District Council Thatta	4		79.080	3.954
5.	District Council Jamshoro	3		76.477	3.824
Total				369.280	18.464

Audit was of the view that due to non-imposition of liquidated damages undue favor was extended to the contractors which indicated weak financial management and internal controls.

The matter was reported to the management from June to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2019-20, 2018-19 and 2017-18 vide para numbers 4.5.6.2, 3.2.3.42, 4.2.3.21 and 4.2.3.28 having financial impact of Rs11.665 million, Rs16.176 million, Rs23.762 million and Rs3.533 million respectively. Recurrence of same irregularity is a matter of serious concern.

4.5.3.11 Irregular payment of extra lead miles - Rs8.074 Million

According to Para-4 of Composite Schedule of Rates 2012, approved by Standing Rates Committee Karachi, Government of Sindh, “No lead small or long for carriage of material for items as per this Schedule is to be paid separately. However, provision for the cost of Carriage of material from a predetermined nearest source of supply may be made in the estimates.

During audit of District Council Badin, Hyderabad Division, for the financial year 2022-23, it was observed that the management awarded works of Rs53.992 million to the contractors. However, the management allowed irregular payment of Rs8.074 million for extra lead upto three miles on account of transportation of material in all works, in absence of lead chart. Detail is at **Annex-HYD5**.

Audit was of the view that payment on account of extra lead miles for carriage of material without preparation and approval of lead chart was undue favour extended to the contractors which indicated poor financial management.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 02]

4.5.3.12 Unjustified expenditure on supply of water - Rs1.794 Million

According to Rule 04, Part-I 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 Town Committee, Tando Ghulam Hyder, Hyderabad Division, for the financial year 2021-22, it was observed that management incurred expenditure of Rs1.794 million on purchase of water without any justification. Detail is as follows.

[Amount in Rs.]

Sr. No.	Description of Expenditure	Name of Contractors	Work Order	Cheque # Dated	Amount
1	Providing of Water Tanker for Town	M/S Jawad Ali Traders	39 / 06-10-21	Nil / Oct, 21	269,800
2			40 / 06-10-21	Nil / Oct, 21	277,400
3		M/A A.H Soomro	79 / 05-11-21	Nil / Nov, 21	258,400

4	M/S A.H Soomro	87 / 05-11-21	Nil / Nov, 21	266,000
5	M/S Z.A Construction	82 / 05-11-21	Nil / Nov, 21	243,200
6	M/S M.J Enterprises	66 / 16-12-21	Nil / Dec, 21	231,800
7		68 / 16-12-21	Nil / Dec, 21	247,000
Total				1,793,600

Following discrepancies were noticed:

- i. Shortage of water was not declared by concerned department.
- ii. Water was shown as supplied to public without their demand.
- iii. Detail of beneficiaries alongwith acknowledgement receipt was also not available on record.
- iv. No recovery was made from the beneficiaries.

Audit was of the view that supply of water to public without any demand, proper justification and maintenance of relevant record indicated poor management and weak internal controls.

The matter was reported to the management in April 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 19-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit seeks justification in the matter.

[AIR Para: 2]

4.5.3.13 Unjustified expenditure on fumigation services - Rs1.017 Million

According to Rule 04, Part-I 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 Town Committee, Tando Ghulam Hyder, Hyderabad Division, for the financial year 2021-22, it was observed that management incurred expenditure of Rs1.879 million on outsourcing of fumigation services through private contractors. It was further observed that an expenditure of Rs1.017 million was also shown incurred on POL for Fumigation Spray in town despite the fact that same job was already outsourced. Detail is at **Annex-HYD6**.

Audit was of the view that incurrence of expenditure on POL for fumigation services despite outsourcing the same was unjustified which indicated poor management and weak internal controls.

The matter was reported to the management in April 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 19-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit seeks justification in the matter.

[AIR Para: 3]

4.5.4 Recoveries related issues

4.5.4.1 Non-recovery of outstanding dues - Rs137.744 Million

As per Section 100 (2), Chapter-X of Sindh Local Government Act 2013, “All arrears of taxes, rates, tolls and fees and other moneys claimable by a Council under this Act shall be recoverable as arrears of land revenue through Government agency or by the Council authorized by Government for such recovery through such employees or class of employees of the Council as may be prescribed”.

Further, Section 41(a), Chapter-3 of Sindh Financial Rules Volume-1, stipulates that 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 claiming credit for so much paid into the treasury and compare with the figures in the statements supplied by the comptroller.

During audit of following Local Councils of Hyderabad Division, for the financial years 2020-22 and 2022-23, it was observed that the management did not recover the outstanding dues of Rs137.744 million on account of rent of shops and other properties, water supply charges, gate entry fee, advertisement tax, parking fee etc. from defaulters as detailed below.

[Rs. in Million]

Sr. No.	Name of Offices	AIR Para	F. Y	Amount
1.	Town Committee Kadhan	8	2020-22	1.415
2.	Municipal Committee Matli	8	2021-22	1.971
3.	Town Committee Makli	6		5.034
4.	Municipal Committee Badin	10	2022-23	38.663
5.	District Council Hyderabad	3		31.387
6.	District Council Jamshoro	1		20.889
7.	Town Committee Thana Bula Khan	2		14.548
8.	Municipal Committee Qasimabad	9		11.459
9.	Town Committee Bhan Saeedabad	4		3.853

10.	Municipal Committee Tando Muhammad Khan	10		0.957
11.	Municipal Committee Hala	7		0.124
		9		2.489
12.	Town Committee Sujawal	4		2.511
13.	Town Committee Bhit Shah	12		1.668
14.	District Council Dadu	16		0.509
15.	Municipal Committee Dadu	2		0.267
Total				137.744

Audit was of the view that non-recovery of outstanding dues indicated weak financial management.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20 and 2017-18 vide para numbers 4.5.4.1, 4.5.4.1, 4.5.3.1, 3.2.3.1 and 4.2.3.4 having financial impact of Rs106.214 million, Rs497.384 million, Rs362.018 million, Rs153.637 million and Rs93.141 million respectively. Recurrence of same irregularity is a matter of serious concern.

4.5.4.2 Non-deduction of government taxes - Rs5.421 Million

Section 8(1) of Sindh Sales Tax on Services Act 2011, stipulates that taxable services shall be charged, levied and collected for a tax, known as sales tax, on the value of a taxable service at the specified rate.

Further, as per Section 153 of Income Tax Ordinance, 2001 read with Income Tax Rules, 2002, "Payment on account of supply of goods and rendering of services are subject to deduction of income tax at source @ 4.5% and 7.5% respectively".

Furthermore, according to Section 3(1) of Sales Tax Act 1990, as amended upto July 2015, "There shall be charged, levied and paid a tax known as sales tax at the rate of 17% of the value of (a) taxable supplies made by a registered person".

During audit of following Local Councils of Hyderabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management paid Rs116.970 million to various contractors, suppliers and employees, but did not deduct income tax, Sindh sales tax on services and general sales tax from contractors/suppliers/employees amounting to Rs5.421 million. Detail is as follows:

[Rs. in Million]

Sr. No	Name of Offices	AIR Para	F. Y.	Paid Amount	IT	GST	SST	Total Taxes not deducted
1	Town Committee Tando Bago	7	2021-22	20.701	0.255	-	-	0.255
		10		0.356	-	0.071	-	0.071
2	Town Committee Makli	10		6.151	-	0.205	0.178	0.383
3	Town Committee Tando Ghulam Hyder	12		12.937	0.136	-	-	0.137
4	Town Committee Khoski	8		11.226	0.111	-	-	0.111
5	Town Committee Tando Ghulam Ali	12	-	-	-	-	0.040	
6	Municipal Committee Tando Allahyar	6	2022-23	0.991	-	0.168	-	0.168
7	Town Committee Bhit Shah	6		22.344	-	3.798	-	3.798
8	Municipal Committee Badin	12		1.695	0.084	-	0.169	0.254
9	Municipal Committee Tando Jam	2		40.569	0.204	-	-	0.204
Total				116.970	0.790	4.242	0.347	5.421

Audit was of the view that non-deduction of taxes was loss to public exchequer which reflected weak financial and internal controls.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18 vide para numbers 4.5.4.2, 4.5.4.4, 4.5.3.4, 3.2.3.2, 4.2.3.2 and 4.2.3.5 having financial impact of Rs46.514 million, Rs33.462 million,

Rs29.186 million, Rs49.471 million, Rs39.392 million and Rs23.062 million respectively. Recurrence of same irregularity is a matter of serious concern.

4.5.4.3 Less deduction of government taxes - Rs20.171 Million

Section 8(1) of Sindh Sales Tax on Services Act 2011, stipulates that taxable services shall be charged, levied and collected for a tax, known as sales tax, on the value of a taxable service at the specified rate.

Further, as per Section 153 of Income Tax Ordinance, 2001 read with Income Tax Rules, 2002, "Payment on account of supply of goods and rendering of services are subject to deduction of income tax at source @ 4.5% and 7.5% respectively".

Furthermore, according to Section 3(1) of Sales Tax Act 1990, as amended upto July 2015, "There shall be charged, levied and paid a tax known as sales tax at the rate of 17% of the value of (a) taxable supplies made by a registered person".

During audit of following Local Councils of Hyderabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management paid Rs370.122 million to various contractors, suppliers and employees, but deducted less amount of income tax, general sales tax and Sindh sales tax on services from the bills of contractors/suppliers/employees amounting to Rs20.171 million. Detail is as follows.

[Rs. in Million]

Sr. No.	Name of Offices	AIR Para	F. Y.	Paid Amount	IT	GST	SST	Total Taxes
1	Town Committee Nassarpur	9	2021-22	60.365	-	0.335	0.611	0.946
2	Town Committee Chamber	5		42.491	2.691	0.698	3.619	7.008
3	Town Committee Tando Bago	9		0.891	-	-	0.067	0.067
4	Town Committee Tando Ghulam Ali	5		2.009	-	-	0.100	0.100
5	Municipal Committee Tando Muhammad Khan	6	2022-23	36.256	-	-	1.984	1.984
6	Municipal Committee Hala	3		11.930	0.298	-	-	0.298
7	Town Committee Bhit Shah	13		10.080	-	-	0.806	0.806
8	District Council Hyderabad	11		82.047	0.944	2.416	1.514	4.874

[Rs. in Million]

Sr. No.	Name of Offices	AIR Para	F. Y.	Paid Amount	IT	GST	SST	Total Taxes
9	District Council Badin	11		3.912	-	0.541	-	0.541
10	Municipal Committee Badin	9		43.574	0.477	-	-	0.477
11	Town Committee Tando Ghulam Hyder	11		34.827	-	-	1.534	1.534
12	District Council Sujawal	6		20.724	-	-	1.047	1.047
		7		21.016	0.489	-	-	0.489
Total				370.122	4.899	3.99	11.282	20.171

Audit was of the view that undue favour was extended to the contractors/employees by less deduction of taxes which resulted into loss to public exchequer due to weak financial management.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18 vide para numbers 4.5.4.2, 4.5.4.4, 4.5.3.4, 3.2.3.2, 4.2.3.2 and 4.2.3.5 having financial impact of Rs46.514 million, Rs33.462 million, Rs29.186 million, Rs49.471 million, Rs39.392 million and Rs23.062 million respectively. Recurrence of same irregularity is a matter of serious concern.

4.5.4.4 Non-deposit of taxes into public exchequer - Rs70.869 Million

Section 160 of Income Tax Ordinance, 2001, as amended vide Finance Act 2002, stipulates that any tax that has been collected or purported shall be paid to the Commissioner by the person making the collection or deduction within the time and in the manner as may be prescribed.

Further, according to Rule 41(a), Chapter-3 of Sindh Financial Rules Volume-1, "The departmental controlling officers should see that all sums due to Government are regularly received and checked against demands and that they are paid into the treasury".

During audit of various Local Councils of Hyderabad Division, for the financial years 2020-22 and 2022-23, it was observed that the management deducted an amount of Rs70.869

million on account of income tax, general sales tax and Sindh sales tax on service from the bills of contractors but failed to deposit the same into public exchequer. Detail is at **Annex-HYD7**.

Audit was of the view that non-deposit of collected taxes into public exchequers indicated poor financial management and weak internal controls.

The matter was reported to the management from March to December 2023, but no reply was received from others offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit recommends depositing of deducted taxes into public exchequer, besides fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2018-19 and 2017-18 vide para numbers 4.5.4.3, 4.5.4.3, 4.5.3.2, 4.2.3.1 and 4.2.3.2 having financial impact of Rs102.072 million and Rs83.430 million, Rs196.992 million, Rs43.833 million and Rs147.566 million respectively. Recurrence of same irregularity is a matter of serious concern.

4.5.5 Value for Money and Service Delivery issues

4.5.5.1 Un-justified expenditure on municipal services beyond purview Rs28.183 Million

The Local Government Department, Government of Sindh, vide Notification No. SO-III(LG)/1-27/2021 dated 08 June 2021, in exercise of the powers conferred under section 8(8) of Sindh Solid Waste Management Act, 2014, has granted approval for transfer of sanitation (Sindh Solid Waste Management) Department, including staff along with movable and immovable assets from HMC, MCQ and MCK to the Sindh Solid Waste Management Board with immediate effect.

During audit of Municipal Committee Qasimabad, Hyderabad Division, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs28.183 million on the POL for sanitation vehicles and repair of iron dustbins in various locations of the town despite the fact that lifting of garbage and fixing of waste bins was the responsibility of Sindh Solid Waste Management Board (SSWMB) which was already incurring huge expenditure on this account through contractors. Further, following irregularities were also noted:

- i. Expenditure was made on quotation basis instead of inviting open tender.
- ii. Inventory and history sheet of repair of the dustbins was not maintained.
- iii. Record of Sale of broken / replaced iron material was available.
- iv. Location wise installation of dustbins was not maintained.

Audit was of the view that incurrence of expenditure beyond purview was un-justified which indicated poor financial management and weak internal controls.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

4.5.5.2 Irregular expenditure on de-silting and disposal of garbage Rs131.275 Million

As per Schedule-II (Section 72-3) Part-II Compulsory Function of Sindh Local Government Act-2013, stipulates that a Corporation, Municipal Committee or Town Committee shall make adequate arrangements for the removal of refuse from all public streets, public latrines, urinals, drains and all buildings and lands vested in the Council concerned and for the collection and proper disposal of such refuse.

During audit of following Local Councils of Hyderabad Division, for the financial years 2020-22 and 2022-23, it was observed that the management incurred an expenditure of Rs131.275 million through quotations on de-silting, clearance of drain and nallahs, lifting of garbage and removal of debris etc. from limits of towns and districts, detail is as follows.

[Rs. in Million]

Sr. No.	Name of Offices	AIR Para	F.Y.	Amount
1	Town Committee Kadhan	4	2020-22	0.883
2	Town Committee Kario Ghanwar	2	2021-22	6.474
3	Municipal Committee Mehar	2		5.734
4	Town Committee Tando Ghulam Hyder	5		5.280
5	Town Committee Gharo	7		4.149
6	Town Committee Chamber	9		3.528
7	Town Committee Mirpur Sakro	2		1.995
8	Town Committee Nassarpur	7		2.769
9	Town Committee Tharirri Muhabbat	3		2.709
10	Town Committee Khoski	4		2.016
11	Town Committee Piyaro Lund	6		1.121
12	Town Committee Tando Bago	2		1.081
13	Town Committee Husri	4		0.760
14	Town Committee Tando Ghulam Ali	2		1.278
15	District Council Tando Muhammad Khan	12		2022-23
16	Town Committee Bhit Shah	5	11.193	

[Rs. in Million]

Sr. No.	Name of Offices	AIR Para	F.Y.	Amount
17	District Council Badin	6		4.152
18	Municipal Committee Badin	1		3.015
19	District Council Dadu	6		10.610
20	Town Committee Tando Ghulam Hyder	3		17.598
21	Town Committee Jati	7		4.802
22	Municipal Committee Sehwan	20		3.019
23	District Council Sujawal	4		15.913
Total				131.275

Following short comings were noticed:

- i. Works of garbage lifting were outsourced instead of utilization of own staff, vehicles and machinery.
- ii. Estimation for de-silting works was not prepared and measurement was also not recorded in the measurement books.
- iii. Rates were not evaluated by procurement committee.
- iv. Record of daily quantity of garbage lifted and disposed-off at dumping site(s) was not maintained to ensure check and balance before making payment to the contractors.
- v. Supervision of works by sanitation incharge and certificate for satisfactory completion of work was not recorded.

Audit was of the view that incurrence of expenditure on collection, removal and disposal of silt and garbage without maintaining supporting record was irregular which indicated weak internal controls.

The matter was reported to the management from March to December 2023. The PAO did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2019-20 vide para numbers 4.5.5.1 and 3.2.3.56 having financial impact of Rs115.394 million and Rs1.294 million respectively. Recurrence of same irregularity is a matter of serious concern.

4.5.5.3 Wasteful expenditure due to non-functioning of dispensaries
Rs37.133 Million

Section 116 (07), Chapter-XII of the Sindh Local Government Act, 2013, states that every Member or Employee of a Council and every person, charged with the administration of the affairs of a Council, or acting on behalf of a Council shall be personally liable for the loss, waste, misapplication or unauthorized application of any moneys or property belonging to the Council which is a direct consequence of his negligence or misconduct, and the liability of such member, employee or person shall be determined by the Government in the prescribed manner.

Further, Rule 2(jj), Part-I of Sindh Public Procurement Rules 2010, stipulates that value for Money means best returns for each rupee spent in terms of quality, timeliness, reliability, after sales service, up-grade ability, price, source, and the combination of whole-life cost and quality to meet the procuring agency's requirements.

During audit of District Council Badin, Hyderabad Division, for the financial year 2022-23, it was observed that the management incurred expenditure of Rs37.133 million on the rehabilitation and renovation of dispensaries at various villages/union councils of District Badin but failed to post Medical Officers and other staff to provide medical relief to the inhabitants of the local areas. Due to non-posting of medical officers and staff, the service delivery and facility of health could not be extended to the public. Detail is at **Annex-HYD8**.

Audit was of the view that rehabilitation of dispensaries without posting of medical officers and staff resulted into wastage of public funds which indicated poor management and weak internal controls.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 01]

4.5.6 Other issues

4.5.6.1 Unjustified drawl of funds - Rs22.215 Million

Secretary, Local Government Department, Government of Sindh issued policy guidelines regarding expenditure of local Councils vide circular No.RO(LG)MISC/ 423/2020 dated 23-08-2022, wherein all the councils were directed to make expenditure only on salary, pension, utility bills and POL. Any other expenditure was to be incurred out of available budget strictly on relief rehabilitation of flood areas with the consultation/direction of Deputy Commissioner concerned in writing.

During audit of District Council, Sujawal, Hyderabad Division, for the financial year 2022-23, it was observed that management incurred expenditure of Rs22.215 million under the heads other than salary/pension, utility bills and POL after 23-08-2022 by issuing back dated cheques, in violation of directions issued by Local Government Department, Government of Sindh. As per record of entries in cheque register continuous payments were made from 01-08-2022 to

30-08-2022 against vouchers # 01 to 52, but amount of Rs22.215 million was drawn vide vouchers # 53 to 124 by showing cheque issued date prior to 23-08-2022. Detail is as at **Annex-HYD9**.

[Amount in Rs.]

Sr. No.	Vr # / Date	Cheque Register Page #	Cheque #	Paid Amount
1	01 to 12 / 11/8/2022	8 to 9	36810561 to 36810569	-
2	13 to 14 / 15-08-2022	9	36781836 to 36781837	-
3	15 to 24 / 30-08-2022	9 to 10	36781838 to -----	-
4	25 to 38 / 30-08-2022	10 to 11	----- to 36781870	-
5	39 to 45 / 30-08-2022	12	36781871 to 36781878	-
6	46 / 30-08-2022	13	36781881 & 36781887	-
7	47 / 30-08-2022	13	36810586	-
8	48 to 52 / 30-08-2022	13 to 14	36781882 to 36781886	-
9	53 to 54 / 22-08-2022	14	36810584 to 36810585	100,000
10	55 / 22-08-2022	14	36810587	26,420
11	56 to 97 / 22-08-2022	14 to 18	-	14,792,748
12	98 to 101 / 22-08-2022	21	-	745,724
13	103 to 115 / 22-08-2022	6 to 7	36810570 to 36810583	2,961,743
14	116 to 124 / 22-08-2022	56	37916343 to 37916353	3,588,687
Total				22,215,322

Audit was of the view that drawl of funds after 23-08-2022 through issuance of back dated cheques and payments to the contractors were violation of the rules/instructions.

The matter was reported to the management in December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends that the matter may be investigated for fixing responsibility on the person(s) at fault.

[AIR Para: 2]

4.5.6.2 Less realization of targeted receipts - Rs91.513 Million

Section 100 (1) of Sindh Local Government Act 2013, states that unless otherwise provided, all taxes, rates, tolls and fees levied under this act shall be collected in the prescribed

manner by the persons authorized for such collection: provided that where any tax, rate, toll or fee levied by a Council is also levied by Government, such tax, rate, toll or fee shall be collected with Government tax, and the proceeds thereof be credited to the local fund of the Council.

During audit of various Local Councils of Hyderabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management did not take appropriate measures to realize revenue targets of Rs91.513 million from various heads i.e. rent of shops, water tax, nali tax, property tax, cattle pirri fees, sabzi mundi fees, pat/katchi pirri fees, parking fees, slaughtering fees, certificate fee, NOC/Approval fees, licensing fee etc. Detail is at **Annex-HYD10**.

Audit was of the view that due to less-realization of revenue targets, the councils were deprived of legitimate revenue which indicated poor financial controls.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit recommends fixing responsibility on the person(s) at fault for non-achievement of revenue targets.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2019-20, 2018-19 and 2017-18 vide para numbers 4.5.6.3, 4.5.4.2, 3.2.3.11, 4.2.3.5 and 4.2.3.1 having financial impact of Rs315.178 million, Rs481.776 million, Rs528.807 million, Rs716.548 million and Rs206.186 million respectively. Recurrence of same irregularity is a matter of serious concern.

4.5.6.3 Non-revision of rent of property at fair value

Section 9(1) of Sindh Rental Premises Ordinance 1979, stipulates that “where the fair rent of any premises has been fixed, no further increase thereof shall be effected unless a period of three years has elapsed from the date of such fixation or commencement of this ordinance whichever is later”. Further, sub-section (2) of Section 9 *ibid*, “The increase is allowed @ 10% per annum on the existing rent”.

During audit of following Local Councils of Hyderabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management rented out different shops and properties but did not revise rent of various tenants since many years, resulting into loss of legitimate revenue to the councils. The record of allotments was also not provided; hence the actual period of tenancy could not be ascertained as detailed below:

Sr. No.	Name of Offices	AIR Para	Number of Property	Rent not Revised Since
1	Municipal Committee Matli	7	387 Shops	2008 to 2021
2	Town Committee Chuhar Jamali	8	27 Shops	2016 to 2021
3	Town Committee Mirpur Sakro	8	24 Shops	
4	Town Committee Mirpur Bathoro	8	24 Shops	

Sr. No.	Name of Offices	AIR Para	Number of Property	Rent not Revised Since
5	Town Committee Tando Ghulam Ali	16	43 Shops & Plots	2017 to 2021
6	District Council Hyderabad	9	161	1979 to 2022
7	Town Committee Bhit Shah	15	52	2016 to 2022
8	Town Committee Matiari	6	75	
9	Town Committee Sujawal	3	205	
10	Municipal Committee Badin	11	205	
11	Town Committee Chuhar Jamali	5	27	
12	Town Committee Jati	3	26	
13	Municipal Committee Tando Jam	9	3	

Audit was of the view that non-revision of rent of properties was a loss to the councils which reflected poor financial management.

The matter was reported to the management from July to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit recommends revision of rent of shops and other property at fair value.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2018-19 and 2017-18 vide para numbers 4.5.6.8, 4.5.4.5, 4.5.7.3, 4.2.3.49 and 4.2.3.3 respectively. Recurrence of same irregularity is a matter of serious concern.

4.5.6.4 Unauthorized construction over council property by tenants

According to Rule-12, Chapter-III of Sindh Local Councils (Property) Rules, 2017, “No immovable property of a Council shall be alienated by way of a sale or otherwise except through an open auction and with the sanction of Government”

Further according Rule-4(l), Chapter-I (ibid), stipulates that the officer Incharge shall be responsible to the Council for any loss destruction or deterioration of the property, if such loss, destruction or deterioration has occurred because of the default.

During audit of Municipal Committee, Matli, Hyderabad Division, for the financial year 2021-22, it was observed that the management had rented out the shops to various tenants but the tenants unauthorizedly constructed additional floors over the shops, as detailed bellow:

Shop No.	Name of Tenants / Allotted to.	Location of Property	Remarks
31	Mahesh Kumar	Tando Ghulam Ali Road Near Municipal Office	G + 2
33	Mirchoo Mal		G + 2
42	Ashraf Kamal		G + 2
44	Amjad Ali		G + 2
51	Naveed Ahmed		G + 2

Audit was of the view that unauthorized construction of additional floors over the council's property by tenants indicated poor oversight mechanism and weak internal controls.

The matter was reported to the management in April 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 19-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit recommends that the enquiry may be conducted into matter for fixing responsibility on the person(s) at fault.

[AIR Para: 06]

4.5.6.5 Non-maintenance of POL record - Rs302.007 Million

As per Rule- 20 of the Staff Car Rules 1980, as amended in 2001, "The Log Book, History Sheet, and Petrol Account Register shall be maintained for each official vehicle".

According to Rule-159(4) of Sindh Local Council (Accounts) Rules 1983, "A council vehicles shall not be driven except by a driver appointed by the competent authority, for the vehicle. Every person using a council vehicle shall make and sign entries in the Petrol and lubricant account in Form No. 116 and in Log Book of the vehicle kept in the custody of the driver. Log book shall be maintained in Form No. 117".

During audit of following Local Councils of Hyderabad Division, for the financial year 2022-23, it was observed that management incurred an expenditure of Rs302.007 million on POL for official vehicles and machinery but did not maintain of petrol account register, history sheet, log book of each vehicle, tour program/diary of official vehicles. Detail is as follows.

[Rs. in Million]

Sr. No.	Name of Offices	AIR Para	Expenditure on POL
1	Municipal Committee Dadu	6	59.016
2	Municipal Committee Sehwan	10&17	38.883
3	Town Committee Bhit Shah	11	21.518
4	Municipal Committee Hala	6	19.051

[Rs. in Million]

Sr. No.	Name of Offices	AIR Para	Expenditure on POL
5	Municipal Committee Badin	2	18.502
6	Town Committee Jamshoro	3	18.274
7	Municipal Committee Tando Allahyar	4	17.772
8	District Council Badin	7	13.159
9	Town Committee Sujawal	7	12.227
10	Municipal Committee Tando Muhammad Khan	7	10.975
11	District Council Hyderabad	8	10.544
12	Town Committee Chuhar Jamali	4	9.872
13	District Council Tando Allahyar	4	9.124
14	District Council Sujawal	11	8.478
15	Town Committee Bhan Saeedabad	5	7.294
16	District Council Matiari	3	5.929
17	Town Committee Matiari	5	5.338
18	Town Committee Tando Ghulam Hyder	4	3.489
19	Town Committee Jati	5	3.175
20	Municipal Committee Tando Jam	5	2.708
21	District Council Dadu	8	2.295
22	District Council Thatta	9	2.200
23	District Council Jamshoro	7	1.420
24	Town Committee Thana Bula Khan	5	0.764
Total			302.007

Audit was of the view that incurrence of expenditure on account of POL without maintenance of relevant prescribed record indicated weak internal controls.

The matter was reported to the management from July to December 2023. The office of District Council, Matiari submitted reply with incomplete and improper supporting documents, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends that responsibility may be fixed on person(s) at fault for incurring expenditure without maintenance of prescribed record.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2019-20 vide para number 3.2.3.18 having financial impact of Rs275.068 million. Recurrence of same irregularity is a matter of serious concern.

4.5.6.6 Non-maintenance of stock registers - Rs161.411 Million

According to Rule-25(1) of Sindh Local Councils (Accounts) Rules, 1983, “Every officer or servant of the Council in charge of stocks of articles or materials kept for issue other than stamps shall maintain a stock register (in Form No. 16) in which shall be entered every transaction effecting such stocks and separate pages of the register shall be assigned to different classes of stocks”.

During audit of following Local Councils of Hyderabad Division, for the financial year 2022-23, it was observed that management incurred an expenditure of Rs161.411 million on the purchase of air-conditions, water cooler, furniture, fumigation & dewatering machines, diesel engines, fibber tanks, solar panels, electrical articles, sanitation material, PVC, RCC & delivery pipes, stationery, fumigation chemical, tyres, lime powder, valves, food items etc. but did not maintain stock registers. Detail is as follows:

[Rs. in Million]

Sr. No.	Name of Offices	AIR Para	Amount
1	Municipal Committee Qasimabad	13	50.424
2	Town Committee Bhit Shah	16	22.344
3	District Council Matiari	8	13.322
4	District Council Tando Muhammad Khan	14	12.903
5	District Council Sujawal	12	9.886
6	District Council Tando Allahyar	7	9.596
7	District Council Thatta	10	7.200
8	Town Committee Chuhar Jamali	7	5.515
9	Town Committee Tando Ghulam Hyder	8	4.507
10	Town Committee Jati	8	4.129
11	District Council Badin	8	3.912
12	Municipal Committee Hala	13	3.643
13	Municipal Committee Badin	4	2.630
14	Town Committee Bhan Saeedabad	6	1.958
15	Municipal Committee Dadu	8	1.958
16	District Council Hyderabad	7	1.492
17	Town Committee Jamshoro	6	1.478

[Rs. in Million]

Sr. No.	Name of Offices	AIR Para	Amount
18	Town Committee Sujawal	9	1.407
19	District Council Dadu	11	1.087
20	Town Committee Matiari	10	1.037
21	Municipal Committee Tando Allahyar	8	0.580
22	Town Committee Thana Bula Khan	6	0.403
Total			161.411

Audit was of the view that non-maintenance of stock register indicated weak internal controls, besides misuse of funds as well as procured items could not be ruled out.

The matter was reported to the management from July to December 2023. The office of District Council Matiari submitted reply with copies of incomplete stock register without complete entries of procured articles, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends that stock register may be maintained on the prescribed format.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2017-18 vide para number 4.2.3.24 having financial impact of Rs11.581 million. Recurrence of same irregularity is a matter of serious concern.

4.5.6.7 Irregular procurement of electrical material - Rs13.161 Million

Rule 48 of Electricity Rules, 1937, states that all Government and Semi Government departments are bound to award contracts of electrical installation works to the contractors holding valid government electrical contractor license.

Further, S.No.(18) of Schedule of Rule 5(1) of Sindh Local Councils (Property) Rules 2017, requires that register of street light points and lamp posts in Form P-XVIII shall be maintained.

During audit of following Local Councils of Hyderabad Division, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs13.161 million on the procurement of electrical material. Detail is as under.

[Rs. in Million]

Sr. No.	Name of Offices	AIR Para	Amount
1	Municipal Committee Qasimabad	11	5.957

2	Town Committee Tando Ghulam Hyder	6	3.724
3	District Council Tando Allahyar	9	3.480
Total			13.161

Following irregularities were noticed:

- i. The electrical works was awarded to contractors not holding valid Electrical Contractor License.
- ii. Purchases were made on quotation basis by splitting up procurements.
- iii. Location for installation of purchased electric material was not recorded.
- iv. Inspection of street lights material was not carried out.
- v. Warranty cards of saver bulbs and other lights were not available.
- vi. Neither the purchased material was accounted for in the stock register nor issuance of the material was recorded.
- vii. Inventory of replaced articles were not available.

Audit was of the view that procurement of electrical material without observing codal requirements was irregular and indicated weak internal controls.

The matter was reported to the management from July to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 and 2018-19 vide para numbers 4.5.3.9 and 4.2.3.33 having financial impact of Rs20.085 million and Rs3.398 million respectively. Recurrence of same irregularity is a matter of serious concern.

4.5.6.8 Non-maintenance of record of procured RCC Pipes - Rs2.667 Million

According to Rule-95, Chapter-XII of Sindh Local Councils (Accounts) Rules, 1983, stipulates that all materials received from the suppliers, workshops, manufacturers, departments of Government and any other agency, should be examined, counted, measured or weighed as the case may be, when delivery is taken they should be taken by a responsible government officer who should see that the quantities are correct and their quality is good and record certificate that he has actually received as the materials and recorded them in the appropriate stock register.

During audit of Town Committee, Khoski, Hyderabad Division, for the financial year 2021-22, it was observed that management procured RCC pipes of Rs2.667 million but the procured material was not accounted for in the stock register. Detail is as follows:

[Amount in Rs.]

Sr. No.	Description of Material	Name of Contractors	Work Order # & Date	Cheque # & Date	Paid Amount
1	Purchase of RCC Pipes 18" x 8 Feet	M/S Sindh RCC Pipe Supplier, Badin	30 / 16-07-21	32104346/01-02-21	292,000
2			56 / 06-08-21	32104346/01-02-21	299,300
3		M/S Indus Enterprises	181 / 25-11-21	34670731/07-12-21	292,000
4			174 / 05-11-21	34670731/07-12-21	299,300
5			255 / 25-01-22	34670769/04-02-22	292,000
6			286 / 24-02-22	34670798/07-03-22	292,000
7	Purchase of RCC Pipes 24" x 8 Feet	M/S Indus Enterprises	237 / 14-01-22	34670769/04-02-22	300,000
8			272 / 11-02-22	34670805/07-03-22	300,000
9		M/S Muhammad Ismail Chawro	309 / 24-03-22	34670817/05-04-22	300,000
Total					2,666,600

Following further irregularities were also observed.

- i. RCC Pipes were purchased without any indent/demand.
- ii. Location-wise utilization of pipes as well as replacement of old pipes were not recorded to justify the procurements.
- iii. Delivery challans as well as test report of pipes were not available on record.
- iv. Inspection report of procured items was also not available on record.

Audit was of the view that procurement of RCC Pipes without maintaining the prescribed record along with utilization was irregular which indicated weak internal controls.

The matter was reported to the management in April 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 19-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

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

[AIR Para: 01]

4.5.6.9 Unauthorized creation of liability - Rs20.239 Million

According to Section 105(1), Chapter-XI of Sindh Local Government Act-2013, “A Council shall not incur any debt nor borrow any money or give any guaranty without prior approval of Government.” Further, Section 106(2) *ibid*, “The moneys credited to the Local Fund shall be applied in the order; firstly, in the payment of salaries and allowances to the employees of the Councils”.

Further, according to Finance Department, Government of Sindh, instructions issued regarding Payment of Liabilities by Local Bodies in Sindh vide letter No.FD.SO(LF-I)Misc/(171)2013 dated: 13th August 2013, Para-01 “it was communicated through instructions from time to time to all Local Councils/District Councils/ defunct TMAs that the salaries and Pension of the employees is the first charge from the OZT funds released by Finance Department”.

During audit of following Local Councils of Hyderabad, Hyderabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management created liability amounting to Rs20.239 million in the head of pension and financial assistance and put extra burden over council funds. Creation of liability under the heads of pension and financial assistance showed that payments were made by giving priority to the development works in violation of rules as detailed below.

[Rs. in Million]

Sr. No.	Name of Offices	AIR Para	F. Y	Description of Liability	Amount of Liability
1	Town Committee Gharo	4	2021-22	Pension and financial assistance	5.758
2	District Council Hyderabad	4	2022-23		14.481
Total					20.239

Audit was of the view that creation of pension liability by giving priority to the payment of development works in violation of rules and instructions of finance department indicated weak financial management.

The matter was reported to the management in March and October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2019-20 and 2017-18 vide para numbers 4.5.6.5, 3.2.3.25 and 4.2.3.27 having financial impact of Rs402.968 million, Rs112.148 million and Rs11.166 million respectively. Recurrence of same irregularity is a matter of serious concern.

4.5.6.10 Irregular payment on clearance of previous liability - Rs1.622 Million

Finance Department, GoS O.M No.FD/B&E-I/51/2007 dated 02-07-2007, stipulates that liability of previous years shall not be allowed to be cleared unless concurrence is given by Finance Department (FD).

Further, as per approval of budget by Secretary Local Government Department vide Letter No.SO-I(LG)/02-48/2017 N.F dated: 1st October 2021, "No liabilities of previous year will be cleared from yearly budget without approval of Local Govt. Department."

During audit of District Council Dadu, Hyderabad Division, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs1.622 million on clearance of previous year's liability without approval of Finance Department and Local Government Department, Government of Sindh. Detail is as follows:

[Rs. in Million]

Description of Liability	Paid to	Date of Completion/ Period of Liability	Cheque # & Date	Amount Paid
Construction of paving & drains @ village Muhammad Khan Taluka, Dadu	M/s Khadim Hussain & Co.	24-01-22/ (2021-22)	38568905 06-03-23	1.622

Audit was of the view that clearance of liabilities without approval of Finance Department and administrative department was irregular and indicated weak financial management.

The matter was reported to the management in November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks clarification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2019-20 vide para number 3.2.3.36 having financial impact of Rs35.568 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 2]

4.5.6.11 Irregular expenditure without approved budget - Rs345.820 Million

As per Section-110(1) of Sindh Local Government Act 2013, stipulates that "the Council shall, in the prescribed manner, prepare and sanction before the commencement of each financial year, a statement of its estimated receipts and expenditure for that year, hereinafter referred to as the budget, and forward a copy thereof to Government".

During audit of following Local Councils of Hyderabad Division, for the financial year 2021-22, it was observed that management incurred expenditure of Rs345.820 million without approval of budget by the competent authority as detailed below:

[Rs. in Million]

Sr. No.	Name of Offices	AIR Para	Total Expenditure
1	Municipal Committee Johi	6	165.460
2	Town Committee Tando Bago	1	117.555
3	Municipal Committee Mehar	7	62.805
Total			345.820

Audit was of the view that incurrence of expenditure without approved budget was unauthorized which indicated poor financial management and weak internal controls.

The matter was reported to the management from March to June 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 19-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2019-20 and 2018-19 vide para numbers 3.2.3.13 and 4.2.317 having financial impact of Rs477.299 million and Rs233.392 million respectively. Recurrence of same irregularity is a matter of serious concern.

4.5.6.12 Irregular expenditure over & above the allocated budget Rs30.223 Million

Rule 75(2) of Sindh Local Councils (Budget) Rules 2017, states that no expenditure shall be incurred without necessary appropriation or in excess of the sanctioned appropriation.

During audit of Municipal Committee Sehwan, Hyderabad Division, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs30.223 million over and above the allocated budget in violation of rules. Detail is as follows:

[Amount in Rs.]

Sr. No.	Description	Head of Account	Budget Allocated	Expenditure incurred	Excess
1.	Water Supply Sehwan Sharif, District Jamshoro Branch	Contingency	375,000	10,450,187	10,075,187
2.	Street Light Branch		150,000	7,596,478	7,446,478
3.	Sanitation Branch		27,080,000	31,024,046	3,944,046
4.	Disaster Management		4,000,000	5,174,809	1,174,809
5.	Roads/Drainage/Lines/Desilting	Development	23,200,000	30,782,216	7,582,216
Total			54,805,000	85,027,736	30,222,736

Audit was of the view that incurrence of expenditure over and above the allocated budget was irregular which indicated poor financial management and weak internal controls.

The matter was reported to the management in December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 22]

4.5.6.13 Payment of sales tax on behalf of the contractors - Rs4.866 Million

Section-3(1) of Sindh Sales Tax on Service Act 2011, stipulates that a taxable service is a service listed in the Second Schedule to this Act, which is provided (a) by a registered person from his registered office or place of business in Sindh.

Further, Section 9(1) (ibid), "Person liable to pay tax" states that where a service is taxable by virtue of sub-section (1) of section 3, the liability to pay the tax shall be on the registered person providing the service.

During audit of District Council Badin, Hyderabad Division, for the financial year 2022-23, it was observed that the management awarded various works to the contractors and paid Rs97.463 million. However, instead of deduction of Sindh Sales Tax on Services from their bills, the amount of SST @ 5% amounting to Rs4.866 million was included first to make it gross claimed bill and subsequently the same added amount in the bill was deducted as Sindh Sales Tax. Thus, the management extended undue favour to the contractors by making payment of Sindh Sales Tax from public exchequer.

Audit was of the view that payment of sales tax on behalf of the contractors was an undue favour extended to the contractors by the management at the cost of public exchequer.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 and 2020-21 vide para numbers 4.5.5.4 and 4.5.3.6 having financial impact of Rs6.432 million and Rs5.713 million respectively. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 03]

4.5.6.14 Unjustified expenditure on POL and repair & maintenance of vehicles
Rs7.153 Million

As per Section 116(7), Chapter-XII of Sindh Local Government Act, 2013, Every Member or Employee of a Council and every person, charged with the administration of the affairs of a Council, or acting on behalf of a Council shall be personally liable for the loss, waste, misapplication or unauthorized application of any moneys or property belonging to the Council which is a direct consequence of his negligence or misconduct, and the liability of such member, employee or person shall be determined by Government in the prescribed manner.

During audit of Town Committee, Bhit Shah, Hyderabad Division, for the financial year 2022-23, it was observed that management incurred an expenditure of Rs7.153 million on POL and repair of sanitation vehicles (tractor, dozer, loader rickshaw) without justification as an amount of Rs12.536 million was also paid to the contractors on sanitation works and removal of garbage. Detail is at **Annex-HYD11**.

Audit was of the view that incurrence of expenditure without justification indicated weak internal controls.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 14]

4.5.6.15 Non-establishment of provident fund, pension fund and benevolent fund

Rule 125 (1), Chapter-XIV of SLGA 2013, states that a Council may, establish and maintain-

- a. Provident fund for the benefit of its employees, who shall contribute to such fund in such manner and proportion as may be prescribed.
- b. Pension fund from which pension, shall, in the prescribed manner, be paid to the employees of the Council.
- c. Benevolent fund, in the prescribed manner from which any special pension or gratuity, shall, in the prescribed manner be paid to the family of employee of the Council, who dies of disease or injury contracted or suffered by him in the discharge of his official's duties.

During audit of following Local Councils of Hyderabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management failed to establish provident, pension and benevolent fund for the benefits of employees of the council.

Sr. No.	Name of Offices	AIR Para	Financial Year
1	Town Committee Gharo	13	2021-22
2	Town Committee Chuhar Jamali	9	

Sr. No.	Name of Offices	AIR Para	Financial Year	
3	Town Committee Mirpur Sakro	9		
4	Town Committee Ghora Bari	9		
5	Town Committee Makli	13		
6	Town Committee Mirpur Bathoro	9		
7	Town Committee Piyaro Lund	10		
8	Town Committee Chamber	14		
9	Town Committee Nassarpur	10		
10	Town Committee Shaheed Fazil Rahu	8		
11	Town Committee Kario Ghanwar	8		
12	Town Committee Tando Ghulam Ali	23		
13	District Council Hyderabad	6		2022-23
14	Town Committee Matiari	8		
15	District Council Jamshoro	5		
16	District Council Sujawal	14		

Audit was of the view that non-establishment of mandatory funds indicated poor financial management and weak internal controls.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit recommends establishment of mandatory funds as per provision of the Sindh Local Government Act, 2013.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2020-21 vide para number 4.5.2.1. Recurrence of same irregularity is a matter of serious concern.

Division



Chapter-5: Local Councils, Larkana Division

5.1 Introduction

Larkana Division consists of five Districts namely Larkana, Shikarpur, Jacobabad, Kamber @ Shabdakot and Kashmore @ Kandhkot. Each Corporation/ District Council/Municipal Committee/Town Committee in Larkana Division is headed by Mayor/Chairman/ Municipal Commissioner/Chief Officer/Chief Municipal Officer/ Town officer who carries out operations as per Sindh Local Government Act, 2013.

The functions of Local Councils are summarized below:

- i. Prepare development plans for the Town including plans for land use.
- ii. Exercise control over land use, land subdivision, land development and zoning by public and private sectors for any purpose, including agriculture, industry, commerce markets, shopping and other employment centers, residential, recreation, parks, entertainment, passenger and transport freight and transit stations.
- iii. Enforce all municipal laws, rules and bye-laws governing Municipal Corporation/Committees functioning.
- iv. Prepare budget, long term and annual municipal development programs in collaboration with the Union Councils.
- v. Collect approved taxes, cess, user fees, rates, rents, tolls, charges, fines and penalties.
- vi. Manage properties, assets and funds vested in the Municipal Corporation/Committees.
- vii. Develop and manage schemes, including site development in collaboration with Union Administration.
- viii. Issue notice for committing any municipal offence by any person and initiate legal proceedings for commission of such offence or failure to comply with the directions contained in such notice.
- ix. Prosecute, sue and follow up criminal, civil and recovery proceedings against violators of Municipal Laws in the courts of competent jurisdiction.
- x. Maintain municipal records and archives.

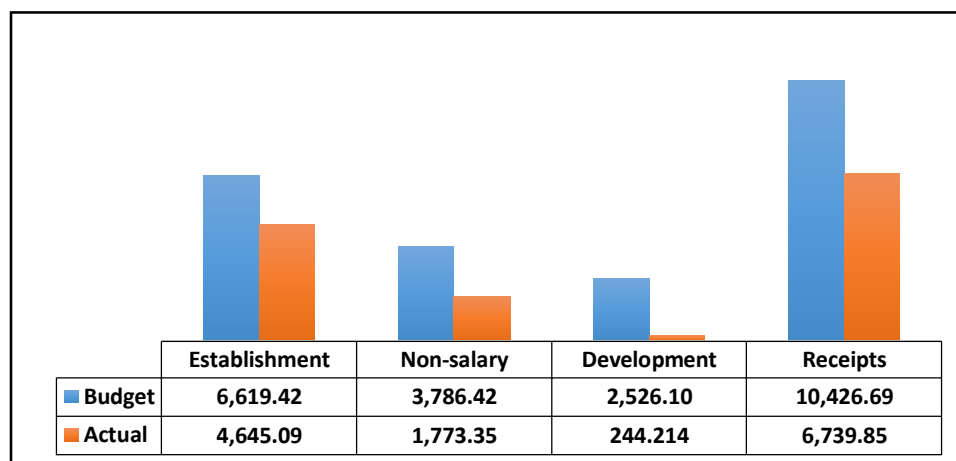
5.2 Comments on Budget and Accounts (Variance Analysis)

[Rs. in Million]

Sr. No.	Districts	Head of Account	Budget	Actual	Excess (+) Savings (-)
1.	Larkana	Establishment	1,655.445	1,314.554	-340.891
		Non-salary	511.215	318.492	-192.723
		Development	196.268	65.283	-130.985
		Total Expenditure	2,362.928	1,698.329	-664.599
		Receipts	2,174.350	1,821.446	-352.904
2.	Kamber-Shahdadkot	Establishment	1,342.847	1,076.593	-266.255
		Non-salary	1,454.890	439.651	-1,015.239
		Development	765.306	47.057	-718.249
		Total Expenditure	3,563.043	1,563.300	-1,999.742
		Receipts	1,795.579	1,273.589	-521.990
3.	Shikarpur	Establishment	1,162.707	749.788	-412.919
		Non-salary	961.572	422.931	-538.641
		Development	645.257	0.000	-645.257
		Total Expenditure	2,769.536	1,172.719	-1,596.817
		Receipts	2,768.986	1,311.481	-1,457.505
4.	Kasmhore @ Kandhkot	Establishment	1,017.912	834.343	-183.570
		Non-salary	581.343	328.746	-252.596
		Development	529.535	34.179	-495.355
		Total Expenditure	2,128.790	1,197.268	-931.521
		Receipts	1,900.786	1,225.235	-675.551
5.	Jacobabad	Establishment	1,440.510	669.810	-770.700
		Non-salary	277.401	263.529	-13.873
		Development	389.731	97.695	-292.037
		Total Expenditure	2,107.642	1,031.034	-1,076.609
		Receipts	1,786.986	1,108.099	-678.887
Grand-Total Larkana Division	Establishment	6,619.422	4,645.088	-1,974.334	
	Non-salary	3,786.421	1,773.349	-2,013.072	
	Development	2,526.096	244.214	-2,281.882	
	Total Expenditure	12,931.939	6,662.651	-6,269.288	
	Receipts	10,426.688	6,739.851	-3,686.837	

The budgeted expenditure of Local Councils of Larkana Division for the financial year 2022-23 was Rs12,931.939 million, against which the actual expenditure was Rs6,662.651 million, resulting in saving of Rs6,269.288 million. The management of Local Councils was unable to realize the receipts' targets resulting in shortfall of Rs3,686.837 million.

Table:-



**Audit
Profile of
Larkana
Division**

[Rs. in Million]

Sr.	Description	Formations		Financial Year 2022-2023	
		Planned	Audited	Expenditure audited	Revenue / Receipts audited
1.	Formations	46	29	6,662.651	6,739.851
2.	Assignment Accounts, SDAs (excluding FAP)	-	-	-	-
3.	Authorities/Autonomous Bodies under the PAO	-	-	-	-
4.	Foreign Aided Projects (FAP)	-	-	-	-

5.3 Classified Summary of Audit Observations

Audit observations amounting to Rs2,518.619 million were raised in this report during the current audit of Larkana Division. The amount also includes recoveries of Rs285.821 million as pointed out by Audit. Summary of the audit observations classified by nature is as under:

Table: Overview of Audit Observations:

[Rs. in million]

Sr.	Classification	Amount
1	Non-Production of Record	-
2	HR/Employees related irregularities	149.881
3	Procurement related irregularities	821.160
4	Recoveries related irregularities	285.821
5	Value for money and service delivery issues	42.193

6	Other issues	1,219.564
Total		2,518.619

5.4 Brief Comments on the Status of Compliance with PAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Sindh. Detail of paras presented in PAC meetings is reflected hereunder:

Audit Year	No. of Paras	Status of Paras discussed in PAC Meetings
2012-13	21	1 – Partial
2013-14	3	1 - Partial
2014-15	69	-Nil-
2015-16	21	-Nil-
2016-17	44	-Nil-
2017-18	27	-Nil-
2018-19	20	-Nil-
2019-20	40	-Nil-
2020-21	13	-Nil-
2021-22	15	-Nil-
2022-23	26	-Nil-

5.5 Audit Paras

5.5.1 Non-Production of Record

5.5.1.1 Non-production of record

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, provides 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 all 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 relevant Efficiency and Discipline Rules applicable to such person".

During audit of various Local Councils of Larkana Division, for the financial years 2021-22 and 2022-23, it was observed that the management did not produce auditable record pertaining to establishment, contingency, revenue, development and various registers, etc., involving minimum financial impact of Rs306.481 million for audit scrutiny. Detail is at **Annex-LRK1**.

Audit was of view that non-production of record was a serious lapse on the part of management which caused hindrance in performance of the functions of audit, besides, authenticity of the related transactions could not be ascertained.

The matter was reported to the management from March to December 2023. The management of Municipal Committee Thul replied that requisite record was ready and can be produced. The reply was not tenable as the requisite record was not produced to audit, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit recommends inquiry into the matter and fixing of responsibility on the person(s) at fault for non-provision of record.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para numbers 5.5.1.1, 5.5.1.1, 5.4.1.1, 7.2.1.1, and 8.2.1.1, having financial impact of Rs389.344 million, Rs209.674 million, Rs1,822.080 million, Rs655.24 million and Rs189.754 million respectively. Recurrence of same irregularity is a matter of serious concern.

5.5.2 HR/Employees related irregularities

5.5.2.1 Irregular expenditure on payment of overtime - Rs22.102 Million

Para 2 of Finance Division O.M No. F.4(1) R-5/2010 dated 2/7/2018 states that the existing condition that the overtime allowance to staff car driver/dispatch riders will only be paid if it is verified by the officer concerned, will continue apply.

Further, according to Rule 5, Chapter-1 of Sindh Financial Rules Volume-I, "The amount of allowance granted to meet expenditure of a particular type should be so regulated that allowances are not on the whole source of profit of the recipient".

During audit of Larkana Municipal Corporation, Larkana Division, for the financial year 2022-23, it was observed that an expenditure of Rs22.102 million was incurred on account of payment of overtime to the staff posted in fire brigade and disposal branch on regular basis without any justification, in violation of above rules. Detail is at under:

[Amount in Rs.]

Sr. No.	Month	Payment of overtime to staff posted at Fire brigade branch	Payment of overtime to staff posted at Disposal Branch	Total
1	August-2022	815,083	1,258,420	2,073,503
2	September-2022	1,208,140	2,625,374	3,833,514
3	October-2022	634,484	1,470,575	2,105,059
4	November-2022	617,688	1,396,173	2,013,861
5	January-2023	1,144,911	2,754,371	3,899,282
6	March-2023	998,263	2,532,388	3,530,651
7	May-2023	1,305,765	3,243,755	4,549,520
8	June-2023	0	96,384	96,384
Total		6,724,334	15,377,440	22,101,774

Following discrepancies were also observed:

- i. No office order(s) were available in relevant record for allowing overtime to staff
- ii. No justification was recorded for the payment of overtime
- iii. Approval of competent authority for grant of overtime was also not available
- iv. Payment was made on regular basis

Audit was of the view that payment of overtime in violation of rules resulted into irregular expenditure which indicated weak internal controls.

The matter was reported to the management during October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 6]

5.5.2.2 Joining of transferred employees without verification of service profile

According to instructions issued by Local Government Department, Government of Sindh vide No. SOA/(LG)/3(4)/2017 dated 18.04.2017, all Councils were directed to get the orders of transfer posting verified from the Department or respective Assistant Director, Local Government and concerned Assistant Director, Local Fund Audit (ADLFA) from where the person is transferred and getting salaries.

During audit of District Council Shikarpur, Larkana Division, for the financial year 2022-23, it was observed from the service record provided to audit that management accepted joining of employees transferred from other councils/offices without verification of service profile, last payment certificate (LPC) from parent offices, Assistant Director, Local Government Department & Local Fund Audit (ADLFA) concerned, in violation of above Government orders. Due to non-verification of service profile of employees, their previous services could not be verified. Detail is at

Annex-LRK2.

Audit was of the view that management failed to comply the instructions of administrative department and allowed joining to employees without verification of their service profile which indicated poor management and weak internal controls.

The matter was reported to the management during December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks clarification in the matter.

[AIR Para: 11]

5.5.2.3 Unauthorized expenditure on account of adhoc staff - Rs54.511 Million

In compliance of Honorable Supreme Court of Pakistan in Human Rights case No. 104/92, Local Government Department issued directives vide letter No.SO-V(LG)5(69)/2009/29-06-2010 that even an appointment on adhoc basis cannot be made without publication and proper advertisement.

Further, Para 8 (2) of Sindh Local Councils Employees (Service) Rules, 2017 stipulates that initial appointment to the posts in all basic scales not falling within the purview of SPSC, shall be made on the recommendations of the Selection Committee on the basis of interview or test to be held by the Selection Committee after the vacancies have been advertised in leading newspapers in Urdu, Sindhi & English Languages.

During audit of following Local Councils of Larkana Division, for the financial year 2022-23, it was observed that management appointed employees on adhoc basis without observing prescribed procedure and incurred expenditure of Rs54.511 million on the wages. Further, approval from administrative department was also not obtained as detailed below:

[Rs. in Million]

Sr. No.	Name of Offices	AIR Para	Amount
1	Municipal Committee Shikarpur	11	44.973
2	Municipal Committee Jacobabad	3	8.458
3	Larkana Municipal Corporation	7	1.080
Total			54.511

Audit was of the view that appointment of employees on adhoc basis without following prescribed procedure was violation of the rules and Local Government orders which indicated weak internal controls.

The matter was reported to the management from October to November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 5.5.2.4 with a financial impact of Rs48.280 million. Recurrence of same irregularity is a matter of serious concern.

5.5.2.4 Irregular expenditure without approval of schedule of establishment Rs73.268 Million

Rule 123(1), Chapter-XIV of the Sindh Local Government Act, 2013, stipulates that a council shall prepare a Schedule of Establishment showing the numbers of posts in each grade which are deemed necessary for the efficient performance of its functions under this Act and submit the same within three months of the coming into force of this Act to government for approval.

During audit of following Local Councils of Larkana Division, for the financial year 2021-22, it was observed that the management incurred an expenditure of Rs73.268 million on pay and allowances of employees without approval of schedule of establishment from government and maintenance of establishment check register as detailed below.

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	Amount
1	Town Committee Dokri, Larkana	7	52.018
2	Town Committee Mirokhan, Kamber-Shahdadkot	6	21.250
Total			73.268

Audit was of the view that incurrence of expenditure on account of pay and allowances of employees without approval of schedule of establishment from government was irregular and indicated poor financial management and weak internal controls.

The matter was reported to the management in May 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 19-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

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

5.5.3 Procurement related irregularities

5.5.3.1 Splitting up of expenditure to avoid open tender - Rs154.335 Million

As per Rule 12(1), Part-II of Sindh Public Procurement Rules, 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".

Further, Rule 17(1), Part-II of Sindh Public Procurement Rules 2010, as amended in 2019, stipulates that procurements over three hundred thousand rupees and up to two 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 Local Councils of Larkana Division, for the financial years 2021-22 and 2022-23, it was observed that the management incurred expenditure of Rs154.335 million through quotations by splitting the procurements which resulted into non-achievement of competitive rates, as detailed below.

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	F.Y.	Amount
1	Town Committee Kashmore	2	2021-22	26.905
2	Town Committee Gouspur	1		24.931
3	Municipal Committee Kandhkot	3		23.159
4	Town Committee Guddu	2		18.272
5	Town Committee Naseerabad	2		14.625
6	Town Committee Garhi Yaseen	1		5.216
7	Municipal Committee Shahdadkot	4		4.028
8	Town Committee Khanpur	2		3.238
9	Municipal Committee Jacobabad	5	2022-23	13.685
10	Municipal Committee Shikarpur	2		11.782

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	F.Y.	Amount
11	District Council Jacobabad	6		5.926
12	District Council, Kamber-Shahdaskot	9		2.568
Total				154.335

Audit was of the view that incurrence of expenditure through splitting the procurements was violation of Sindh Public Procurement Rules indicated weak internal controls.

The matter was reported to the management in April to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20, and 2018-19 vide para numbers 5.5.3.2, 5.5.3.1, 5.4.3.1, 7.2.2.10 and 8.2.2.8, having financial impact of Rs101.476 million, Rs137.081 million, Rs286.144 million, Rs118.275 million, Rs34.517 million respectively. Recurrence of same irregularity is a matter of serious concern.

5.5.3.2 Irregular utilization of sanitation funds through quotations Rs171.824 Million

According to Rule 11(1), Part-II of Sindh Public Procurement Rules 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".

Further, Rule 17(1), Part-II of Sindh Public Procurement Rules 2010, as amended in 2019, stipulates that procurements over three hundred thousand rupees and up to two 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 Local Councils of Larkana Division, for the financial years 2021-22 and 2022-23, it was observed that the management incurred an expenditure of Rs171.824 million on various sanitation works (hiring of sanitation labour for cleaning streets, roads and drain/nalas) through quotations by keeping each transaction below Rs300,000/- to avoid open competitive bidding. Whereas, the work of sanitation being a mandatory function of the Council was foreseen prior to commencement of financial year at the time of budget preparation/ approval. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	F.Y.	Amount
1	Municipal Committee Kandhkot	4	2021-22	22.929
2	Town Committee Warah	3		14.786
3	Town Committee Buxapur	2		9.856
4	Town Committee Khanpur	1		8.647
5	Municipal Committee Shahdadkot	1		7.375
6	Town Committee Qubo Saeed Khan	1		6.839
7	Town Committee Garhi Khairo	4		3.863
8	Town Committee Dokri	3		3.771
9	Municipal Committee Thul	7		3.640
10	Municipal Committee Shikarpur	3	2022-23	28.850
11	Municipal Committee Jacobabad	6		21.908
12	Larkana Municipal Corporation	1		12.597
13	District Council Jacobabad	7		8.877
14	Municipal Committee Kamber	12	2021-22 and 2022-23	7.786
15	District Council Kashmore	4	2022-23	5.779
16	Municipal Committee Ratodero	1		4.321
Total				171.824

Audit was of the view that incurrence of expenditure through quotations without obtaining competitive rates was violation of Sindh Public Procurement Rules which indicated weak internal controls.

The matter was reported to the management from March to December 2023. The management of Municipal Committee, Thul replied that as per Sindh Local Government Act it was the responsibility of the Municipal Committee for removal and disposal of garbage. The sanitation work was outsourced for desilting and cleaning of drains. The reply was not tenable as the management of MC, Thul have submitted irrelevant reply, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 5.5.3.1 having financial impact of Rs66.246 million. Recurrence of same irregularity is a matter of serious concern.

5.5.3.3 Award of contracts to unregistered contractors - Rs45.142 Million

According to the Rule 46 (1), Part-II of Sindh Public Procurement Rules 2010, stipulates that Notice Inviting Tenders shall contain eligibility criteria (iii) registration with FBR, for income tax, sales tax in case of procurement of goods. Registration with the SRB in case of procurement of work and services, and registration with Pakistan Engineering Council (where applicable).

During audit of following Local Councils of Larkana Division, for the financial year 2021-22, it was observed that the management awarded contracts of Rs45.142 million to different contractors who were not registered with FBR and SRB resulting in non-transparency in awarding contracts. Detail is as under:

[Rs. in Million]

Sr. No.	Name of office	AIR Para	Amount
1	Town Committee Guddu	5	24.989
2	Town Committee Buxapur	4	11.148
3	Town Committee Kashmore	7	8.815
4	District Council Shikarpur	4	0.190
Total			45.142

Audit was of the view that award of contracts to unregistered contractors was irregular which indicated weak internal controls.

The matter was reported to the management in March and May 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 19-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2019-20 and 2018-19 vide para numbers 5.5.3.4, 7.2.2.21 and 8.2.2.7 having financial impact of Rs20.031 million, Rs20.325 million and Rs35.250 million respectively. Recurrence of same irregularity is a matter of serious concern.

5.5.3.4 Unjustified outsourcing of municipal services - Rs2.683 Million

As per Schedule-II (Section 72-3) Part-II, Compulsory Function of Sindh Local Government Act-2013, stipulates that a Corporation, Municipal Committee or Town Committee shall make adequate arrangements for the removal of refuse from all public streets, public latrines,

urinals, drains and all buildings and lands vested in the Council concerned and for the collection and proper disposal of such refuse.

During audit of Town Committee Warah, Larkana Division, for the financial year 2021-22, it was observed that the management incurred expenditure of Rs2.683 million on sanitation services outsourced through private contractors instead of utilizing services of 146 own sanitation staff available in the town committee as detailed below.

[Amount in Rs.]

Sr. No:	Cheque No: & Date	Name of Contractor	Amount
1.	32378728/ 14-07-21	M/s M.Nawaz Khuhawar	250,087
2.	32378730/ 14-07-21		250,087
3.	32378718/ 14-07-21		241,195
4.	32378726/ 14-07-21		233,415
5.	32378724/ 14-07-21		233,415
6.	35194556/ 08-03-22	M/s Imran Hussain	248,976
7.	35194551/ 08-03-22	M/s Mumtaz	248,976
8.	35194552/ 08-03-22		248,976
9.	35194571/ 01-04-22	M/s M.Nawaz Khuhawar	242,550
10.	35194572/ 01-04-22		242,550
11.	35194573/ 01-04-22		242,550
Total			2,682,777

Audit was of the view that incurring of expenditure on outsourcing of municipal services through private contractors despite availability of own sanitary staff was unjustified which indicated poor management.

The matter was reported to the management in June 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter

dated 19-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2019-20 and 2018-19 vide para numbers 7.2.2.14 and 8.2.2.9 having financial impact of Rs40.739 million and Rs24.970 million respectively. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 4]

5.5.3.5 Execution of schemes without approval of competent forum
Rs334.932 Million

Rule 2.22 of SPPRA Guidelines / Regulations for Procurement of Works 2010 states that PC-I & PC-II of the schemes/projects prepared by the administrative department is required to be placed before the Development Working Party /committee according to the cost /competency of the forum as enumerated below:

Sr. No.	Competent Forum	Cost of Scheme up to
1	District Development Working Committee (DDWC)	Rs 20 million
2	Departmental Development Working Party (DDWP)	Rs 40.00 million
3	Provincial Development Working Party (PDWP)	Rs 5.00 billion
4	Central Development Working Party (CDWP)	Rs One billion
5	Executive Committee of the National Economic Council (ECNEC). After clearance from CDWP	Above Rs One billion

During audit of District Council Jacobabad, Larkana Division, for the financial year 2022-23, it was observed that the management awarded various development works amounting to Rs334.932 million without approval of Provincial Development Working Party (PDWP), in violation of SPPRA regulations. Detail is at **Annex-LRK3**.

Audit was of the view that execution of schemes without obtaining approval from the competent forum was violation of SPPRA regulations which indicated weak internal controls.

The matter was reported to the management in December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 3]

5.5.3.6 Award of works without execution of agreements - Rs106.058 Million

Clause (iii) and (iv) of Para 7.12.3 of Sindh Public Procurement Authority Regulation for Procurement of Works, stipulates that within 28 days of receipt of the letter of acceptance, the procuring agency will send all copies of the contract to the bidder, with a covering letter or contractor shall attend the offices of the procurement agency for the purpose of signing the agreement duly stamped at the rate of 35 Paisa/100 rupees of the contract value (as amended and updated by the Government from time to time and which shall be borne by the contractor). Failure to sign the agreement shall lead to cancellation of the award and forfeiture of the bid security.

During audit of District Council Jacobabad, Larkana Division, for the financial year 2022-23, it was observed that the management awarded contracts for Construction of Paving Block / Tuff Tiles with Edge Wall and CC Drain in various Union Councils of District Jacobabad amounting to Rs106.058 million without executing contract agreements with the contractors. Further, government also sustained loss of Rs0.371 million on account of stamp duty. Detail is as under:

[Amount in Rs.]

Sr. No.	Name of work	Name of contractor	Contract Amount	Stamp Duty
1.	Construction of Paving Block / Tuff Tile with Edge Wall and CC Drain at UC Doda Pur, UC Muhammad Pur Odho, UC Allahabad, UC Miranpur & UC Sheran Pur Taluka Garhi Khairo District Jacobabad	M/S Bin Muhammad Enterprises	44,821,324	156,875
2.	Construction of Paving Block / Tuff Tile with Edge Wall and CC Drain at UC Mirpur Buriro, UC Jounge, UC Bachro & UC Dinpur Taluka Thul District Jacobabad	M/S New Ali Nawaz Buriro	41,814,493	146,351
3.	Construction of Paving Block / Tuff Tile with Edge Wall at UC Garhi Hassan, UC Jaariyoun, UC Misripur, UC Toj & UC Kareem Bux Taluka Thull District Jacobabad	M/s. S.S Baloch	19,422,256	67,978
Total			106,058,073	371,204

Audit was of the view that non-execution of contract agreements was violation of the rules. The government also sustained loss of revenue in the shape of stamp duty which indicated poor financial management and weak internal controls.

The matter was reported to the management in December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2019-20 vide para number 7.2.2.11 having financial impact of Rs101.033 million. Recurrence of same irregularity is a matter of serious concern.

5.5.3.7 Irregular procurement of electrical material - Rs3.626 Million

Rule 48 of Electricity Rules, 1937, states that all Government and Semi Government departments are bound to award contracts of electrical installation works to the contractors holding valid government electrical contractor license.

Further, S.No.(18) of Schedule of Rule 5(1) of Sindh Local Councils (Property) Rules 2017, requires that register of street light points and lamp posts in Form P-XVIII shall be maintained.

During audit of Municipal Committee Jacobabad, Larkana Division, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs3.626 million on the procurement of electrical material. Detail is as under:

[Amount in Rs.]

Sr. No	Particulars	Name of Payee	Cheque No.	V # & Date	Amount
1	Supply of electric material	M/s. Al-Riaz	37009372	57 / 05/09/2022	276,300
2			37453266	191 / 09/09/2022	293,000
3			37453266	192 / 09/09/2022	293,000
4			37453266	193 / 09/09/2022	293,000
5			37453266	194 / 09/09/2022	293,000
6		M/s. Al-Farhan Ali	38388579	189 / 20/12/2022	268,000
7			38388579	190 / 20/12/2022	268,000
8			38388579	191 / 20/12/2022	268,000
9			38388579	192 / 20/12/2022	268,000
10			38388579	193 / 20/12/2022	254,000
11		M/s. Al-Riaz	38491605	45 / 06/02/2023	298,500
12			39413333	169 / 18/04/2023	254,300

[Amount in Rs.]

Sr. No	Particulars	Name of Payee	Cheque No.	V # & Date	Amount
13			39874498	321 / 28/04/2023	298,800
Total					3,625,900

Following irregularities were noticed:

- i. Electric material was purchased without any indent/demand by Store Keeper/In charge.
- ii. Purchases were made on quotation basis by splitting up procurement.
- iii. Location for installation of purchased electric material was not recorded.
- iv. Inspection of street lights material for ascertaining their quality and quantity was not done.
- v. The purchased material was not accounted for in the stock register record was also not maintained.

Audit was of the view that procurement of electrical material without observing codal requirements was irregular and indicated weak internal controls.

The matter was reported to the management during November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: .4]

5.5.3.8 Non-imposition of liquidated damages - Rs2.560 Million

As per Para 10.3 of Sindh Public Procurement Regulatory Authority Guidelines 2013, “If the contractor fails to comply with time for completion mentioned in bid data except the conditions mentioned above, then procuring agency can penalize the contractor by adopting any one of the prescribed courses provided under clause (c) 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 following Local Councils of Larkana Division, for the financial year 2021-22, it was observed that the management awarded various works of Rs51.200 million but the contractors failed to complete the works within stipulated period. However, the liquidated damages amounting to Rs2.560 million @ 5% of contracts value were not imposed. Detail is at **Annex-LRK4**.

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	Contract Amount	Liquidity damages @ 5%
1	Town Committee Tangwani	2	49.700	2.485
2	Municipal Committee Kandhkot	2	1.500	0.075
Total			51.200	2.560

Audit was of the view that due to non-imposition of liquidated damages undue favor was extended to the contractors which indicated weak financial management and internal controls.

The matter was reported to the management in April and May 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 19-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit seeks justification in the matter.

5.5.4 Recoveries related issues

5.5.4.1 Non-recovery of outstanding dues - Rs123.917 Million

As per Section 100 (2), Chapter-X of Sindh Local Government Act 2013, “All arrears of taxes, rates, tolls and fees and other moneys claimable by a Council under this Act shall be recoverable as arrears of land revenue through Government agency or by the Council authorized by Government for such recovery through such employees or class of employees of the Council as may be prescribed”.

Further, Section 41(a), Chapter-3 of Sindh Financial Rules Volume-1, stipulates that 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 claiming credit for so much paid into the treasury and compare with the figures in the statements supplied by the comptroller.

During audit of following Local Councils of Larkana Division, for the financial years 2021-22 and 2022-23, it was observed that the management did not recover the outstanding dues of Rs123.917 million on account of rent of shops, local cess, animal/mall piri fee, market fee and cabin piri, etc., from defaulters as detailed below.

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	F. Y.	Outstanding dues as of 30-06-2023
1	Town Committee Kashmore,	5	2021-22	0.768
2	District Council Larkana	8	2022-23	44.164
3	Municipal Committee Shikarpur	4		34.729
4	District Council Shikarpur	8		22.951

5	Municipal Committee Jacobabad	7		9.308
6	Larkana Municipal Corporation	2		7.379
7	Municipal Committee Ratodero	2		2.696
8	Municipal Committee Kandhkot	11		1.708
9	District Council Jacobabad	8		0.214
Total				123.917

Audit was of the view that non-recovery of outstanding dues indicated weak financial management.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20, and 2018-19 vide para numbers 5.5.4.2, 5.5.4.1, 5.4.2.2, 7.2.2.1 and 8.2.2.1 having financial impact of Rs68.657 million, Rs41.410 million, Rs56.228 million, Rs67.182 million and Rs20.615 million respectively. Recurrence of same irregularity is a matter of serious concern.

5.5.4.2 Non-deduction of government taxes - Rs23.806 Million

As per Section 153 of Income Tax Ordinance, 2001 read with Income Tax Rules, 2002, "Payment on account of supply of goods and rendering of services are subject to deduction of income tax at source @ 4.5% and 7.5% respectively". Moreover, Section 236A(1) ibid stipulates that any person making sale by public auction[or auction by a tender] of any property or goods either belonging to or not belonging to the Government, local Government, any authority, a company, under sub-clause (vi) of clause (b) of Sub-section-2 of Section 80, or any other authority shall collect advance tax @10% sale price of such property.

Further, according to Section 3(1) of Sales Tax Act 1990, as amended upto July 2015, "There shall be charged, levied and paid a tax known as sales tax at the rate of 17% of the value of (a) taxable supplies made by a registered person".

Furthermore, Section 8(1) of Sindh Sales Tax on Services Act 2011, stipulates that taxable services shall be charged, levied and collected for a tax, known as sales tax, on the value of a taxable service at the specified rate.

During audit of following Local Councils of Larkana Division, for the financial years 2021-22 and 2022-23, it was observed that the management did not deduct/recover income tax, Sindh sales tax on services, general sales tax and advance tax amounting to Rs23.806 million from payments made to various contractors, suppliers and employees. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	F.Y.	IT	Advance Tax	GST	SST	Taxes not deducted
1	Town Committee Naseerabad	6	2021-22	-	-	-	0.584	0.584
2	Town Committee Mirokhan	3-7		-	-	0.079	0.438	0.517
3	Town Committee Dokri	2-4		-	-	0.139	0.147	0.286
4	Town Committee Garhi Khairo	8		0.195	-	-	-	0.195
5	District Council Shikarpur	2 & 6	2022-23	9.923	-	1.206	-	11.129
6	Larkana Municipal Corporation	3		-	2.755	-	3.582	6.337
7	District Council Larkana	7		-	-	-	2.052	2.052
8	Municipal Committee Shikarpur	7		-	0.609	-	0.792	1.401
9	Municipal Committee Shikarpur	8		-	-	1.305	-	1.305
Total				10.118	3.364	2.729	7.595	23.806

Audit was of the view that non-deduction/recovery of taxes was loss to public exchequer which reflected weak financial management and internal controls.

The matter was reported to the management from May 2023 to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20, and 2018-19 vide para numbers 5.5.4.3, 5.5.4.3, (5.4.2.3, 5.4.2.6 & 5.4.2.7), 7.2.2.2 and 8.2.2.2 having financial impact of Rs4.925 million, Rs7.287 million, Rs52.137 million, Rs23.588 million and Rs23.364 million respectively. Recurrence of same irregularity is a matter of serious concern.

5.5.4.3 Less deduction of government taxes - Rs2.120 Million

As per Section 153 of Income Tax Ordinance, 2001 read with Income Tax Rules, 2002, “Payment on account of supply of goods and rendering of services are subject to deduction of income tax at source @ 4.5% and 7.5% respectively”.

Further, Section 8(1) of Sindh Sales Tax on Services Act, 2011, stipulates that taxable services shall be charged, levied and collected for a tax, known as sales tax, on the value of a taxable service at the specified rate.

During audit of following Local Councils of Larkana Division, for the financial year 2022-23, it was observed that the management paid Rs66.833 million to various contractors, but deducted less amount of income tax and Sindh sales tax on services from the bills of contractors amounting to Rs2.120 million as detailed below.

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	Expenditure Incurred	IT	SST	Total
1	Municipal Committee Jacobabad	8	41.708	1.043	-	1.043
2	Municipal Committee Kandhkot	7	18.704	0.748	-	0.748
3	District Council Shikarpur	4	2.100	0.053	0.168	0.221
4	Municipal Committee Ratodero	4	4.321	0.108	-	0.108
Total			66.833	1.952	0.168	2.120

Audit was of the view that undue favour was extended to the contractors by less deduction of taxes which resulted into loss to public exchequer due to weak financial management.

The matter was reported to the management from November to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

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

5.5.4.4 Non-deposit of taxes into public exchequer - Rs135.978 Million

Section 160 of Income Tax Ordinance, 2001, as amended vide Finance Act 2002, stipulates that any tax that has been collected or purported shall be paid to the Commissioner by the person making the collection or deduction within the time and in the manner as may be prescribed.

Further, according to Rule 41(a), Chapter-3 of Sindh Financial Rules Volume-1, “The departmental controlling officers should see that all sums due to government are regularly received and checked against demands and that they are paid into the treasury”.

During audit of various Local Councils of Larkana Division, for the financial years 2021-22 and 2022-23, it was observed that the management deducted an amount of Rs135.978 million on account of income tax and Sindh sales tax on services from the bills of contractors but failed to deposit the same into public exchequer. Detail is at **Annex-LRK5**.

Audit was of the view that non-deposit of collected taxes into public exchequer indicated poor financial management and weak internal controls.

The matter was reported to the management from March to December 2023. The management of Municipal Committee, Thul replied that taxes have been deducted and paid to concerned authority. Reply was not tenable as provided copies of challans and cheques in respect of tax deposited by the council did not pertain to the figures pointed out by audit, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit recommends depositing of the amount of deducted taxes into public exchequer, besides fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, and 2018-19 vide para numbers 5.5.4.1, 5.5.4.2, 5.4.2.1 and 8.2.2.10 having financial impact of Rs92.618 million, Rs36.900 million, Rs85.408 million and Rs20.195 million respectively. Recurrence of same irregularity is a matter of serious concern.

5.5.5 Value for money and service delivery issues

5.5.5.1 Irregular expenditure on de-silting and disposal of garbage Rs42.913 Million

As per Schedule-II (Section 72-3) Part-II Compulsory Function of Sindh Local Government Act-2013, stipulates that a Corporation, Municipal Committee or Town Committee shall make adequate arrangements for the removal of refuse from all public streets, public latrines, urinals, drains and all buildings and lands vested in the Council concerned and for the collection and proper disposal of such refuse.

During audit of following Local Councils of Larkana Division, for the financial year 2021-22, it was observed that the management incurred an expenditure of Rs42.913 million on de-silting of drain/nallahs/ponds and lifting of garbage from the limits of towns. Detail is as under.

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	Amount
1	Municipal Committee Thul	4	19.810
2	Town Committee Tangwani	3	17.634
3	Town Committee Mirokhan	2	5.469
Total			42.913

Following discrepancies were noticed:

- i. Contract agreement was not executed with contractors.
- ii. Starting and ending point of locations were not identified.
- iii. Rate analysis of works was not available in the record.
- iv. Work was split up into parts to avoid calling tender and constitution of procurement committee.
- v. No officer was deputed to monitor the progress of lifting of silt and garbage removal.
- vi. Satisfactory work completion report was not obtained.

Audit was of the view that incurrence of expenditure on collection, removal and disposal of silt and garbage without supporting record was irregular which indicated weak internal controls.

The matter was reported to the management in May and June 2023. The management of Municipal Committee, Thul replied that as per Sindh Local Government Act it was the responsibility of the Municipal Committee for removal and disposal of garbage. The sanitation work was outsourced for desilting and cleaning of drains. The reply was not tenable as the management of MC, Thul have submitted irrelevant reply, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 19-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

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

Note: The issue was reported earlier also in the Audit Report for Audit Year 2018-19 vide para number 8.2.2.11 having financial impact of Rs18.317 million. Recurrence of same irregularity is a matter of serious concern.

5.5.6 Other issues

5.5.6.1 Less realization of targeted receipts - Rs237.625 Million

Section 100 (1) of Sindh Local Government Act 2013, states that unless otherwise provided, all taxes, rates, tolls and fees levied under this act shall be collected in the prescribed manner by the persons authorized for such collection: provided that where any tax, rate, toll or fee levied by a Council is also levied by Government, such tax, rate, toll or fee shall be collected with Government tax, and the proceeds thereof be credited to the local fund of the Council.

During audit of following Local Councils of Larkana Division, for the financial years 2021-22 and 2022-23, it was observed that the management did not take appropriate measures to realize revenue targets of Rs237.625 million from various heads i.e. rent of shops, water tax, nali tax, property tax, cattle piri fees, sabzi mundi fees, katchi piri fees, parking fees, slaughtering fees, certificate fee, NOC/Approval fees, licensing Fee etc. Detail is as follows:

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	F.Y.	Target Receipts	Actual Receipt	Shortfall
1	Town Committee Qubo Saeed Khan	6	2021-22	104.452	-	104.452

2	Municipal Committee Shahdadkot	7		44.357	8.288	36.069
3	Town Committee Kashmore	6		35.074	21.68	13.394
4	Municipal Committee Kandhkot	7		13.149	2.886	10.263
5	Town Committee Warah	5		7.036	1.138	5.898
6	Town Committee Tangwani	8		10.246	6.072	4.174
7	Town Committee Gouspur	6		3.685	0.093	3.592
8	Town Committee Garhi Khairo	6		0.886	0.412	0.474
9	Municipal Committee Kamber	3	2021-22 and 2022-23	65.100	30.683	34.417
10	Larkana Municipal Corporation	13		54.342	39.849	14.493
11	Municipal Committee Ratodero	5	2022-23	6.470	0.825	5.645
12	Municipal Committee Kandhkot	4		5.154	0.400	4.754
Total				349.951	112.326	237.625

Audit was of the view that due to less-realization of revenue targets, the councils were deprived of legitimate revenue which indicated poor financial management.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit recommends fixing responsibility on the person(s) at fault for non-achievement of revenue targets.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2019-20, and 2018-19 vide para numbers 5.5.5.1, 5.5.4.4, 7.2.2.13 and 8.2.2.6 having financial impact of Rs139.255 million, Rs1.070 million, Rs59.929 million and Rs51.323 million respectively. Recurrence of same irregularity is a matter of serious concern.

5.5.6.2 Irregular expenditure without approved budget - Rs655.800 Million

As per Section 110 (1) of Sindh Local Government Act 2013, the council shall in prescribed manner, prepare and sanction before the commencement of each financial year a statement of its estimated receipts and expenditure for that year, hereinafter referred to as budget, and forward a copy thereof to the Government.

During audit of following Local Councils of Larkana Division, for the financial year 2021-22, it was observed that the management incurred expenditure amounting to Rs655.800 million under various head of accounts without approval of budget by the competent authority as detailed below.

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	Description of Budget Heads	Amount
1	Municipal Committee Shahdaskot	6	Pay & allowances, contingencies and development	242.125
2	Town Committee Khanpur	6	Pay & allowances and contingencies	102.305
3	Town Committee Qubo Saeed Khan	5	Pay & allowances, contingencies and development	95.807
4	Town Committee Ghari Yaseen	6	Pay & allowances and contingencies	70.941
5	Town Committee Ghouspur	5	Pay & allowances, contingencies and development	66.819
6	Town Committee Tangwani	10	Pay & allowances and contingencies	51.600
7	Town Committee Buxapur	5		26.203
8	Town Committee Lakhi	10		-
Total				655.800

Audit was of the view that incurring of expenditure without approved budget was unauthorized which indicated poor financial management.

The matter was reported to the management from April to June 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 19-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2018-19 vide para number 8.2.2.3 having financial impact of Rs415.133 million. Recurrence of same irregularity is a matter of serious concern.

5.5.6.3 Unauthorized payment of garbage collection to irrelevant person Rs0.294 Million

Rule 4, Part-I of Sindh Public Procurement Rules, 2010, states that 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 District Council Shikarpur, Larkana Division, for the financial year 2022-23, it was observed that work “Removal/shifting of de-silted debris/garbage from various sites of UC Mureed Sethar, District Shikarpur” was awarded to M/s Syed Waqar Ali Shah Naqvi on 23-02-2023. However, the payment of Rs0.294 million was made to irrelevant person named M/s Salahuddin vide cheque No.3922819 dated 14-04-2023, instead of contractor M/s Syed Waqar Ali Shah Naqvi.

Audit was of the view that issuance of contract payment to irrelevant person was doubtful which indicated poor financial management and weak internal controls.

The matter was reported to the management in December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

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

[AIR Para: 3]

5.5.6.4 Non-utilization of funds for municipal services - Rs11.355 Million

As per Section 116(7), Chapter-XII of Sindh Local Government Act, 2013, “Every Member or Employee of a Council and every person, charged with the administration of the affairs of a Council, or acting on behalf of a Council shall be personally liable for the loss, waste, misapplication or unauthorized application of any moneys or property belonging to the Council which is a direct consequence of his negligence or misconduct, and the liability of such member, employee or person shall be determined by Government in the prescribed manner”.

During audit of following Local Councils of Larkana Division, for the financial year 2021-22, it was observed from the bank statement that closing balance as on 30th June 2022 was Rs11.355 million. Due to non-utilization of funds by the management, the general public was deprived of various municipal services e.g. public health, recreational facilities, drainage, street lights etc. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	Amount
1	Town Committee Lakhi	2	6.943
2	Town Committee Ghari Yaseen	5	4.412
Total			11.355

Audit was of the view that non-utilization of funds till close of financial year showed inefficiency of the management which indicated poor financial management.

The matter was reported to the management in June 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 19-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit seeks justification in the matter.

5.5.6.5 Irregular payment on clearance of previous liability - Rs5.705 Million

Finance Department, GoS O.M No.FD/B&E-I/51/2007 dated 02-07-2007, stipulates that liability of previous years shall not be allowed to be cleared unless concurrence is given by Finance Department (FD).

Further, as per approval of budget by Secretary Local Government Department vide Letter No.SO-I(LG)/02-48/2017 N.F dated 01-10-2021, "No liabilities of previous year will be cleared from yearly budget without approval of Local Govt. Department."

During audit of following Local Councils of Larkana Division, for the financial year 2021-22, it was observed that the management incurred an expenditure of Rs5.705 million on clearance of liabilities pertaining to financial years 2019-20 and 2020-21 without the approval of Finance Department and Local Government Department, Government of Sindh. Detail is at **Annex-LRK6**.

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	Amount
1.	Municipal Committee Kandhkot	5	3.138
2.	Town Committee Dokri	11	1.364
3.	Town Committee Mirokhan	12	1.203
Total			5.705

Audit was of the view that clearance of liability of the previous financial years without approval of Finance Department and administrative department was irregular and indicated weak financial management.

The matter was reported to the management in April and May 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit seeks clarification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2019-20 vide para number 7.2.2.19 having financial impact of Rs24.291 million. Recurrence of same irregularity is a matter of serious concern.

5.5.6.6 Non-deduction of security deposit - Rs1.845 Million

According to Rule-39, Part-II of Sindh Public Procurement Rules, 2010, "Procuring agency shall, in all procurement 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 of sufficient to protect the procuring agency in case of breach contract by the contractor or supplier or consultant, provided that amount shall not be more than 10% of contract price".

During audit of Municipal Committee Thul, Larkana Division, for the financial year 2021-22, it was observed that management awarded contract of sanitation services for Rs18.448 million to M/S Din Muhammad Enterprises but did not deduct Security deposit of Rs1.845 million @ 10%, from the bills. Detail is at **Annex-LRK7**.

Audit was of the view that security deposit was not deducted to safeguard the government interest which indicated that undue favour was extended to the contractor.

The matter was reported to the management in June 2023. The management replied that security deposit has been deducted from bills of the contractor. The reply was not tenable as management failed to provide documentary evidence in support of reply. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 19-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

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

[AIR Para: 5]

5.5.6.7 Unauthorized creation of liability - Rs34.269 Million

According to Section 105(1), Chapter-XI of Sindh Local Government Act-2013, “A Council shall not incur any debt nor borrow any money or give any guaranty without prior approval of Government.” Further, Section 106(2) *ibid*, “The moneys credited to the Local Fund shall be applied in the order; firstly, in the payment of salaries and allowances to the employees of the Councils”.

Further, according to Finance Department, Government of Sindh, Instruction regarding Payment of Liabilities by Local Bodies in Sindh vide No.FD.SO(LF-I)Misc/(171)2013 dated: 13th August 2013, Para-01 “it was communicated through instruction from time to time to all Local Councils/District Councils. Defunct TMAs that the salaries and Pension of the employees is the first charge from the OZT funds released by Finance Department”.

During audit of following Local Councils of Larkana Division, for the financial years 2021-22 & 2022-23, it was observed that the management created liability amounting to Rs34.269 million under the heads of employees related expenditure and contingencies and put extra burden over council funds. Creation of liability under the head of employees related expenditure showed that payments were made by giving priority to contingent payments in violation of rule / instructions. Further, creation of liability under the head of contingencies showed that management made expenditure without provision of OZT/release. Detail is at **Annex-LRK8**.

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	F. Y	Amount
1	Municipal Committee Kamber	6	2021-22 and 2022-23	18.000
2	Municipal Committee Ratodero	6	2022-23	8.400
3	District Council Larkana	11		7.869

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	F. Y	Amount
Total				34.269

Audit was of the view that creation of liability under various heads indicated poor financial management and weak internal controls.

The matter was reported to the management from November to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2019-20 vide para number 7.2.2.31 having financial impact of Rs1.668 million. Recurrence of same irregularity is a matter of serious concern.

5.5.6.8 Non-revision of rent of shops and properties at fair value

Rule 9(1) of Sindh Rental Premises Ordinance 1979, stipulates that where the fair rent of any premises has been fixed, no further increase thereof shall be effected unless a period of three years has elapsed from the date of such fixation or commencement of this ordinance whichever is later. Further, Rule 9(2) ibid states, “The increase is allowed @ 10% per annum on the existing rent”.

During audit of following Local Councils of Larkana Division, for the financial years 2021-22 and 2022-23, it was observed that the management rented out different shops and properties to various tenants but did not revise rent of various tenants since many years, resulting into loss of legitimate revenue to the councils. The record of allotments was also not provided; hence the actual period of tenancy could not be ascertained as detailed below:

Sr. No.	Name of Entity	AIR Para	No of Properties
1	Municipal Committee Shahdadkot	8	191
2	Town Committee Ghouspur	7	1
3	District Council Larkana	21	47
4	Municipal Committee Ratodero	11	239
5	Municipal Committee Kandhkot	9	159

Audit was of the view that non-revision of rent of properties was a loss to the Councils which reflected poor financial management.

The matter was reported to the management from April to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit recommends revision of rent of shops and other properties at fair value.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21 and 2018-19 vide para numbers 5.5.5.4, 5.5.4.5, 5.4.2.4 and 8.2.2.14 respectively. Recurrence of same irregularity is a matter of serious concern.

5.5.6.9 Irregular expenditure without supporting vouchers - Rs10.549 Million

As per Rule-23, Chapter-2 of Sindh Financial Rules Vol-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 Town Committee Lakhi, Larkana Division, for the financial year 2021-22, it was observed from the bank statement that management incurred expenditure of Rs10.549 million without supporting vouchers and documents. Detail is at **Annex-LRK9**.

Audit was of the view that due to non-availability of relevant supporting vouchers, the expenditure incurred could not be verified.

The matter was reported to the management in June 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 19-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2019-20 and 2018-19 vide para numbers 7.2.1.2 and 8.2.1.2 having financial impact of Rs89.574 million and Rs62.259 million respectively. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 5]

5.5.6.10 Non-maintenance of property record

Rule 3(1), Chapter-1 of Sindh Local Councils (Property) Rules, 2017, stipulates that the Mayor or Chairman, as the case may be, shall take such steps as may be necessary to ensure that the property vested in the Council is managed and maintained in the best interest of the public for the purposes of the Act, the rules and the bye-laws made thereunder.

Further, S.No.(1) of Schedule of Rule 5(1) of Sindh Local Councils (Property) Rules 2017, requires that register of immovable property in Form P-I shall be maintained and Rule 5(2) requires that a Council shall provide at least 10% of its development budget for the maintenance and repairs of its immovable property regularly.

During audit of following Local Councils of Larkana Division, for the financial year 2022-23, it was observed that the management failed to maintain property record as mentioned in schedule of Sindh Local Councils (Property) Rules, 2017. The management also failed to allocate

at least 10% of its development budget for the maintenance and repair of immovable property of the Council in violation of above rules.

Sr. No.	Name of Entity	AIR Para	F.Y.
1	Town Committee Kashmore	13	2021-22
2	Town Committee Guddu	9	
3	Town Committee Tangwani	9	
4	Town Committee Mirokhan	17	
5	Town Committee Dokri	15	
6	District Council Kashmore	10	2022-23
7	District Council Larkana	22	

Audit was of the view that management failed to comply with the prescribed rules for maintenance of property record which indicated weak internal controls. Besides, chances of encroachment could not be ruled out.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit recommends maintenance of required property record at the earliest on the prescribed format.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 5.5.5.2. Recurrence of same irregularity is a matter of serious concern.

5.5.6.11 Unauthorized expenditure over and above the budget allocation Rs106.959 Million

According to Rule 75(1) of Sindh Council Budget Rules, 1985, “Every disbursing officer shall be responsible for watching expenditure incurred against supply communicated to him (2) No expenditure shall be incurred without necessary appropriation or in excess incurred of the sanction appropriation (3) No money shall be incurred without necessary appropriation simply because it is available (4) Expenditure shall be watched and controlled not with a view to adapting the appropriations to the expenditure but the expenditure to appropriations”.

During audit of following Local Councils of Larkana Division, for the financial year 2022-23, it was observed that management incurred an expenditure of Rs106.959 million over and above the allocated budget, in violation of above rule. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	Budget Allocation	Actual Expenditure	Excess
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1	Larkana Municipal Corporation	14	127.500	214.367	86.867
2	Municipal Committee Shikarpur	9	36.500	56.592	20.092
Total			164.000	270.959	106.959

Audit was of the view that incurrence of expenditure over and above the budget allocation was violation of the rules which indicated poor financial management and weak internal controls.

The matter was reported to the management from October to November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks clarification in the matter.

5.5.6.12 Non-maintenance of POL record - Rs101.800 Million

As per Rule- 20 of the Staff Car Rules 1980, as amended in 2001, “The Log Book, History Sheet, and Petrol Account Register shall be maintained for each official vehicle”.

Further, according to Rule 159(4) of the Sindh Local Council (Accounts) Rules, 1983 “A council vehicles shall not be driven except by a driver appointed by the competent authority, for the vehicle. Every person using a council vehicle shall make and sign entries in the Petrol and lubricant account in Form No. 116 and in Log Book of the vehicle kept in the custody of the driver. Log book shall be maintained in Form No. 117”.

During audit of following Local Councils of Larkana Division, for the financial years 2021-22 and 2022-23, it was observed that management incurred an expenditure of Rs101.800 million on POL for official vehicles and machinery but did not maintain of petrol account register, history sheet, log book of each vehicle, tour program/diary of official vehicles. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	F.Y.	Amount
1	Municipal Committee Shikarpur	10	2022-23	36.414
2	Municipal Committee Kandhkot	3		22.839
3	Municipal Committee Kamber	4	2021-22 and 2022-23	14.624

4	Municipal Committee Ratodero	7	2022-23	12.538
5	District Council Kamber	4		8.154
6	Municipal Committee Jacobabad	10		6.102
7	District Council Larkana	10		1.129
Total				101.800

Audit was of the view that incurrence of expenditure on account of POL without maintenance of relevant prescribed record indicated weak internal controls.

The matter was reported to the management from November to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends fixing responsibility on the person(s) at fault for incurring expenditure without maintaining supporting record.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2019-20 vide para number 7.2.2.6 having financial impact of Rs154.858 million. Recurrence of same irregularity is a matter of serious concern.

5.5.6.13 Non-maintenance of stock registers - Rs42.828 Million

According to Rule-25(1) of Sindh Local Councils (Accounts) Rules, 1983, "Every officer or servant of the Council in charge of stocks of articles or materials kept for issue other than stamps shall maintain a stock register (in Form No.16) in which shall be entered every transaction effecting such stocks and separate pages of the register shall be assigned to different classes of stocks."

During audit of following Local Councils of Larkana Division, for the financial years 2021-22 and 2022-23, it was observed that management incurred an expenditure of Rs42.828 million on the purchase of fumigation & dewatering machines, diesel engines, fibber tanks, solar panels, electrical articles, sanitation material, PVC, RCC & delivery pipes, stationery, fumigation chemical, tyres, lime powder, valves, food items, etc., but did not maintain stock registers. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	F.Y.	Amount
1	District Council Larkana	15	2022-23	11.893
2	Municipal Committee Jacobabad	12		11.786
3	District Council Jacobabad	11		6.909

4	Municipal Shikarpur Committee	15		5.928
5	Municipal Committee Kamber	9	2021-22 and 2022-23	2.573
6	Municipal Ratodero Committee	9	2022-23	2.029
7	District Council Kamber	6		1.325
8	District Council Shikarpur	7		0.385
Total				42.828

Audit was of the view that non-maintenance of stock register indicated weak internal controls, besides misuse of funds as well as procured items could not be ruled out.

The matter was reported to the management from November to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit recommends that stock register may be maintained on the prescribed format.

5.5.6.14 Irregular award of auctions - Rs6.095 Million

Notification No.SOA/LG/4(82)/2013 dated 03-05-2016, issued by Local Government Department, Government of Sindh, stipulates that the auction committee comprising the following shall supervise the process of various auctions of Municipal Committees.

Director Local Government
Chairman

Assistant Director Local Government
Member

Chief Executive of the Council concerned Member

Taxation officer

Member/Secretary

Accounts Officer

Member

During audit of Municipal Committee Shikarpur, Larkana Division, for the financial year 2022-23, it was observed that the management awarded auctions of Rs6.095 million for collection rights of different fees i.e., park entry fee, trade license fees, grass fee, signboard fees, Tah-Bazari fee, etc., without participation of concerned external members of the committee, i.e., Director and Assistant Director, Local Government Department, in violation of above notification. Detail is as under:

[Amount in Rs.]

Sr. No.	Description	Name of contractor	Awarded at cost of
1.	Tah-Bazari Fee	Waseemuddin	2,770,000
2.	Sign board fees	Masood Ahmed	950,000
3.	Generator fee	Qureshi	325,000
4.	Liaquat Park entry fee	Mr. Arslan Ahmed	650,000
5.	Parking fees	Ghulam Ali Soomro	540,000
6.	License on trade	Altaf Hussain Shaikh	500,000
7.	Grass Fee	Junaid Ahmed	360,000
Total			6,095,000

Audit was of the view that award of auctions without participation of external members of the committee was irregular which indicated weak internal controls.

The matter was reported to the management in November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks clarification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2019-20, 2018-19 vide para numbers 5.5.3.11, 7.2.2.17 and 8.2.2.12 having financial impact of Rs17.418 million, Rs36.155 million and Rs11.760 million respectively. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 14]

5.5.6.15 Non-vacation of encroached property of council

According to Section 145, Chapter-XIV of Sindh Local Government Act, 2013, "Encroachments shall be dealt with in accordance with the provisions of the laws relating to removal of encroachments".

During audit of District Council Larkana, Larkana Division, for the financial year 2022-23, it was observed that the properties of District Council were encroached but the management failed to vacate occupation/ encroachment from the council's property. Detail is as under:

Sr. No.	Detail of property	Encroached by	Remarks
01	Office accommodation of District Council Larkana	National Database & registration Authority (NADRA) Zone-IV Larkana	Encroached since 01.06.2014 (office issued notice vide No. DCL/Tax/2022/02 Dt. 11.01.22) for deposit of rent amounting to Rs5.400 million @ 50,000/

Sr. No.	Detail of property	Encroached by	Remarks
			Per Month w.e.f 01.06.2014 to 30.06.2023 and vacate the office accommodation.
02	Agriculture land/plot situated on Dokri-Gujhar road opposite Dokri Agriculture farm	Private Personnel	Office Issued Notice vide No. DCL/Estt/2022/60 Dt. 24.02.2022 to vacate the property.
03	Residential Quarter in premises of District Council Larkana	Mr. Waheed Ali Depar, Junior Clerk	Office issued notice vide No. DCL/Estt/2021/42 Dt. 08.02.2022 to vacate the property.

Audit was of the view that non-vacation of council property from the encroachers reflected lack of interest on the part of management to safeguard government assets.

The matter was reported to the management during December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends vacation of council property from the encroachers on priority basis.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22 and 2019-20 vide para numbers 5.5.5.5, 5.5.5.1 and 7.2.2.38 respectively. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 19]

5.5.6.16 Unauthorized procurement of Dettol soap with ration bags Rs4.440 Million

The Deputy Commissioner, Shikarpur vide letter No. DC/SHP/GB/3234/2022 dated 24-08-2022 and No.3240 dated 25-08-2022 directed the management of District Council, Shikarpur to procure 60,000 ration bags containing following 9 items for rain affectees:

- | | |
|----------------|--------------|
| 1. Aata | 6. Chili |
| 2. Rice | 7. Tea |
| 3. Sugur | 8. Salt |
| 4. Daal chana | 9. Match Box |
| 5. Cooking oil | |

During audit of District Council Shikarpur, Larkana Division, for the financial year 2022-23, it was observed that the management procured Dettol soap amounting to Rs4.440 million as ration item which was not included in the approved items of ration bags by the Deputy Commissioner Shikarpur. Further, management failed to maintain stock and issue register for procured ration bags. Detail is as under:

[Amount in Rs.]

Sr. No	Description	Name of Supplier	Cheque No & Date	Gross amount of bill	Excess Expenditure for purchase of Dettol soap (small)
1	Purchase of 31600 ration bags	M/s Regional Manager Utility	35588949 dt 25.08.2022	111,927,200	2,338,400
2	Purchase of 28400 ration bags	Stores Corporation Shikarpur Region	35588950 dt 25.08.2022	100,292,800	2,101,600
Total				212,220,000	4,440,000

Audit was of the view that procurement of Dettol soaps was unauthorized which indicated poor financial management and weak internal controls.

The matter was reported to the management during December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 1]

5.5.6.17 Non-establishment of provident fund, pension fund, benevolent fund

As per Sindh Local Government Act, 2013, section 125 (a) (b) & (c), "Provident Fund and Social Insurance. (1) A Council may, establish and maintain: -

- Provident fund for the benefit of its servants, who shall contribute to such fund in such manner and proportion as may be prescribed.
- Pension fund from which pension, shall, in the prescribed manner, be paid to the servants of the Council;
- Benevolent fund, in the prescribed manner from which any special pension or gratuity, shall, in the prescribed manner be paid to the family of a servant of the Council, who dies of disease or injury contracted or suffered by him in the discharge of his officials' duties.

During audit of following Local Councils of Larkana Division, for the financial years 2021-22 and 2022-23, it was observed that the management failed to establish provident, pension and benevolent funds for the benefits of employees of the council.

Sr. No.	Name of Entity	AIR Para	Financial Year
1	Municipal Committee Thul	3	2021-22
2	Town Committee Mirokhan	18	
3	Town Committee Dokri	16	
4	Town Committee Garhi Khairo	3	
5	Larkana Municipal Corporation	17	2022-23
6	Municipal Committee Jacobabad	13	
7	Municipal Committee Shikarpur	17	
8	District Council Larkana	17	
9	District Council Jacobabad	12	2021-22 and 2022-23
10	Municipal Committee Kamber	11	
11	District Council Shikarpur	13	2022-23
12	Municipal Committee Ratodero	12	

Audit was of the view that non-establishment of mandatory funds indicated poor financial management and weak internal controls.

The matter was reported to the management from May to December 2023. The management of Municipal Committee Thul agreed with audit contention and replied that no any benevolent fund and general provident fund pertain to council had been established, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letters dated 19-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit recommends establishment of mandatory funds as per provision of the Sindh Local Government Act, 2013.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 5.5.2.6. Recurrence of same irregularity is a matter of serious concern.



Chapter-6: Local Councils, Sukkur Division

6.1 Introduction

Sukkur Division consists of 03 Districts namely Sukkur, Ghotki and Khairpur. Each Corporation / District Council / Municipal Committee / Town Committee in Sukkur Division is headed by Chairman / Municipal Commissioner /Chief Officer / Chief Municipal Officer/ Town officer who carries out operations as per Sindh Local Government Act-2013.

The functions of Local Councils are summarized below:

- i. Prepare development plans for the Town including plans for land use, zoning and functions for which Municipal Corporation/Committees is responsible.
- ii. Exercise control over land use, land subdivision, land development and zoning by public and private sectors for any purpose, including agriculture, industry, commerce markets, shopping and other employment centers, residential, recreation, parks, entertainment, passenger and transport freight and transit stations.
- iii. Enforce all municipal laws, rules and bye-laws governing Municipal Corporation/Committees functioning.
- iv. Prepare budget, long term and annual municipal development programs in collaboration with the Union Councils.
- v. Collect approved taxes, cess, user fees, rates, rents, tolls, charges, fines and penalties.
- vi. Manage properties, assets and funds vested in the Municipal Corporation/Committees.
- vii. Develop and manage schemes, including site development in collaboration with Union Administration.
- viii. Issue notice for committing any municipal offence by any person and initiate legal proceedings for commission of such offence or failure to comply with the directions contained in such notice.
- ix. Prosecute, sue and follow up criminal, civil and recovery proceedings against violators of Municipal Laws in the courts of competent jurisdiction.
- x. Maintain municipal records and archives.

6.2 Comments on Budget and Accounts (Variance Analysis)

[Rs. in Million]

Sr.	Districts	Head of Account	Budget	Actual	Excess (+) Savings (-)
1.	Sukkur	Establishment	2,862.447	1,878.822	-983.625
		Non-salary	1,085.527	667.006	-418.521
		Development	2,193.448	162.095	-2,031.353
		Total Expenditure	6,141.422	2,707.923	-3,433.499
		Receipts	5,507.179	2,908.040	-2,599.140
2.	Khairpur	Establishment	1,911.305	1,529.937	-381.368
		Non-salary	1,164.675	591.439	-573.236
		Development	1,596.070	606.075	-989.995
		Total Expenditure	4,672.050	2,727.451	-1,944.599
		Receipts	7,802.648	2,675.755	-5,126.892
3.	Ghotki	Establishment	1,552.595	1,020.086	-532.509
		Non-salary	602.720	292.353	-310.367
		Development	804.995	81.346	-723.649
		Total Expenditure	2,960.310	1,393.786	-1,566.524
		Receipts	3,019.895	1,606.318	-1,413.577
Grand-Total Sukkur Division		Establishment	6,326.347	4,428.846	-1,897.501
		Non-salary	2,852.923	1,550.799	-1,302.124
		Development	4,594.513	849.516	-3,744.997
		Total Expenditure	13,773.783	6,829.160	-6,944.622
		Receipts	16,329.722	7,190.113	-9,139.609

The budgeted expenditure of Local Councils of Sukkur Division for the financial year 2022-23 was Rs13,773.783 million, against which the actual expenditure was Rs6,829.160 million, resulting in overall saving of Rs6,944.622 million. The management of Local Councils was unable to realize the receipts' targets resulting in shortfall of Rs9,139.609 million.

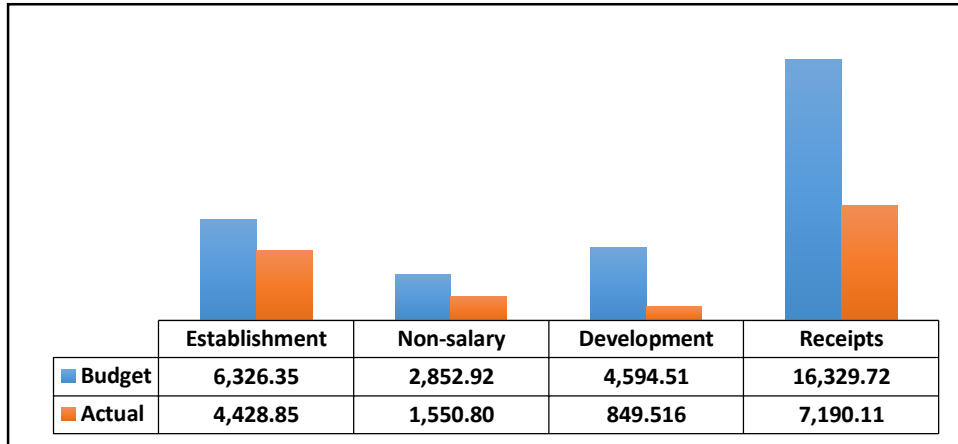


Table:- Audit Profile of Sukkur Division

[Rs. in million]

Sr.	Description	Formations		Financial Year 2022-2023	
		Planned	Audited	Expenditure audited	Revenue / Receipts audited
1.	Formations	47	25	6,829.160	7,190.113
2.	Assignment Accounts, SDAs (excluding FAP)	-	-	-	-
3.	Authorities/Autonomous Bodies under the PAO	-	-	-	-
4.	Foreign Aided Projects (FAP)	-	-	-	-

6.3 Classified Summary of Audit Observations

Audit observations amounting to Rs1,564.392 million were raised in this report during the current audit of Sukkur Division. The amount also includes recoveries of Rs180.449 million as pointed out by Audit. Summary of the audit observations classified by nature is as under:

Table: Overview of Audit Observations:

[Rs. in million]

Sr.	Classification	Amount
1	Non-Production of Record	-
2	HR/Employees related irregularities	102.274
3	Procurement related irregularities	696.273

4	Recoveries related irregularities	180.449
5	Value for money and service delivery issues	37.617
6	Other issues	547.779
Total		1,564.392

6.4 Brief Comments on the Status of Compliance with PAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Sindh. Detail of paras presented in PAC meetings is reflected hereunder:

Audit Year	No. of Paras	Status of Paras discussed in PAC Meetings
2012-13	29	2 - Partial
2013-14	6	1 - Partial
2014-15	64	-Nil-
2015-16	64	-Nil-
2016-17	22	-Nil-
2017-18	51	-Nil-
2018-19	61	-Nil-
2019-20	44	-Nil-
2020-21	15	-Nil-
2021-22	14	-Nil-
2022-23	23	-Nil-

6.1 Audit Paras

6.5.1 Non-Production of Record

6.5.1.1 Non-production of record

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, provides 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 all 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 relevant Efficiency and Discipline Rules applicable to such person”.

During audit of various Local Councils of Sukkur Division, for the financial years 2021-22 and 2022-23, it was observed that the management did not produce auditable record pertaining to establishment, development, contingency, revenue, property, various registers etc. involving minimum financial impact of Rs613.765 million for audit scrutiny. Detail is at **Annex-SUK1**.

Audit was of view that non-production of record was a serious lapse on the part of management which caused hindrance in performance of the functions of audit, besides, authenticity of the related transactions could not be ascertained.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 20-07-2023 and 01-01-2024, followed by reminders dated 04-08-2023, 19-09-2023, 12-01-2024 and 19-01-2024.

Audit recommends inquiry into the matter and fixing of responsibility on the person(s) at fault for non-provision of record.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21 and 2018-19 vide para numbers 6.5.1.1, 6.5.1.1, 6.5.1.1 and 7.2.2.1 having financial impact of Rs1,487.068 million, Rs341.515 million, Rs879.505 million and Rs1,873.568 million respectively. Recurrence of same irregularity is a matter of serious concern.

6.5.2 HR/Employees related irregularities

6.5.2.1 Irregular appointment of staff on adhoc basis - Rs76.115 Million

In compliance of Honorable Supreme Court of Pakistan in Human Rights case No. 104/92, Local Government Department issued directives vide letter No.SO-V(LG)5(69)/2009/29-06-2010 that even an appointment on adhoc basis cannot be made without publication and proper advertisement.

Further, Para 8(2) of Sindh Local Councils Employees (Service) Rules, 2017 stipulates that initial appointment to the posts in all basic scales not falling within the purview of SPSC, shall be made on the recommendations of the Selection Committee on the basis of interview or test to be held by the Selection Committee after the vacancies have been advertised in leading newspapers in Urdu, Sindhi & English Languages.

During audit of following Local Councils of Sukkur Division, for the financial year 2022-23, it was observed that management appointed staff on adhoc basis without observing prescribed procedure and incurred expenditure of Rs76.115 million on the wages. Further, approval from administrative department was also not obtained. Detail is at **Annex-SUK2**.

[Rs. in Million]

Sr. No.	Name of office	AIR Para	No of adhoc Employees	Amount
1	Sukkur Municipal Corporation	5	406	76.115
2	Municipal Committee Khairpur	20	92	-
Total				76.115

Audit was of the view that appointment of employees on adhoc basis without following prescribed procedure was violation of the rules and government orders which indicated weak internal controls.

The matter was reported to the management in October and November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 01-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2019-20 and 2018-19 vide para numbers 6.2.3.23 and 7.2.3.19 having financial impact of Rs25.101 million and Rs177.341 million respectively. Recurrence of same irregularity is a matter of serious concern.

6.5.2.2 Non-implementation of various modules in the newly established ERP Rs24.525 Million

As per Clause A-1 of appendix A of contract agreement executed between Municipal Committee Khairpur and M/s Ideal Automatics (Pvt) Limited, Karachi, “The contractor was to provide appropriate information technology system through Automation & E-governance software, which significantly improve efficiency, effectiveness, accountability and quality of services to the municipality and citizen of Khairpur city comprising of various features such as Human Resources and Performance Management System, Budgeting, Finance & Accounting System, Revenue Management and Complaint Management System”.

During audit of Municipal Committee Khairpur, Sukkur Division, for the financial year 2022-23, it was observed that management awarded the work of “Automation & E-Governance ERP” at sanctioned cost of Rs28.750 million on 05-10-2022 to M/s Ideal Automatics (Pvt) Ltd and incurred an expenditure of Rs24.525 million. As per terms & conditions of contract agreement, the contractor was required to develop following various modules and get them implemented before final payment. However, same have not been implemented as yet. Detail is provided as under:

Sr. No	Module Name	Functions of the Module
1	Revenue and Recovery Management Module	This module was to automate various processes including various fee structure policies, rental billing, rental fee projection reports, closing of billing period, fee receipts, various reports, tax management on fees, etc.
2	Financial Management Module	This module was to automate chart of account, budgeting, asset management, bills & vouchers, banking, remuneration & TA/DA management and financial statements.
3	Payroll Management Module	With the assistance of this module integrated payroll setup, advance/loan management, annual increments, gratuity & provident fund management, block/un-block salary, etc., were to be automated.
4	Human Resources Management Module	This module was to automate vacancy & recruitment management, employee profiling service record, attendance & leave management, HRM reports etc.,
5	General Requirements	This module was required to automate and monitor various locations, real time operations, workflow, attach supporting documents, pop-up/visual alerts in mobile apps, export reports, customization etc.
6	Citizen Complain Management Module	With the proper implementation of this module, system generated complaints, their settlement status for daily, weekly, monthly was to be monitored.

Audit was of the view that management failed to implement various modules as per terms & conditions of contract agreement, which indicated poor financial management and weak internal control.

The matter was reported to the management in November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 01-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends implementation of various modules of ERP on priority basis.

[AIR Para: 12]

6.5.2.3 Unauthorized hiring of legal advisors - Rs1.634 Million

Para-2 of Letter No.ADDL.A.G/(LRK) 1570/08-08-2016 issued by Additional Advocate General Sindh, High Court Larkana addressed to Chief Secretary Sindh, stipulated that the departments were engaging private counsels without obtaining the sanction from Law Department which was against the rules. The Chief Secretary of Sindh was therefore requested to look into the matter.

During audit of following Local Councils of Sukkur Division, for the financial years 2021-22 and 2022-23, it was observed that the management hired legal advisors and paid Rs1.634 million on account of legal fees without sanction of Law Department, Government of Sindh as detailed below:

[Rs. in Million]

Sr. No.	Name of office	AIR Para	F.Y.	Paid Amount
1	Town Committee Pacca Chang	3	2021-22	0.385
2	Town Committee Therhi-I	4		0.200
3	Municipal Committee Khairpur	27	2022-23	0.590
4	Municipal Committee Gambat	3		0.459
Total				1.634

Audit was of the view that hiring of legal advisor without sanction of Law Department; Government of Sindh was unauthorized and indicated weak internal controls.

The matter was reported to the management from May to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 20-07-2023 and 01-01-2024, followed by reminders dated 04-08-2023, 19-09-2023, 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2018-19 vide para numbers 6.5.2.3 and 7.2.3.38 having financial impact of Rs3.516 million and Rs4.337 million respectively. Recurrence of same irregularity is a matter of serious concern.

6.5.3 Procurement related irregularities

6.5.3.1 Irregular utilization of sanitation funds through quotations Rs243.189 Million

According to Rule 11(1), Part-II of Sindh Public Procurement Rules, 2010, as amended in 2019, "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".

Further, Rule 17(1), Part-II *ibid*, stipulates that procurements over three hundred thousand rupees and up to two 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 Local Councils of Sukkur Division, for the financial years 2020-21, 2021-22 and 2022-23, it was observed that the management incurred an expenditure of Rs243.189 million on sanitation works, (removal of garbage, de-silting of drains/nallahs, sweeping

of roads/streets) through quotations by keeping each transaction below Rs300,000/- to avoid open competitive bidding; whereas, the work of sanitation being a mandatory function of the Council was foreseen prior to commencement of financial year at the time of budget preparation/approval. Detail is as under:

[Rs. in Million]

Sr. No.	Name of office	AIR Para	F.Y.	Amount
1.	Town Committee Ranipur	1	2020-21	13.096
		3	& 2021-22	8.555
2.	Town Committee Daharki	5	2021-22	43.536
3.	Town Committee Pano Akil	4		27.720
4.	Town Committee Ubaro	7		23.497
5.	Municipal Committee Kingri	1		11.419
		2		4.731
6.	Town Committee Kandhra	3		8.810
7.	Town Committee Therhi-I	2		8.202
8.	Town Committee Therhi-II	2		7.488
		1		4.181
9.	Town Committee Saleh Pat	4		4.250
10.	District Council Khairpur	7	2022-23	45.144
11.	Municipal Committee Khairpur	8		14.489
12.	Municipal Committee Ghotki @ Mirpur Mathelo	2		6.486
13.	District Council Ghotki @ Mirpur Mathelo	2		6.107
14.	Municipal Committee Gambat	6		5.478
Total				243.189

Audit was of the view that incurrence of expenditure through quotations without obtaining competitive rates was violation of Sindh Public Procurement Rules which indicated weak internal controls.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 20-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2021-22 vide para numbers 6.5.3.1 and 6.5.2.1 having financial impact of Rs100.777

million, and Rs181.915 million respectively. Recurrence of same irregularity is a matter of serious concern.

6.5.3.2 Execution of development works through quotations instead of NIT Rs34.556 Million

According to the instructions, vide letter No.SOI/LG/MICS/10-7/2013 dated 07-01-2014 by the Local Government Department, Government of Sindh, “No development work on quotation should be carried-out. All development works be carried-out through NIT”.

During audit of following Local Councils of Sukkur Division, for the financial years 2021-22 and 2022-23, it was observed that the management incurred an expenditure of Rs34.556 million on development works through quotations instead of open competitive bidding in violation of government instructions as detailed below.

[Rs. in Million]

Sr. No.	Name of office	AIR Para	F.Y.	Amount
1	Municipal Committee Rohri	4	2021-22	3.951
2	Town Committee Therhi-I	5		2.376
3	Town Committee Pacca Chang	6		1.825
4	Town Committee PanoAkil	5		1.676
5	Municipal Committee Khairpur	5	2022-23	18.510
6	Sukkur Municipal Corporation	6		3.829
7	Town Committee Thari Mirwah	4		2.389
Total				34.556

Audit was of the view that execution of development works through quotation in violation of government instructions was irregular which indicated weak internal controls.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 20-07-2023 and 01-01-2024, followed by reminders dated 04-08-2023, 19-09-2023, 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2019-20 and 2018-19 vide para numbers 6.5.3.2, 6.5.2.4, 6.2.3.32 and 7.2.3.32 having financial impact of Rs7.583 million, Rs22.247 million, Rs3.620 million and Rs9.195 million respectively. Recurrence of same irregularity is a matter of serious concern.

6.5.3.3 Splitting up of expenditure to avoid open tender - Rs27.507 Million

As per Rule 12(1), Part-II of Sindh Public Procurement Rules, 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”.

Further, Rule 17(1), Part-II *ibid*, stipulates that procurements over three hundred thousand rupees and up to two 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 Local Councils of Sukkur Division, for the financial years 2021-22 and 2022-23, it was observed that the management incurred expenditure of Rs27.507 million through quotations splitting the procurements which resulted into non-achievement of competitive rates. Detail is at **Annex-SUK3**.

[Rs. in Million]

Sr. No.	Name of office	AIR Para	F.Y.	Amount
1	Town Committee Pano Akil	6	2021-22	2.214
2	District Council Khairpur	9	2022-23	13.719
3	Municipal Committee Gambat	5		4.707
4	District Council Sukkur	3		4.352
5	Town Committee Thari Mirwah	5		2.515
Total				27.507

Audit was of the view that incurrence of expenditure through splitting the procurements was violation of Sindh Public Procurement Rules indicated weak internal controls.

The matter was reported to the management from May 2023 to December 2023 but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 20-07-2023 and 01-01-2024, followed by reminders dated 04-08-2023, 19-09-2023, 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para numbers 6.5.3.4, 6.5.2.2, 6.5.4.1, 6.2.3.15 and 7.2.3.20 having financial impact of Rs38.018 million, Rs81.378 million, Rs152.622 million, Rs91.655 million and Rs26.425 million respectively. Recurrence of same irregularity is a matter of serious concern.

6.5.3.4 Award of works to unregistered contractors - Rs76.465 Million

According to the Rule 46 (1), Part-II of Sindh Public Procurement Rules 2010, stipulates that Notice Inviting Tenders shall contain eligibility criteria (iii) registration with FBR, for income

tax, sales tax in case of procurement of goods. Registration with the SRB in case of procurement of work and services, and registration with Pakistan Engineering Council (where applicable).

During audit of following Local Councils of Sukkur Division, for the financial year 2021-22, it was observed that the management incurred expenditure of Rs76.465 million through contractors who were not registered with FBR and SRB resulting in non-transparency in awarding works. Detail is as under:

[Rs. in Million]

Sr. No.	Name of office	AIR Para	Amount
1	Town Committee Daharki	9	44.382
2	Town Committee Ubaro	10	25.937
3	Town Committee Kandhra	5	6.146
Total			76.465

Audit was of the view that award of works to unregistered contractors was irregular which indicated weak internal controls.

The matter was reported to the management from March to June 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 20-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2020-21 and 2018-19 vide para numbers 6.5.4.2 and 7.2.3.22 having financial impact of Rs77.708 million and Rs78.425 million respectively. Recurrence of same irregularity is a matter of serious concern.

6.5.3.5 Irregular procurement of electrical material - Rs17.795 Million

Rule 48 of Electricity Rules, 1937, states that all Government and Semi Government departments are bound to award contracts of electrical installation works to the contractors holding valid government electrical contractor license.

Further, S.No.(18) of Schedule of Rule 5(1) of Sindh Local Councils (Property) Rules 2017, requires that register of street light points and lamp posts in Form P-XVIII shall be maintained.

During audit of following Local Councils of Sukkur Division, for the financial years 2021-22 and 2022-23, it was observed that the management incurred an expenditure of Rs17.795 million on the procurement of electrical material as detailed below:

[Rs. in Million]

Sr. No.	Name of office	Para No.	F.Y.	Amount
1	Town Committee Pano Akil	7	2021-22	1.839
2	Town Committee Ahmedpur	9		0.457
3	Sukkur Municipal Corporation	8	2022-23	8.935
		7		4.958
4	Municipal Committee Gambat	4		1.606
Total				17.795

Following irregularities were noticed:

- i. The electrical works were awarded to contractors not holding valid Electrical Contractor License.
- ii. Purchases were made on quotation basis by splitting up procurements.
- iii. Location for installation of purchased electric material was not recorded.
- iv. Inspection of street lights material was not carried out.
- v. Warranty cards of saver bulbs and other lights were not available.
- vi. Neither the purchased material was accounted for in the stock register nor issuance of the material was recorded.
- vii. Inventory of replaced articles was not available.

Audit was of the view that procurement of electrical material without observing codal requirements was irregular and indicated weak internal controls.

The matter was reported to the management from March 2023 to December 2023 but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 20-07-2023 and 01-01-2024, followed by reminders dated 04-08-2023, 19-09-2023, 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22, 2019-20 and 2018-19 vide para numbers 6.5.2.6, 6.2.3.24 and 7.2.3.27 having financial impact of Rs11.032 million, Rs14.857 million and Rs28.514 million respectively. Recurrence of same irregularity is a matter of serious concern.

6.5.3.6 Award of works without execution of contract agreement Rs111.054 Million

Clause (iii) and (iv) of Para 7.12.3 of Sindh Public Procurement Authority Regulation for Procurement of Works, stipulates that within 28 days of receipt of the letter of acceptance, the procuring agency will send all copies of the contract to the bidder, with a covering letter or contractor shall attend the offices of the procurement agency for the purpose of signing the agreement duly stamped at the rate of 35 Paise/100 rupees of the contract value (as amended and

updated by the Government from time to time and which shall be borne by the contractor). Failure to sign the agreement shall lead to cancellation of the award and forfeiture of the bid security.

During audit of following Local Councils of Sukkur Division, for the financial year 2022-23, it was observed that the management awarded contracts of Rs111.054 million without executing contract agreements with the contractors. Further, government also sustained loss of Rs0.388 million on account of stamp duty as detailed below. Detail is at **Annex-SUK4**.

[Rs. in Million]

Sr. No.	Name of office	AIR Para	Amount	Stamp Duty
1.	Sukkur Municipal Corporation	10	101.560	0.355
2.	Municipal Committee Gambat	8	9.494	0.033
Total			111.054	0.388

Audit was of the view that non-execution of contract agreements was violation of the rules. The government also sustained loss of revenue in the shape of stamp duty which indicated poor financial management and weak internal controls.

The matter was reported to the management from October to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 20-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2019-20 vide para numbers 6.5.4.4 and 6.2.3.19 having financial impact of Rs0.244 million and Rs43.000 million respectively. Recurrence of same irregularity is a matter of serious concern.

6.5.3.7 Irregular award of development works - Rs52.939 Million

Rule 46(2) (a), Part-II of Sindh Public Procurement Rules, 2010, states that single stage - two envelop procedure -bid shall comprise a single package containing two separate envelopes. Each envelope shall contain separately the financial proposal and the technical proposal (b) envelopes shall be marked as “FINANCIAL PROPOSAL” and “TECHNICAL PROPOSAL” in bold and legible letters to avoid confusion.

Further, according to Rule 4, Part-I of Sindh Public Procurement 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 Municipal Committee Khairpur, Sukkur Division, for the financial year 2022-23, it was observed that management invited bids for 09 works through tender notice No.GB/MC/KHP/1779/2022 dated 30-05-2022 and corrigendum issued vide No.GB/MC/KHP/2043/2022 dated 16-06-2022 through single stage two-envelope basis and

awarded five works at the sanctioned cost of Rs52.939 million. Detail is at **Annex-SUK5**. Audit observed following discrepancies in the tendering process:

- i. According to the corrigendum issued vide No.GB/MC/Khp/2044 /2022 dated 16.06.2022 the bids were required to be invited on single stage two-envelope basis ‘Financial’ and ‘Technical’. The technical proposals were to be evaluated first. However, the tender was processed through single stage one envelope basis i.e. financial proposal only, in violation of above rule.
- ii. The tender was processed without constitution of procurement committee.
- iii. Procurement was made from suppliers other than manufacture or authorized dealer.

Audit was of the view that evaluation of bids only on financial grounds instead of technical evaluation of bids was an undue favour extended to the contractors which indicated poor management and weak internal controls.

The matter was reported to the management in November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 20-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit seeks justification in the matter.

[AIR Para: 4]

6.5.3.8 Technical sanction beyond delegated financial powers - Rs127.738 Million

According to S.No.12(1)(a) of Sindh Delegation of Financial Powers and Financial Control Rules 2019, in case of original works following powers shall be exercised for technical sanctions:

Administrative Department	Full Powers
Chief Engineer	Rs 100.00 million, beyond that concurrence of the administrative department is required
Superintending Engineer	Upto Rs 7.000 million in each case
Executive Engineer	Upto Rs 2.500 million in each case

During audit of Municipal Committee Khairpur, Sukkur Division, for the financial year 2022-23, it was observed that management awarded the work “Establishment of “Theme Park Khairpur city” (remaining work) at sanctioned cost of Rs127.738 million to M/s Arshad & Co. with the technical sanction of Chief Engineer instead of administrative department in violation of delegated financial powers.

Audit was of the view that grant of technical sanction of scheme by the Chief Engineer beyond delegated powers was violation of the rules which indicated poor financial management and weak internal controls.

The matter was reported to the management in November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 01-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 6]

6.5.3.9 Procurement without constituting committee - Rs5.030 Million

According to Rule 7, Part-I of Sindh Public Procurement Rules, 2010, “The procuring agency shall, with approval of its Head of the Department, constitute as many procuring committees, as it deems fit, each comprising odd number of persons and headed by a gazetted officer not below the rank of BS-18, or 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 or departments other than the procuring agency”.

During audit of Town Committee, Khangarh, Sukkur Division, for the financial year 2021-22, it was observed that the management incurred an expenditure of Rs5.030 million on various purchases and works without constitution of procurement committee.

Audit was of the view that purchases and works were made without constituting the procurement committee which indicated weak internal controls.

The matter was reported to the management in May 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 20-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2019-20 vide para number 6.2.3.17 having financial impact of Rs89.715 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 6]

6.5.4 Recoveries related issues

6.5.4.1 Non-deduction of government taxes - Rs28.725 Million

Section 8(1) of Sindh Sales Tax on Services Act 2011, stipulates that taxable services shall be charged, levied and collected for a tax, known as sales tax, on the value of a taxable service at the specified rate.

Further, as per Section 153 of Income Tax Ordinance, 2001 read with Income Tax Rules, 2002, “Payment on account of supply of goods and rendering of services are subject to deduction of income tax at source @ 4.5% and 7.5% respectively”.

Furthermore, according to Section 3(1) of Sales Tax Act 1990, as amended upto July 2015, “There shall be charged, levied and paid a tax known as sales tax at the rate of 17% of the value of (a) taxable supplies made by a registered person”.

During audit of following Local Councils of Sukkur Division, for the financial years 2021-22 and 2022-23, it was observed that the management paid Rs559.417 million to various contractors, suppliers and employees, but did not deduct income tax, Sindh sales tax on services and general sales tax from contractors/suppliers/ employees amounting to Rs28.725 million. Detail is as under:

[Rs. in Million]

Sr. No.	Name of office	Para No	F.Y.	Heads	Paid Amount	Taxes not deducted	
1	Municipal Committee Rohri	6	2021-22	GST	11.796	2.005	
2	Town Committee Daharki	4		IT	43.537	1.741	
		13			8.587	0.129	
3	Town Committee Ubaro	6			23.498	1.174	
		13			16.381	0.189	
4	Town Committee Therhi-I	7			GST	2.036	0.499
5	Town Committee Pano Akil	9				1.834	0.312
6	Town Committee Saleh Pat	6	0.737			0.125	
7	Town Committee Kandhra	6	1.046	0.073			
8	Sukkur Municipal Corporation	14	2021-22	GST	47.843	8.133	
		16		IT	279.936	2.796	
9	Municipal Committee Khairpur	15	2022-23	GST	36.624	6.247	
		16		SST	33.32	2.859	
10	District Council Sukkur	4		IT	23.111	1.854	
11	Municipal Committee Gambat	10			16.538	0.211	
12	Municipal Committee Ghotki	3			SST	6.486	0.195
13	District Council Ghotki	3		6.107		0.183	
Total					559.417	28.725	

Audit was of the view that non-deduction of taxes was loss to public exchequer, which reflected weak financial and internal controls.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report

despite issuance of letter dated 20-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para numbers 6.5.4.1, 6.5.3.3, 6.5.3.2, (6.2.3.1, 6.2.3.2 and 6.2.3.5) and (7.2.3.2 and 7.3.2.12) having financial impact of Rs103.830 million, Rs35.712 million, Rs23.283 million, (Rs14.741 million, Rs7.115 million and Rs1.720 million) and (Rs75.124 million and Rs0.111 million) respectively. Recurrence of same irregularity is a matter of serious concern.

6.5.4.2 Non-deposit of taxes into public exchequer - Rs148.198 Million

Section 160 of Income Tax Ordinance, 2001, as amended vide Finance Act 2002, stipulates that any tax that has been collected or purported shall be paid to the Commissioner by the person making the collection or deduction within the time and in the manner as may be prescribed.

Further, as per Rule 41(a), Chapter-3 of Sindh Financial Rules Volume-1, “The departmental controlling officers should see that all sums due to government are regularly received and checked against demands and that they are paid into the treasury”.

During audit of following Local Councils of Sukkur Division, for the financial years 2020-21, 2021-22 and 2022-23, it was observed that the management deducted an amount of Rs148.198 million on account of income tax, general sales tax and Sindh sales tax on service from the bills of contractors but failed to deposit the same into public exchequer. Detail is as follows:

[Rs. In Million]

Sr. No.	Name of office	AIR Para	F.Y.	IT	SST	GST	Total tax not deposited
1	Town Committee Daharki	2	2021-22	4.354	4.354	-	8.708
2	Town Committee Ubaro	2		2.593	2.359	0.234	5.186
3	Town Committee Ranipur	2	2020-21 & 2021-22	0.982	1.309	-	2.291
4	Town Committee Khangarh	2	2021-22	0.944	0.498	0.719	2.161
5	Municipal Committee Kingri	3		0.856	1.141	-	1.997
6	Town Committee Therhi-I	8		0.835	1.113	-	1.948
7	Town Committee Kandhra	7		0.404	0.709	0.801	1.914

[Rs. In Million]

Sr. No.	Name of office	AIR Para	F.Y.	IT	SST	GST	Total tax not deposited
8	Town Committee Ahmedpur	2	2022-23	1.411	-	-	1.411
9	Town Committee Khuhra	2		0.565	0.807	-	1.372
10	Town Committee Therhi-II	3		0.561	0.741	-	1.302
11	Town Committee Hingorja	2		0.482	0.725	-	1.207
12	Town Committee Agra	2		0.388	0.516	-	0.904
13	Municipal Committee Mirpur Mathelo	2		0.37	0.514	-	0.884
14	Municipal Committee Khairpur	3		-	73.652	-	73.652
		13		5.35	-	-	5.35
		14		-	1.58	-	1.58
15	Sukkur Municipal Corporation	15		4.598	3.247	4.218	12.063
16	District Council Khairpur	2		9.164	-	-	9.164
		3		-	6.549	-	6.549
17	Municipal Committee Gambat	11		1.746	2.531	-	4.277
18	District Council Sukkur	5	1.438	0.93	-	2.368	
19	Town Committee Thari Mirwah	9	0.815	1.095	-	1.910	
Total				37.856	104.370	5.972	148.198

Audit was of the view that non-deposit of collected taxes into public exchequer indicated poor financial management and weak internal controls.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 20-07-2023 and 01-01-2024, followed by reminders dated 04-08-2023, 19-09-2023, 12-01-2024 and 19-01-2024.

Audit recommends depositing of deducted taxes into public exchequer, besides fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21 and 2018-19 vide para numbers 6.5.4.2, 6.5.3.4, 6.5.3.1 and 7.2.3.1

having financial impact of Rs125.940 million, Rs40.848 million, Rs137.307 million and Rs87.973 million respectively. Recurrence of same irregularity is a matter of serious concern.

6.5.4.3 Non-recovery of outstanding rent - Rs3.526 Million

As per Section 100 (2) of Sindh Local Government Act 2013, “All arrears of taxes, rates, tolls and fees and other moneys claimable by a Council under this Act shall be recoverable as arrears of land revenue through Government agency or by the Council authorized by Government for such recovery through such employees or class of employees of the Council as may be prescribed”.

Further, Section 41(a), Chapter-3 of Sindh Financial Rules Volume-1, stipulates that 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 claiming credit for so much paid into the treasury and compare with the figures in the statements supplied by the comptroller.

During audit of following Local Councils of Sukkur Division, for the financial years 2021-22 and 2022-23, it was observed that the management did not recover the outstanding dues of rent of shops and other properties from defaulters amounting to Rs3.526 million as detailed below.

[Rs. in Million]

Sr. No.	Name of office	AIR Para	F.Y.	Outstanding rent as on 30-06-2023
1	Municipal Committee Rohri	7	2021-22	0.964
2	Town Committee Therhi-II	5		0.151
3	District Council Sukkur	6	2022-23	1.013
4	District Council Khairpur	4		0.555
5	Municipal Committee Gambat	9		0.500
6	Town Committee Thari Mirwah	6		0.343
Total				3.526

Audit was of the view that non-recovery of outstanding rent indicated weak financial management.

The matter was reported to the management from September to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 20-07-2023 and 01-01-2024, followed by reminders dated 04-08-2023, 19-09-2023, 12-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para numbers 6.5.4.3, 6.5.3.2, 6.5.3.3, 6.2.3.3 and 7.2.3.10 having financial impact of Rs60.171 million, Rs14.679 million, Rs13.493 million, Rs3.891 million and Rs0.681 million respectively. Recurrence of same irregularity is a matter of serious concern.

6.5.5 Value for money and service delivery issues

6.5.5.1 Non-provision of health facilities to public

As per Section 116(7) of Sindh Local Government Act 2013, Every Member or Employee of a Council and every person, charged with the administration of the affairs of a Council, or acting on behalf of a Council shall be personally liable for the loss, waste, misapplication or unauthorized application of any moneys or property belonging to the Council which is a direct consequence of his negligence or misconduct, and the liability of such member, employee or person shall be determined by Government in the prescribed manner.

During audit of District Council Sukkur, Sukkur Division, for the financial year 2022-23, it was observed that management incurred an expenditure of Rs31.403 million on salary of 73 employees of Medical Branch without utilizing their services. Detail of posting of 73 number of medical staff was not provided to audit. It was found that three dispensaries out of six were non-functional. Moreover, no expenditure on purchase of medicines was incurred during the year. Detail of payment of salaries is as under:

[Amount in Rs.]

Sr. No.	Particulars	Amount/Month F.Y 2022-23	No. of staff	Amount/Year F.Y 2022-23
1	Salary Medical Officer	146,119	01	1,753,428
2	Salary Medical Branch	2,470,775	72	29,649,300
Total			73	31,402,728

Audit was of the view that payment of salary to medical branch without utilizing their services indicated poor internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 01-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends that services of staff may be utilized for providing better health facilities to public.

[AIR Para: 7]

6.5.5.2 Irregular expenditure on de-silting and disposal of garbage Rs37.617 Million

As per Schedule-II (Section 72-3) Part-II Compulsory Function of Sindh Local Government Act-2013, stipulates that a Corporation, Municipal Committee or Town Committee shall make adequate arrangements for the removal of refuse from all public streets, public latrines, urinals, drains and all buildings and lands vested in the Council concerned and for the collection and proper disposal of such refuse.

During audit of following Local Councils of Sukkur Division, for the financial year 2021-22, it was observed that management incurred an expenditure of Rs37.617 million on de-silting of drain, nallahs, ponds and lifting of garbage from the limits of towns as detailed below:

[Rs. in Million]

<i>Sr. No.</i>	<i>Name of office</i>	<i>AIR Para</i>	<i>Amount</i>
1	Town Committee Ahmedpur	5	7.164
		8	6.307
2	Town Committee Hingorja	8	5.418
		5	2.33
3	Town Committee Khuhra	5	5.296
		8	2.060
4	Town Committee Agra	5	3.307
		7	1.701
5	Municipal Committee Mirpur Mathelo	5	2.857
6	Town Committee Khangarh	5	1.177
<i>Total</i>			37.617

Following discrepancies were noticed:

- i. Contract agreement was not executed with contractors.
- ii. Starting and ending point of locations were not identified.
- iii. Rate analysis of works was not available in the record.
- iv. No officer was deputed to monitor the progress of lifting of silt and garbage removal.
- v. Work was split up into parts to avoid calling tender and constitution of procurement committee.
- vi. Satisfactory work completion report was not obtained.

Audit was of the view that incurrence of expenditure on collection, removal and disposal of silt and garbage without supporting record was irregular which indicated weak internal controls.

The matter was reported to the management from March to May 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 20-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

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

Note: The issue was reported earlier also in the Audit Report for Audit Year 2019-20 vide para number 6.2.3.26 having financial impact of Rs10.812 million. Recurrence of same irregularity is a matter of serious concern.

6.5.6 Other issues

6.5.6.1 Less realization of targeted receipts - Rs113.579 Million

Section 100 (1) of Sindh Local Government Act 2013, states that unless otherwise provided, all taxes, rates, tolls and fees levied under this act shall be collected in the prescribed

manner by the persons authorized for such collection: provided that where any tax, rate, toll or fee levied by a Council is also levied by Government, such tax, rate, toll or fee shall be collected with Government tax, and the proceeds thereof be credited to the local fund of the Council.

During audit of following Local Councils of Sukkur Division, for the financial years 2020-21, 2021-22 and 2022-23, it was observed that the management did not take appropriate measures to realize revenue targets of Rs113.579 million from various heads i.e. rent of shops, water tax, nali tax, property tax, cattle pirri fees, sabzi mundi fees, pat/katchi pirri fees, parking fees, slaughtering fees, licensing fee etc. Detail is at **Annex-SUK6.**

[Rs. in Million]

Sr. No.	Name of office	AIR Para	F.Y.	Targeted Receipts	Receipts Collected	Shortfall
1	Town Committee Ranipur	7	2020-21 & 2021-22	9.300	0.999	8.301
2	Municipal Committee Mirpur Mathelo	3	2021-22	31.485	12.650	18.835
3	Town Committee Daharki	15		16.030	7.272	8.758
4	Town Committee Ubaro	3		10.900	2.989	7.911
5	Municipal Committee Kingri	7		4.000	1.325	2.675
6	Town Committee Ahmedpur	3		2.565	-	2.565
7	Town Committee Agra	3		1.235	0.180	1.055
8	Town Committee Khuhra	3		0.920	0.392	0.528
9	Sukkur Municipal Corporation	13		2022-23	100.157	46.66
10	District Council Ghotki @ Mirpur Mathelo	6	10.106		4.445	5.661
11	Municipal Committee Ghotki @ Mirpur Mathelo	6	11.209		7.879	3.330
12	Town Committee Thari Mirwah	7	0.463		0	0.463
Total				198.370	84.791	113.579

Audit was of the view that due to less-realization of revenue targets, the councils were deprived of legitimate revenue, which indicated poor financial controls.

The matter was reported to the management from March to December, 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite

issuance of letters dated 20-07-2023 and 01-01-2024, followed by reminders dated 04-08-2023, 19-09-2023, 12-01-2024 and 19-01-2024.

Audit recommends fixing responsibility on the person(s) at fault for non-achievement of revenue targets.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, and 2019-20 vide para numbers 6.5.5.2, 6.5.3.1 and 6.2.3.11 having financial impact of Rs203.568 million, Rs281.860 million and Rs163.132 million respectively. Recurrence of same irregularity is a matter of serious concern.

6.5.6.2 Unauthorized creation of liability - Rs261.095 Million

According to Section 105(1), Chapter-XI of Sindh Local Government Act 2013, “A Council shall not incur any debt nor borrow any money or give any guaranty without prior approval of Government” and Section 106(2) *ibid*, stipulates that the moneys credited to the Local Fund shall be applied; firstly, in the payment of salaries and allowances to the employees of the Councils.

Further, Finance Department, Government of Sindh, vide letter No.FD.SO(LF-I)Misc/(171)2013 dated 13-08-2013, instructed all the Local Councils/District Councils/defunct TMAs that payment of salaries and pension may be given first priority from the OZT funds released by Finance Department.

During audit of following Local Councils of Sukkur Division, for the financial year 2021-22, it was observed that the management created liability amounting to Rs261.095 million on various head of accounts like Pay and Pension and put extra burden over council funds. Creation of liability under the heads of pay and pension showed that payment was made by giving priority to development works in violation of rule / instructions. Further, creation of liability under the head of development works showed that management also executed development works without provision of budget/OZT release as detailed below:

[Rs. in Million]

Sr. No.	Name of office	AIR Para	Description of Liability	Amount
1	Municipal Committee Rohri	10	Pay & Allowances, Pension, LPR, Financial Assistance, Gratuity & Development	259.561
2	Town Committee Therhi-II	4	Development, Work, Contingency, POL, I.T & SST	1.534
Total				261.095

Audit was of the view that creation of pension liability by giving priority to the payments of development works in violation of rules and creation of liability under the head of development works without provision of budget indicated weak financial management.

The matter was reported to the management from March to June 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance

of letter dated 20-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 6.5.5.3 having financial impact of Rs377.615 million. Recurrence of same irregularity is a matter of serious concern.

6.5.6.3 Irregular payment on clearance of previous liability - Rs15.069 Million

Finance Department, GoS O.M No.FD/B&E-I/51/2007 dated 02-07-2007, stipulates that liability of previous years shall not be allowed to be cleared unless concurrence is given by Finance Department (FD).

Further, as per approval of budget by Secretary Local Government Department vide Letter No.SO-I(LG)/02-48/2017 N.F dated 01-10-2021, "No liabilities of previous year will be cleared from yearly budget without approval of Local Govt. Department."

During audit of following Local Councils of Sukkur Division, for the financial years 2021-22 and 2022-23, it was observed that the management incurred an expenditure of Rs15.069 million on clearance of previous years' liability without approval of Finance Department and Local Government Department, Government of Sindh as detailed below:

[Rs. in Million]

Sr. No.	Name of office	AIR Para	F.Y.	Period of Liability	Amount
1	Town Committee PanoAkil	11	2021-22	2018-19, 2019-20 & 2020-21	4.531
2	Town Committee Daharki	8		2020-21	2.822
3	Town Committee Kandhra	9		2020-21	1.499
4	Town Committee Saleh Pat	8		2015-16 & 2020-21	1.020
5	Municipal Committee Khairpur	9	2022-23	Year 2020, December-2021 and April, May & June-22	3.209
6	District Council Khairpur	17		March & June 2022	1.988
Total					15.069

Audit was of the view that clearance of liability without approval of Finance Department and administrative department was irregular and indicated weak financial management.

The matter was reported to the management from March to November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 20-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit seeks clarification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2019-20 vide para number 6.2.3.25 having financial impact of Rs11.410 million. Recurrence of same irregularity is a matter of serious concern.

6.5.6.4 Unauthorized utilization of public funds - Rs12.942 Million

Section 160 of Income Tax Ordinance, 2001, as amended vide Finance Act 2002, stipulates that any tax that has been collected or purported shall be paid to the Commissioner by the person making the collection or deduction within the time and in the manner as may be prescribed.

Further, Rule 41(a), Chapter-3 of Sindh Financial Rules Volume-1, stipulates that the departmental controlling officers should see that all sums due to Government are regularly received and checked against demands and that they are paid into the treasury.

During audit of following Local Councils of Sukkur Division, for the financial year 2021-22, it was observed that management deducted an amount of Rs13.894 million on account of income tax and Sindh sales tax on services from the bills of contractors. However, bank balance as on 30-06-2022 was only Rs0.952 million, which showed that management rather than depositing the deducted amount of tax into public exchequer, unauthorizedly utilized an amount of Rs12.942 million. Detail is as under:

[Rs. in Million]

Sr. No.	Name of offices	AIR Para	Amount Paid	Deducted Taxes			Bank Balance as on 30-06-2022	Amount Utilized
				IT	SST	Total Taxes		
1	Town Committee, Daharki	07	43.536	4.353	4.354	8.707	0.482	8.225
2	Town Committee, Ubaro	04	25.937	2.594	2.593	5.187	0.470	4.717
Total			69.473	6.947	6.947	13.894	0.952	12.942

Audit was of the view that unauthorizedly utilization of deducted taxes rather than depositing the same into the public exchequer indicated poor financial management and weak internal controls.

The matter was reported to the management from March to June 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 20-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit recommends that the matter may be investigated for fixing responsibility on the person(s) at fault.

6.5.6.5 Non-maintenance of property record

Rule 3(1), Chapter-1 of Sindh Local Councils (Property) Rules, 2017, stipulates that the Mayor or Chairman, as the case may be, shall take such steps as may be necessary to ensure that the property vested in the Council is managed and maintained in the best interest of the public for the purposes of the Act, the rules and the bye-laws made thereunder.

Further, S.No.(1) of Schedule of Rule 5(1) of Sindh Local Councils (Property) Rules 2017, requires that register of immovable property in Form P-I shall be maintained and Rule 5(2) requires that a Council shall provide at least 10% of its development budget for the maintenance and repairs of its immovable property regularly.

During audit of following Local Councils of Sukkur Division, for the financial years 2020-21, 2021-22 and 2022-23, it was observed that office failed to maintain property record as mentioned in schedule of Sindh Local Councils (Property) Rules, 2017. The management also failed to allocate at least 10% of its development budget for the maintenance and repair of immovable property of the Council in violation of above rules. Detail is as under

Sr. No.	Name of office	AIR Para	F. Y
1	Town Committee Ranipur	15	2020-21 & 2021-22
2	District Council Ghotki	11	2022-23
3	Municipal Committee Ghotki	12	

Audit was of the view that management failed to comply with the prescribed rules for maintenance of property record which indicated weak internal controls. Besides, chances of encroachment could not be ruled out.

The matter was reported to the management in June 2023 and October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 20-07-2023 and 01-01-2024, followed by reminders dated 04-08-2023, 19-09-2023, 12-01-2024 and 19-01-2024.

Audit recommends maintenance of required property record at the earliest on the prescribed format.

6.5.6.6 Non-revision of rent of property at fair value

According to Rule 9(1) of Sindh Rental Premises Ordinance, 1979, states, “where the fair rent of any premises has been fixed, no further increase thereof shall be effected unless a period of three years has elapsed from the date of such fixation or commencement of this ordinance whichever is later”. Further, Rule 9(2) ibid states, “The increase is allowed @ 10% per annum on the existing rent”.

During audit of following Local Councils of Sukkur Division, for the financial year 2022-23, it was observed that the management rented out different shops and properties to various tenants but did not revise rent of various tenants since many years, resulting into loss of legitimate revenue

to the councils. The record of allotments was also not provided; hence the actual period of tenancy could not be ascertained. Detail is at **Annex-SUK7**.

Sr. No.	Name of office	AIR Para	No of Properties	Rent not Revised Since
1	District Council Khairpur	10	84	Since Long time
2	District Council Ghotki @ Mirpur Mathelo	8	121	2019
3	Municipal Committee Ghotki @ Mirpur Mathelo	8	490	2017

Audit was of the view that non-revision of rent of properties was a loss to the Councils which reflected poor financial management.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 20-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit recommends revision of rent of shops and other property at fair value.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2019-20 and 2018-19 vide para numbers 6.5.5.6, 6.5.3.5, 6.2.3.30 and 7.2.3.57 respectively. Recurrence of same irregularity is a matter of serious concern.

6.5.6.7 Non-maintenance of stock register - Rs78.941 Million

According to Rule-25(1) of Sindh Local Councils (Accounts) Rules, 1983, "Every officer or servant of the Council in charge of stocks of articles or materials kept for issue other than stamps shall maintain a stock register (in Form No.16) in which shall be entered every transaction effecting such stocks and separate pages of the register shall be assigned to different classes of stocks."

During audit of following Local Councils of Sukkur Division, for the financial year 2022-23, it was observed that management incurred an expenditure of Rs78.941 million on purchase fogging machines, mosquito nets, fumigation liquid, electric material, food items, furniture, stationery items, sanitation material, pipes, tires and computers etc. but did not maintain stock registers as detailed below.

[Rs. in Million]

Sr. No.	Name of office	AIR Para	Amount
1	District Council Khairpur	12	27.939
2	District Council Sukkur	9	22.096
3	Municipal Committee Khairpur	28	13.284
4	Sukkur Municipal Corporation	17	10.160
5	Municipal Committee Gambat	13	4.316
6	Municipal Committee Ghotki @ Mirpur Mathelo	9	1.146

[Rs. in Million]

Sr. No.	Name of office	AIR Para	Amount
Total			78.941

Audit was of the view that non-maintenance of stock register indicated weak internal controls, besides misuse of funds as well as procured items could not be ruled out.

The matter was reported to the management from September to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 01-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends that stock register may be maintained on the prescribed format, besides taking remedial measures.

6.5.6.8 Non-maintenance of POL record - Rs66.153 Million

As per Rule- 20 of the Staff Car Rules 1980, as amended in 2001, “The Log Book, History Sheet, and Petrol Account Register shall be maintained for each official vehicle”.

According to Rule-159(4) of Sindh Local Council (Accounts) Rules 1983, “A council vehicles shall not be driven except by a driver appointed by the competent authority, for the vehicle. Every person using a council vehicle shall make and sign entries in the Petrol and lubricant account in Form No. 116 and in Log Book of the vehicle kept in the custody of the driver. Log book shall be maintained in Form No. 117”.

During audit of following Local Councils of Sukkur Division, for the financial year 2022-23, it was observed that management incurred an expenditure of Rs66.153 million on POL for official vehicles and machinery but did not maintain of petrol account register, history sheet, log book of each vehicle, tour program/diary of official vehicles. Detail is as under:

[Rs. in Million]

Sr. No.	Name of office	AIR Para	Amount
1	Municipal Committee Ghotki @ Mirpur Mathelo	7	26.509
2	Municipal Committee Khairpur	10	14.933
3	District Council Ghotki @ Mirpur Mathelo	7	13.197
4	District Council Khairpur	6	4.017
5	Sukkur Municipal Corporation	12	3.934
6	Town Committee Thari Mirwah	8	2.422
7	Municipal Committee Gambat	12	1.141

Total	66.153
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Audit was of the view that incurrence of expenditure on account of POL without maintenance of relevant prescribed record indicated weak internal controls.

The matter was reported to the management from October to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 01-01-2024, followed by reminders dated 12-01-2024 and 19-01-2024.

Audit recommends that responsibility may be fixed on person(s) at fault for incurring expenditure without maintenance of prescribed record.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2019-20 and 2018-19 vide para numbers 6.2.3.14 and 7.2.3.23 having financial impact of Rs95.124 million and Rs78.332 million respectively. Recurrence of same irregularity is a matter of serious concern.

6.5.6.9 Non-establishment of provident fund, pension fund and benevolent fund

Rule 125 (1), Chapter-XIV of SLGA 2013, states that a Council may, establish and maintain-

- Provident fund for the benefit of its employees, who shall contribute to such fund in such manner and proportion as may be prescribed.
- Pension fund from which pension, shall, in the prescribed manner, be paid to the employees of the Council.
- Benevolent fund, in the prescribed manner from which any special pension or gratuity, shall, in the prescribed manner be paid to the family of employee of the Council, who dies of disease or injury contracted or suffered by him in the discharge of his official's duties.

During audit of following Local Councils of Sukkur Division, for the financial years 2021-22 and 2022-23, it was observed that the management failed to establish provident, pension and benevolent fund for the benefits of employees of the council. Local Councils are making payments of provident fund, pension and benevolent fund for the benefits of employees of the council.

Sr. No.	NIT Name of Offices	F. Y	AIR Para
1	Municipal Committee Rohri	2021-22	3
2	Town Committee Daharki		12
3	Sukkur Municipal Corporation	2022-23	18
4	Municipal Committee Ghotki @ Mirpur Mathelo		11
5	Municipal Committee Khairpur		30
6	Municipal Committee Gambat		14

7	Town Committee Thari Mirwah		10
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Audit was of the view that non-establishment of mandatory funds indicated poor financial management and weak internal controls.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 20-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit recommends establishment of mandatory funds as per provision of the Sindh Local Government Act, 2013.

Chap

Mirpurkhas Division



Chapter-7: Local Councils, Mirpurkhas Division

7.1 Introduction

Mirpurkhas Division comprises three Districts namely Mirpurkhas, Tharparkar and Umerkot. Each District Council/Municipal Committee/Town Committee in Mirpurkhas Division is headed by Chairman/Chief Officer/Chief Municipal Officer/ Town officer who carries out operations as per Sindh Local Government Act 2013.

The functions of Local Councils are summarized below:

- i. Prepare development plans for the town, including plans for land use, zoning and functions for which Municipal/Town Committees are responsible.
- ii. Exercise control over land use, land subdivision, land development and zoning by public and private sectors for any purpose, including agriculture, industry, commerce markets, shopping and other employment centers, residential, recreation, parks, entertainment, passenger and transport freight and transit stations.
- iii. Enforce all municipal laws, rules and bye-laws governing Municipal/Town Committees functioning.
- iv. Prepare budget, long term and annual municipal development programs in collaboration with the Union Councils.
- v. Collect approved taxes, cess, user fees, rates, rents, tolls, charges, fines and penalties.
- vi. Manage properties, assets and funds vested in the Municipal Corporation/Committees.
- vii. Develop and manage schemes, including site development in collaboration with Union Administration.
- viii. Issue notice for committing any municipal offence by any person and initiate legal proceedings for commission of such offence or failure to comply with the directions contained in such notice.
- ix. Prosecute, sue and follow up criminal, civil and recovery proceedings against violators of Municipal Laws in the courts of competent jurisdiction.
- x. Maintain municipal records and archives.

7.2 Comments on Budget and Accounts (Variance Analysis)

[Rs. in Million]

Sr. No.	District	Particulars	Budget	Actual	Excess (+) Savings (-)
1	Mirpurkhas	Establishment	3,751.170	1,427.107	-2,324.064
		Non-salary	831.256	461.840	-369.416
		Development	1,457.441	146.046	-1,311.395
		Total Expenditure	6,039.867	2,034.994	-4,004.874
		Receipts	3,563.151	2,226.668	-1,336.482
2	Umerkot	Establishment	3,751.170	1,427.107	-2,324.064
		Non-salary	831.256	461.840	-369.416
		Development	1,457.441	146.046	-1,311.395
		Total Expenditure	6,039.867	2,034.994	-4,004.874
		Receipts	3,563.151	2,226.668	-1,336.482
3	Tharparkar @ Mithi	Establishment	575.104	520.922	-54.182
		Non-salary	183.051	168.667	-14.384
		Development	417.849	54.907	-362.942
		Total Expenditure	1,176.003	744.496	-431.508
		Receipts	829.713	965.582	+135.869
Grand Total Mirpurkhas Division		Establishment	5,136.728	2,568.803	-2,567.925
		Non-salary	1,512.829	952.880	-559.948
		Development	2,530.492	329.337	-2,201.154
		Total Expenditure	9,180.048	3,851.020	-5,329.028
		Receipts	5,964.068	4,359.335	-1,604.733

The budgeted expenditure of Local Councils of Mirpurkhas Division for the financial year 2022-23 was of Rs9,180.048 million, against which the actual expenditure was Rs3,851.020 million, resulting in saving of Rs5,329.028 million. The management of Local Councils was unable to realize the receipts' targets resulting in shortfall of Rs1,604.733 million.

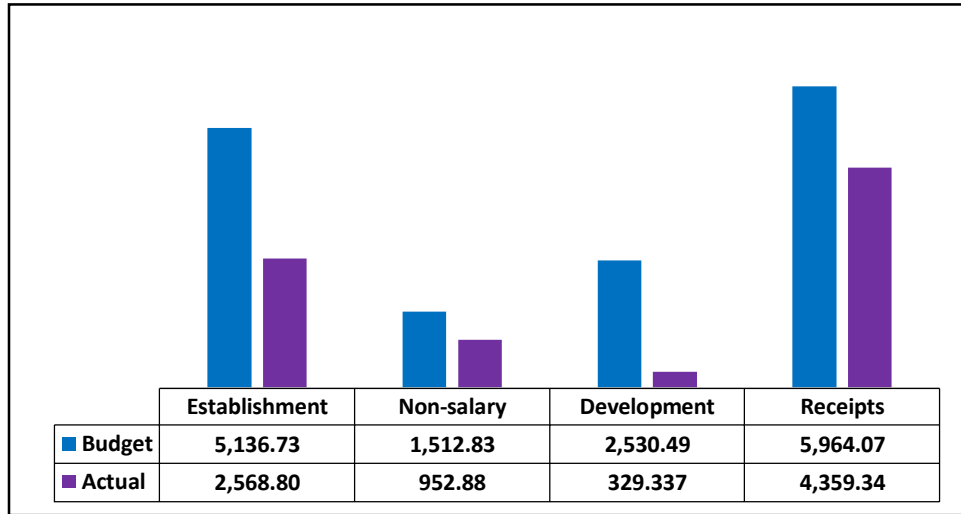


Table:- Audit Profile of Mirpurkhas Division

[Rs. in Million]

Sr.	Description	Formations		Financial Year 2022-2023	
		Planned	Audited	Expenditure audited	Revenue / Receipts audited
1.	Formations	31	23	3,851.020	4,359.335
2.	Assignment Accounts, SDAs (excluding FAP)	-	-	-	-
3.	Authorities/Autonomous Bodies under the PAO	-	-	-	-
4.	Foreign Aided Projects (FAP)	-	-	-	-

7.3 Classified Summary of Audit Observations

Audit observations amounting to Rs966.735 million were raised in this report during the current audit of Mirpurkhas Division. The amount also includes recoveries of Rs140.144 million as pointed out by Audit. Summary of the audit observations classified by nature is as under:

Table: Overview of Audit Observations:

[Rs. in Million]

Sr.	Classification	Amount
1	Non-Production of Record	-
2	HR/Employees related irregularities	1.318
3	Procurement related irregularities	202.419
4	Recoveries related irregularities	140.144
5	Value for money and service delivery	18.538

6	Other issues	604.316
Total		966.735

7.4 Brief Comments on the Status of Compliance with PAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Sindh. Detail of paras presented in PAC meetings is reflected hereunder:

Audit Year	No. of Paras	Status of Paras discussed in PAC Meetings
2012-13	31	2 - Partial
2013-14	11	1 - Partial
2014-15	41	-Nil-
2015-16	28	-Nil-
2016-17	26	-Nil-
2017-18	29	-Nil-
2018-19	23	-Nil-
2019-20	58	-Nil-
2020-21	08	-Nil-
2021-22	08	-Nil-
2022-23	20	-Nil-

7.5 Audit Paras

7.5.1 Non-production of record

7.5.1.1 Non-production of record

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, provides 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 all 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 relevant Efficiency and Discipline Rules applicable to such person”.

During audit of following Local Councils of Mirpurkhas Division, for the financial years 2021-22 and 2022-23, it was observed that the management did not produce auditable record pertaining to establishment, development, contingency, revenue, property, various registers, credentials of contractors etc., involving minimum financial impact of Rs124.198 million for audit scrutiny. Detail is at **Annex-MPK1**.

Sr. No.	Name of offices	F.Y.
1	Town Committee, Samaro, Umerkot	2021-22
2	Town Committee, Jhuddo, Mirpurkhas	
3	Town Committee, Hingorno, Mirpurkhas	
4	Town Committee, Tando Jan Muhammad, Mirpurkhas	
5	Town Committee, Nagarparkar, Tharparkar	
6	Town Committee, Chachro, Tharparkar	
7	Town Committee, Diplo, Tharparkar	
8	Municipal Committee, Mithi, Tharparkar	2022-23
9	Municipal Committee, Mirpurkhas	
10	Town Committee, Dighri, Mirpurkhas	
11	Town Committee, Jhuddo, Mirpurkhas	
12	District Council, Tharparkar	
13	Town Committee, Chelhar, Tharparkar	
14	Town Committee, Islamkot, Tharparkar	
15	Town Committee, Chachro, Tharparkar	
16	District Council, Umerkot	
17	Town Committee, Kunri, Umerkot	

Audit was of view that non-production of record was a serious lapse on the part of management which caused hindrance in performance of the functions of audit, besides, authenticity of the related transactions could not be ascertained.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 18-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit recommends inquiry into the matter and fixing of responsibility on the person(s) at fault for non-provision of record.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2019-20 and 2018-19 vide para numbers 7.5.1.1, 7.5.1.1, 7.5.1.1, 4.2.1.1, and 5.2.2.1 having financial impact of Rs212.492 million, Rs689.990 million, Rs699.771 million and Rs83.042 million respectively. Recurrence of same irregularity is a matter of serious concern.

7.5.2 HR/Employees related irregularities

7.5.2.1 Unauthorized payment of cycle allowance - Rs1.318 Million

According to Rule 80 (1)(c), Chapter-VII of Sindh Local Government Act 2013, “The Mayor or Chairman, as the case may be, shall exercise supervision and control over the acts and proceedings of all servants of the Council and dispose of all questions relating to their service, pay privileges and allowances in accordance with the rules”.

During audit of Municipal Committee Mirpurkhas, Mirpurkhas Division, for the financial year 2022-23, it was observed that the management incurred expenditure of Rs1.318 million on payment of cycle allowance to the employees without approval from administrative as well as Finance Department Government of Sindh. Detail is at **Annex-MPK2**.

Audit was of the view that payment of cycle allowance to the employees was unauthorized which indicated poor financial management and weak internal controls.

The matter was reported to the management during September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 15]

7.5.2.2 Irregular expenditure without approval of schedule of establishment

Rule 123(1), Chapter-XIV of the Sindh Local Government Act, 2013, stipulates that a council shall prepare a Schedule of Establishment showing the numbers of posts in each grade which are deemed necessary for the efficient performance of its functions under this Act and submit the same within three months of the coming into force of this Act to government for approval. Further, Sub-section (3) of Section 123 ibid stipulates that a change in the Schedule of Establishment approved by the Government under sub-section (1) shall be made in the same manner as the Schedule of Establishment.

During audit of Town Committee Chachro, District Tharparkar, Mirpurkhas Division, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs25.163 million on pay and allowances of employees without approval of schedule of establishment from government and maintenance of establishment check register. Detail is as under:

[Rs in Million]

S. No.	Description	Month	Total amount of salaries
1	Payment of pay & allowances of employees	Jul-22	3.581
2		Oct-22	3.466
3		Dec-22	3.804
4		Jan-23	3.675
5		Feb-23	3.930
6		Mar-23	3.658
7		Apr-23	3.049
Total			25.163

Audit was of the view that incurrence of expenditure on account of pay and allowances of employees without approval of schedule of establishment from government was irregular and indicated poor financial management and weak internal controls.

The matter was reported to the management in December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 7.5.2.2 having financial impact of Rs112.159 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 6]

7.5.2.3 Irregular posting of council employee

Circular No.SLGB/SCUG/AO(Estt)Gen/2015/1570 dated 29-10-2015 issued by Local Government Department, Government of Sindh, Karachi, stipulates that no any ex-cadre officer/official may be assigned the charge of cadre posts of SCUG Service.

During audit of Town Committee Hingorno, Mirpurkhas Division, for the financial year 2021-22, it was observed that management posted Mr. Abdul Razzaq, an employee of BPS-11 to the post of Assistant Executive Engineer (BPS-17) in violation of the direction of the Local Government.

Audit was of the view that posting of council employee against SCUG post without observing codal requirements was irregular which indicated poor management and weak internal controls.

The matter was reported to the management in June 2023, but no reply was received. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 18-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit recommends to inquire the matter for fixing responsibility on the person(s) at fault.

[AIR Para: 11]

7.5.3 Procurement related irregularities

7.5.3.1 Irregular utilization of sanitation funds through quotations Rs116.016 Million

According to Rule 11(1), Part-II of Sindh Public Procurement Rules 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".

Further, Rule 17(1), Part-II of Sindh Public Procurement Rules, 2010, as amended in 2019, stipulates that procurements over three hundred thousand rupees and up to two 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 Local Councils of Mirpurkhas Division, for the financial years 2021-22 and 2022-23, it was observed that the management incurred an expenditure of Rs116.016 million on various sanitation works (hiring of machinery and labour for cleaning of streets, roads and drain/nallahs) through quotations by keeping each transaction below Rs300,000/- to avoid open competitive bidding. Whereas, the work of sanitation being a mandatory function of the Council

was foreseen prior to commencement of financial year at the time of budget preparation/ approval as detailed below.

[Rs. in Million]

Sr. No.	Name of offices	F.Y.	AIR Para	Amount
1	Town Committee, Chachro, Tharparkar	2021-22	3	6.708
2	Town Committee, Naukot, Mirpurkhas		2	6.247
3	Town Committee, Islamkot, Tharparkar		2	4.330
4	Town Committee, Tando Jan Muhammad, Mirpurkhas		9	3.042
5	Town Committee, Nabisar, Tharparkar		1	1.800
6	Town Committee, Jhuddo, Mirpurkhas		2	0.532
7	Municipal Committee, Mirpurkhas	2022-23	4	34.771
8	Municipal Committee, Umerkot		6	27.669
9	Town Committee, Kunri, Umerkot		4	10.279
10	Town Committee, Chachro, Tharparkar		2	8.933
11	Town Committee, Chelhar, Tharparkar		3	5.873
12	Town Committee, Islamkot, Tharparkar		2	5.832
Total				116.016

Audit was of the view that incurrence of expenditure through quotations without obtaining competitive rates in violation of Sindh Public Procurement Rules indicated weak internal controls.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 18-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2021-22 vide para numbers 7.5.3.1 and 7.5.2.1 having financial impact of Rs128.929 million and Rs41.927 million respectively. Recurrence of same irregularity is a matter of serious concern.

7.5.3.2 Non-transparency in spending public funds - Rs23.524 Million

Rule-4, Part-I of Sindh Public Procurement Rules, 2010, states that 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 Municipal Committee, Mirpurkhas, Mirpurkhas Division, for the financial year 2022-23, it was observed that the management obtained three quotations for various works/supplies amounting to Rs23.524 million. Detail is at **Annex-MPK3**. The following irregularities were noticed:

- i. All the quotations were on the same format, bearing same phone numbers and official address of the bidders which indicated that the bidder was the same person.
- ii. Specific location of works, inspection report and consumption record of procured materials were not maintained.
- iii. Further, the works were split up into parts to avoid open tenders for availing competitive rates.
- iv. Neither the delivery challans of articles were available nor the stock register of procured items was maintained.
- v. Contractors were also not registered with FBR and SRB.

Audit was of the view that procurement of works and supplies was made through doubtful quotations which indicated poor financial management.

The matter was reported to the management during September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends that the matter may be investigated for fixing responsibility on the person(s) at fault.

[AIR Para: 7]

7.5.3.3 Splitting up of expenditure to avoid open tender - Rs25.621 Million

As per Rule 12(1), Part-II of Sindh Public Procurement Rules, 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".

Further, Rule 17(1), Part-II *ibid*, stipulates that procurements over three hundred thousand rupees and up to two 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 Local Councils of Mirpurkhas Division, for the financial years 2021-22 and 2022-23, it was observed that the management incurred expenditure of Rs25.621 million through quotations by splitting the procurements which resulted into non-achievement of competitive rates as detailed below.

[Rs. in Million]

Sr. No.	Name of offices	F.Y.	AIR Para	Amount
1	Town Committee, Jhuddo, Mirpurkhas	2021-22	5	1.765
2	Town Committee, Diplo, Tharparkar		5	1.337
3	Town Committee, Samaro, Umerkot		4	0.988
4	Municipal Committee, Mithi, Tharparkar	2022-23	3	6.768
5	Town Committee, Chelhar, Tharparkar		7	6.226
6	Town Committee, Jhuddo, Mirpurkhas		2	4.421
7	Town Committee, Dighri, Mirpurkhas		2	4.116
Total				25.621

Audit was of the view that incurrence of expenditure through splitting the procurements was violation of Sindh Public Procurement Rules which indicated weak internal controls.

The matter was reported to the management from March to November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 18-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21 and 2019-20 vide para numbers 7.5.3.2, 7.5.2.2, 7.5.3.2 and 4.2.3.21 having financial impact of Rs7.056 million, Rs22.548 million, Rs4.479 million and Rs55.188 million respectively. Recurrence of same irregularity is a matter of serious concern.

7.5.3.4 Execution of development works through quotations instead of NIT Rs11.267 Million

According to the instructions issued by the Local Government Department, Government of Sindh vide letter No.SOI/LG/MICS/10-7/2013 dated 07-01-2014, "No development work on quotation should be carried-out. All development works be carried-out through NIT".

During audit of following Local Councils of Mirpurkhas Division, for the financial years 2021-22 and 2022-23, it was observed that the management incurred an expenditure of Rs11.267 million on development works through quotations instead of open competitive bidding despite ban on execution of development works through quotations. Detail is at **Annex-MPK4**.

[Rs. in Million]

Sr. No.	Name of offices	F.Y.	AIR Para	Amount
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1	Town Committee, Jhuddo, Mirpurkhas	2021-22	1	8.770
2	Town Committee, Digri, Mirpurkhas	2022-23	6	2.052
3	Town Committee, Kunri, Umerkot		9	0.445
Total				11.267

Audit was of the view that execution of development works through quotation in violation of government instructions was irregular which indicated weak internal controls.

The matter was reported to the management from March to November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 18-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2018-19 vide para numbers 7.5.3.7 and 5.2.2.15 having financial impact of Rs1.024 million and Rs11.850 million respectively. Recurrence of same irregularity is a matter of serious concern.

7.5.3.5 Irregular expenditure without inviting open tender - Rs3.358 Million

Rule 17(1), Part-II of Sindh Public Procurement Rules 2010, as amended in 2019, stipulates that procurements over three hundred thousand rupees and up to two 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, Rule 17(1A) *ibid*, states that all procurement opportunities over two million rupees shall be advertised on the Authority's website as well as in the newspapers as prescribed. (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 Town Committee Diplo, Mirpurkhas Division, for the financial year 2021-22, it was observed that the management incurred an expenditure of Rs3.358 million on hiring of labour without inviting open tenders. Detail is at **Annex-MPK5**.

Audit was of the view that hiring of labour without inviting open tender competitive rates could not be achieved which indicated poor financial management and weak internal controls.

The matter was reported to the management in March 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 18-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2019-20 vide para number 4.2.3.19 having financial impact of Rs56.418 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 4]

7.5.3.6 Irregular expenditure on earth filling without estimates - Rs3.887 Million

According to Rule-109 of Sindh Local Council (Accounts) Rules 1983, stipulates that “No works shall be commenced unless administrative approval by competent authority is given and properly detailed design and estimate has been sanctioned, allotment of funds made, and order for its commencement are issued by competent authority”.

Further, according to Rule 11.3.1 of Sindh Public Procurement Regulatory Authority (SPPRA) Procurement Regulations (Works), “No work can be started simply on the basis of allocation of funds for the scheme by the Government, unless detailed design and estimate have been sanctioned”.

During audit of Town Committee Chachro, District Tharparkar, Mirpurkhas Division, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs3.887 million on earth filling works without preparation of estimates. Detail is at **Annex-MPK6**.

Audit was of the view that incurrence of expenditure on earth filling without preparation of estimates reflected poor internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Report for Audit Year 2019-20 vide para number 4.2.3.44 having financial impact of Rs2.103 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 8]

7.5.3.7 Non-imposition of liquidated damages - Rs18.746 Million

As per Para 10.3 of Sindh Public Procurement Regulatory Authority Guidelines 2013, “If the contractor fails to comply with time for completion mentioned in bid data except the conditions mentioned above, then procuring agency can penalize the contractor by adopting any one of the prescribed courses provided under clause (c) 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 following Local Councils of Mirpurkhas Division, for the financial years 2021-22 and 2022-23, it was observed that the management awarded various works of Rs270.109 million but the contractors failed to complete the works within stipulated period. However, the liquidated damages amounting to Rs18.746 million @ 5% of contract value cost were not imposed as detailed below.

[Rs. in Million]

Sr. No.	Name of office	F.Y.	AIR Para	Amount
1	Town Committee Tando Jan Muhammad Mirpurkhas	2021-22	11	0.377
2	Town Committee, Jhuddo, Mirpurkhas	2022-23	6	6.805
3	Municipal Committee, Umerkot		8	4.975
4	Town Committee, Kunri, Umerkot		6	3.746
5	District Council, Mirpurkhas		10	1.333
6	District Council, Umerkot		9	0.785
7	Municipal Committee, Mirpurkhas		18	0.725
Total				18.746

Audit was of the view that due to non-imposition of liquidated damages undue favor was extended to the contractors which indicated weak financial management and internal controls.

The matter was reported to the management during May to November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 18-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2019-20 and 2018-19 vide para numbers 7.5.6.2, 4.2.3.30, and 5.2.2.16 having financial impact of Rs17.506 million, Rs15.017 million and Rs8.438 million respectively. Recurrence of same irregularity is a matter of serious concern.

7.5.4 Recoveries related issues

7.5.4.1 Non-recovery of outstanding dues - Rs94.537 Million

As per Section 100 (2), Chapter-X of Sindh Local Government Act 2013, "All arrears of taxes, rates, tolls and fees and other moneys claimable by a Council under this Act shall be recoverable as arrears of land revenue through Government agency or by the Council authorized

by Government for such recovery through such employees or class of employees of the Council as may be prescribed”.

Further, Section 41(a), Chapter-3 of Sindh Financial Rules Volume-1, stipulates that 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 claiming credit for so much paid into the treasury and compare with the figures in the statements supplied by the comptroller.

During audit of following Local Councils of Mirpurkhas Division, for the financial years 2021-22 and 2022-23, it was observed that the management did not recover the outstanding dues amounting to Rs94.537 million on account of various heads from defaulters as detailed below.

[Rs.in Million]

Sr. No.	Name of Office	F.Y.	AIR Para	Outstanding dues
1	Town Committee, Tando Jan Muhammad, Mirpurkhas	2021-22	8	3.515
2	Town Committee, Diplo, Tharparkar		9	2.878
3	Town Committee, Islamkot, Tharparkar		6	1.777
4	Town Committee, Jhuddo, Mirpurkhas		14	1.476
5	Municipal Committee, Umerkot	2022-23	4	34.414
			12	0.370
6	Municipal Committee, Mithi, Tharparkar		1	16.610
7	District Council, Mirpurkhas		4	15.403
8	Municipal Committee, Mirpurkhas		10	9.619
		11	8.475	
Total				94.537

Audit was of the view that non-recovery of outstanding dues indicated weak financial management.

The matter was reported to the management from March to October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 18-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para numbers 7.5.4.1, 7.5.3.1, 7.5.2.2,

4.2.3.1, and 5.2.2.2 having financial impact of Rs110.400 million, Rs39.417 million, Rs19.479 million, Rs173.521 million and Rs15.581 million respectively. Recurrence of same irregularity is a matter of serious concern.

7.5.4.2 Non-deposit of taxes into public exchequer - Rs29.641 Million

Section 160 of Income Tax Ordinance, 2001, as amended vide Finance Act 2002, stipulates that any tax that has been collected or purported shall be paid to the Commissioner by the person making the collection or deduction within the time and in the manner as may be prescribed.

Further, as per Rule 41(a), Chapter-3 of Sindh Financial Rules Volume-1, “The departmental controlling officers should see that all sums due to Government are regularly received and checked against demands and that they are paid into the treasury”.

During audit of following Local Councils of Mirpurkhas Division, for the financial years 2021-22 and 2022-23, it was observed that the management deducted an amount of Rs29.641 million on account of income tax, general sales tax and Sindh sales tax on services from the bills of contractors and salaries of employees but failed to deposit the same into public exchequer. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Offices	F.Y.	AIR Para	Income Tax	General Sales Tax	Sindh Sales Tax	Total Taxes
1	Town Committee, Islamkot	2021-22	5	1.008	0.806	1.260	3.074
2	Town Committee, Diplo		8	0.652	-	1.399	2.051
3	Town Committee, Chachro		6	0.915	-	0.533	1.448
4	Town Committee, Kheme-Jo-Par		3	0.558	-	-	0.558
5	Town Committee, Hingorno		9	0.117	0.380	-	0.497
6	Town Committee, Nagarparkar		5	0.270	-	-	0.270
7	Town Committee, Nabisar		8	0.190	-	-	0.190
8	Town Committee, Naukot		10	0.055	-	0.075	0.130
9	District Council, Tharparkar	2022-23	1	3.830	-	2.818	6.648
10	Town Committee, Jhuddo		10	2.124	0.946	0.925	3.995
11	Town Committee, Digri		7	1.529	1.382	0.798	3.709
12	District Council, Umerkot		6	1.390	-	0.927	2.317
13	Town Committee, Chachro		3	1.398	-	-	1.398
		5	-	-	1.282	1.282	

[Rs. in Million]

Sr. No.	Name of Offices	F.Y.	AIR Para	Income Tax	General Sales Tax	Sindh Sales Tax	Total Taxes
14	Town Committee, Islamkot		4	0.325	-	0.481	0.806
15	Municipal Committee, Mithi		4	0.738	-	-	0.738
16	Town Committee, Chelhar		4	0.530	-	-	0.530
Total				15.629	3.514	10.498	29.641

Audit was of the view that non-deposit of collected taxes into public exchequer indicated poor financial management and weak internal controls.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 18-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit recommends depositing of the amount of deducted taxes into public exchequer, besides fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21 and 2018-19 vide para numbers 7.5.4.2, 7.5.3.3, 7.5.2.1 and 5.2.2.14 having financial impact of Rs41.286 million, Rs25.541 million, Rs23.777 million and Rs12.003 million respectively. Recurrence of same irregularity is a matter of serious concern.

7.5.4.3 Non-deduction of government taxes - Rs15.966 Million

Section 8(1) of Sindh Sales Tax on Services Act 2011, stipulates that taxable services shall be charged, levied and collected for a tax, known as sales tax, on the value of a taxable service at the specified rate.

Further, as per Section 153 of the Income Tax Ordinance 2001 read with Income Tax Rules 2002, "Payment on account of supply of goods and rendering of services are subject to deduction of income tax @ 4.5% and 7.5% respectively".

Furthermore, according to Section 3(1) of Sales Tax Act 1990, as amended upto July 2015, "There shall be charged, levied and paid a tax known as sales tax at the rate of 17 [seventeen] per cent of the value of (a) taxable supplies made by a registered person".

During audit of following Local Councils of Mirpurkhas Division, for the financial years 2021-22 and 2022-23, it was observed that the management did not deduct income tax, general sales tax and Sindh sales tax on services amounting to Rs15.966 million from the payments made to contractors, suppliers and employees. Detail is as under:

[Rs. in Million]

Sr.	Name of Office	F.Y.	AIR Para	IT	SST	GST	Total Taxes	
1	Town Committee, Jhuddo	2021-22	15	3.630	-	-	3.630	
			11	0.218	-	-	0.218	
2	Town Committee, Chachro		5	0.111	0.628	-	0.739	
3	Town Committee, Nagarparkar		2	-	-	0.354	0.354	
4	Town Committee, Kheme-Jo-Par		1	-	-	0.338	0.338	
5	Town Committee, Samaro		12	-	0.259	-	0.259	
			11	0.150	-	-	0.150	
6	Town Committee, Naukot		8	0.178	-	-	0.178	
7	Municipal Committee, Mirpurkhas		2022-23	13	1.585	1.585	-	3.170
				20	0.096	0.234	-	0.330
8	Town Committee, Jhuddo	9		2.600	-	-	2.600	
9	Town Committee, Kunri	7		0.319	-	-	0.319	
		8		0.008	1.344	-	1.352	
10	Municipal Committee, Umerkot	11		0.350	0.870	-	1.220	
11	Town Committee, Chelhar	2		-	-	0.814	0.814	
12	Town Committee, Islamkot	3		-	-	0.191	0.191	
13	District Council, Mirpurkhas	11		0.027	0.077	-	0.104	
Total				9.272	4.997	1.697	15.966	

Audit was of the view that non-deduction of taxes was loss to public exchequer which reflected weak financial and internal controls.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 18-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2019-20 and 2018-19 vide para numbers 7.5.4.3, 7.5.4.3, 4.2.3.2, and 5.2.1.1 having financial impact of Rs25.763 million, Rs17.018 million, Rs24.335 million, and Rs47.004 million respectively. Recurrence of same irregularity is a matter of serious concern.

7.5.5 Value for Money and Service Delivery issues

7.5.5.1 Irregular expenditure on de-silting and disposal of garbage Rs18.538 Million

As per Schedule-II (Section 72-3) Part-II Compulsory Function of Sindh Local Government Act-2013, stipulates that a Corporation, Municipal Committee or Town Committee shall make adequate arrangements for the removal of refuse from all public streets, public latrines, urinals, drains and all buildings and lands vested in the Council concerned and for the collection and proper disposal of such refuse.

During audit of following Local Councils of Mirpurkhas Division, for the financial years 2021-22 and 2022-23, it was observed that the management incurred an expenditure of Rs18.538 million on de-silting of drain/nallahs/ponds and sweeping of roads streets and cleaning open surface drains from the limits of towns as detailed below.

[Rs. in Million]

Sr. No.	Name of offices	F.Y.	AIR Para	Amount
1	Town Committee, Jhuddo, Mirpurkhas	2021-22	4	3.177
2	Town Committee, Samaro, Umerkot		2	1.273
3	Town Committee, Nabisar, Tharparkar		3	0.877
4	Town Committee, Naukot, Mirpurkhas		3	0.389
5	Town Committee, Digri, Mirpurkhas	2022-23	3	7.921
6	Town Committee, Jhuddo, Mirpurkhas		3	4.901
Total				18.538

Following irregularities were noticed:

- i. Survey/Assessment of daily waste produced in town was not conducted before outsourcing of work.
- ii. Estimation for desilting work was not prepared and measurement was also not recorded in measurement books.
- iii. Dustbins or receptacles at accessible point of the public were not provided for proper accumulating refuse.
- iv. Record of daily quantity lifted and disposed-off at dumping site(s) was not maintained nor supervised by sanitation inspectors/incharge.

Audit was of the view that incurrence of expenditure on collection, removal and disposal of silt and garbage without supporting record was irregular which indicated weak internal controls.

The matter was reported to the management from March to November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 18-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2019-20 and 2018-19 vide para numbers 7.5.5.1, 4.2.3.35 and 5.2.2.20 having financial impact of Rs20.085 million, Rs8.022 million and Rs2.224 million respectively. Recurrence of same irregularity is a matter of serious concern.

7.5.6 Other issues

7.5.6.1 Less realization of targeted receipts - Rs170.553 Million

Section 100 (1) of Sindh Local Government Act 2013, states that unless otherwise provided, all taxes, rates, tolls and fees levied under this act shall be collected in the prescribed manner by the persons authorized for such collection: provided that where any tax, rate, toll or fee levied by a Council is also levied by Government, such tax, rate, toll or fee shall be collected with Government tax, and the proceeds thereof be credited to the local fund of the Council.

During audit of following Local Councils of Mirpurkhas Division, for the financial years 2021-22 and 2022-23, it was observed that the management did not take appropriate measure to realize revenue targets of Rs170.553 million from various heads i.e. water supply charges, shop rent, certificate fee, parking fee, etc. Detail is as under:

[Rs.in Million]

Sr. No.	Name of offices	F.Y.	AIR Para	Targeted Receipts	Recovery Effected	Shortfall
1	Town Committee, Hingorno	2021-22	3	18.000	0.098	17.902
3	Town Committee, Diplo		7	9.136	1.464	7.672
2	Town Committee, Naukot		9	5.400	1.446	3.954
4	Town Committee, Islamkot		4	4.805	2.324	2.481
5	Town Committee, Samaro		14	2.510	0.516	1.994
6	Town Committee, Tando Jan Muhammad		10	1.470	0.353	1.117
7	Town Committee, Nabisar		7	1.005	0.682	0.323
8	Town Committee, Digri	2022-23	8	82.293	12.455	69.838
9	Municipal Committee, Mirpurkhas		6	36.597	9.775	26.822
			14	2.437	0.242	2.195

[Rs.in Million]

Sr. No.	Name of offices	F.Y.	AIR Para	Targeted Receipts	Recovery Effected	Shortfall
10	Town Committee, Jhuddo		11	58.780	42.534	16.246
11	Town Committee, Islamkot		5	28.775	13.536	15.239
12	Municipal Committee, Umerkot		9	26.814	22.044	4.770
Total				278.022	107.469	170.553

Audit was of the view that due to less-realization of revenue targets, the councils were deprived of legitimate revenue which indicated poor financial controls.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 18-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit recommends fixing responsibility on the person(s) at fault for non-achievement of revenue targets.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2019-20 and 2018-19 vide para numbers 7.5.6.1, 7.5.3.2, 4.2.3.7, and 5.2.2.8 having financial impact of Rs127.617 million, Rs216.989 million, Rs135.756 million and Rs25.838 million respectively. Recurrence of same irregularity is a matter of serious concern.

7.5.6.2 Non-maintenance of POL record - Rs137.635 Million

As per Rule- 20 of the Staff Car Rules 1980, as amended in 2001, “The Log Book, History Sheet, and Petrol Account Register shall be maintained for each official vehicle”.

Further according to Rule 159 (4) of the Sindh Local Councils (Accounts) Rules, 1983, “A Council vehicle shall not be driven except by a Driver appointed by the competent authority, for the vehicle. Every person using a Council vehicle shall make and sign entries in the Petrol and Lubricant account in Form No. 116 and in Log Book of the vehicle kept in the custody of the driver. Log Book shall be maintained in Form No. 117”.

During audit of following Local Councils of Mirpurkhas Division, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs137.635 million on POL for official vehicles and machinery but did not maintain of petrol account register, history sheet, log book of each vehicle, tour program/diary of official vehicles. Detail is as under:

[Rs. in Million]

Sr. No.	Name of office	AIR Para	Amount
1	Municipal Committee, Mirpurkhas	3	44.754

[Rs. in Million]

Sr. No.	Name of office	AIR Para	Amount
2	Municipal Committee, Umerkot	7	18.574
3	Town Committee, Digri, Mirpurkhas	9	17.212
4	Town Committee, Kunri, Umerkot	3	15.264
5	Town Committee, Islamkot, Tharparkar	6	14.522
6	Town Committee, Jhuddo, Mirpurkhas	12	8.433
7	District Council, Umerkot	5	8.018
8	District Council, Mirpurkhas	9	4.859
9	District Council, Tharparkar	2	3.130
10	Town Committee, Chelhar, Tharparkar	5	1.704
11	Town Committee, Chachro, Tharparkar	4	1.165
Total			137.635

Audit was of the view that incurrence of expenditure on account of POL without maintenance of relevant prescribed record indicated weak financial controls.

The matter was reported to the management from September to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends that responsibility may be fixed on person(s) at fault for incurring expenditure without maintenance of prescribed record.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2019-20 and 2018-19 vide para numbers 4.2.3.12 and 5.2.2.9 having financial impact of Rs102.814 million and Rs19.740 million respectively. Recurrence of same irregularity is a matter of serious concern.

7.5.6.3 Unauthorized creation of liability - Rs128.528 Million

According to Section 105(1), Chapter-XI of Sindh Local Government Act 2013, “A Council shall not incur any debt nor borrow any money or give any guaranty without prior approval of Government” and Section 106(2) ibid, stipulates that the moneys credited to the Local Fund shall be applied; firstly, in the payment of salaries and allowances to the employees of the Councils.

Further, Finance Department, Government of Sindh, vide letter No.FD.SO(LF-I) Misc/(171)2013 dated 13-08-2013, instructed all the Local Councils/District Councils/ defunct

TMA's that payment of salaries and pension may be given first priority from the OZT funds released by Finance Department.

During audit of following Local Councils of Mirpurkhas Division, for the financial year 2022-23, it was observed that the management created liability amounting to Rs128.528 million in the head of pension and financial assistance and put extra burden over council funds. Creation of liability under the heads of pension and financial assistance showed that payments were made by giving priority to development works in violation of rules as detailed below:

[Rs in Million]

Sr. No.	Name of office	AIR Para	Description	Total amount of liability created
1	District Council, Tharparkar	5	Pension/Commutation/Leave encashment/Financial Management	10.000
			Contractor's liabilities	82.271
2	Town Committee, Kunri, Umerkot	2	pension and commutation of 30 retired employees	36.257
Total				128.528

Audit was of the view that creation of pension liability by giving priority to the payments of development works in violation of rules indicated weak financial management.

The matter was reported to the management during September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2019-20 vide para number 4.2.3.8 having financial impact of Rs124.250 million. Recurrence of same irregularity is a matter of serious concern.

7.5.6.4 Expenditure over and above the allocated budget - Rs68.483 Million

According to Rule-75 (1) of Sindh Council (Budget) Rules, 2017, "Every Disbursing Officer shall be responsible for watching expenditure incurred against supply communicated to him. (2) No expenditure shall be incurred without necessary appropriation or in excess of the sanctioned appropriation.

During audit of following Local Councils of Mirpurkhas Division, for the financial year 2022-23, it was observed that the management incurred expenditure of Rs68.483 million on account of various heads over and above the allocated budget in violation of rules as detailed below. Further detail is at **Annex-MPK7**.

[Rs. in Million]

Sr. No.	Name of office	AIR Para	Amount
1	Municipal Committee, Umerkot	2	50.808
2	District Council, Mirpurkhas	2	17.675
Total			68.483

Audit was of the view that incurrence of expenditure over and above the allocated budget was irregular which indicated poor financial management and weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

7.5.6.5 Non-maintenance of stock registers - Rs35.147 Million

According to Rule 95 'Receipt of stores' of Sindh Local Councils (Accounts) Rules, 1983, "All materials received from the supplier, workshops, manufactures, departments of Government and any other agency, should be examined counted measured or weighted as the case may be, by the Incharge Municipal store or by the head of department, when delivery is taken and should be kept in charge of a responsible officer, who should be required to give a certificate that he actually received the materials and recorded them in the appropriate stock register".

During audit of following Local Councils of Mirpurkhas Division, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs35.147 million on account of procurements of electrical items, sanitation material, stationery items etc., but failed to account for into relevant stock registers. Detail is as under:

[Rs. in Million]

Sr. No.	Name of offices	AIR Para	Amount
1	Town Committee, Jhuddo, Mirpurkhas	14	9.133
2	Town Committee, Digri, Mirpurkhas	11	6.163
3	Municipal Committee, Mithi, Tharparkar	11	4.907
4	Town Committee, Chelhar, Tharparkar	10	4.714
5	Municipal Committee, Umerkot	10	4.684
6	Town Committee, Kunri, Umerkot	7	2.783
7	Town Committee, Chachro, Tharparkar	11	1.190
8	Town Committee, Islamkot, Tharparkar	8	1.126
9	District Council, Tharparkar	8	0.447

[Rs. in Million]

Sr. No.	Name of offices	AIR Para	Amount
Total			35.147

Audit was of the view that non-maintenance of stock register indicated weak internal controls, besides misuse of funds as well as procured items could not be ruled out.

The matter was reported to the management from September to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends that stock register may be maintained on the prescribed format.

7.5.6.6 Loss to council due to attachment of amount by FBR - Rs29.000 Million

Section (1) of Appendix 18-A of Sindh Financial Rules Volume-1, 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 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 Town Committee, Jhuddo, Mirpurkhas Division, for the financial year 2021-22, it was observed that the management neither filed annual tax returns nor deposited withheld income tax for the years from 2017 to 2021 despite issuance of notices by the office of Regional Tax Office Hyderabad. Resultantly, an amount of Rs29.000 million was attached by the income tax authority on 03-02-2021. Further, the reconciliation of income tax in order to ascertain the actual amount due was not carried out with the income tax authority.

Audit was of the view that the council sustained loss due to non-deposit of income tax in time into the public exchequer which indicated negligence of the management and weak internal controls.

The matter was reported to the management in April 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 18-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit seeks justification in the matter.

[AIR Para: 10]

7.5.6.7 Non-reconciliation of receipts - Rs13.082 Million

According to Government instructions reflected in "Accounting Policies and Procedures" Chapter 6, Clause 6.3.4.1, "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”.

During audit of following Local Councils of Mirpurkhas Division, for the financial year 2022-23, it was observed that the management received an amount of Rs13.082 million on account of property tax from sub-registrar, revenue department, government of Sindh on lump sum basis but no efforts were made to obtain detail of property and reconcile the same with actual collection transferred by revenue department as detailed below:

[Rs. in Million]

Sr. No.	Name of office	AIR Para	Amount
1	District Council, Mirpurkhas	7	10.175
2	District Council, Tharparkar	7	2.907
Total			13.082

Audit was of the view that management failed to reconcile the receipts of property transfer fees with the revenue department, government of Sindh, which indicated poor financial management and weak internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

7.5.6.8 Unauthorized utilization of security deposit funds - Rs10.025 Million

Para 7.12.3 (i) of Guidelines / Regulations for Procurement of Works issued by SPPRA, stipulates that security deposit be released in either of following ways, but the same shall be mentioned in the contract data /special conditions of the contract:

- (a) On completion of the works; half the total amount retained is refunded to the contractor and half when the defects liability period has passed and the engineer has certified that all defects notified to the contractor before the end of this period have been attended to his satisfaction;
- (b) full amount be released after completion of defect liability period.

During audit of Town Committee Diplo, Mirpurkhas Division, for the financial year 2021-22, it was observed that total payments of Rs10.517 million were made from the security deposit Account No.162-0 (4110995252) NBP Diplo Branch. However, the refund of security deposit was only Rs0.492 million. This showed that funds of Rs10.025 million of security deposit were utilized by the management unauthorizedly as detailed below:

[Rs. in Million]

Description	Amount
Brought forwarded Balance as on 01-07-2021	10.529
Total credit transactions	0
Total debit transactions	10.517
Closing balance on 30-06-2022	0.012
Refund of Call Deposit /Security Deposit as per bank statement	0.492
Other expenditure incurred out of security deposit account	10.025

Audit was of the view that utilization of security deposit amount for the purpose other than refund to the contractors indicated poor financial management and weak internal controls.

The matter was reported to the management in May 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 18-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

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

[AIR Para: 2]

7.5.6.9 Award of works without execution of agreement - Rs8.926 Million

According to Regulation for Procurement of Works, SPPRA Notification No.Dir(A&F)/SPPRA/Bod/12-13/9316 dated 22nd March, 2013, Para-7.12.3, Contract Agreement, "The contract document confirms in writing the contract which has been agreed and formed between the procuring agency and the contractor. The authorized signatory for the procuring agency should sign all copies of the contract within 28 days of receipt of the letter of acceptance, send the copies of the contract to the bidder, with a covering letter or contractor shall attend the offices of the procurement agency for the purpose of signing the agreement duly stamped at the rate of 25 Paisa/100 rupees of the contract value (as amended and updated by the Government from time to time and which shall be borne by the contractor). Failure to sign the agreement shall lead to cancellation of the award and forfeiture of the bid security".

During audit of Municipal Committee Mithi, District Tharparkar, Mirpurkhas Division, for the financial year 2022-23, it was observed that management awarded contracts of Rs8.926 million without executing contract agreements with contractors. Further, government also sustained loss of Rs0.031 million on account of stamp duty. Detail is provided at **Annex-MPK8**.

Audit was of the view that non-execution of contract agreements was violation of the rules. The government also sustained loss of revenue in the shape of stamp duty which indicated poor financial management and weak internal controls.

The matter was reported to the management during October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2019-20 vide para number 4.2.3.9 having financial impact of Rs124.025 million. Recurrence of same irregularity is a matter of serious concern.

[AIR Para: 7]

7.5.6.10 Unjustified expenditure on purchase of water - Rs2.937 Million

According to Rule-04, Part-I 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 Town Committee Jhuddo, Mirpurkhas Division, for the financial year 2022-23, it was observed that management incurred expenditure of Rs2.937 million on purchase of water, without shortage declared by concerned authority. Detail is provided at **Annex-MPK9**.

The following discrepancies were noticed:

- i. Procurement of water was made without demand/request from local residents.
- ii. No detail of beneficiaries was provided to audit.
- iii. Procurement of water tankers was made on exorbitant rates.
- iv. The approval of procurement was made by invalid procurement committee without inclusion of external member for ensuring transparency in rates.

Audit was of the view that supply of water to public without any demand, proper justification and maintenance of relevant record indicated poor management and weak internal controls.

The matter was reported to the management in November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 29-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 4]

7.5.6.11 Non-revision of rent of shops at fair value

According to Rule 9(1) of Sindh Rental Premises Ordinance 1979, “Where the fair rent of any premises has been fixed, no further increase thereof shall be effected unless a period of three years has elapsed from the date of such fixation or commencement of this ordinance whichever is

later”. Further, Rule 9(2) ibid stipulates that “The increase is allowed @ 10% per annum on the existing rent”.

During audit of Town Committee Digri, Mirpurkhas Division, for the financial years 2021-22 and 2022-23, it was observed that the management owned 435 number of shops at different locations of the council and allotted to various tenants but did not revise rent of various tenants since many years, resulting into loss of legitimate revenue to the councils. The record of allotments was also not provided; hence the actual period of tenancy could not be ascertained as detailed below:

Sr. No.	Name of Office	AIR Para	FY	No. of shop
1	Town Committee, Islamkot, Tharparkar	9	2021-22	59
2	Town Committee, Samaro, Umerkot	13		108
3	Town Committee Digri, Mirpurkhas	12	2022-23	268
Total				435

Audit was of the view that non-revision of rent of shops was a loss to the Councils which reflected poor financial management.

The matter was reported to the management from March to November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 18-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit recommends revision of rent of shops at fair value.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20 and 2018-19 vide para numbers 7.5.6.3, 7.5.3.5, 7.5.4.2, 4.2.3.38 and 5.2.2.10 respectively. Recurrence of same irregularity is a matter of serious concern.

7.5.6.12 Non-establishment of provident, pension, benevolent fund

As per Rule 125 (1), Chapter-XIV of SLGA 2013, a Council may, establish and maintain-

- a. Provident fund for the benefit of its employees, who shall contribute to such fund in such manner and proportion as may be prescribed.
- b. Pension fund from which pension, shall, in the prescribed manner, be paid to the employees of the Council.
- c. Benevolent fund, in the prescribed manner from which any special pension or gratuity, shall, in the prescribed manner be paid to the family of employee of the Council, who dies of disease or injury contracted or suffered by him in the discharge of his official's duties.

During audit of following Local Councils of Mirpurkhas Division, for the financial years 2021-22 to 2022-23, it was observed that the management failed to establish provident, pension and benevolent fund for the benefits of employees of the council.

Sr. No.	Name of office	F.Y.	AIR Para
1	Town Committee, Tando Jan Muhammad, Mirpurkhas	2021-22	12
2	Town Committee, Hingorno		12
3	Town Committee, Digri, Mirpurkhas	2022-23	14
4	Town Committee, Jhuddo, Mirpurkhas		16
5	Town Committee, Chelhar, Tharparkar		6
6	Town Committee, Chachro, Tharparkar		13

Audit was of the view that non-establishment of mandatory funds indicated weak internal controls and financial management.

The matter was reported to the management from May to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 18-07-2023 and 29-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit recommends establishment of mandatory funds as per provision of the Sindh Local Government Act, 2013.

7.5.6.13 Non-maintenance of property record

Rule 3(1), Chapter-1 of Sindh Local Councils (Property) Rules, 2017, stipulates that the Mayor or Chairman, as the case may be, shall take such steps as may be necessary to ensure that the property vested in the Council is managed and maintained in the best interest of the public for the purposes of the Act, the rules and the bye-laws made thereunder.

Further, S.No.(1) of Schedule of Rule 5(1) of Sindh Local Councils (Property) Rules 2017, requires that register of immovable property in Form P-I shall be maintained and Rule 5(2) requires that a Council shall provide at least 10% of its development budget for the maintenance and repairs of its immovable property regularly.

During audit of Town Committee Kheme-Jo-Par, Mirpurkhas Division, for the financial year 2021-22, it was observed that the management failed to maintain property record as mentioned in schedule of Sindh Local Councils (Property) Rules, 2017. The management also failed to allocate at least 10% of its development budget for the maintenance and repair of immovable property of the Council in violation of above rules.

Audit was of the view that management failed to comply with the prescribed rules for maintenance of property record which indicated weak internal controls. Besides, chances of encroachment could not be ruled out.

The matter was reported to the management in March 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 18-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit recommends maintenance of required property record at the earliest on the prescribed format.

[AIR Para: 07]

Shaheed Benazirabad Division



Chapter-8: Local Councils, Shaheed Benazirabad Division

8.1 Introduction

Shaheed Benazirabad Division consists of three Districts namely Shaheed Benazirabad, Sanghar and Naushahro Feroze. Each District Council / Municipal Committee /Town Committee in Shaheed Benazirabad Division is headed by Chairman/ Chief Officer/ Chief Municipal Officer/ Town officer who carries out operations as per Sindh Local Government Act, 2013.

The functions of Local Councils are summarized below:

- i. Prepare development plans for the Town including plans for land use, zoning and functions for which Municipal Corporation/Committees is responsible.
- ii. Exercise control over land use, land subdivision, land development and zoning by public and private sectors for any purpose, including agriculture, industry, commerce markets, shopping and other employment centers, residential, recreation, parks, entertainment, passenger and transport freight and transit stations.
- iii. Enforce all municipal laws, rules and bye-laws governing Municipal Corporation/Committees functioning.
- iv. Prepare budget, long term and annual municipal development programs in collaboration with the Union Councils.
- v. Collect approved taxes, cess, user fees, rates, rents, tolls, charges, fines and penalties.
- vi. Manage properties, assets and funds vested in the Municipal Corporation/Committees.
- vii. Develop and manage schemes, including site development in collaboration with Union Administration.
- viii. Issue notice for committing any municipal offence by any person and initiate legal proceedings for commission of such offence or failure to comply with the directions contained in such notice.
- ix. Prosecute, sue and follow up criminal, civil and recovery proceedings against violators of Municipal Laws in the courts of competent jurisdiction.
- x. Maintain municipal records and archives.

8.2 Comments on Budget and Accounts (Variance Analysis)

[Rs. in Million]

Sr. No.	District	Head	Budget	Actual	Excess (+) Savings (-)
1	Nawabshah	Establishment	1,177.125	906.723	-270.402
		Non-salary	700.394	348.725	-351.669
		Development	454.112	198.514	-255.598
		Total Expenditure	2,331.631	1,453.962	-877.669
		Receipts	2,297.339	1,460.902	-836.437
2	Sanghar	Establishment	1,986.137	1,553.770	-432.368
		Non-salary	796.440	612.510	-183.930
		Development	691.870	207.786	-484.084
		Total Expenditure	3,474.447	2,374.065	- 1,100.382
		Receipts	2,297.339	1,460.902	-836.437
3	Naushahro Feroze	Establishment	1,729.533	1,100.710	-628.823
		Non-salary	584.945	276.090	-308.855
		Development	537.532	128.516	-409.016
		Total Expenditure	2,852.010	1,505.316	- 1,346.694
		Receipts	2,297.339	1,460.902	-836.437
Grand Total Shaheed Benazirabad	Establishment	4,892.795	3,561.203	- 1,331.593	
	Non-salary	2,081.779	1,237.325	-844.454	
	Development	1,683.514	534.817	- 1,148.697	
	Total Expenditure	8,658.088	5,333.344	- 3,324.744	
	Receipts	6,892.017	4,382.705	- 2,509.312	

The budgeted expenditure of Local Councils of Shaheed Benazirabad Division for the financial year 2022-23 was Rs8,658.088 million, against which the actual expenditure was Rs5,333.344 million, resulting in saving of Rs3,324.744 million. The management of Local Councils were unable to realize the receipts' targets resulting in shortfall of Rs2,509.312 million.

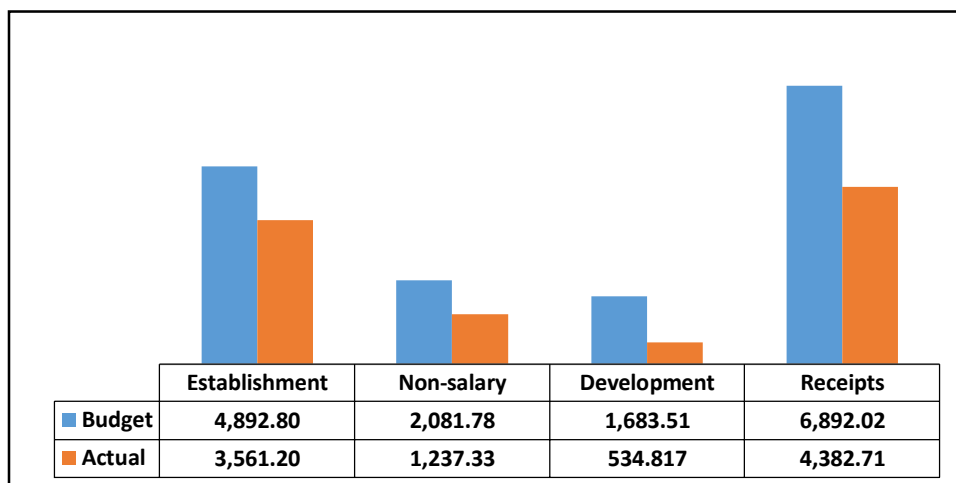


Table:- Audit Profile of Shaheed Benazirabad Division

[Rs. in Million]

Sr.	Description	Formations		Financial Year 2022-23	
		Planned	Audited	Expenditure audited	Revenue / Receipts audited
1.	Formations	40	30	5,333.344	4,382.705
2.	Assignment Accounts, SDAs (excluding FAP)	-	-	-	-
3.	Authorities/Autonomous Bodies under the PAO	-	-	-	-
4.	Foreign Aided Projects (FAP)	-	-	-	-

8.3 Classified Summary of Audit Observations

Audit observations amounting to Rs992.250 million were raised in this report during the current audit of Shaheed Benazirabad Division. The amount also includes recoveries of Rs266.971 million as pointed out by Audit. Summary of the audit observations classified by nature is as under:

Table: Overview of Audit Observations:

[Rs. in Million]

Sr.	Classification	Amount
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1	Non-Production of Record	-
2	HR/Employees related irregularities	1.444
3	Procurement related irregularities	376.287
4	Recoveries related irregularities	266.971
5	Value for money and service delivery issues	25.752
6	Other issues	321.796
Total		992.250

8.4 Brief Comments on the Status of Compliance with PAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Sindh. Detail of paras presented in PAC meetings is reflected hereunder:

Audit Year	No. of Paras	Status of Paras discussed in PAC Meetings
2012-13	20	2 – Partial
2013-14	6	1 – Partial
2014-15	25	-Nil-
2015-16	20	-Nil-
2016-17	27	-Nil-
2017-18	32	-Nil-
2018-19	27	-Nil-
2019-20	59	-Nil-
2020-21	11	-Nil-
2021-22	12	-Nil-
2022-23	30	-Nil-

8.5 Audit Paras

8.5.1 Non-production of record

8.5.1.1 Non-production of record

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, provides 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 all 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 relevant Efficiency and Discipline Rules applicable to such person”.

During audit of various Local Councils of Shaheed Benazirabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management did not produce auditable record pertaining to establishment, contingency, revenue, development and various registers, etc., involving minimum financial impact of Rs171.556 million for audit scrutiny. Detail is at **Annex-SBA1**.

Audit was of view that non-production of record was a serious lapse on the part of management which caused hindrance in performance of the functions of audit, besides, authenticity of the related transactions could not be ascertained.

The matter was reported to the management from March to December 2023. The management of District Council, Shaheed Benazirabad replied that requisite record was ready and could be produced. Reply was not tenable as the record was not produced during audit, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letters dated 21-07-2023 and 28-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit recommends inquiry into the matter and fixing of responsibility on the person(s) at fault for non-provision of record.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18 vide para numbers 8.5.1.1, 8.5.1.1, 8.5.1.1, 5.2.2.1, 6.2.1.1 and 6.2.1.1 having financial impact of Rs249.611 million, Rs195.827 million, Rs125.275 million, Rs259.852 million, Rs7.000 million and Rs588.423 million respectively. Recurrence of same irregularity is matter of serious concern.

8.5.2 HR/Employees related irregularities

8.5.2.1 Unauthorized creation of new posts without approval of schedule of establishment

Rule 123(1), Chapter-XIV of the Sindh Local Government Act, 2013, stipulates that a council shall prepare a Schedule of Establishment showing the numbers of posts in each grade

which are deemed necessary for the efficient performance of its functions under this Act and submit the same within three months of the coming into force of this Act to government for approval.

During audit of Municipal Committee Khipro, Shaheed Benazirabad Division, for the financial year 2022-23, it was observed that the management included 17 new posts in the Schedule of Establishment without approval of the Administrative Department. Moreover, posts of Fire Officer and Computer Operator were also upgraded from BS-11 to 16 without approval. Detail is at **Annex-SBA2**.

Audit was of the view that creation of posts without approval of schedule of establishment from government was unauthorized and indicated poor financial management and weak internal controls.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 28-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

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

[AIR Para: 4]

8.5.2.2 Irregular out of turn/cadre promotions

As per Notification No.SOV/(LG)/9-45/2015 dated 04-02-2016 issued by Local Government Department, Government of Sindh, in compliance of Judgment of Honorable Supreme Court of Pakistan, all Deputy Commissioners/Controlling Authority of District Councils / Municipal Committees were directed to ensure that no officer/official was working on OPS/Ex-cadre post (SCUG/Non-SCUG)/Out of Turn Promotion/Deputation and Absorption basis in any Council of the Province of Sindh. Further, it was also directed that any officer/official found working in violation of the Judgment of the Honorable Supreme Court of Pakistan should immediately be relieved.

During audit of Municipal Committee Shahdadpur, Shaheed Benazirabad Division, for the financial year 2022-23, it was observed that various employees of the council were promoted by out of turn/cadre in violation of above notification. Detail is at **Annex-SBA3**.

Audit was of the view that out of turn/cadre promotions of officers/officials were violation of the directives of the Local Government Department which indicated poor management and weak internal controls.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 28-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

8.5.2.3 Irregular joining and payment of salary - Rs1.444 Million

According to Section 116 (07), Chapter-XII of the Sindh Local Government Act, 2013, “Every Member or Employee of a Council and every person, charged with the administration of the affairs of a Council, or acting on behalf of a Council shall be personally liable for the loss, waste, misapplication or unauthorized application of any moneys or property belonging to the Council which is a direct consequence of his negligence or misconduct, and the liability of such member, employee or person shall be determined by the Government in the prescribed manner”.

During audit of Municipal Committee Tando Adam, Shaheed Benazirabad Division, for the financial year 2022-23, it was observed that management allowed joining to Mr. Asif Ali Khaskheli as Junior Clerk BPS-11 on 04-01-2023 and awarded him the charge of Office Superintendent without any order of the administrative department. Moreover, he was posted as Administrator of the Municipal Committee, Tando Adam by mentioning him as a Council Employee of BS-16 despite the fact that he was a Junior Clerk BPS-11. Further, the order was signed by an official on behalf of Director-I which also seemed doubtful. The details of other payments authorized by him as administrator were not provided to audit. The official also drawn arrears of salary of Rs1.444 million w.e.f 07-08-2020 to 30-04-2023 which were irregular and recoverable from him. Detail is as under:

[Rs. in Million]

Name of Employee	Posted as	Period of Arrears	Cheque # & Date	Total Arrears of Salary	Tenure as Administrator
Mr. Asif Ali	Junior Clerk (BS-11)	07-08-20 to 30-04-23	39783010 07-06-23	1.444	14-06-23 to 19-06-23

Audit was of the view that allowing joining of official as Junior Clerk (BPS-11) without order of administrative department was irregular. Further, his posting as administrator BPS-16 through a doubtful order indicated poor management and weak internal controls.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 28-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends that the matter may be investigated thoroughly for fixing responsibility on person(s) at fault.

8.5.2.4 Irregular posting of staff without sanctioned posts

Rule 123(1), Chapter-XIV of the Sindh Local Government Act, 2013, stipulates that a council shall prepare a Schedule of Establishment showing the numbers of posts in each grade

which are deemed necessary for the efficient performance of its functions under this Act and submit the same within three months of the coming into force of this Act to government for approval.

During audit of Town Committee Naushahro Feroze, Shaheed Benazirabad Division, for the financial year 2021-22, it was observed that management posted various employees without sanctioned strength. Detail is as under:

Sr. No.	Branch	Sanctioned strength	Working strength	Excess
1	Water Supply Branch	7	8	1
2	Public Park	13	14	1
3	Fire Brigade	24	25	1
4	Tractor Staff	-	6	6
Total		44	53	9

Audit was of the view that payment of salary without sanctioned posts was irregular which indicated poor management and weak internal controls.

The matter was reported to the management in March, 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 21-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit recommends that the sanctioned strength should be followed within the organization.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 8.5.2.2 having financial impact of Rs 148.292 million. Recurrence of same irregularity is matter of serious concern.

[AIR Para: 14]

8.5.3 Procurement related irregularities

8.5.3.1 Splitting up of expenditure to avoid open tender - Rs103.542 Million

As per Rule 12(1), Part-II of Sindh Public Procurement Rules, 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".

Further, Rule 17(1), Part-II of Sindh Public Procurement Rules 2010, as amended in 2019, stipulates that procurements over three hundred thousand rupees and up to two 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 Local Councils of Shaheed Benazirabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management incurred an expenditure of Rs103.542 million through quotations by splitting the procurements which resulted into non-achievement of competitive rates as detailed below.

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	F. Y.	Amount
1	Town Committee Jatia	3	2021-22	6.106
2	Town Committee Khadro	1		7.702
3	Town Committee Jhol	1		7.962
4	Town Committee Sinjhor	3		2.648
5	Municipal Committee Moro	2	2022-23	19.294
6	Town Committee Mehrabpur	4		17.166
7	Town Committee Sakrand	3		11.624
8	Town Committee Bhiria Road	4		11.142
9	Town Committee Bhiria City	4		4.587
10	Municipal Committee Sanghar	6		4.169
11	Municipal Committee Nawabshah	2		3.939
12	Municipal Committee Tando Adam	2		3.401
13	Municipal Committee Shahdadpur	1		2.626
14	District Council Sanghar	9		1.176
Total				103.542

Audit was of the view that incurrence of expenditure by splitting the procurements resulted into non-obtaining of competitive rates and violation of Sindh Public Procurement Rules which indicated weak internal controls.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 21-07-2023 and 28-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18 vide para numbers 8.5.3.2, 8.5.3.1, 5.2.3.38, 6.2.2.12 and 6.2.3.15 having financial impact of Rs66.618 million, Rs70.237 million, Rs64.002 million, Rs24.144 million, Rs39.451 million and Rs37.438 million respectively. Recurrence of same irregularity is matter of serious concern.

8.5.3.2 Irregular utilization of sanitation funds through quotations
Rs76.358 Million

According to Rule 11(1), Part-II of Sindh Public Procurement Rules 2010, as amended in 2019, "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".

Further, Rule 17(1), Part-II ibid, stipulates that procurements over three hundred thousand rupees and up to two 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 Local Councils of Shaheed Benazirabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management incurred expenditure of Rs76.358 million on various sanitation works (removal of garbage, cleaning & sweeping streets, silt clearance, de-silting of main sewer lines, earth filling) through quotations by keeping each transaction below Rs300,000/- to avoid open competitive bidding; whereas, the work of sanitation being a mandatory function of the Council was foreseen prior to commencement of financial year at the time of budget preparation/approval. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	F. Y.	Amount
1	Town Committee Naushahro Feroze	2	2021-22	2.344
2	Town Committee Darya Khan Mari	2		7.904
3	Town Committee Kazi Ahmed	2		3.552
4	Town Committee Daulatpur	3		2.880
5	Town Committee Shahpur Jahania	3		1.547
6	Town Committee Sarhari	2		2.113
7	Town Committee Bhiria	2,3		5.224
8	Town Committee Mehrabpur	4,5		11.583
9	Town Committee Tharo Shah	2		4.909
10	District Council Naushahro Feroze	2	2022-23	12.226
11	Municipal Committee Tando Adam	3		8.698
12	Municipal Committee Sanghar	2		8.168
13	Town Committee Kandiaro	4		4.076
14	Municipal Committee Khipro	1		1.134
Total				76.358

Audit was of the view that incurrence of expenditure through quotations without obtaining competitive rates in violation of Sindh Public Procurement Rules indicated weak internal controls.

The matter was reported to the management from March to October 2023. The management of Town Committee, Kandiaro replied that due to shortage of staff and increasing population day by day the work of removal of garbage, desilting of drains and nallahs were being

executed through quotations on necessity basis. Reply was not tenable as expenditure was incurred through quotation without open competitive bidding, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letters dated 21-07-2023 and 28-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2021-22 vide para numbers 8.5.3.3 and 8.5.3.1 having financial impact of Rs61.807 million and Rs156.611 million respectively. Recurrence of same irregularity is matter of serious concern.

8.5.3.3 Splitting up of the works to avoid publication in print media
Rs60.931 Million

According to Rule 12(1), Part-II of Sindh Public Procurement Rules, 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".

Further, Rule 17(1), Part-II *ibid*, stipulates that procurements over three hundred thousand rupees and up to two 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 District Council Shaheed Benazirabad, Shaheed Benazirabad Division, for the financial year 2022-23, it was observed that the management awarded various works of Rs60.931 million by splitting expenditure to avoid publication of the tender in print media. Detail is at **Annex-SBA4**.

Audit was of the view that award of works by splitting procurement to avoid publication of the tender in print media resulted into non-obtaining of competitive rates and violation of Sindh Public Procurement Rules which indicated weak internal controls.

The matter was reported to the management in November 2023. The management of District Council, Shaheed Benazirabad replied that SPPRA base NIT was called without publication in print media. Moreover, payments of all works were made under the limits of two (2) million. The reply was not tenable as the works were split up to avoid publication in print media. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 28-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

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

[AIR Para: 1]

8.5.3.4 Award of works without execution of contract agreement
Rs37.215 Million

Clause (iii) and (iv) of Para 7.12.3 of Sindh Public Procurement Authority Regulation for Procurement of Works, stipulates that within 28 days of receipt of the letter of acceptance, the procuring agency will send all copies of the contract to the bidder, with a covering letter or contractor shall attend the offices of the procurement agency for the purpose of signing the agreement duly stamped at the rate of 35 Paisa/100 rupees of the contract value (as amended and updated by the Government from time to time and which shall be borne by the contractor). Failure to sign the agreement shall lead to cancellation of the award and forfeiture of the bid security.

During audit of Town Committee Sakrand, Shaheed Benazirabad Division, for the financial year 2022-23, it was observed that the management awarded contract of Rs37.215 million without executing contract agreements with the contractors Further, government also sustained loss of Rs 0.130 million on account of stamp duty as detailed below:

[Rs. in Million]

Description of work	Name of Contractor	Work Order # and date	Contract Amount	Loss of Stamp duty
Solid waste door to door collecting ward No. 1 to 15, maintaining integrative resources recovery enter, work of sweeping of roads, streets, cleaning of open drain, sewerage line	M/s Consol Enterprises Pvt. Ltd.	773/2022 30-9-2022	37.215	0.130

Audit was of the view that non-execution of contract agreements was violation of the rules. The government also sustained loss of revenue in the shape of stamp duty which indicated poor financial management and weak internal controls.

The matter was reported to the management in November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 28-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2019-20 and 2017-18 vide para numbers 5.2.3.29 and 6.2.3.18 having financial impact of Rs24.013 million and Rs24.160 million respectively. Recurrence of same irregularity is matter of serious concern.

[AIR Para: 7]

8.5.3.5 Execution of development works through quotations instead of NIT Rs32.250 Million

According to the instructions issued by the Local Government Department, Government of Sindh vide letter No.SOI/LG/MICS/10-7/2013 dated 07-01-2014, “No development work on quotation should be carried-out. All development works be carried-out through NIT”.

During audit of following Local Councils of Shaheed Benazirabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management incurred an expenditure of Rs32.250 million on development works (improvement of infrastructure) through quotations instead of inviting open tenders in violation of government instructions as detailed below.

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	F. Y.	Amount
1	Municipal Committee Khipro	2	2021-22	1.977
		2	2022-23	2.279
2	District Council Sanghar	1		13.299
3	Municipal Committee Sanghar	1		7.411
4	Municipal Committee Nawabshah	1		7.284
Total				32.250

Audit was of the view that execution of development works through quotation in violation of government instructions was irregular which indicated weak internal controls.

The matter was reported to the management from March to November 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 21-07-2023 and 28-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22 and 2019-20 vide para numbers 8.5.3.7, 8.5.3.3 and 5.2.3.30 having financial impact of Rs8.267 million, Rs13.004 million and Rs22.131 million respectively. Recurrence of same irregularity is matter of serious concern.

8.5.3.6 Irregular award of works without publication of tender in print media
Rs20.327 Million

Rule 17(1), Part-II of Sindh Public Procurement Rules 2010, as amended in 2019, stipulates that procurements over three hundred thousand rupees and up to two 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 District Council Shaheed Benazirabad, Shaheed Benazirabad Division, for the financial year 2022-23, it was observed that management awarded various works of Rs20.327 million to different contractors without publication of tender in print media. Detail is at **Annex-SBA5**.

Audit was of the view that non-publication of tender in print media resulted into non-obtaining of competitive rates in violation of rules which indicated poor financial management and weak internal controls.

The matter was reported to the management in November 2023. The management of District Council Shaheed Benazirabad agreed with the Audit contention and have replied that the Council called the SPPRA base NIT without publication in print media. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 28-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 1]

8.5.3.7 Irregular procurement without constituting procurement committee
Rs18.595 Million

According to Rule 7, Part-I of Sindh Public Procurement Rules 2010, "The procuring agency shall, with approval of its Head of the Department, constitute as many procuring committees, as it deems fit, each comprising odd number of persons and headed by a gazetted officer not below the rank of BS-18, or 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 or departments other than the procuring agency".

During audit of following Local Councils of Shaheed Benazirabad Division, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs18.595 million, on various purchases and works without constitution of procurement committee to evaluate rates offered by bidders as detailed below.

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	Amount
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1	Town Mehrabpur	Committee	5	12.905
2	Municipal Moro	Committee	3	5.690
Total				18.595

Audit was of the view that purchases and works were made without constituting the procurement committee which indicated weak internal controls.

The matter was reported to the management from October to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 28-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2019-20 and 2017-18 vide para numbers 5.2.3.34 and 6.2.3.17 having financial impact of Rs9.693 million and Rs26.267 million respectively. Recurrence of same irregularity is matter of serious concern.

8.5.3.8 Irregular expenditure without inviting open tender - Rs7.006 Million

Rule 17(1), Part-II of Sindh Public Procurement Rules 2010, as amended in 2019, stipulates that procurements over three hundred thousand rupees and up to two 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, Rule 17(1A) *ibid*, states that all procurement opportunities over two million rupees shall be advertised on the Authority's website as well as in the newspapers as prescribed. (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 Municipal Committee Tando Adam, Shaheed Benazirabad Division, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs7.006 million on various procurements without inviting open tenders. Detail is at **Annex-SBA6**.

Audit was of the view that due to award of work without inviting open tender competitive rates could not be achieved which indicated poor financial management and weak internal controls.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 28-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2019-20 vide para numbers 8.5.3.5 and 5.2.3.39 having financial impact of Rs23.875 million and Rs7.625 million respectively. Recurrence of same irregularity is matter of serious concern.

[AIR Para: 1]

8.5.3.9 Irregular award of auctions - Rs1.705 Million

Notification No.SOA/LG/4(82)/2013 dated 03-05-2016, issued by Local Government Department, Government of Sindh, stipulates that the auction committee comprising the following shall supervise the process of various auctions of Municipal Committees.

- i. Director Local Government
Chairman
- ii. Assistant Director Local Government
Member
- iii. Chief Executive of the Council concerned Member
- iv. Taxation officer
Member/Secretary
- v. Accounts Officer
Member

During audit of Town Committee, Kazi Ahmed, Shaheed Benazirabad Division, for the financial year 221-22, it was observed that the management awarded auction of Rs1.705 million for collection rights of different fees i.e. katchi piri, Market Nagani and advertisement fee etc., without participation of concerned external members of the committee, i.e., Director and Assistant Director, Local Government Department, in violation of above notification as detailed below:

Sr. No.	Name of Tax	Official Bid 2021-22	Members of Auction Committee evaluated bids
1	Katchi Piri Tax	1,457,000	1- Administrator
2.	Advertisement Fee	175,000	2- Town Officer
3	Market Nagani Fee	72,500	3- Accounts Officer
Total		1,704,500	4- Tax Superintendent

Audit was of the view that award of auctions without participation of external members of the committee was irregular which indicated weak internal controls.

The matter was reported to the management in May 2022, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 21-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit seeks clarification in the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 8.5.3.11 having financial impact of Rs1.966 million. Recurrence of same irregularity is matter of serious concern.

[AIR Para: 06]

8.5.3.10 Irregular award of auctions without execution of contract agreements

Rule 13(1), Chapter-III of Sindh Local Councils (Auctioning of Collection Rights) Rules, 2016 stipulates that as soon as the confirmation from the Council about the acceptance of bid or offer is received, the Local Council administration shall communicate the acceptance of bid or offer to the contractor immediately by a letter through special messenger at his address provided by him at the time of participation in auction and direct him to enter into written agreement and fulfill his obligations in accordance with the terms and conditions of contract.

During audit of Town Committee Shahpur Chakar, Shaheed Benazirabad Division, for the financial year 2021-22, it was observed that the management awarded contracts of fee collection rights amounting to Rs6.740 million without execution of contract agreements as detailed below:

[Amount in Rs.]

Sr. No.	Description of Auction	Amount
1.	Cattle Piri Fee	5,560,000
2.	Entrance/ Parking Fee	970,000
3.	Subzi Dalali Fee	145,000
4.	Pat Piri Tax	65,000
Total		6,740,000

Audit was of the view that award of fee collection rights without execution of contract agreements was irregular which indicated poor financial management.

The matter was reported to the management in April 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 21-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit seeks justification in the matter.

[AIR Para: 05]

8.5.3.11 Irregular expenditure on earth filling without estimates - Rs10.762 Million

According to Rule 109, Chapter-XIII of Sindh Local Council (Accounts) Rules 1983, "No works shall be commenced unless administrative approval by competent authority is given and

properly detailed design and estimate has been sanctioned, allotment of funds made, and order for its commencement are issued by competent authority”.

During audit of District Council Sanghar, Shaheed Benazirabad Division, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs10.762 million on earth filling works without preparation of estimates. Detail is at **Annex-SBA7**.

Audit was of the view that incurrence of expenditure on earth filling without preparation of estimates reflected poor internal controls.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 28-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23 and 2019-20 vide para numbers 8.5.3.12 and 5.2.3.33 having financial impact of Rs1.564 million and Rs10.016 million respectively. Recurrence of same irregularity is matter of serious concern.

[AIR Para: 3]

8.5.3.12 Non-imposition of liquidated damages - Rs7.619 Million

As per Para 10.3 of Sindh Public Procurement Regulatory Authority Guidelines 2013, “If the contractor fails to comply with time for completion mentioned in bid data except the conditions mentioned above, then procuring agency can penalize the contractor by adopting any one of the prescribed courses provided under clause (c) 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 following Local Councils of Shaheed Benazirabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management awarded various works amounting to Rs152.386 million but the contractors failed to complete the works within stipulated time period. However, the liquidated damages amounting to Rs7.619 million @ 5% of contract value were not imposed. Detail is at **Annex-SBA8**.

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	F.Y.	Penalty/Liquidated damages Amount
1	Town Committee, Tharo Shah	4	2021-22	0.278
2	District Council, Naushahro Feroze	9	2022-23	7.341

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	F.Y.	Penalty/Liquidated damages Amount
Total				7.619

Audit was of the view that due to non-imposition of liquidated damages undue favor was extended to the contractors which indicated weak financial management and internal controls.

The matter was reported to the management in March and October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 21-07-2023 and 28-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2019-20 and 2017-18 vide para numbers 8.5.5.1, 5.2.3.31 and 6.2.3.23 having financial impact of Rs3.717 million, Rs14.502 million and Rs2.340 million respectively. Recurrence of same irregularity is matter of serious concern.

8.5.4 Recoveries related issues

8.5.4.1 Non-recovery of outstanding dues - Rs197.198 Million

As per Section 100 (2), Chapter-X of Sindh Local Government Act 2013, “All arrears of taxes, rates, tolls and fees and other moneys claimable by a Council under this Act shall be recoverable as arrears of land revenue through Government agency or by the Council authorized by Government for such recovery through such employees or class of employees of the Council as may be prescribed”.

Further, Section 41(a), Chapter-3 of Sindh Financial Rules Volume-1, stipulates that 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 claiming credit for so much paid into the treasury and compare with the figures in the statements supplied by the comptroller.

During audit of following Local Councils of Shaheed Benazirabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management did not recover the outstanding dues of Rs197.198 million on account of various heads i.e., rent, fee and taxes like rent of shops, water supply charges, cattle pirri fees, sabzi mandi fees, Katchi pirri fees, parking fees, Pat Piri fees, sign and hoarding board fee, slaughter house/blood fee, sun shade fee, license fee, generator fee, cattle/temporary pirri, chhapra fee, rehri/thela tax etc. from defaulters. Detail is at **Annex-SBA9**.

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	F.Y.	Outstanding dues as on 30 June 2022 and 2023
1	Town Committee Daur	10	2021-22	15.000
2	Town Committee Sinjhor	9		2.180
3	Town Committee Sahpur Chakar	9		4.716
4	Town Committee Bhiria	9		0.291
5	Town Committee Tharo Shah	7		0.423
6	Town Committee Mehrabpur	9		0.534
7	Town Committee Darya Khan Mari	5		0.246
8	Municipal Committee Nawabshah	6,7	2022-23	80.609
9	Municipal Committee Sanghar	11,12		46.959
10	Municipal Committee Shahdadpur	7,8		20.185
11	District Council Naushahro Feroze	6,8		8.055
12	Municipal Committee Moro	4,9		6.284
13	Town Committee Kandiaro	5		4.003
14	District Council Sanghar	13		3.656
15	Municipal Committee Tando Adam	10		1.631
16	District Council Shaheed Benazirabad	7		1.452
17	Town Committee Mehrapur	9		0.605
18	Town Committee Sakrand	6		0.369
Total				197.198

Audit was of the view that non-recovery of outstanding dues indicated weak financial management.

The matter was reported to the management from March to December 2023. The management of Town Committee Kandiaro replied that shop rent is being recovered regularly, however, para has been noted and action has been accreted. District Council Shaheed Benazirabad replied that outstanding dues will be recovered on priority basis, Replies were not tenable as recovery of outstanding dues was not made, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letters dated 21-07-2023 and 28-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18 vide para numbers 8.5.4.2, 8.5.4.4, 8.5.2.1, 5.2.3.1, 6.2.2.2 and 6.2.3.1 having financial impact of Rs 113.894 million, Rs18.258 million, Rs43.345 million, Rs164.835 million, Rs8.742 million and Rs60.347 million respectively. Recurrence of same irregularity is matter of serious concern.

8.5.4.2 Non-deposit of taxes into public exchequer - Rs47.918 Million

Section 160 of Income Tax Ordinance, 2001, as amended vide Finance Act 2002, stipulates that any tax that has been collected or purported shall be paid to the Commissioner by the person making the collection or deduction within the time and in the manner as may be prescribed.

Further, as per Rule 41(a), Chapter-3 of Sindh Financial Rules Volume-1, "The departmental controlling officers should see that all sums due to Government are regularly received and checked against demands and that they are paid into the treasury".

During audit of following Local Councils of Shaheed Benazirabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management deducted an amount of Rs47.918 million on account of income tax, general sales tax and Sindh sales tax on services from the bills of contractors but failed to deposit the same into public exchequer as detailed below.

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	F. Y.	IT	SST	GST	Total
1	Town Committee Kazi Ahmed	5	2021-22	0.374	0.212	-	0.586
2	Town Committee Daulatpur	7		0.280	0.032	-	0.312
3	Town Committee Jatia	5		0.432	-	-	0.432
4	Town Committee Sinjhor	6		0.527	0.586	1.993	3.106
5	Town Committee Khadro	2,3		0.330	0.264	-	0.594
6	Town Committee Sahpur Chakar	3		0.381	-	-	0.381
7	Town Committee Jhol	2,3		0.362	0.289	-	0.651
8	Town Committee Sarhari	3,4		0.471	1.135	-	1.606
9	Town Committee Bhiria	1		1.995	2.534	-	4.529
10	Town Committee Tharo Shah	3		0.684	1.011	-	1.695
11	Town Committee Naushahro Feroze	4		0.456	0.326	-	0.782
12	Town Committee Darya Khan Mari	4		1.011	-	-	1.011
13	Town Committee Shahpur Jahania	7		0.372	-	-	0.372
14	Town Committee Mehrabpur	2		3.488	-	-	3.488

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	F. Y.	IT	SST	GST	Total
15		6	2022-23	3.229	4.295	-	7.524
16	Municipal Committee Khipro	6	2021-22	0.413	-	-	0.413
17		8	2022-23	0.627	0.191	0.096	0.914
18	District Council Naushahro Feroze	4	2022-23	2.533	3.109	1.901	7.543
19	Municipal Committee Moro	5		1.794	2.585	-	4.379
20	Town Committee Bhiria Road	6		1.206	1.592	-	2.798
21	Town Committee Sakrand	4		1.349	0.644	-	1.993
22	Town Committee Kandiaro	6		0.755	0.755	-	1.510
23	Town Committee Bhiria City	5		0.557	0.742	-	1.299
Total				23.626	20.302	3.990	47.918

Audit was of the view that non-deposit of collected taxes into public exchequer indicated poor financial management and weak internal controls.

The matter was reported to the management from March to December 2023. The management of Town Committee Kandiaro replied that tax deducted from the bills are being paid to income tax department properly. The reply was not tenable as no documentary evidence in support of reply was provided, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letters dated 21-07-2023 and 28-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit recommends depositing of deducted taxes into public exchequer, besides fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2018-19 and 2017-18 vide para numbers 8.5.4.3, 8.5.4.2, 8.5.1.2, 6.2.2.10 and 6.2.3.4 having financial impact of Rs36.951 million, Rs33.707 million, Rs26.579 million, Rs41.341 million and Rs1.363 million respectively. Recurrence of same irregularity is matter of serious concern.

8.5.4.3 Non-deduction of government taxes - Rs14.224 Million

Section 8(1) of Sindh Sales Tax on Services Act 2011, stipulates that taxable services shall be charged, levied and collected for a tax, known as sales tax, on the value of a taxable service at the specified rate.

Further, as per Section 153 of Income Tax Ordinance, 2001 read with Income Tax Rules, 2002, "Payment on account of supply of goods and rendering of services are subject to deduction of income tax at source @ 4.5% and 7.5% respectively". Moreover, Section 236 (A) ibid, rate of collection of tax shall be 10% of the gross sale price of any property or goods sold by auction.

Furthermore, according to Section 3(1) of Sales Tax Act 1990, as amended upto July 2015, "There shall be charged, levied and paid a tax known as sales tax at the rate of 17% of the value of (a) taxable supplies made by a registered person".

During audit of following Local Councils of Shaheed Benazirabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management did not deduct/recover income tax, Sindh sales tax on services, general sales tax and advance tax of the gross amount of auctions amounting to Rs14.224 million from payments made to the contractors/suppliers/employees and as detailed below:

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	F. Y.	IT	Advance Taxes	SST	GST	Total
1	Town Committee Daulatpur	6	2021-22	-	-	0.181	-	0.181
2	Town Committee Shahpur Jahania	5		-	-	0.172	-	0.172
3	Town Committee Daur	4		4.462	-	2.231	-	6.693
4	Town Committee Jatia	2		-	-	-	0.357	0.357
5	Town Committee Bhiria	4,5		0.131	-	-	0.302	0.433
6	Town Committee Naushahro Feroze	5,13		0.086	-	-	0.291	0.377
7	Municipal Committee Nawabshah	8	2022-23	-	1.907	-	-	1.907
8	District Council Sanghar	12		0.910	-	-	-	0.910
9	Municipal Committee Tando Adam	11,12		0.782	0.375	-	-	1.157
10	Town Committee Mehrabpur	8		-	-	0.549	-	0.549

11	Municipal Committee Sanghar	9		0.525	-	-	-	0.525
12	Town Committee Bhiria Road	7		-	-	-	0.493	0.493
13	Municipal Committee Khipro	6,7		0.294	-	0.176	-	0.470
Total				7.190	2.282	3.309	1.443	14.224

Audit was of the view that non-deduction/non-recovery of taxes was loss to the public exchequer which indicated poor financial management and weak internal controls.

The matter was reported to the management from March to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 21-07-2023 and 28-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

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

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18 vide para numbers 8.5.4.4, 8.5.4.5, 8.5.2.2, 5.2.3.2-3-4, 6.2.2.1 and 6.2.3.3 having financial impact of Rs 17.981 million, Rs2.591 million, Rs14.043 million, Rs37.116 million, Rs13.240 million and Rs4.507 million respectively. Recurrence of same irregularity is matter of serious concern.

8.5.4.4 Less-deduction of government taxes - Rs6.999 Million

Section 8(1) of Sindh Sales Tax on Services Act 2011, stipulates that taxable services shall be charged, levied and collected for a tax, known as sales tax, on the value of a taxable service at the specified rate.

Further, as per Section 153 of Income Tax Ordinance, 2001 read with Income Tax Rules, 2002, "Payment on account of supply of goods and rendering of services are subject to deduction of income tax at source @ 4.5% and 7.5% respectively.

During audit of following Local Councils of Shaheed Benazirabad Division, for the financial year 2022-23, it was observed that the management less deducted income tax and Sindh sales tax on services amounting to Rs6.999 million from payments made to the contractors as detailed below.

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	IT	SST	Total tax Amount
1	Town Committee Mehrabpur	7	1.120	1.363	2.483

[Rs. in Million]

Sr. No.	Name of Entity	AIR Para	IT	SST	Total tax Amount
2	Town Committee Sakrand	5	-	1.677	1.677
3	Municipal Committee Moro	6	0.429	0.514	0.943
4	District Council Naushahro Feroze	5	-	0.824	0.824
5	Town Committee Bhiria City	6	0.189	0.247	0.436
6	Municipal Committee Shahdadpur	5	0.429	-	0.429
7	Town Committee Kandiaro	7	-	0.207	0.207
Total			2.167	4.832	6.999

Audit was of the view that less-deduction of taxes was loss to the public exchequer which indicated poor financial management and weak internal controls.

The matter was reported to the management from October to December 2023. The management of Town Committee Kandiaro replied that compliance has been noted and report will be placed before the next audit, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 28-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

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

8.5.4.5 Non-deposit of NADRA certificate fee - Rs0.632 Million

According to Section 116 (07), Chapter-XII of the Sindh Local Government Act, 2013, "Every Member or Employee of a Council and every person, charged with the administration of the affairs of a Council, or acting on behalf of a Council shall be personally liable for the loss, waste, misapplication or unauthorized application of any moneys or property belonging to the Council which is a direct consequence of his negligence or misconduct, and the liability of such member, employee or person shall be determined by the Government in the prescribed manner".

During audit of Municipal Committee Tando Adam, Shaheed Benazirabad Division, for the financial year 2022-23, it was observed that management posted Mr. Nisar Ahmed Khoso, Junior Clerk (Surplus Pool) as incharge NADRA Certificate Branch on 30-06-2021. During his tenure he did not deposit revenue collected on account of fees of birth, no marriage, death and residential certificates etc. in the relevant account for which an explanation was also issued to him on 04-10-2022 but the management relieved him to his parent council i.e. UC, Faqir Sher

Muhammad Dero, District Sanghar without recovery of un-deposited amount. Thus, council sustained loss of collected revenue of Rs0.632 million.

Audit was of the view that non-deposit of revenue was loss to council which indicated poor financial management weak internal controls.

The matter was reported to the management in October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 28-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends recovery of un-deposited amount of certificates fees, besides investigating the matter for fixing the responsibility.

[AIR Para: 7]

8.5.5 Value for Money and Service Delivery issues

8.5.5.1 Irregular expenditure on de-silting and disposal of garbage Rs25.752 Million

As per Schedule-II (Section 72-3) Part-II Compulsory Function of Sindh Local Government Act-2013, stipulates that a Corporation, Municipal Committee or Town Committee shall make adequate arrangements for the removal of refuse from all public streets, public latrines, urinals, drains and all buildings and lands vested in the Council concerned and for the collection and proper disposal of such refuse.

During audit of following Local Councils of Shaheed Benazirabad Division, for the financial year 2022-23, it was observed that the management incurred an expenditure of Rs25.752 million through quotations on de-silting, clearance of drain and nallahs, lifting of garbage and removal of debris etc. from limits of towns and districts. Detail is as follow.

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	Amount
1	Municipal Committee Tando Adam	4	7.615
2	District Council Sanghar	4	6.939
3	Municipal Committee Sanghar	3	6.810
4	Municipal Committee Shahdadpur	2	3.447
5	Municipal Committee Khipro	3	0.941
Total			25.752

Following irregularities were also noticed:

- i. Outsourced of garbage lifting were outsourced instead of utilization of own staff, vehicles and machinery.
- ii. Estimation for de-silting works was not prepared and measurement was also not recorded in the measurement books.
- iii. Rates were not evaluated by procurement committee.
- vi. Record of daily quantity of garbage lifted and disposed-off at dumping site(s) was not maintained to ensure check and balance before making payment to the contractors.
- iv. Supervision of works by sanitation incharge and certificate for satisfactory completion of work was not recorded.

Audit was of the view that incurrence of expenditure on collection, removal and disposal of silt and garbage without maintaining supporting record was irregular which indicated weak internal controls.

The matter was reported to the management in September and October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter 28-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

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

8.5.6 Other issues

8.5.6.1 Non-revision of rent of property at fair value

According to Rule 9(1) of Sindh Rental Premises Ordinance 1979, “where the fair rent of any premises has been fixed, no further increase thereof shall be effected unless a period of three years has elapsed from the date of such fixation or commencement of this ordinance whichever is later”. Further, Rule 9(2) ibid stipulates that “The increase is allowed @ 10% per annum on the existing rent”.

During audit of following Local Councils of Shaheed Benazirabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management rented out shops and other property on different locations but did not revise rent of various tenants since many years, resulting into loss of legitimate revenue to the councils. The record of allotments was also not provided; hence the actual period of tenancy could not be ascertained.

Sr. No.	Name of Entity	AIR Para	F. Y.	Non-revision of rent since	Number of property
1	Town Committee Sinjhoru	11	2021-22	-	58
2	Town Committee Darya Khan Mari	8			37

Sr. No.	Name of Entity	AIR Para	F. Y.	Non-revision of rent since	Number of property
3	Town Committee Khadro	7		2016	32
4	Town Committee Jhol	7			-
5	Municipal Committee Nawabshah	5	2022-23	2017	1,128
6	District Council Shaheed Benazirabad	6			317
7	Municipal Committee Shahdadpur	6			260
8	Municipal Committee Moro	10		-	363
9	District Council Sanghar	14			238
10	District Council Naushahro Feroze	10			124

Audit was of the view that non-revision of rent of properties was a loss to the Councils which reflected poor financial management.

The matter was reported to the management from March to November 2023. The management of District Council Shaheed Benazirabad replied that the council has enhanced monthly rent of shops and flats at rate of 10% regularly after every three years under Rule-9 of Sindh Rental Premises Ordinance 1979. The reply was not tenable as no documentary evidence in support of reply was provided and rent @ 10% per annum was not increased, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 21-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit recommends revision of rent of properties at fair value.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2020-21, 2019-20, 2018-19 and 2017-18 vide para numbers 8.5.5.6, 8.5.5.2, 5.2.3.24, 6.2.2.8 and 6.2.3.25 respectively. Recurrence of same irregularity is matter of serious concern.

8.5.6.2 Unauthorized creation of liability - Rs158.949 Million

According to Section 105(1), Chapter-XI of Sindh Local Government Act 2013, "A Council shall not incur any debt nor borrow any money or give any guaranty without prior approval of Government" and Section 106(2) ibid, stipulates that the moneys credited to the Local Fund shall be applied; firstly, in the payment of salaries and allowances to the employees of the Councils.

Further, Finance Department, Government of Sindh, vide letter No. FD.SO(LF-I)Misc/(171)2013 dated 13-08-2013, instructed all the Local Councils/District Councils/defunct TMAs that payment of salaries and pension may be given first priority from the OZT funds released by Finance Department.

During audit of following Local Councils of Shaheed Benazirabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management created liability amounting to Rs158.949 million on various head of accounts like Pay and Pension and put extra burden over council funds. Creation of liability under the heads of pay and pension showed that payment was made by giving priority to development works in violation of rule / instructions. Moreover, expenditure of development and non-development was also incurred without availability of funds. The detail is as follow:

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	F.Y.	Description of Record	Amount
1	Town Committee Mehrabpur	7	2021-22	i. Gratuity/Encashment	3.165
				ii. Salary remaining	44.208
2	Town Committee Darya Khan Mari	8		i. Pension (i.e. Gratuity / Financial Assistance)	2.186
3	Town Committee Bhiria City	8	2022-23	i. Salary allowances	57.087
				ii. Pension pays	
				iii. Gratuity/commutation pay	
4	Town Committee Kandiaro	8		i. Salary & Pension	25.572
			ii. Gratuity/Commutation/Restoration	9.620	
5	Town Committee Bhiria Road	9		i. Salary allowances	12.407
			ii. Pension pays		
			iii. Gratuity/commutation pay		
6	Town Committee Sakrand	9		i. Development works	4.704
			ii. Non-development contractors' payments		
Total					158.949

Audit was of the view that creation of liability in violation of rules indicated weak financial management.

The matter was reported to the management from March and December 2023. The management of Town Committee Kandiaro agreed with audit contention and replied that liability has been created due to shortage of funds, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letters dated 21-07-2023 and 28-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2020-21, 2019-20 and 2017-18 vide para numbers 8.5.5.3, 8.5.4.1, 5.2.3.22 and 6.2.3.14 having financial impact of Rs115.754 million, Rs11.914 million, Rs39.461 million and Rs54.563 million respectively. Recurrence of same irregularity is matter of serious concern.

8.5.6.3 Non-maintenance of POL record - Rs105.014 Million

As per Rule-20 of the Staff Car Rules 1980, as amended in 2001, “The Log Book, History Sheet, and Petrol Account Register shall be maintained for each official vehicle”.

Further, Rule 159(4) of the Sindh Local Council (Accounts) Rules 1983, “A council vehicle shall not be driven except by a driver appointed by the competent authority, for the vehicle. Every person using a council vehicle shall make and sign entries in the Petrol and lubricant account in Form No. 116 and in Log Book of the vehicle kept in the custody of the driver. Log book shall be maintained in Form No. 117. All council vehicles shall be garaged in the office premises or at any other place determined by the Mayor or Chairman after office hours failing which the driver of the vehicle concerned shall be held responsible.”

During audit of following Local Councils of Shaheed Benazirabad Division, for the financial year 2022-23, it was observed that management incurred an expenditure of Rs105.014 million on POL for official vehicles and machinery but did not maintain of petrol account register, history sheet, log book of each vehicle, tour program/diary of official vehicles. Detail is as follows:

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	Amount
1	Municipal Committee Tando Adam	13	26.796
2	Municipal Committee Nawabshah	9	22.562
3	District Council Sanghar	6-7	20.869
4	Town Committee Mehrabpur	11	7.744
5	Municipal Committee Sanghar	5	7.673
6	Town Committee Kandiaro	9	4.979
7	Municipal Committee Shahdadpur	10	4.973

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	Amount
8	Town Committee Sakrand	10	4.068
9	Municipal Committee Khipro	9	3.809
10	Town Committee Bhiria Road	10	1.541
Total			105.014

Audit was of the view that incurrence of expenditure on account of POL without maintenance of relevant prescribed record indicated weak internal controls.

The matter was reported to the management from September to December 2023. The management of Town Committee Kandiaro replied that log books were maintained properly. The reply was not tenable as the management failed to provide documentary evidence in support of reply, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 28-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends that responsibility may be fixed on person(s) at fault for incurring expenditure without maintenance of prescribed record.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2019-20, 2018-19 and 2017-18 vide para numbers 5.2.3.14, 6.2.2.13 and 6.2.3.14 having financial impact of Rs117.758 million, Rs29.600 million and Rs80.194 million respectively. Recurrence of same irregularity is matter of serious concern.

8.5.6.4 Non-maintenance of stock registers - Rs38.917 Million

According to Rule-25(1) of Sindh Local Councils (Accounts) Rules, 1983, "Every officer or servant of the Council in charge of stocks of articles or materials kept for issue other than stamps shall maintain a stock register (in Form No. 16) in which shall be entered every transaction effecting such stocks and separate pages of the register shall be assigned to different classes of stocks."

During audit of following Local Councils of Shaheed Benazirabad Division, for the financial year 2022-23, it was observed that management incurred an expenditure of Rs38.917 million on the purchase of fiber dustbins, sanitation material, electric material, petrol engine, fumigation machines, mono block motor, CC TV camera, laptop, laser printer, office stationery, air conditioners, fridge, dispenser, UPS, battery, furniture and miscellaneous items etc. but did not maintain stock registers. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Office	AIR Para	Amount
1	Municipal Committee Nawabshah	11	11.860
2	District Council Naushahro Feroze	12	10.163
3	Municipal Committee Shahdadpur	12	7.495
4	Municipal Committee Sanghar	7	3.144
5	District Council Shaheed Benazirabad	8	3.014
6	District Council Sanghar	10	1.641
7	Municipal Committee Khipro	10	1.600
Total			38.917

Audit was of the view that non-maintenance of stock register indicated weak internal controls, besides misuse of funds and procured items could not be ruled out.

The matter was reported to the management from September to November 2023. The management of District Council, Shaheed Benazirabad replied that the stock register was being maintained. The reply was not tenable as the management failed to provide relevant documentary evidence in support of reply, whereas no reply was received from other offices. The PAO did not convene DAC meeting till finalization of the report despite issuance of letter dated 28-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit recommends that stock register may be maintained on the prescribed format.

8.5.6.5 Less realization of targeted receipts - Rs14.905 Million

Section 100 (1) of Sindh Local Government Act 2013, states that unless otherwise provided, all taxes, rates, tolls and fees levied under this act shall be collected in the prescribed manner by the persons authorized for such collection: provided that where any tax, rate, toll or fee levied by a Council is also levied by Government, such tax, rate, toll or fee shall be collected with Government tax, and the proceeds thereof be credited to the local fund of the Council.

During audit of following Local Councils of Shaheed Benazirabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management did not take appropriate measures to realize revenue targets of Rs14.905 million from various heads. Detail is as under:

[Rs. in Million]

Sr. No.	Name of Council	AIR Para	F.Y.	Description/ Receipts Head of Account	Targeted Receipts	Recovery Effected	Shortfall
1	Town Committee Kazi Ahmed	4	2021-22	Road cutting fee, encroachment fee, surface material, drainage rate, fees of markets, receipt on a/c of sale of refuse, other license fees, etc	6.553	3.963	2.590
2	Town Committee Daulatpur	5		Tax on water, nali, advertisement, vehicle, and others, surface material, license fee for animals/vehicles/ others, road cutting, gara, tender etc	0.687	0.135	0.552
3	Town Committee Shahpur Jahania	6		Cattle pound fee, Road cutting fee, surface material, nali fee, tax on animal, other license fees, etc	2.060	0.092	1.968
4	Town Committee TC Sinjhora	5		Water rates/new connections, gutter tax, pat piri tax, parking fee, advertisement fee, road cutting fee, subzi mandi fee etc	5.470	3.736	1.734
5	Town Committee Khadro	5		Water supply tax, drainage tax, subzi mandi fee, pat piri tax etc	1.821	0.896	0.925
6	Town Committee Sahpur Chakar	7		Water supply tax, certificate fee, license fee etc	0.307	0.124	0.183
7	Town Committee Jhol	5		Water charges, nali tax, subzi mandi fee, cattle piri tax, certificate fee etc	2.381	0.957	1.424
8	District Council Naushahro Feroze	8	2022-23	Parking fee, tax on BTS towers, tax on hording/ advertisement, cattle piri/ animal tax and cattle ponds etc.	3.900	0.00	3.900
9	Municipal Committee Shahdadpur	9		Zoological parks and canteen fees, ladies and children park fees, permanent pirri tax, mutton, beef and fish market fee/tax etc	2.140	0.784	1.356

[Rs. in Million]

Sr. No.	Name of Council	AIR Para	F.Y.	Description/ Receipts Head of Account	Targeted Receipts	Recovery Effected	Shortfall
10	Municipal Committee Moro	9		Vegetable market, kachi/paki piri, parking fee, slaughter fee, bus stand fee and nali tax etc.	1.476	1.203	0.273
Total					26.795	11.890	14.905

Audit was of the view that due to less-realization of revenue targets; the councils were deprived of legitimate revenue which indicated poor financial controls.

The matter was reported to the management from March to October 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 21-07-2023 and 28-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit recommends fixing responsibility on the person(s) at fault for non-achievement of revenue targets.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2022-23, 2021-22, 2019-20, 2018-19 and 2017-18 vide para numbers 8.5.5.2, 8.5.4.1, 5.2.3.27, 6.2.2.5 and 6.2.3.2 having financial impact of Rs232.606 million, Rs240.370 million, Rs26.685 million, Rs105.674 million and Rs55.810 million respectively. Recurrence of same irregularity is matter of serious concern.

8.5.6.6 Loss due to award of auction of Cattle Pirri at lower rate - Rs4.011 Million

Rule-9 Chapter-III of Sindh Local Councils (Auctioning of Collection Rights) Rules 2016, stipulates that the reserved price for an income shall be the average of last proceeding three years' income of the respective income.

Section 116(7), Chapter-XII of Sindh Local Government Act 2013, stipulates that every member or employee of a Council and every person, charged with the administration of the affairs of a Council, or acting on behalf of a Council shall be personally liable for the loss, waste, misapplication or unauthorized application of any moneys or property belonging to the Council which is a direct consequence of his negligence or misconduct, and the liability of such member, employee or person shall be determined by Government in the prescribed manner.

During audit of Municipal Committee Sanghar, Shaheed Benazirabad Division, for the financial year 2022-23, it was observed that management sustained loss of Rs4.011 million due to award of auction of Cattle Pirri at lower price of Rs5.400 million instead of awarding the same to a near value of reserved price, i.e., Rs9.467 million, as detailed below:

[Rs. in Million]

Description of auction	Bid amount (2019-20)	Bid amount (2020-21)	Bid amount (2021-22)	Avg. Of Last 3 Years	Bid price 2022-23	variation
Cattle Pirri	7.400	13.500	7.500	9.467	5.456	4.011

Audit was of the view that management sustained loss due to award of auction at lower value which indicated poor financial management.

The matter was reported to the management in September 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 28-12-2023, followed by reminders dated 09-01-2024 and 19-01-2024.

Audit seeks justification in the matter.

[AIR Para: 10]

8.5.6.7 Non-maintenance of property record

Rule 3(1), Chapter-1 of Sindh Local Councils (Property) Rules, 2017, stipulates that the Mayor or Chairman, as the case may be, shall take such steps as may be necessary to ensure that the property vested in the Council is managed and maintained in the best interest of the public for the purposes of the Act, the rules and the bye-laws made thereunder.

Further, S.No.(1) of Schedule of Rule 5(1) of Sindh Local Councils (Property) Rules 2017, requires that register of immovable property in Form P-I shall be maintained and Rule 5(2) requires that a Council shall provide at least 10% of its development budget for the maintenance and repairs of its immovable property regularly.

During audit of following Local Councils of Shaheed Benazirabad Division, for the financial year 2021-22, it was observed that office failed to maintain property record as mentioned in schedule of Sindh Local Councils (Property) Rules, 2017. The management also failed to allocate at least 10% of its development budget for the maintenance and repair of immovable property of the Council in violation of above rules;

Sr. No.	Name of Entity	AIR Para
1	Town Committee Daur	7
2	Town Committee Khadro	9
3	Town Committee Jhol	9

4	Town Committee Sarhari	10
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Audit was of the view that management failed to comply with the prescribed rules for maintenance of property record which indicated weak internal controls. Besides, chances of encroachment could not be ruled out.

The matter was reported to the management from April to May 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 21-07-2023, followed by reminders dated 04-08-2023 and 19-09-2023.

Audit recommends maintenance of required property record at the earliest on the prescribed format.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 8.5.5.8. Recurrence of same irregularity is matter of serious concern.

8.5.6.8 Non-establishment of provident fund, pension fund and benevolent fund

Rule 125 (1), Chapter-XIV of SLGA 2013, states that a Council may, establish and maintain-

- a) Provident fund for the benefit of its employees, who shall contribute to such fund in such manner and proportion as may be prescribed.
- b) Pension fund from which pension, shall, in the prescribed manner, be paid to the employees of the Council.
- c) Benevolent fund, in the prescribed manner from which any special pension or gratuity, shall, in the prescribed manner be paid to the family of employee of the Council, who dies of disease or injury contracted or suffered by him in the discharge of his official's duties.

During audit of following Local Councils of Shaheed Benazirabad Division, for the financial years 2021-22 and 2022-23, it was observed that the management failed to establish provident, pension and benevolent fund for the benefits of employees of the council. Local Councils are making payments of provident fund, pension and benevolent fund from the OZT share received from Government of Sindh.

Sr. No.	Name of Office	AIR Para	F.Y.
1	Town Committee Khadro	8	2021-22
2	Town Committee Shahpur Chakar	10	
3	Town Committee Jhol	8	
4	Town Committee Bhiria City	2	2022-23
5	Town Committee Sakrand	2	
6	Town Committee Bhiria Road	2	

Sr. No.	Name of Office	AIR Para	F.Y.
7	Town Committee Mehrabpur	2	

Audit was of the view that non-establishment of mandatory funds indicated weak internal controls and financial management.

The matter was reported to the management from April to December 2023, but no reply was received. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letters dated 21-07-2023 and 28-12-2023, followed by reminders dated 04-08-2023, 19-09-2023, 09-01-2024 and 19-01-2024.

Audit recommends establishment of mandatory funds as per provision of the SLG Act, 2013.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 8.5.2.4. Recurrence of same irregularity is matter of serious concern.

Thematic Audit

Chapter-9: Thematic Audit

Thematic Audit Report on “Role of KW&SB in providing sewerage services in South and Malir Districts of Karachi”

9.1 Introduction

Karachi Water Management Board (KWMB) was created in 1981. It was responsible for distribution and retailing of treated water. However, the responsibility for maintenance of sewerage remained with the Karachi Metropolitan Corporation. Appreciating the need for creation of a unified institution to handle water supply as well as sewerage services, the Government enacted Sindh Local Government (Amendment) Ordinance, 1983, leading to creation of the Karachi Water & Sewerage Board within KMC.

Karachi Water & Sewerage Board was separated from KMC in 1996, through Karachi Water & Sewerage Board Act, 1996. Under this Act, the legal frame-work, functions, delegation of powers as well as financial guidelines are provided. Some major functions of the Karachi Water & Sewerage Board are as follows:

- i. Sanction in the manner and on payment of fees as may be prescribed by regulations (a) water connection (b) water supply to tankers (c) sewerage connection.
- ii. Levy, collect or recover rates, charges of fees for water supply and sewerage service, including arrears thereof.
- iii. Undertake construction improvement, maintenance and operation of.
 - a) Water works including wells and recharge facilities for collecting, purifying, pumping, storing and distributing water to all types of consumers.
 - b) Sewerage works for collecting, pumping, treating and disposing of sewerage and industrial waste.
- iv. Produce and supply potable water.
- v. Place, maintain aqueducts, conduits, sewers etc.

The office of Managing Director, Karachi Water & Sewerage Board consists of five departments, i.e., Planning, Technical Services, Finance, Revenue Resources Generation and Human Resource Development & Administration headed by Deputy Managing Directors. There are Executive Engineers at each divisional level with the supervision of Superintending Engineer at each district under the control of Chief Engineer(s) of Water, Sewerage and Equipment & Machinery.

Sewerage System of KW&SB:

As per Japan International Cooperation Agency (JICA), final report on “Data collection survey on water supply and sewerage sector of Pakistan” issued in December 2021, more than six million people of Karachi have no access to public sewerage service. Sewerage network coverage is estimated at 60 percent and faces complex challenges of inadequate sewer trunk mains,

malfunctioning pumping facilities, and insufficient wastewater treatment capacity. The amount of raw sewage discharged into the sea each day is 475 MGD. The sewerage network of the city has had very little maintenance since 1960 and the three existing wastewater treatment plants are dysfunctional. Additionally, separation of municipal wastewater from industrial effluent is not a common practice. Two of the biggest industrial estates in Pakistan, both located in Karachi, have no effluent treatment plants, and the waste containing hazardous materials, heavy metals, and oil are discharged directly into the rivers and the already polluted harbor.

Karachi, being the largest city in Pakistan and one of the most populous cities in the world, faces significant challenges in managing its sewerage system. Karachi's sewerage system consists of a network of underground pipes that collect wastewater from residential, commercial, and industrial areas. Karachi has three Sewerage Treatment Plants (STP-I Site, STP-II Mehmoodabad and STP-III Mauripur) to treat sewage and reduce the environmental impact of untreated wastewater discharge which are dysfunctional. Due to the city's topography and varying elevations, pumping stations are essential to lift sewage to higher levels for gravity flow. The detail of KW&SB's sewerage system is as follows:

Sewage Treatment Plants	3 Nos
Major Sewage Pumping Station	6 Nos
Sewage Lift Pumping Station	32 Nos
Sewer Cleaning Machines Suction Machines/Jetting Machines	23 Nos
Total Length of Sewers	5,670 KMs
Number of Manholes	250,000 Nos

(Source: KW&SB website)

9.2 Background

A paradigm shift from traditional transactional reporting to a broader framework of issue-based thematic audit has been exercised from Audit Year 2021-22 by the Department of Auditor-General of Pakistan. The Thematic Audit Reports shall highlight and discuss issues across the sector or entity and also address specific activity, program and project etc. relating to the Sustainable Development Goals (SDGs). These Thematic Audit Reports shall benefit the stakeholders in understanding issues in a more systematic manner and if timely addressed, shall lead to improving service delivery, financial management and better governance.

Keeping in view the above factors, the theme of "Role of KW&SB in providing Sewerage Services in South and Malir Districts of Karachi" was selected.

Nine offices of KW&SB responsible for providing sewerage services in two districts of Karachi were identified and selected in the Annual Audit Plan 2023-24.

9.3 Establishing the Audit Theme

9.3.1 Reasons for selection

Importance of sewerage services have been embedded within the Sustainable Development Goals. The target 6.3 of SDG-6 emphasizes to improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally by 2030. Achieving these targets would save the people who die from diseases directly attributable to unsafe water and inadequate sanitation.

9.3.2 Objectives

The main objectives as per TORs were:

- i. to scrutinize the regulatory framework, policies related to the disposal of sewage
- ii. to check sewerage related policies of KW&SB with relevance to SDG/Target
- iii. to check any variance in planning and its execution related to sewerage schemes
- iv. to review existing mechanism for disposal of domestic and industrial sewage
- v. to check the expenditure incurred on sewerage treatment plants and lines
- vi. to review steps taken to rehabilitate non-functional Sewerage Treatment Plants
- vii. to check efficacy of operation and maintenance of sewerage disposal system in the city

9.3.3 Scope of Thematic Audit

SDG target 6.3 was the basis of selection of this thematic audit. In this regard following nine formations in districts of Malir and South under KW&SB were selected for conducting the subject audit during Audit year 2023-24:

Sr. No.	Name of formation	Sr. No.	Name of formation
i.	Chief Engineer (Sewerage)	ii.	Executive Engineer (Sewerage), Bin Qasim Town
iii.	Executive Engineer (Sewerage), Malir Town	iv.	Executive Engineer (Sewerage), Scheme 33
v.	Executive Engineer (Sewerage), Saddar Town	vi.	Executive Engineer (Sewerage), Lyari Town
vii.	Executive Engineer (Sewerage), Jamshed Town	viii.	Executive Engineer, Sewerage Pumping Division-I
ix.	Executive Engineer, Sewerage Pumping Division-II		

9.4 Legal framework governing the theme

Legal framework governing the theme includes:

- i. Karachi Water & Sewerage Board Act, 1996
- ii. Karachi Water & Sewerage Board Amendment Act, 2015
- iii. Karachi Water & Sewerage Board Special Operating Procedures, 2016

- iv. Sindh Local Government Act, 2013
- v. The Sindh Financial Rules Vol. I & II revised edition 2004

9.5 Stakeholders

- i. Karachi Water & Sewerage Board
- ii. Local Government
- iii. Government of Sindh
- iv. General Public

9.6 Role of important organizations

i. Chief Engineer (Sewerage), KW&SB

Chief Engineer (Sewerage) is an administrative head of Sewerage Services and responsible to monitor all Executive Engineers involved in performing functions in respect of disposal of sewage in the Karachi Division.

ii. Executive Engineers (Sewerage), Malir Town, Bin Qasim Town, Scheme 33, Saddar Town, Lyari Town and Jamshed Town

Executive Engineers (Sewerage), Malir Town, Bin Qasim Town, Scheme 33, Saddar Town, Lyari Town and Jamshed Town are responsible to perform functions of the Board in respect of disposal of sewage in the areas under their jurisdiction, which include:

- a) Sewerage works for collecting, pumping, treating and disposing of sewerage and industrial waste.
- b) Regulate, control or inspect sewer and service lines including internal fittings.
- c) Place, maintain sewers etc.

iii. Executive Engineers, Sewerage Pumping Division-I & II, KW&SB

Sewerage Pumping Division-I & II are responsible for disposal of sewerage through pumping from old city areas and Clifton. Sewerage Pumping Divisions (SPDs) are responsible for collecting and transporting wastewater from residential, commercial and industrial areas. They manage the network of sewer pipes and pumping stations that form the wastewater collection system.

9.7 Financial Resources of Organization

Total budget allocation and actual expenditure for the financial year 2022-23 was as follow:

Table-1:

[Rs. in Million]

Sr. No.	Name of Office	Budget Allocation	Expenditure	Excess (+) Savings (-)
1	Chief Engineer (Sewerage), KW&SB	Administrative office without any budget allocation.		
2	XEN (Sewerage), Bin Qasim Town, KW&SB	73.866	65.334	-8.533-
3	XEN (Sewerage), Malir Town, KW&SB	146.345	151.971	+5.626
4	XEN (Sewerage), Scheme 33, KW&SB	232.751	183.989	- 48.762
5	XEN (Sewerage), Saddar Town, KW&SB	184.077	157.605	- 26.472
6	XEN (Sewerage), Lyari Town, KW&SB	145.047	104.206	- 40.841
7	XEN (Sewerage), Jamshed Town, KW&SB	179.930	133.004	- 46.927
8	XEN, Sewerage Pumping Division-I, KW&SB	236.155	132.926	- 103.230
9	XEN, Sewerage Pumping Division-II, KW&SB	294.440	183.055	- 111.385
Total		1,492.611	1,112.09	-380.523

9.8 Field Audit Activity

A. Methodology

The Thematic Audit was initiated after the meetings with the management of selected formations of KW&SB which were responsible for providing sewerage services in District Malir and South, Karachi. Besides, questionnaire was also prepared by the audit team to be filled by the management of these formations to gain qualitative and quantitative insights. Audit team also visited the field locations.

B. Audit Analysis

i. Review of internal controls

Internal control system in the offices selected for thematic audit was governed by Karachi Water & Sewerage Board Act 1996, Karachi Water & Sewerage Board Amendment Act 2015, Karachi Water & Sewerage Board Special Operating Procedures 2016 and Sindh Local Government Act 2013 etc.

During thematic audit, the review of record of the formations as well as previous audit reports revealed various weaknesses in the internal controls which have been incorporated in the section of significant audit observations. The management of KW&SB failed to:

- a) Operationalize existing treatments plants.
- b) Install sewage treatment plants at all pumping divisions.
- c) Implement regulatory framework policies related to the disposal of sewage.

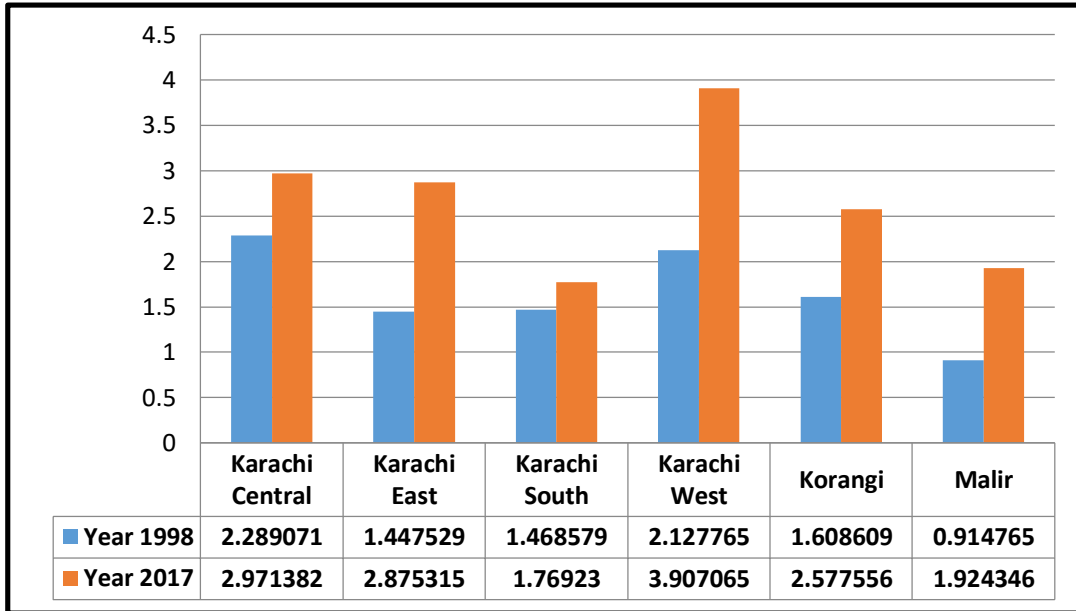
- d) Formulate any action plans to achieve SDG targets relating to sanitation and could not propose and execute any sewerage related scheme with reference to SDG-6 in Annual Development Plan.
 - e) Plan to cater to the needs of increasing population to provide sewerage services to the residents.
 - f) Remove encroachments from sewerage system including nallahs, lines and land.
 - g) Complete S-III project despite substantial investment.
 - h) Provide adequate sewerage services in Karachi, especially in South and Malir Districts.
- ii. Critical Review

Following is the status of increase of population in different districts of Karachi compared with sewage generated over the time:

Table-2:

Sr. No.	Name of District	Population Census 01-03-1998	Population Census 15-03-2017	Increase in population
1	Karachi Central	2,289,071	2,971,382	30%
2	Karachi East	1,447,529	2,875,315	99%
3	Karachi South	1,468,579	1,769,230	20%
4	Karachi West	2,127,765	3,907,065	84%
5	Korangi	1,608,609	2,577,556	60%
6	Malir	914,765	1,924,346	110%
Total		9,856,318	16,024,894	63%

Source: <https://www.pbs.gov.pk/census-2017-district-wise/results/092>

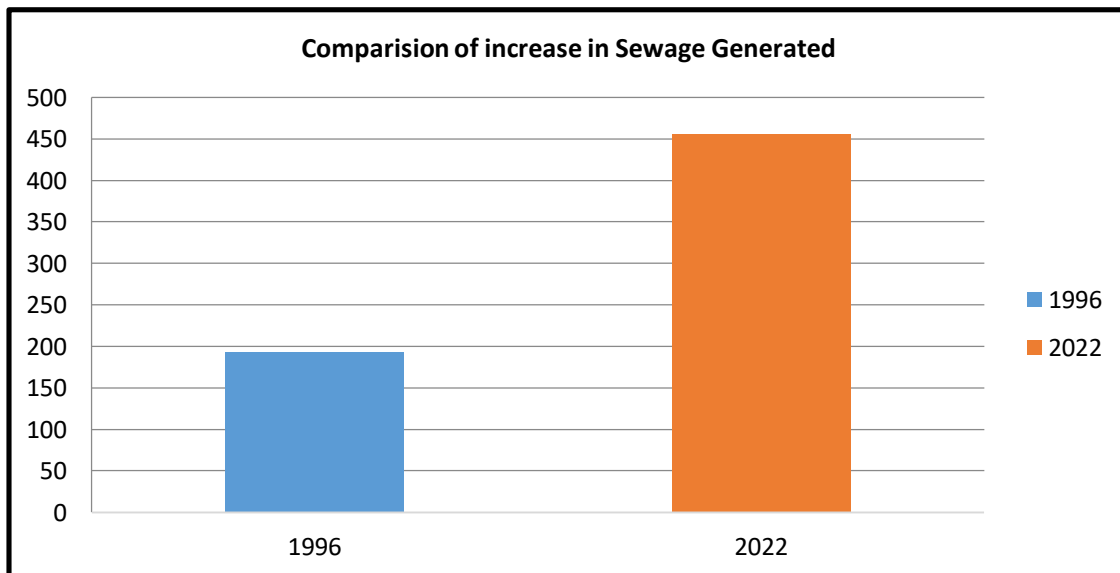


Comparison of Increase of Population (In millions)

Table-3:

Year	1996	2022	Increase	% of increase
Total Water Supply	274 MGD	650 MGD	376 MGD	137%
Sewage generated in City	192 MGD	455 MGD	263 MGD	

Source: Brief on Water Supply provided by Chief Engineer (Bulk Water Supply)



Above information shows that there was 63% increase in population from 1998 to 2017. However, increase in sewage generated was 137% in Karachi division as same is dependent on supply of water. Absence of plan and study for sewerage services to cater the needs of growing population was a significant oversight by Karachi Water and Sewerage Board (KW&SB). Effective urban planning and infrastructure development is essential to accommodate the increasing sanitation requirements. Neglecting this aspect can lead to a range of problems relating to environmental pollution and public health issues. Addressing these issues should be a priority for KW&SB to ensure the well-being of residents and the sustainable development of the city.

The Karachi Water and Sewerage Board (KW&SB) failed to remove encroachments from its sewerage system, including nallahs (drains) and sewerage lines at Madras Chowk, Pioneer Fountain, White Houses @ Scheme 33, Sherpao Colony, District Malir, Clifton Pumping Station, District South. Encroachments above the sewerage system obstruct the flow of wastewater causing drainage problems. Encroachments also disrupt proper functioning of the system, leading to issues such as water pollution and the spread of waterborne diseases. No serious efforts were made by KW&SB for removing the encroachments.



Nursery established at main sewerage nullah of Scheme 33 at Madras Chowk, District Malir

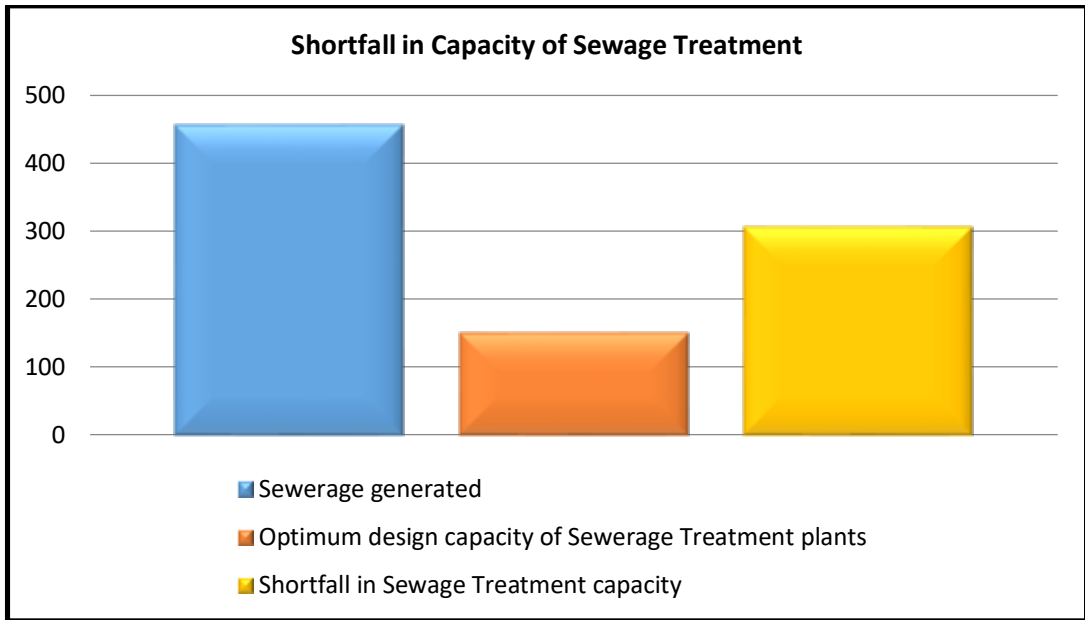


Nullah encroached in front of White House Scheme 33, District Malir

The Karachi Water & Sewerage Board (KW&SB) could not operationalize available three sewage treatment plants. Proper functioning of sewage treatment plants is essential for treating wastewater before it is released back into the environment. When these plants are not operational, disposal of untreated sewage contaminate water bodies, leading to pollution and potential health hazards to the residents. It is crucial for KW&SB to ensure the operationalization of sewage treatment plants. The detail of sewage generated and treated is as follows:

Sewage generated in City (70% of Water Supplied)	455 MGD
Optimum design capacity of Sewage Treatment plants (All 03 Located in District South)	150 MGD
Shortfall in Sewage Treatment capacity	305 MGD
Untreated Sewage due to dysfunctional treatment plants	455 MGD

Source: KWSB website



Sewerage generated during 2022-23 in the city was 455 MGD (70% of water supplies). However, the quantity of sewage water could be much higher than this because there are other sources of water including boring and wells in the city. For the treatment of sewerage water only three sewage treatment plants are installed with total maximum capacity of 150 MGD and these treatment plants are also not functional since last many years. Hence, generated sewage is being released into the sea without any treatment. KW&SB should prioritize the installation of sewage treatment plants at sewage pumping divisions to ensure proper wastewater treatment. Installing sewage treatment plants is essential for safeguarding environment. Failing to do so can lead to pollution and waterborne diseases.

The Karachi Water and Sewerage Board (KW&SB) was lacking policies related to the disposal of sewage. Developing and implementing clear and effective policies for disposal of sewage is crucial for efficient management of sewage and environmental protection. To address this issue, the KW&SB should prioritize the development of well-designed sewage disposal policies for sustainable and safe disposal of sewage.

The Karachi Water and Sewerage Board (KW&SB) failed to frame action plans to achieve sanitation related Sustainable Development Goal (SDG) targets which indicates that there was a significant gap in aligning efforts with the established sustainable goals. It is essential for KW&SB to actively work toward achieving these goals to create a better and more sustainable future.

Disposing of sewage water directly into the sea without any treatment is a problematic practice with serious implications on environment and aquatic life. Untreated sewage contains various harmful chemicals and pathogens that can harm marine life and ecosystems and degrade water quality. This practice is not in line with modern wastewater management standards and environmental protection regulations. It is essential for KW&SB to comply with environmental regulations by implementing proper sewage treatment and disposal methods.



Disposing of sewage water directly into the sea at Ibrahim Hyderi, District Malir

Non-completion of S-III project, despite a substantial investment, is a significant concern. Large-scale projects like the S-III are essential for addressing the city's sewage management needs. Failing to complete such project can have several negative consequences. It is imperative for KW&SB to take proactive measures to resolve the issues hindering the completion of the project. Completing the S-III project efficiently and effectively is crucial for addressing sewage management.

The failure of Karachi Water and Sewerage Board (KW&SB) to propose or execute any sewerage-related schemes or projects with reference to Sustainable Development Goal-6 in the Annual Development Programs (ADP) is a significant shortcoming. It is important for KW&SB to align their development programs with the SDGs to promote sustainable and responsible practices. Aligning development programs with SDG-6 can lead to improved sanitation and sewage services for the residents of Karachi.

C. Significant Audit Observations

9.8.1 Non-functioning of available sewage treatment plants

Section 3(viii)(b) of Chapter-V of the Karachi Water & Sewerage Board Act, 1996 stipulates that the Board shall undertake construction improvement, maintenance and operation

of Sewerage works for collecting, pumping, treating and disposing of sewerage and industrial waste.

Moreover, Para 5 (xi) of National Sanitation Policy, 2006 states that the disposal of untreated industrial effluents and municipal sewage into natural water bodies will not be permitted.

During thematic audit on Role of KW&SB in providing Sewerage Services in South and Malir Districts of Karachi for the audit year 2022-23, it was observed that all three sewage treatment plants STP-I (Site), STP-II, (Mehmoodabad) and STP-III (Mauripur) were non-functional and approximately 455 MGD untreated sewage and industrial waste was being released into the sea, which is threatening the marine life and creating disturbance in ecosystem.

Audit was of the view that non-functioning of treatment plants since long showed poor management and lethargic attitude which resulted into negative impacts on ecosystem and marine life.

Audit recommends that the management should take necessary steps for making the treatment plants functional on priority basis.

9.8.2 Non-installation of the sewerage treatment plants at Sewerage Pumping Divisions

Section 3(viii)(b) of Chapter-V of the Karachi Water & Sewerage Board Act, 1996 stipulates that the Board shall undertake construction improvement, maintenance and operation of Sewerage works for collecting, pumping, treating and disposing of sewerage and industrial waste.

Moreover, Para 5 (xi) of National Sanitation Policy, 2006 states that the disposal of untreated industrial effluents and municipal sewage into natural water bodies will not be permitted.

During thematic audit on Role of KW&SB in providing Sewerage Services in South and Malir Districts of Karachi for the audit year 2022-23, it was observed that the Sewerage Pumping Division-I & II were working without any sewage treatment plant and were directly disposing untreated sewage and industrial waste into the sea.

Audit was of the view that non-installation of treatment plants at sewerage pumping divisions showed lethargic attitude of management towards solving the disposal of untreated sewage water into the sea causing environmental pollution.

Audit recommends that the management should take necessary steps for installation of treatment plants at all sewerage pumping divisions without any further delay.

9.8.3 Non-Implementation of Regulatory Policies related to the disposal of sewage

Section 3(X) of Chapter-V of the Karachi Water & Sewerage Board Act, 1996 stipulates that Board shall regulate, control or inspect water connection, sewer lines and service lines including internal fittings.

Further, National Sanitation Policy of Pakistan provides a broad framework and policy guidelines to the Federal Government, Provincial Governments, Federally Administrated Territories and the Local Governments, to enhance and support sanitation coverage in the country through formulation of their sanitation strategies, plans and programs at all respective levels for improving the quality of life of the people of Pakistan and the physical environment necessary for healthy life.

During thematic audit on Role of KW&SB in providing Sewerage Services in South and Malir Districts of Karachi for the audit year 2022-23, it was observed that neither any regulatory policies related to the disposal of sewage were implemented in KW&SB nor communicated to respective XENs who were responsible for carrying out functions of disposal of sewage. All XENs were working on adhocism on different lines as per their knowledge and experience without any uniform direction and policies as per national laws, policies and framework of sanitation.

Audit was of the view that non-implementation of regulatory policies related to the disposal of sewage indicated poor management and weak internal controls.

Audit recommends that regulatory framework and policies related to the disposal of sewage may be implemented in letter and spirit.

9.8.4 Non-formulation of action plans to achieve sanitation related SDG Target

The Sustainable Development Goals are a universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere. The 17 Goals were adopted by all UN Member States in 2015, as part of the 2030 Agenda for Sustainable Development which set out a 15-year plan to achieve the Goals.

Moreover, SDG target 6.3 stipulates to improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally by 2030.

During thematic audit on Role of KW&SB in providing Sewerage Services in South and Malir Districts of Karachi for the audit year 2022-23, it was observed that the management failed to formulate any action plans to achieve sanitation related SDG targets despite lapse of eight years of the issuance of SDG targets by UN in 2015.

Audit was of the view that non-formulation of action plans to achieve sanitation related SDG targets showed lack of interest towards the assigned duty which might result into non-achievement of SDG targets set by UN for its member countries.

Audit recommends that sewerage related action plans be devised on priority basis to achieve SDG targets for improving quality of life of people.

9.8.5 Lack of planning and study to address the sewerage needs

Status of increase of population in different districts of Karachi is as follows:

Sr. No.	Name of District	Population Census 01-03-1998	Population Census 15-03-2017	Increase in population
1	Karachi Central	2,289,071	2,971,382	30%
2	Karachi East	1,447,529	2,875,315	99%
3	Karachi South	1,468,579	1,769,230	20%
4	Karachi West	2,127,765	3,907,065	84%
5	Korangi	1,608,609	2,577,556	60%
6	Malir	914,765	1,924,346	110%
Total		9,856,318	16,024,894	63%
Sewage generated in City		192 MGD	455 MGD	137%

Source: <https://www.pbs.gov.pk/census-2017-district-wise/results/092>

During thematic audit on Role of KW&SB in providing Sewerage Services in South and Malir Districts of Karachi for the audit year 2022-23, it was observed that there was significant increase in population but there was neither any study carried nor any planning made in KW&SB to cater to the needs of growing population to provide sewerage services to the inhabitants of Karachi.

Audit was of the view that absence of any study and planning may increase sewerage issues with passage of time which indicated poor management and lethargic attitude towards providing sewerage services.

Audit recommends that study may be carried out and development projects should be proposed accordingly to meet the requirements of growing population.

9.8.6 Non-inclusion of Sewerage related projects in ADP Schemes

According to list of ADP schemes of Local Government Department, funds amounting to Rs677.277 million, Rs374.413 million and Rs2,175.561 million for the years 2020-21, 2021-22 and 2022-23 respectively were specifically allocated for the projects of KW&SB with reference to SDG-6.

Further, Section 3(viii)(b) of Chapter-V of the Karachi Water & Sewerage Board Act, 1996 stipulates that the Board shall undertake construction improvement, maintenance and operation

of Sewerage works for collecting, pumping, treating and disposing of sewerage and industrial waste.

During thematic audit on Role of KW&SB in providing Sewerage Services in South and Malir Districts of Karachi for the audit year 2022-23, it was revealed from the list of ADP schemes of last three years that not a single sewerage related project pertaining to SDG-6 was proposed and included in ADP schemes for improvement of sewerage infrastructure. However, KW&SB allocated funds only for water related projects of SDG-6, which showed that sanitation related projects to meet SDG targets were completely ignored.

Audit was of the view that non-inclusion of sewerage related projects in ADP showed poor management and non-seriousness towards the assigned targets.

Audit recommends that sewerage related projects should be included in the Annual Development Program and executed on priority basis for improvement of sanitation services.

9.8.7 Non-removal of encroachment from sewerage system

According to Section 145, Chapter-XVI of Sindh Local Government Act, 2013, "Encroachments shall be dealt with in accordance with the provisions of the laws relating to removal of encroachments".

Further, according to Section-14-A (1)(c) of Karachi Water & Sewerage Board (amendment) Act, 2015, if any person who encroaches upon the land of the Board shall be punished with imprisonment of either description for a term which may extend to ten years and with fine which may extend to rupees one million or with both.

- i. The offences committed under sub-section (1) shall be cognizable.
- ii. The offences punishable under sub-section (1) shall be tried by the Sessions Court.

During thematic audit on Role of KW&SB in providing Sewerage Services in South and Malir Districts of Karachi for the audit year 2022-23, it was observed during field visits that sewerage system including lines, nallahs and lands were encroached by private parties and land grabbers as per following details;

- a) Nallah in front of White House, Sector 24-A, Scheme 33 and Pioneer Fountain, Scheme 33, District Malir were fully encroached and residents constructed walls, lawns and parking on them.
- b) Nursery was established over main sewerage line of Scheme 33 at Madras Chowk, District Malir.
- c) Houses were constructed on Channel and land of Clifton Pumping Station, District South by encroachers.

d) Houses on nallah at Sherpao Colony, District Malir were also seen constructed.



(Encroachment on main Nallah at Pioneer Fountain, Scheme-33, District Malir)

The management neither removed the encroachment from the sewerage system including lines, nallahs and land nor provided details of any efforts made by them with respect to removal of encroachment

Audit was of the view that non-removal of encroachments indicated poor management as no serious efforts were made to get the encroached area vacated.

Audit recommends removal of encroachments from sewerage system including lines, nallahs and lands, besides fixing responsibility on the person(s) at fault for inaction against encroachers.

9.8.8 Non-completion of S-III project despite substantial investment and lapse of considerable time

Section 3(viii)(b) of Chapter-V of the Karachi Water & Sewerage Board Act, 1996 stipulates that the Board shall undertake construction improvement, maintenance and operation of Sewerage works for collecting, pumping, treating and disposing of sewerage and industrial waste.

During thematic audit on Role of KW&SB in providing Sewerage Services in South and Malir Districts of Karachi for the audit year 2022-23, it was observed that PC-I of the Project S-III was approved by ECNEC at a cost of Rs7,982.00 million on September 19, 2007 to cater the sewerage needs of population of Karachi. Revised PC-I for Lyari & Malir River Basins was approved by ECNEC on 07-02-2018 with stipulated completion period of 36 months but the project is still incomplete.

Audit was of the view that non-completion of S-III project showed poor management on the part of KW&SB.

Audit recommends that S-III project should be completed at the earliest.

9.8.9 Non-Provision of adequate sewerage services in Karachi

Section 3(viii)(b) of Chapter-V of the Karachi Water & Sewerage Board Act, 1996 stipulates that the Board shall undertake construction improvement, maintenance and operation of Sewerage works for collecting, pumping, treating and disposing of sewerage and industrial waste.

During thematic audit on Role of KW&SB in providing Sewerage Services in South and Malir Districts of Karachi for the audit year 2022-23, it was observed that KW&SB failed to provide adequate sewerage services in Karachi. During field visit of Lyari, Saddar, Kharadar, Malir, and Scheme 33, it was observed that due to non-provision of adequate sewerage services, sewage water was over flowing from gutters and stuck on the roads and streets, which was not only affecting public health but also damaging the infrastructure of the area including roads.



Lyari,

(Sewerage situation at District South)



(Sewerage situation at Scheme 33 near Family Park Metrovill, District Malir)

Audit was of the view that non-provision of adequate sewerage services showed poor management.

Audit recommends that the management should take necessary steps to provide better sewerage services to the inhabitants of South and Malir districts and residents of Karachi.

9.8.10 Non-production of record

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, provides 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 all 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 relevant Efficiency and Discipline Rules applicable to such person”.

During thematic audit on Role of KW&SB in providing Sewerage Services in South and Malir Districts of Karachi for the audit year 2023-24, the management did not produce following record for thematic audit.

- i. Filled Questionnaire with relevant supporting documents in respect of Thematic Audit
- ii. Details of sewerage schemes planned and executed during last three years in South & Malir Districts

- iii. Details and flowchart of existing mechanism for disposal of domestic and industrial sewage especially in South & Malir Districts
- iv. Details of expenditure incurred on sewage treatment plants/lines during last three years
- v. Details of actions taken to rehabilitate non-functional Sewage Treatment Plants

Audit was of view that non-production of record was a serious lapse on the part of the management which caused hindrance in performance of the functions of audit.

Audit recommends fixing responsibility on the person(s) at fault for non-provision of record to audit.

9.9 Departmental Response

The matter was reported to the management of KW&SB through Observation Memos during audit but no reply was received from any office. The PAO also did not convene DAC meeting till finalization of the report despite issuance of letter dated 15-12-2023, followed by reminders dated 01-01-2024 and 11-01-2024.

9.10 Recommendations

- i. The non-operational sewage and treatment plants should be made operational on priority. KW&SB should invest in the development of sewage treatment facilities to treat wastewater before discharging it into the sea.
- ii. KW&SB should frame and implement sewerage disposal policies in line with SDG targets to ensure the proper management of wastewater, better sewerage services, increasing access to sanitation, contributing to overall environmental sustainability.
- iii. KW&SB should conduct demographic studies and assessment of the sewage-related needs to understand population growth trends and identify the areas where sewerage related projects aligned with SDG-6 are required.
- iv. The efforts should be made for removal of encroachments from sewerage system.
- v. KW&SB should ensure completion of S-III project on priority basis.
- vi. KW&SB should take necessary steps to provide better and effective sewerage services especially in Districts of South and Malir for the well-being and improving quality of life of the residents.

9.11 Conclusion

There is no proper sewerage system in Karachi especially in District Malir and South. KW&SB has failed to develop adequate infrastructure pertaining to sewerage services in Karachi. The issue of sewerage is getting worse due to rapid population growth. To align with SDG, the KW&SB has neither framed any policy relating to sewerage nor has undertaken / executed any scheme to cater to the needs of sanitation and sewerage. There is practice of disposing of untreated sewage directly into the sea which is contaminating sea water. This practice poses significant risk to the environment as well as the marine ecosystem. KW&SB needs to adhere strictly to the regulations and devise best practices to ensure that treated sewage is disposed of

into the sea to prevent the risks associated with untreated sewage discharge. It is essential for KW&SB to plan properly, align the objectives of sewerage schemes with sustainable development goals and allocate adequate resources for proper sewage treatment to protect the environment in order to promote sustainable development.

9.12 References:

- www.kwsb.gos.pk
- Brief on Water Supply provided by Chief Engineer (Bulk Water Supply).
- <https://www.pbs.gov.pk/census-2017-district-wise/results/092>
- Japan International Cooperation Agency (JICA) Final Report On “Data Collection Survey On Water Supply And Sewerage Sector of Pakistan” issued In December 2021 (Data collection survey on water supply and sewerage sector of Pakistan : final report. - (jica.go.jp)
- Sustainable Development Goals Report 2022 issued by United Nations (— SDG Indicators (un.org).

Impact Audit

Chapter-10: Impact Audit

Impact Audit Report on “Impact of Door-to-Door Garbage Collection by Sindh Solid Waste Management Board on the Citizens of Korangi and Central Districts of Karachi”

10.1 Introduction

In 2000, Karachi Metropolitan Corporation (KMC) was abolished and six District Municipal Corporations (DMCs) were merged in newly established City District Government Karachi. The City District Government Karachi was divided into 18 Towns and 178 union councils. In 2011, Sindh Government again restored Karachi Metropolitan Corporation (KMC) and six Districts as Municipal Corporations. Newly created district Keamari has also been given status of 7th District Municipal Corporation in October 2020.

Karachi is one of the largest and most populated metropolitan cities in the world. In 2015, the built-up area of Karachi was about 379.09 square kilometers. Because of improper solid waste management by Karachi Metropolitan Corporation (KMC) and District Municipal Corporations (DMCs), Karachi became infamous as the dirtiest city in Pakistan. In order to resolve the issue of garbage collection Sindh Solid Waste Management Board (SSWMB) was established through Sindh Solid Waste Management Board Act, 2014.

10.1.1 Background

Impact Audits have been started from the Audit Year 2023-24, by the Department of Auditor-General of Pakistan which aim at determining the impact of initiatives or programs with special focus on determining the outcome results attributable to an initiative, new program or recent change to an existing program by separating other contributing factors or variables. The Impact Audit Reports shall benefit the stakeholders in understanding the net results of the programs and initiatives in a more systematic manner and if timely addressed, shall lead to improving service delivery, financial management and better governance.

Over the years, efficient and sustainable management of solid waste is getting more attention at national and local levels. Sindh Solid Waste Management Board (SSWMB) collects and disposes of solid waste in Karachi and other districts of Sindh province. The initiative of door-to-door garbage collection by Sindh Solid Waste Management Board in District Korangi and District Central was executed in January and February, 2022 respectively. Keeping in view the public importance of the issue, the Impact Audit on “Impact of Door-to-Door Garbage Collection by Sindh Solid Waste Management Board on the Citizens of Korangi and Central Districts of Karachi” was identified in the Annual Audit Plan 2023-24.

10.1.2 Role of the Program

The objectives of establishment of the Sindh Solid Waste Management Board (SSWMB) included effective delivery of sanitation services and provision of pollution free environment. Another salient feature of the Board was to develop and implement an integrated solid waste management system with integrated approach for the sustainable management of solid waste covering all sources and aspects such as collection, transfer, treatment and disposal.

10.2 Overview:

a) Reasons behind establishment of Sindh Solid Waste Management Board

The shopkeepers of commercial areas and visitors of shopping malls and residents usually throw garbage at the corner of each street and in front of shops. According to survey conducted by of SSWMB in 2021 the estimated waste generated in Karachi city was between 12,000 to 15,000 tons/day. Out of which, the quantity of waste being generated by District Korangi and District Central was 1,575 and 1920 tons per day respectively. Zone wise detail of waste generation in both the Districts was as under:

Garbage Generation for the Year 2020-21							
(District Korangi)							
Area	Korangi Zone	Landhi Zone	Model Colony Zone	Shah Faisal Zone	Total Garbage Generation Tons per day	Total Garbage Generation Tons per year	Area wise%
Urban Residential	412	213	148	172	945	344,925	60
Commercial	69	35	25	29	158	57,670	10
Bulk Waste (Industrial)	206	106	74	86	472	172,280	30
Total Waste	687	354	247	287	1,575	574,875	100

Waste Generation for the Year - 2020-21							
(District Central)							
Area	Liaqatabad Zone	North Nazimabad Zone	Gulberg Zone	New Karachi Zone	Total Garbage Generation Tons per day	Total Garbage Generation Tons per year	Area wise%
Urban Residential	406	320	224	394	1,344	490,560	70
Commercial	87	69	48	84	288	105,120	15
Bulk Waste (Industrial)	87	69	48	84	288	105,120	15
Total Waste	580	458	320	562	1,920	700,800	100

For resolving above issue, the Sindh Solid Waste Management Board (SSWMB) was established through Sindh Solid Waste Management Board Act, 2014 (now revised as SSWMB Act, 2021) for collection and disposal of all solid waste, effective delivery of sanitation services and provision of pollution free environment in the Province of Sindh. The Board needed to develop and implement an integrated solid waste management system with the strategic approach for sustainable management of solid wastes, covering all sources and aspects such as generation, collection, segregation, transfer, sorting, treatment, recovery, trading and disposal of waste, in an integrated manner.

b) Objectives

The main objectives of the program planned for impact audit were:

- i. To check whether the initiative of door-to-door garbage collection provided convenient and systematic waste disposal system to the citizens.
- ii. To assess the level of performance achieved after the initiative vis a vis the situation prevailing prior to the intervention.
- iii. To check whether the management is collecting garbage effectively as per objectives of the initiative.
- iv. To check that the initiative resulted in reduction of illegal dumping of waste.

10.3 Scope & Methodology:

a. Scope

The scope of the Impact audit was restricted to District Korangi and District Central of Karachi Division. However, Municipal Corporation Sukkur was also chosen as control group for data analysis.

b. Methodology

The Impact Audit was initiated by the meetings with the management of Sindh Solid Waste Management Board responsible for providing the service of door-to-door garbage collection in District Korangi and District Central. Post-group comparison (Control and Treatment groups) and Before-and-After design methods were applied for ascertaining the impact of initiative.

Due to non-availability of garbage generation data for the year 2022-23, the data of Survey reports conducted by the SSWMB for the DMC Korangi/Central and MC Sukkur for the year 2020-21 was utilized for the financial year 2022-23 after adding 15% keeping in view the growth of cities.

In addition, following methodology was also applied:

- Questionnaire was prepared by the audit team to be filled by the management and the residents of District Korangi and District Central for qualitative and quantitative insights.

- The financial statements and other relevant record of Sindh Solid waste Management Board and District Municipal Corporations, DMC Korangi, Central and Sukkur was reviewed.
- Conducting field visits of various sites for solid waste activities under jurisdiction of District Korangi and District Central to ascertain the performance of SSWMB regarding solid waste collection and dumping.

10.4 Audit Findings

10.4.1 Door-to-door garbage collection

As per Clause 4.2(a) of Request for Proposal (RFP) of bidding document for the establishment of primary and secondary solid waste collection system in District Korangi and District Central, “wherein waste collecting vehicles with one or two waste collecting workers move around the residential blocks on a specified time each day and sounds horn or ring bell and wait at intermediate locations for residents to bring waste in polythene bags to the collection vehicles or where the workers with the collecting vehicles collect garbage in a basket at the door step of the residents and throw the same in the collecting vehicles, which is then disposed of to nearest dustbin site.”

During impact audit of Sindh Solid Waste Management Board, it was observed from the survey conducted by SSWMB in 2021, that the estimated waste generated in Karachi city was between 12,000 to 15,000 tons per day. Out of which, the quantity of waste generated by Districts Korangi and District Central was 1,575 and 1,920 tons per day respectively. The initiative of door-to-door garbage collection by Sindh Solid Waste Management Board in District Korangi and District Central was executed in January and February, 2022 and the contracts were awarded to M/s Gansu Construction Investment Heavy Industry Technology Co. Ltd and M/s Gansu Biguiyan Environment Technology Pakistan (Pvt) Ltd with sanctioned cost of Rs20,914.376 and Rs24,077.532 million respectively for a period of nine years.

Detail of total waste generated and collected by SSWMB through the contractor in District Korangi and District Central during the year 2022-23 is as under:

[Amount in Rs.]

Office	Year	Waste Generated (tons)		Waste Collected (tons)		% of waste Collected	Total Expenditure Per Year
		Per Day	Per Year	Per Day	Per Year		
Korangi	2022-23	1,811	661,015*	1,791	653,715	99	2,694,009,505
Central		2,208	805,920*	1,591	580,715	72	2,530,734,588

**The figure after adding 15% in the survey figures of garbage collection during 2020-21*

Critical Analysis:

The record revealed that management of SSWMB was able to collect and lift 99% and 72% of garbage generated from the limits of District Korangi and District Central respectively. However, SSWMB is collecting garbage only from various specified points of the respective districts but the actual objective of SSWMB regarding door-to-door garbage collection from citizens' homes has not yet been started despite incurrence of huge expenditure.

Audit was of the view that actual objective of the Sindh Solid Waste Management Board regarding door-to-door garbage collection has not been achieved which indicated poor management and weak internal controls.

Audit recommends that the management should take practical steps for initiating the door-to-door garbage collection from citizens' homes on priority basis.

10.4.2 Garbage collection by Sindh Solid Waste Management Board

During impact audit of Sindh Solid Waste Management Board, the conditions before and after the initiative were as follows:

i) Conditions before the initiative

Before establishment of SSWMB, the Shopkeepers of commercial areas, visitors of shopping malls and residents used to throw garbage at the corner of each street and in front of shops. Main Roads and lanes were cleaned manually using brooms and brushes Mechanical sweeping was not done except for some special occasion. Every year on the eve of Eid-ul-Azha offal, bone, skin parts and intestinal organs of the animals were thrown at the door step, road side, open ground, collection points and Katchra Kundis. Further, District Municipal Corporations (DMCs) were facing following problems in collection and lifting of garbage:

- Poor attendance of sanitary workers/officials
- Ineffective monitoring & reporting system
- Shortage of funds for providing proper number of dustbins, containers and POL
- Defective, inappropriate and old garbage vehicles
- Political and labour union intervention
- Encroachment in commercial areas
- Improper garbage transfer station facility and lack of scientific approach for integrated solid waste management

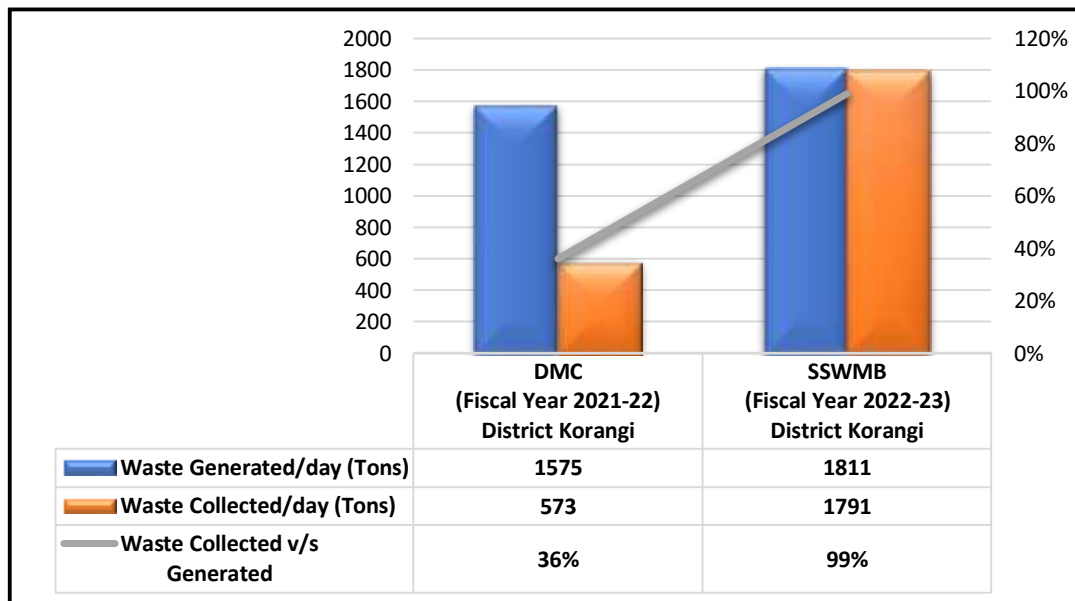
ii) Conditions After the initiative

After the intervention of Sindh Solid Waste Management Board, the solid waste activities are being performed by the contractor who collects garbage and solid waste on daily basis through

their 3,200 trained and professional labor in the limits of District Korangi and District Central. Lifting and transportation of solid waste from community dustbins sites and collection points nearby designated Garbage Transfer Station (GTS) has been enforced. The management has deployed most efficient and cost-effective machinery (2,500 numbers) in different selected areas. Command & Control System for monitoring, tracking and operation has been established. Android based attendance system with face recognition and location, vehicle tracking system and bin management system (GPS Based) has been introduced. Offal and other residual animal waste are being collected through machinery and is being disposed of timely in the pits already excavated at designated places where the buried offal may not create any hazard to the surroundings. The management has arranged 6,800 dust bins of different sizes which have been kept in various limits of District Korangi and District Central for collection and lifting of the waste.

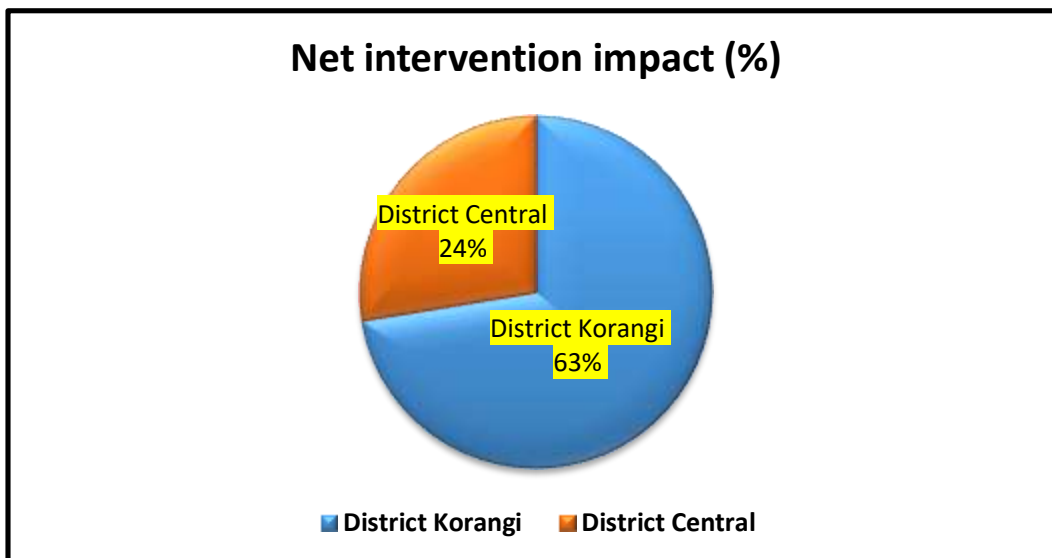
Critical Analysis:

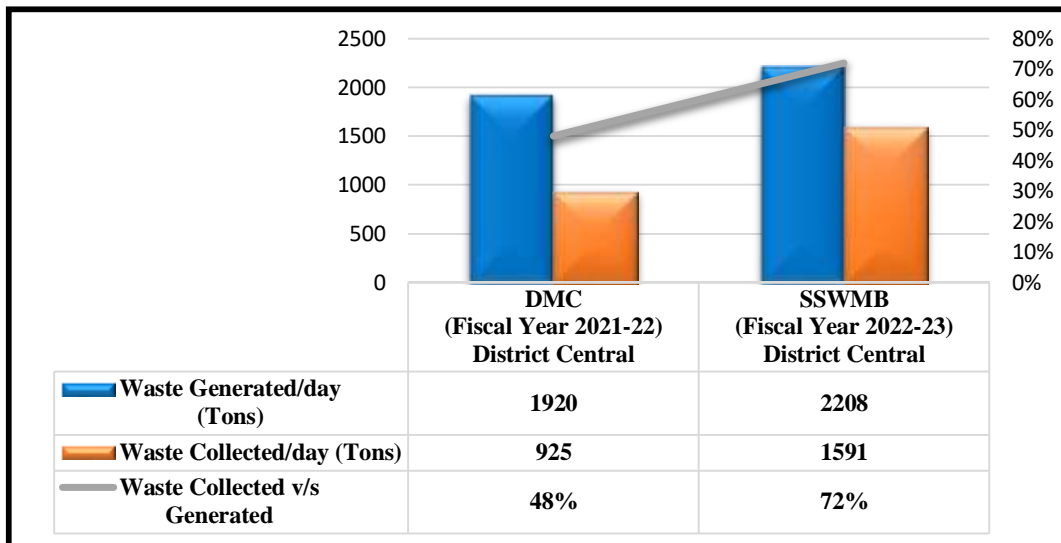
According to survey reports of SSWMB, the status of garbage generation and garbage collection by DMCs (Chosen as Control Group) before and after establishment of SSWMB is as under;



Description	DMCs (Fiscal Year 2021-22) <u>Control Group</u>		SSWMB (Fiscal Year 2022-23) <u>Treatment Group</u>	
	District Korangi	District Central	District Korangi	District Central
	Waste Generated per day (tons)	1,575	1,920	1,811
Waste Collected per day(tons)	573	925	1,791	1,591
Percentage of Waste Collected against Generated	36%	48%	99%	72%
Net intervention impact	-	-	63%	24%

Audit observed that there was a positive impact of local government’s intervention for garbage collection executed through SSWMB which is evident from the above table and the charts given on next page:





The ratio of garbage collection versus garbage generation in District Korangi and District Central by SSWMB was 99% and 72% respectively, whereas the ratio of garbage collection versus garbage generation in District Korangi and District Central by DMCs was 36% and 48% respectively. By deducting the percentage of garbage collection V/S garbage generation of DMCs in District Korangi and District Central from the percentage of garbage collection V/S garbage generation of SSWMB in respective districts, the net impact of the government intervention stood 24% in District Central and 63% in District Korangi

10.4.3 Cost Analysis

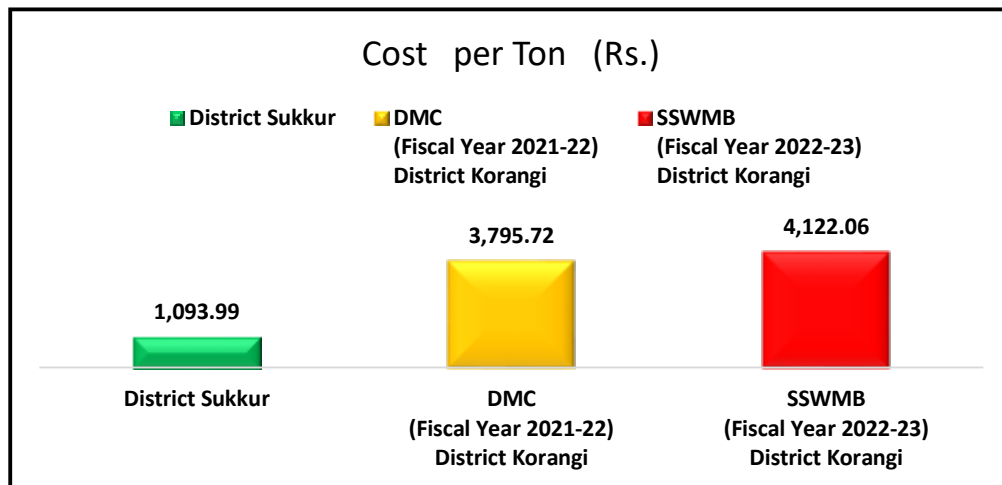
During impact audit of Sindh Solid Waste Management Board, on the basis of data provided by the management of SSWMB, audit carried cost analysis of expenditure incurred on garbage collection before and after the initiative. Audit observed that performance of SSWMB in terms of ratio of garbage collection versus garbage generation in District Korangi and District Central was 99% and 72% respectively which was much better than the performance of DMCs before establishment of SSWMB in District Korangi, District Central and District Sukkur, where, ratio of garbage collection V/S garbage generation was 36%, 48% and 46% respectively. Detail is as below:

Description	DMCs (Fiscal Year 2021-22) <u>Control Group</u>			SSWMB (Fiscal Year 2022-23) <u>Treatment Group</u>	
	District Korangi	District Central	District Sukkur	District Korangi	District Central
	Waste Generated per year (tons)	574,875	700,800	146,365	661,015

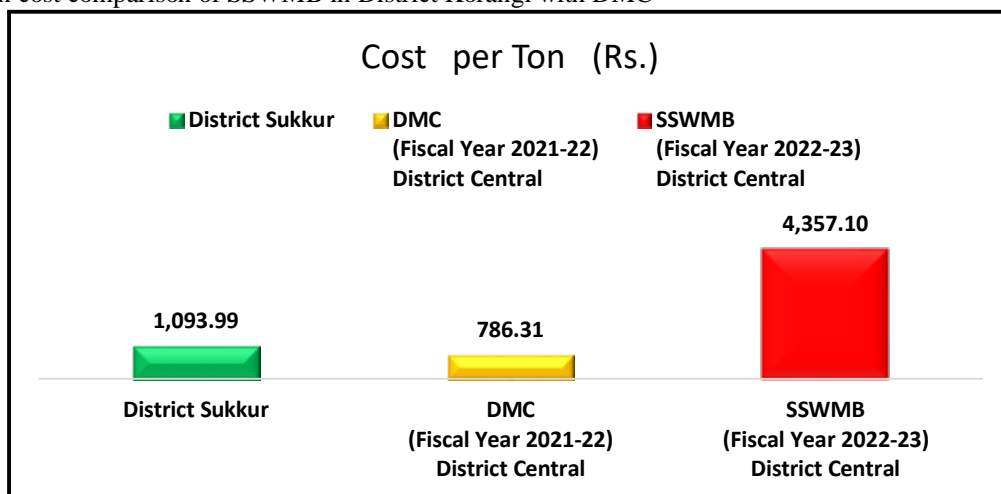
** Annual Accounts of MC Sukkur and information received from SSWMB

Waste Collected per year(tons)	209,003	337,543	66,795	653,559	580,830
Percentage of Waste Collected v/s Generated	36%	48%	46%	99%	72%
Impact of Intervention In percentage	-	-	-	63%	24%
** Total Expenditure per Year (Rs.)	793,317,438	265,414,651	73,073,108	2,694,009,505	2,530,734,588
Cost per Ton (Rs.)	3,795.72	786.31	1,093.99	4,122.06	4,357.10
Cost increase with respect to DMC in%	-	-	-	9%	454%
Cost increase with respect to DMC Sukkur in %	-	-	-	277%	298%

However, per ton cost of garbage collection incurred by SSWMB in District Korangi and District Central was Rs 4,122 and Rs 4,357, which was 9% and 454 % higher than the per ton cost incurred by the respective DMCs. Further, the comparison of per ton cost of garbage collection by SSWMB with DMC Sukkur showed that per ton cost incurred by SSWMB in District Korangi and District Central, was on higher side with increase of 277% and 298% respectively. The cost analysis has also been depicted in the following charts:



Per ton cost comparison of SSWMB in District Korangi with DMC



Per ton cost comparison of SSWMB in District Central with DMC

The management is required to address the matter of per ton cost on garbage collection which was disproportionately on higher side in comparison to District Municipal Corporations.

10.4.4 Non-removal of unauthorized waste dumping points

According to sub-clause 2.7.1 of the Operation & Maintenance Agreement, regarding work plan for services of integrated municipal solid waste (MSW) signed between Contractor and SSWMB for District Korangi and District Central, the contractor will remove all un-authorized dumping points from the area.

During impact audit of Sindh Solid Waste Management Board, it was observed that management failed to remove un-authorized waste dumping points as per agreement (**Annex-IA**).

Non-removing of un-authorized dumping points was polluting the environment. Further, hazardous materials could contaminate soil and water, leading to spread of diseases and health risk to both humans and animals.

Audit was of the view that non-removing of illegal dumping points by the management of SSWMB through their contractors despite incurrence of huge expenditure showed non-seriousness towards achieving the devised plans.

Audit recommends removing the un-authorized waste dumping points on priority basis besides taking remedial measures.

10.5 Conclusion

There was positive impact of government's intervention of garbage collection executed through Sindh Solid Waste Management Board (SSWMB) which has been able to collect and lift 99% and 72% of garbage generated from the limits of District Korangi and District Central respectively, whereas net impact of Local Government's initiative was 63% and 24% in the respective districts. However, SSWMB was collecting garbage only from the various specified points of the respective districts but the actual objective of SSWMB regarding door-to-door garbage collection from citizens' homes has not yet been started despite incurrence of huge expenditure and lapse of considerable time since its launching. Further, the management is required to address the matter of per ton cost on garbage collection which was disproportionately on higher side in comparison to District Municipal Corporations



**AUDIT REPORT
ON
THE ACCOUNTS OF
GOVERNMENT OF SINDH
AUDIT YEAR 2023-24**

AUDITOR-GENERAL OF PAKISTAN

GOVERNMENT OF SINDH

Chapter - 1

Public Financial Management Review 2022-23

Sectoral Analysis

Home to 47.886 million inhabitants (2017), Sindh is the second largest province, with 23 percent of the total population and 17.7 percent of the total land area of Pakistan. As an industrial, commercial and financial hub of Pakistan, Sindh plays a pivotal role in the national economy and development. Sindh is considered to be the second largest contributor to Pakistan's economy. Moreover, Sindh is also the country's most urbanized province with Karachi, its capital city, being the country's major financial and trade hub¹.

Articles 120-126 of the Constitution of the Islamic Republic of Pakistan, 1973 provides framework for Annual Budget Statement, Demand for Grants, Charged and Voted Expenditure out of Provincial Consolidated Fund, procedure for Annual Budget Statement, Authentication of Schedule of Authorized Expenditure and procedure for Supplementary Grants for excess expenditure.

As per Annual Budget Statement, the major sources of revenue for the Provincial Government for overall budgetary management are the Federal Fund Transfers from Federal Divisible Pool, Provincial Tax Receipts and Provincial Non-Tax Receipts.

The province's own tax revenue is being collected by Sindh Revenue Board (SRB), Board of Revenue (BoR), Excise and Taxation Department. Non-tax receipt is also being realized by respective Administrative Departments.

Government of the Sindh – A Financial Glimpse

In financial year 2022-23, the Government of Sindh relied majorly on Federal Transfers of taxation receipts which constituted Rs 984.523 billion which is 57% of total receipts Rs 1,718.558 billion. However, Provincial Government generated an amount of Rs 283.559 billion as provincial tax receipts and Rs 450.475 billion as non-tax revenue and other receipts which is 43% of total receipts. The government's efforts resulted in increase of revenue generation as compared to last

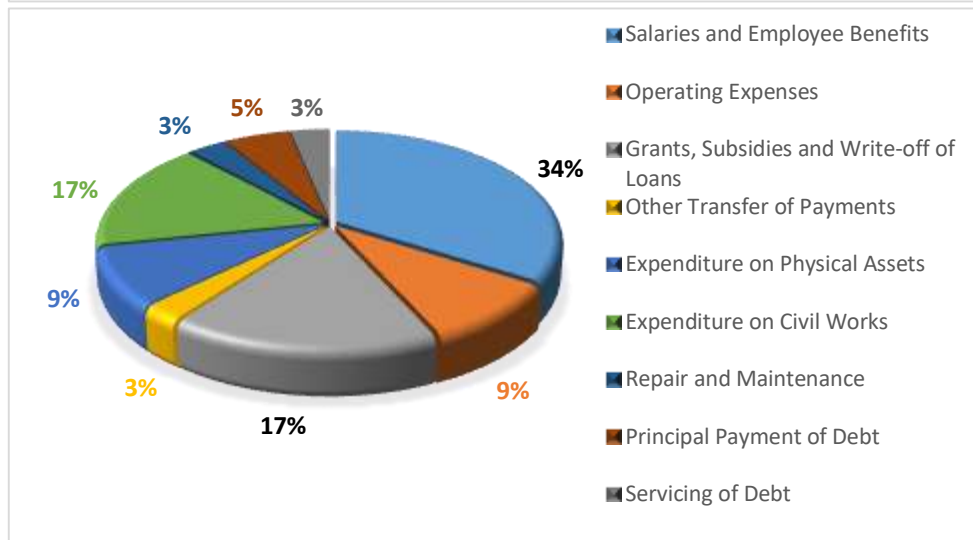
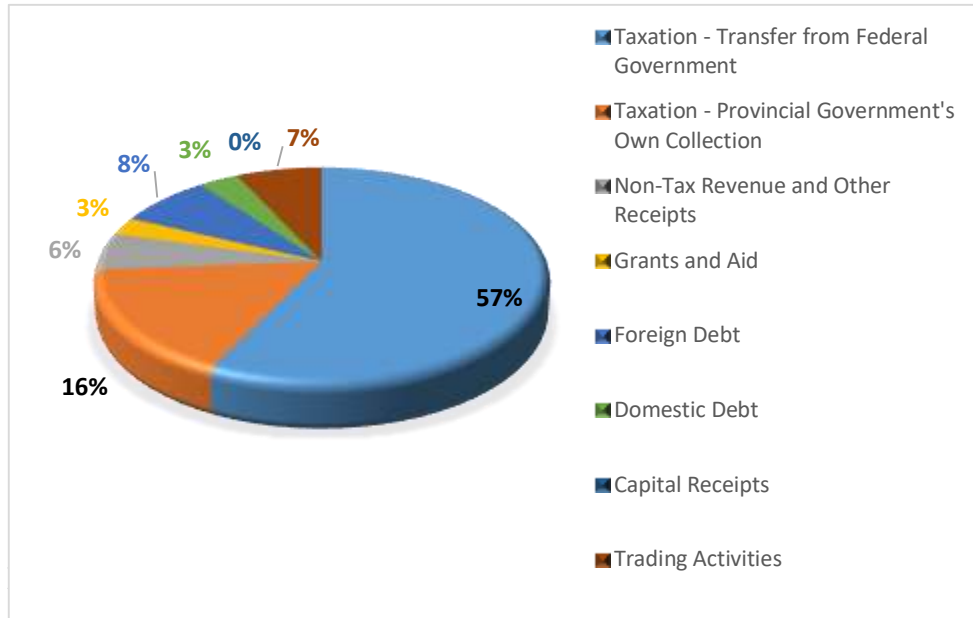
¹ Pasha, Hafiz A. "Growth of the Provincial Economies" - Institute for Policy Reforms (IPR)

year tax/non-tax receipts. This shows government has shown commitment towards generating its own revenue for meeting out its expenditure.

Receipt/ Expenditure

Composition of Receipts	Rs in million	% age	Details of Expenditure	Rs in million	% age
Taxation - Transfer from Federal Government	984,523	57%	Salaries and Employee Benefits	601,117	34%
Taxation - Provincial Government's Own Collection	283,559	16%	Operating Expenses	164,711	9%
Non-Tax Revenue and Other Receipts	95,737	6%	Grants, Subsidies and Write-off of Loans	303,378	17%
Grants and Aid	45,746	3%	Other Transfer of Payments	45,176	3%
Foreign Debt	132,654	8%	Expenditure on Physical Assets	157,847	9%
Domestic Debt	56,200	3%	Expenditure on Civil Works	291,401	16%
Capital Receipts	84	0%	Repair and Maintenance	56,404	3%
Trading Activities	120,055	7%	Principal Payment of Debt	95,929	5%
Total Receipts	1,718,558		Servicing of Debt	58,076	3%
			Total Payments	1,774,039	

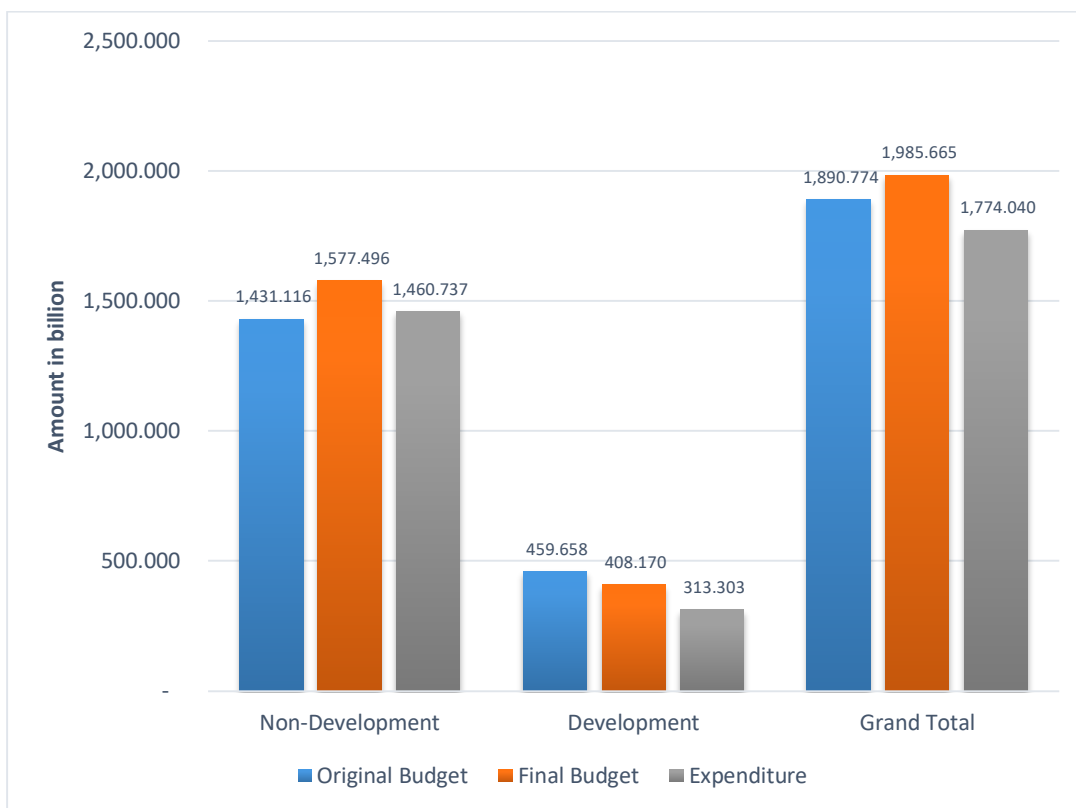
Composition of Receipts



1.1 Budgeting:

Allocation of development and non-development budget

The break-up of budget is chiefly between: Development and Non-development side. The allocation of budget remained tilted towards non-development side because of massive expenditure of Salaries and pension payments on non-development side. The government allocated Rs 1431.116 billion for non-development budget, later on, it revised the budget to Rs 1577.496 billion. Similarly, the government allocated Rs 459.658 billion for development expenditure. However, the government curtailed the development expenditure to Rs 408.170 billion owing to economic issues: rising inflation and catastrophic flood in the province.



Comparison of last years' budget

From the analysis of last three years' budgetary figures, Audit observed increasing trend in original budget and revised estimates but in each financial year, the government was unable to utilize the planned budget. This indicates either the government failed to spend budget efficiently or it lacked pragmatic steps to forecast actual budget. The tabular presentation is given below:

Table-1²:

(Rs. in Million)

Particulars	2020-21	2021-22	2022-23
Original Budget	1,341.626	1,628.194	1,890.774
Revised Estimate	1,436.971	1,732.172	1,985.665
Actual Expenditure	1,100.049	1,276.825	1,774.040
Unutilized funds against revised budget	336.922	355.346	211.625

Assessment of Budget and budgeting process

In order to deliver essential public services annually, it is necessary to spend budgeted expenditure so as to achieve desired targets. Budgeting involves a thorough analysis of previous year's expenditure and future imminent challenges: of inflation or other economic challenges. Thus, a proper strategy is required to assess the means and ends. In this connection, Comparative analysis of budget and actual expenditure for two financial years is as follows:

Original Budget to Aggregate Expenditure

(Rs. in Million)

Particulars	FY2022-23	FY2021-22
Budget (original)	1,890,774	1,628,194
Actual Expenditure	1,774,040	1,376,825
Difference between budget and actual expenditure (%)	-6%	-15%

The above table provides an assurance of whether the PFM system is delivering effective fiscal discipline and is responsive to changes in macroeconomic situations in accordance with budget intentions. Considering the deviation of 15% in FY 2021-22, the deviation of 6% in FY 2022-23 of actual expenditure from original budget demonstrates that budget preparation was not rational. The deviation of the previous year was not taken into account for preparation of the budget.

Final Budget to Actual Expenditure

² Source: Financial Statements of the Government of Sindh for the financial years 2020-21, 2021-22 and 2022-23. &

(Rs. in Million)

Particulars	FY2022-23	FY2021-22
Budget (Revised)	1,955,665	1,732,172
Actual Expenditure	1,774,040	1,376,825
Difference between revised budget and actual	181,625	355,347
Decrease in Percentage	-10%	-26%

The further revision to final budget to (10%) was unnecessary which resulted in non-utilization of resources. This shows financial mismanagement on the part of the authority.

Original Budget compared to Revised Budget

(Rs. in Million)

Particulars	FY2022-23	FY2021-22
Budget (original)	1,890,774	1,628,194
Budget (Revised)	1,985,665	1,732,172
Increase in (Revised) Budget	94,891	103,978
Increase in Percentage	5%	6 %

The original budget estimates were increased by 5%. This shows that revision in budget was arbitrary and unplanned.

Measure of deviations ratio in the Final Budget and Expenditure by nature

(Rs. in Million)

Nature of Expenditure	Final Grant/ Appropriation	Expenditure	Deviation %
Charged	192,284.839	161,134.790	16.20%
Voted	1,793,380.528	1,612,905.102	10.06%
Total	1,985,665.367	1,774,039.891	10.66%
Nature of Expenditure	Final Grant/ Appropriation	Expenditure	Deviation %
Revenue	1,279,234.288	1,213,905.302	5.11%
Capital	706,431.079	560,134.589	20.71%
Total	1,985,665.367	1,774,039.891	10.66%
Nature of Expenditure	Final Grant/ Appropriation	Expenditure	Deviation %
Non-Development	1,577,495.779	1,460,736.852	7.40%
Development	408,169.588	313,303.040	23.24%
Total	1,985,665.367	1,774,039.891	10.66%
<i>Source: Government of Sindh Appropriation Accounts 2022-23 at page No.26</i>			

The above table depicts that the total budget of Rs 1,985.665 billion was allocated against which an expenditure of Rs 1,774.039 billion was incurred which shows variance of 10.66%. It is pertinent to mention that 23.24% of the development budget remained unspent. Development expenditure is crucial to prosperity of the province. The priority of the government should be ensuring its timely utilization so that its fruits can be reaped by the province.

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:

(Rs. in Million)

S r. #	Function	Original	Revised	Actual Expendi ture	Variance	Variance	% with base amou nt origin al allocat ion	% with base amou nt revis ed allocat ion
					Original Budget/ Actual Exp.	Revised Budget/ Actual Exp.		
1	General Public Service	551,038	599,840	535,738	15,300	64,102	2.78%	10.69%
2	Defense Affairs & Services	149	114	97	52	17	34.90%	14.91%
3	Economic Affairs	343,031	484,328	404,336	61,305	79,992	17.87%	16.52%
4	Public Order and Safety Affairs	159,255	147,004	136,763	22,492	10,241	14.12%	6.97%
5	Education Affairs and Services	333,606	272,298	263,016	70,590	9,282	21.16%	3.41%
6	Health Affairs and Services	225,913	210,365	197,307	28,606	13,058	12.66%	6.21%
7	Housing & Community Amenities	38,438	27,232	21,870	16,568	5,362	43.10%	19.69%
8	Recreation, Culture and Religion	24,285	24,200	23,334	951	866	3.92%	3.58%
9	Social Protection	212,464	219,242	190,922	21,542	28,320	10.14%	12.92%
10	Environment Protection	2,595	1,042	659	1,936	383	74.61%	36.76%

(Rs. in Million)

S r. #	Function	Original	Revised	Actual Expendi ture	Variance Original Budget/ Actual Exp.	Variance Revised Budget/ Actual Exp.	% with base amount original allocat ion	% with base amount revised allocat ion
	Total	1,890, 774	1,985, 665	1,774,04 2	116,7 32	211,6 23	6.17%	10.66 %
<i>Source: Financial statements of the Government of Sindh for the Financial Year 2022-23 (P #8)</i>								

Object-wise revenue budget variance

The percentage variation with base amount original estimates and revised estimates with respect to Function-wise revenue estimates and actual revenue are tabulated as below:

(Rs. in Million)

S r. #	Function	Original	Revised	Actual Revenue	Variance Original Budget/ Actual Rev.	Variance Revised Budget/ Actual Rev.	% with base amount original allocation	% with base amount revised allocatio
1	Taxation	1,313,775	1,325,183	1,268,082	45,693	57,101	3.48%	4.31%
2	Non-Taxation	134,733	140,750	141,483	- 6,750	- 733	-5.01%	-0.52%
	Total Revenue Receipts	1,448,508	1,465,933	1,409,565	38,943	56,368	2.69%	3.85%
4	Domestic Debt	122,000	107,000	56,200	65,800	50,800	53.93%	47.48%
5	Foreign Debt	87,094	143,262	132,654	- 45,560	10,608	-52.31%	7.40%
5	Recovery of Loans & Advances	6,133	5,588	84	6,049	5,504	98.63%	98.50%
7	State Trading Activities	100,424	100,424	120,055	- 19,631	- 19,631	-19.55%	-19.55%
3	Miscellaneous Recoveries	-	-	-	-	-	-	-
	Total Capital Receipts	315,651	356,274	308,993	6,658	47,281	2.11%	13.27%

Total Receipts	1,764,159	1,822,207	1,718,558	45,601	103,649	2.58%	5.69%
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Source: Financial statements of the Government of Sindh for the Financial Year 2022-23 (P #8)

- The above variance analysis depicts that total revenue receipts were less realized by 2.69% and 3.85% against the target set in original estimate and revised estimate respectively. Similarly, total capital receipts were less realized by 2.11% and 13.27% against the target set in original estimate and revised estimate respectively. Total receipt was less realized by 2.58% and 5.69% against the target set in original estimate and revised estimate respectively.
- It is pointed out that government of Sindh could only receive 1.37% on account of recovery of loan and advances resulting failure of government to achieve target by 98.63%.

1.2 Receipts:

Comparison of Forecasted & Actual Provincial Receipts

During FY 2022-23, Provincial Tax Receipts of the Sindh Government were Rs 283.559 billion. However, Provincial Forecasted Tax Receipts for same year 2022-23 were Rs 327.6 billion³. There was a difference of Rs 44 billion as compared to forecasted receipts. The details are shown in the tables below:

(Rs. in Billion)		(Rs. in Billion)		
Particulars	2022-23	Particulars	2022-23	2021-22
Forecasted Provincial Tax Receipts	327.600	Actual Total Receipts	1718.558	1396.207
Actual Provincial Tax Receipts	283.559	Actual Provincial Tax Receipts	283.559	268.029
Variance	44.041	% Covered by Tax	16%	19%

Comparison of Receipts & Expenditure

During FY 2022-23, overall receipts of the Sindh Government increased by Rs 322.350 billion (23%) from Rs 1,396.207 billion to Rs 1,718.557 billion as compared to the last financial year and expenditure was increased by Rs 397.579 billion (29%) from Rs 1,376.825 billion to Rs 1,774.040 billion in comparison to FY 2021-22. To lessen dependence on federal receipts, the government has to increase tax net and explore more avenues to generate its own revenue in order to cover up expenditure which are in increasing trend.

Table-2:

(Rs. in Billion)		
Financial Year	Receipts	Expenditure
2022-23	1,718.557	1,774.040
2021-22	1,396.207	1,376.825
2020-21	1,076.187	1,100.049

³ Budget Strategy Paper 2021-22 to 2023-24 Finance Department, Government of Sindh.

(Rs. in Billion)

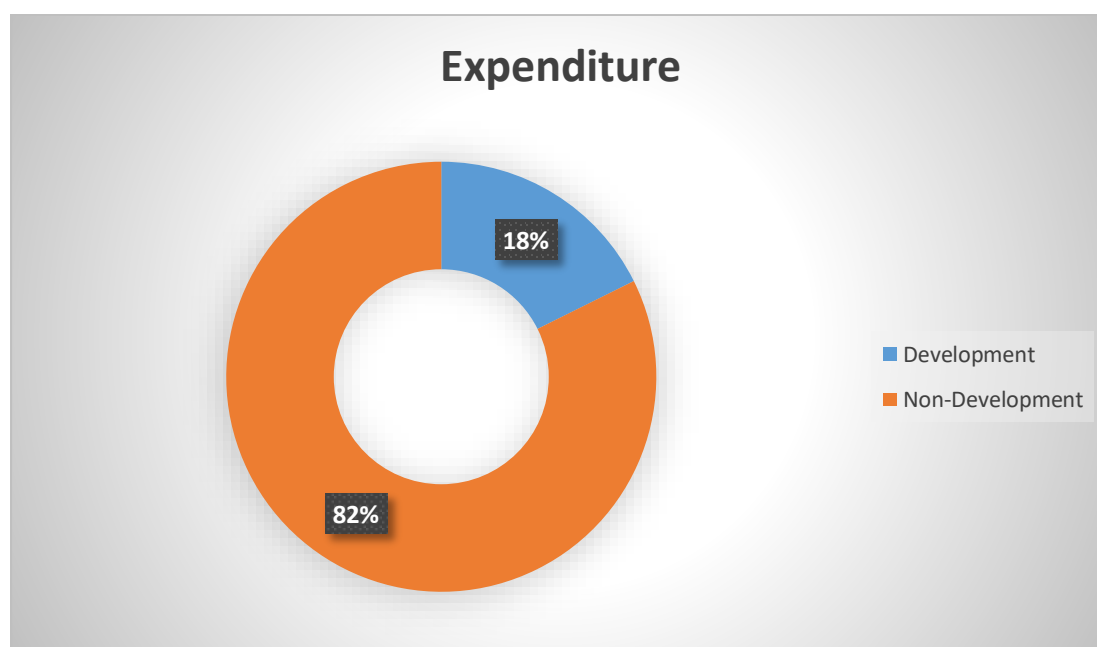
Financial Year	Receipts	Expenditure
2019-20	906.372	896.653

1.3 Expenditure

Development Expenditure

(Rs.in Million)

Nature of Expenditure	Expenditure
Non-Development	1,460,736.852
Development	313,303.040
Total	1,774,039.891



Development expenditure plays pivotal role in prosperity of the province. As, development expenditure brings forth economic activities and create opportunities to the masses. In this connection, audit noticed that government's spending on development had been increasing over the last three years in proportion with total expenditure. Expenditure on development, during 2022-23, remained the highest of the previous years which was a positive indicator in terms of boosting economic activities for generation of employment opportunities and reduction of poverty and hunger in the province. In this context, the government spent **Rs 291.401** billion on Civil Works which is **93%** of total development expenditure of FY 2022-23 and it is only 17.66% of total expenditure.

Table-3⁴:

(Rs. in Billion)

Component	2020-21	2021-22	2022-23
Development Expenditure (Capital)	111.702	173.350	299.258
Development Expenditure (Revenue)	11.352	18.619	14.044
Total Development Expenditure	123.054	191.969	313.303
Total Expenditure	1,100.490	1,376.825	1,774.040
% of Development Expenditure to Total Expenditure	11.19%	13.94%	17.66%

Non-Development Expenditure

Percentage-wise expenditure on non-development side were: 34% on salaries and other employee benefits, 17% on grants, subsidies, and write-off loans, 9% on operating expenses, 5% on repayment of debts and 3% remained on servicing of debts of the total expenditure. Repair and maintenance constituted 3% of the total expenditure etc. In case of continuation of current trend of non-development expenditure, the provincial government is exposed to financial risks that may result in increased spending in the future on non-productive areas like grants and subsidies. This might put the government's finances in double jeopardy, especially when combined with receipts growth that is lower than anticipated. The province's limited resources are strained by the enormous non-development side spending. In this connection, a more pragmatic approach aimed at judicious use of resources and fixation of realistic revenue targets are to be pursued. The government must follow austerity measures in order to curtail expenditure on non-development activities. The audit has pointed out major issues and weakness of administration of the entities. The management is suggested to strengthen internal controls in order to address the leakage or misuse of public exchequer. Furthermore, a comprehensive Standard Operating Procedure may be devised to utilize the funds efficiently.

⁴Source: Appropriation Accounts of 2020-21, 2021-22 and 2022-23.

1.4 Debt Management

Government of Sindh has created total liability of Rs 907.800 billion on account of debt. Out of which Rs 13.293 billion is domestic loan and Rs 894.507 billion is external loan. Depreciation of rupee against foreign currencies is massive challenge and it is major cause of this unprecedented increase in debt. The major donor of the debt is WB which constitutes 71% of total debt. During financial year 2022-23 there was an increase of 18.78% in budgetary allocation for debt servicing and principal payment as compared to last year budgetary allocation. However, there was 0.44% increase in actual payment against the principal payment as compared to the last year. Details are given as under.

(Rs.in Million)

Year	Final Grant / Appropriation	Actual Expenditure
2022-23	117.221	95.928
2021-22	98.689	95.506
Change	18.533	0.422
%age	18.78%	0.44%

As far as interest payment is concerned, there was significant increase of 63.80% as compared to the last year as depicted below:

(Rs.in Million)

Year	Final Grant / Appropriation	Actual Expenditure
2022-23	67,021.540	58,076.388
2021-22	43,900.629	35,455.805
Change	23,120.911	22,620.583
%age	52.67%	63.80%

Over the years, continuous growth in debt accumulation was noticed that might jeopardize economy of the province. In this connection, it is recommended to assess debt sustainability and review ability to service debt obligation in future.

To conclude, it is recommended that government of Sindh should enhance its revenue generation, to introduce reforms in financial management and to ensure transparency and accountability in government departments and take action to decrease debt.

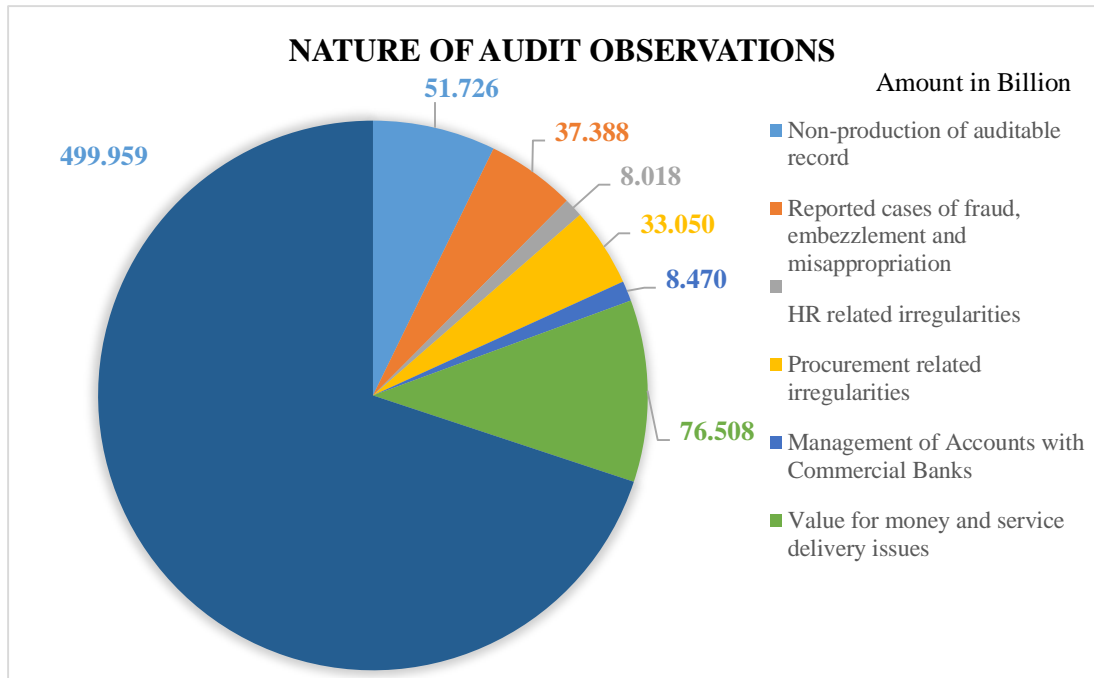
¹Source: Debt bulletin (July-June 2023) Debt Management Unit Sindh, Finance.GoS.pk

Nature of Observation AAR 2022-23

From the analysis of DPs issued to the PAOs after taking feedback from the management, the audit observed either partial or complete departure from necessary compliance processes in certain cases. Systemic issues, reported to the management, were classified as non-production of auditable record (Rs 51.726 billion), reported cases of fraud, embezzlement and misappropriation (Rs 37.388 billion), HR related irregularities (Rs 8.018 billion), procurement related irregularities (Rs 33.050 billion), management of accounts with commercial banks related irregularities (Rs 8.470 billion), value for money and service delivery issues (Rs 76.508 billion) and others (Rs 499.959 billion) there are not exclusive of each other.

(Rs. in Billion)

Sr.#	Nature	Amount	% age
1	Non-production of auditable record	51.726	7%
2	Reported cases of fraud, embezzlement and misappropriation	37.388	5%
3	HR related irregularities	8.018	1%
4	Procurement related irregularities	33.050	5%
5	Management of accounts with commercial banks related irregularities	8.470	1%
6	Value for money and service delivery issues	76.508	11%
7	Others	499.959	70%



The analysis of observations pertaining to Government of Sindh revealed that most of the cases under observation were due to non-compliance with SPPRA rules, improper deduction of government taxes at applicable rates, non-compliance with government rules and instructions while dealing with HR matters and government formations showed resistance to audit in terms of non-provision of auditable record which indicates government’s uninspiring commitment towards transparency in public spending. Audit also found issues relating to year-end budget releases resulting into rush of expenditure in the end of June causing multiple deviations from compliance with rules. Departure from the procedures resulted in non-transparent, un-economical expenditure due to violations of SPPRA rules and blockage of government funds due to unjustified and irregular advance payments to avoid lapse of funds. Audit observed prevalence of weak internal controls and poor financial management practices prevailing within the formations under Government of Sindh.

Audit recommends efforts be made to increase revenues and widen provincial tax base, prioritize achievement of development goals in line with Sustainable Development Goals (SDGs) and compliance with government rules while spending of public money and making fresh appointments. Principal Accounting Officers (PAOs) are required to revisit their budgetary requirements on realistic grounds to avoid unnecessary savings. Timely releases of funds coupled with adherence to applicable laws and rules will result in economical cost of development projects besides timely completion.

1.5 Accounting Issues

Accounting of Assets

1.5.1 Un-reconciled difference between books of accounts and State Bank balances – Rs 753.055 million

APPM Chapter 6, Section 6.1.1.1 to 6.1.1.6, while defining policies and procedures regarding bank reconciliation, state that the State Bank of Pakistan and the National Bank of Pakistan, acting as an agent for the State Bank of Pakistan, shall be the Government's banker, unless otherwise authorized by the Government.

The following key internal controls must be observed in the bank reconciliation processes:

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

The head office of SBP may report cash balances of each government bank account on a daily basis and in the form prescribed by the Auditor-General to the following, as applicable to each government as Finance Department, Sindh and Accountant General, Sindh

During Certification Audit on the accounts of Government of Sindh for the financial year 2022-23, it was observed that there was a net un-reconciled difference in closing balances of State Bank and Finance Account (page # 178). The details are as below:

(Amount in Rupees)

Cash Balance Statement 2022-23 (Page#164)	
Details	Closing Balance as on 30-06-2023
Cash at State Bank as per AG Sindh	100,389,556,558
Bank Balance as per State Bank	99,636,501,567
Variation in balance as on 30-06-2023	753,054,991

(Amount in Rupees)

Un-reconciled balance for period under Audit 2022-23

Opening Balance as on 01-07-2022 (1)	Closing Balance as on 30-06-2023 (2)	Net Difference (3= 2-1)
779,001,955	753,054,991	-25,946,964
Transaction awaited for Adjustment by Bank		
(Amount in Rupees)		
Period-wise Breakup of Rs. 779,001,955/-		
1997-98 to 2022-23		607,381,207
1994-95 to 1996-97		145,673,784
Total		753,054,991

Audit is of the view that the requirements of APPM for preparation of bank reconciliation were not observed. Variation indicates that either excess number of cheques have been issued or there has been shortage of receipts which were supposed to be collected. Therefore, chances of fraudulent payment cannot be ruled out besides chances of mis-declaration of receipts or delay in reconciliation of receipts. Hence, true and fair picture has not been portrayed by the management.

The matter was reported in the month of September, 2023 and DAC meeting was held on 16 October, 2023. The management in its reply stated that there were two major causes of differences appearing between book and bank i.e., misclassification and misreporting. DAC directed that the relevant record may be produced to audit for verification. However, no record was produced to audit till finalization of this report.

Audit recommends compliance of DAC directives.

(OM#06)

1.5.2 Unadjusted long-outstanding current assets (receivables) – Rs 82.231 million

Under Section V “Payment of government moneys into the public account” and T.O.7. of the Treasury Orders and Subsidiary Rules, 1922, “except as provided in order 8, all moneys received by Government servants in their capacity, other than moneys withdrawn from the public account under the provisions of Section VIII below, shall 19 without undue delay be paid in full into a treasury or into the Bank and shall be included in the general balances of government. Departmental receipts shall not be appropriated to meet departmental expenditure except with the sanction of the Governor General in Council. T.O.8. In certain exceptional cases, government servants may be permitted to open a separate account with a bank and to pay into it moneys received by them in their official capacity. The conditions on which such permission may be given are

detailed in Appendix-A”. Further according to appendix, A, para II of the same rules, II. (a) Except as provided in clause (b) of this rule, every Government servant shall, without undue delay, pay into the public account all moneys received by him as dues of Government or for deposit in the custody of Government, and no Government servant shall deposit in a bank money withdrawn from the public account.

During Certification Audit on the accounts of Government of Sindh for the financial year 2022-23, it was observed that current assets of the Government of Sindh classified into sub-headings as Civil Department Balances, Receivables, Other Receivables, and Other Assets, were unadjusted/ unrealized. The following observations were noted:

Receivables

a) Permanent Advance – Rs 6.204 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 from the permanent advance may be recovered out of the amounts drawn from the Bank on expense bills. The balances include an amount of Rs130,639 transferred by the A.G West Pakistan, Lahore on disintegration of one unit. Balances are appearing at Page # 144 of Finance Account of Government of Sindh.

b) O.B. Advances (Civil) – Rs 63.005 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’s payroll. The following balances are appearing at Page # 147 of Finance Account of Government of Sindh.

(Rs. in Million)

Head	Opening Balance	Payment	Receipt	Closing Balance
F02119	61,521	3,818	2,334	63,005

The amount of O.B advances recovered during the year is minimal. This shows poor cash management.

c) 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 # 148 of Finance Account of Government of Sindh).

(Rs. in Million)

S.No.	Description	Amount
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	0.001
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
Total		1.707

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

d) Payment for fertilizer – Rs 1.839 billion

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 outstanding amount against the corporation. The recovery of the balance is awaited. This is a stagnant balance appearing at Page # 148 of Finance Account of Government of Sindh.

Other Receivables

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

e) 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. The balances are transpired from Page # 148 of Finance Account of Government of Sindh.

f) 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 amount 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. The balances are transpired from Page # 148 of Finance Account of Government of Sindh.

g) 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. The balances are appearing at Page # 148 of Finance Account of Government of Sindh.

The matter was reported in the month of September, 2023. DAC meeting was held on 16 October, 2023. The management in its reply stated that these are very old transactions\balances, and few are even before year 1947. They are neither traceable nor recoverable. During Departmental Accounts Committee meeting held on October 16th, 2023, it was directed to initiate a procedure for write off followed by letters\reminders from Director General Audit Sindh and Accountant General Sindh respectively. Subsequently, Finance department has initiated a summary to Cabinet on 20.12.2021 but the matter was not presented or included in the Cabinet agenda. The case will be resubmitted to Chief Minister, Sindh and Sindh Cabinet for the consideration in this regard. The reply is not tenable as no progress was reported in the matter. DAC directed to take up the matter with the Finance Department to expedite the process. Progress of the matter taken up with Finance Department was not produced to audit.

Audit recommends compliance of DAC directives.

(OM#69)

1.5.3 Long outstanding loans and advances – Rs 1,747.827 million

Section 4.10.9.1 of APPM states, “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”. Section 4.10.9.2 of the

manual states, “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 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 section 4.10.11.2 of the same manual.

During Certification Audit on the accounts of Government of Sindh for the financial year 2022-23, it was observed that there were long outstanding loan balances against various institutions appearing at Page #136-137 of Finance Account. The loans/advances include:

(Amount in Rupees)

Institution	Opening Balance On 01 July, 2022	Payments during the Year	Receipts during the Year	Closing Balance 30 June, 2023
To Non-Financial Institutions	1,649,687,378	0	76,842,106	1,572,845,272
To Government Servants (House Building Advances)	7,218,554	0	7,100,856	117,698
To private sector	174,863,627	0	0	174,863,627
Total	1,831,763,177	0	85,258,246	1,747,826,597

Besides, it was observed that:

1. No amount was recovered against outstanding balance of loans and advances except recovery of Rs 76.842 million from Sindh Transmission & Dispatch Company (Pvt) ltd, Energy Department and Rs 7.101 million against House Building Advances.
2. No interest was received on outstanding balance of loans and advances except recovery of Rs 0.113 million against House Building Advances.

Audit is of the view that, by not collecting interest amount, Sindh Government has sustained financial loss, no principal amount of Loan and Advances could be recovered, hence, public exchequer was burdened.

The matter was reported in the month of September, 2023. DAC meeting was held on 16 October, 2023. The management in its reply stated that the PAC (Public Accounts Committee) recommendations, Finance Department presented the matter to Sindh Cabinet in July, 2023 for writing-off the outstanding amount as transactions are very old even before year 1971; however,

the same was deferred after the discussion. DAC directed to take up the matter with the Finance Department to expedite the process. Progress of the matter taken up with Finance Department was not produced to audit.

Audit recommends compliance of DAC directives.

(OM#70)

Accounting of Liabilities

1.5.4 Variation in Closing Balances of Foreign Loans as reported in Finance Account and Annual Budget Statement - Rs 501,600 million

As per APPM section 11.5.1.2 regarding the Accounting Procedure for processing of Receipts and Payments of loans and other liabilities, the following key controls shall be observed when processing receipts and repayments of loans:

- Cash transactions arising from loans may be identified against the proper receipt and payments heads, giving reference to the concerned Federal or Provincial Government .
- Reconciliation of loan liability records of AG/AGPR with EAD/MoF, in relation to domestic and external debt .
- Reconciliation of loan receipts and repayment transactions between AGPR/AG and EAD/MoF records .
- Reconciliation of loan liability records of AG/AGPR with other concerned ministries and departments in relation to recognized liabilities

During Certification Audit on the accounts of Government of Sindh for the financial year 2022-23, while reviewing the Finance Account (Pg#130) and Budget Statement 2022-23 (P#54), it was revealed that there was a variation of Rs501,600 million in figures of closing balances of Foreign Loans between Finance Account balance of Rs 13,811 million and Budget Statement balance of Rs 515,411 million.

Audit is of the opinion that due to variation in account balances, the figures disclosed cannot be authenticated.

The matter was reported in the month of September, 2023, DAC meeting was held on 16 October, 2023. The management in its reply stated that the actual balances provided by Finance Department vide letter No.FD (Res-II)04(4)/2004 (FL) Part-II, Dated: 21st August, 2023 are enclosed as Annexure II of Finance Account. DAC directed that the relevant record may be produced to audit for verification. However, no record was produced to audit till finalization of this report.

Audit recommends compliance of DAC directives.

(OM#71)

1.5.5 Variation in Closing Balances of Domestic Loans as reported in Finance Account & Annual Budget Statement- Rs 4,095 million

As per the APPM section 11.5.1.2 regarding the Accounting Procedure for processing of Receipts and Payments of loans and other liabilities, the following key controls shall be observed when processing receipts and repayments of loans:

- Cash transactions arising from loans may be identified against the proper receipt and payments heads, giving reference to the concerned Federal or Provincial Government .
- Reconciliation of loan liability records of AG/AGPR with EAD/MoF, in relation to domestic and external debt .
- Reconciliation of loan receipts and repayment transactions between AGPR/AG and EAD/MoF records .
- Reconciliation of loan liability records of AG/AGPR with other concerned ministries and departments in relation to recognized liabilities

During Certification Audit on the accounts of Government of Sindh for the financial year 2022-23, while reviewing the Finance Account of Government of Sindh (Pg#130) and Budget statement 2022-23 (Pg#54), it was observed that there was a difference of Rs 4,095.0 million in Domestic loan figures as reported in Finance Account for Rs 7,572 million and in Budget Statement 2022-23 for Rs 11,668 million.

Audit is of the opinion that due to variation in account balances, the figures disclosed cannot be authenticated.

The matter was reported in the month of September, 2023. DAC meeting was held on 16 October, 2023. The management in its reply stated that the actual balances provided by Finance Department vide letter No.FD (Res-II)04(4)/2004 (FL) Part-II, Dated: 21st August, 2023 are enclosed as Annexure II of Finance Accounts. DAC directed that the relevant record may be produced to audit for verification. However, no record was produced to audit till finalization of this report.

Audit recommends compliance of DAC directives.

(OM#72)

1.5.6 Negative Balances in liability in Finance Account - Rs (269,491.368) million

As per Generally Accepted Management Practices, the Management is required to produce the financial statements of the accounts with management 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 of presentation.

According to Note 24.1 of Financial Statements, “The public account consists of those moneys received by the Government for which it has a fiduciary duty, but not at liberty to appropriate for the general services of Government, unless provided under an Act of Provincial Assembly or rules made by the Governor. The balances in the public account are carried forward at year end and to be used for the specific purpose for which they are established”.

During Certification Audit on the accounts of Government of Sindh for the financial year 2022-23, while analyzing Finance Account of the Government of Sindh, it was observed that negative balance of Rs (-) 269,491.368 million was appearing in liability account side under the following heads on page No. 150, 151, 154,159 & 160 of finance account which represents those liabilities were presumably paid off in excess of actual amount. The details are given as under;

(Rs. in Million)

Code	Description	Balance on 01-07-22	Receipts	Payments	Balance on 30-06-23
G011 75	Cheque Payment Clearing Account (District Account) SBP	(1,063.310)	0	0	(1,063.310)
G011 91	Assignment Accounts Cheques	(3,500.538)	114,256.5 65	114,265.4 35	(3,509.409)
G012 01	Outstanding Commitments	(1,241.808)	1,162,951. 908	1,162,987. 151	(1,277.052)
G051 05	Wages Clearing Account	(37.963)	604,940.8 97	604,940.8 97	(37.963)
G051 15	Adjusting Account b/w Provincial & Districts Govt	(268.506)	0	0	(268.506)
G051 25	Inter provincial Settlement Account	(1.024)	24.448	25.200	(1.776)
G081 17	Railways Reserve Fund	(66.066)	0	0	(66.066)
G101 37	Pre-audit cheques	(263,267.2 86)	-	-	(263,267.28 6)
Total (As per page# 150, 151, 154,159 & 160 of Finance A/C)					269,491.368

Audit is of the opinion that, liabilities may not be created over and above what is required, hence, undue favor was given by management. Furthermore, negative liabilities indicate that they are in fact, receivables, hence, they are recoveries.

The matter was reported in the month of September, 2023. DAC meeting was held on 16 October, 2023. The management in its reply stated that the majority of negative balances in liabilities occurred during FY 2011-12, this was mainly due to introduction of New Accounting system and new Chart of Accounts (COA). Various balances have been reconciled over the years, but still some are outstanding, and the matter is being pursued at AG Office. After due deliberations DAC directed to produce record for verifications. However, no record was produced to audit till finalization of this report.

Audit recommends compliance of DAC directives.

(OM#22)

1.5.7 Abnormal opening & closing balance of cheque clearing account – Rs 269,801.038 million

As per Generally accepted Management Practices, the Management is required to produce the financial statements of the accounts with management 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 of presentation.

During Certification Audit on the accounts of Government of Sindh for the financial year 2022-23, it was observed that an amount of Rs 269,801.038 million was recorded as closing balance in Finance Account page # 150 in the cheque clearing account. The credit and debit (Receipts and Payments) entries must be equal as the credit entry is made for printing of cheque with debit of the same amount. The details are given as under;

Head	(Rs. in Million)	
	Balance on 01-07-2022	Balance on 01-06-2023
G01 Current Liabilities		
G011 Cheque Clearing accounts		
G01101 Non-Food Account	0.153	0.153

(Rs. in Million)		
Head	Balance on 01-07-2022	Balance on 01-06-2023
G01112 Cheque Payment Clearing account (Food Account SBP	15,384.523	18,452.461
G01132 Cheque Payment Clearing account (Non-Food Account SBP	115,733.629	112,689.387
G01147 Cheque Payment Clearing Account (Non-Food Account) NBP	131,933.681	131,940.0112
G01175 Cheque Payment Clearing Account (District Account) SBP	(1,063.311)	(1,063.311)
G01189 G01175 Cheque Payment Clearing Account (District Account)	2,146.294	2,146.294
G01190 Special Drawing Account Cheques (SDA)	(0.012)	(0.012)
G01191 Assignment Accounts Cheques	(3,500.538)	(3,509.409)
Total		269,801.038

Audit is of the view that due to substantial variation in the closing of accounts / entries, there were chances of over or understatement of cheque clearing account which indicates prevalence of financial indiscipline.

The matter was reported in the month of September, 2023. DAC meeting was held on 16 October, 2023. The management in its reply stated that relevant documents are available on record. DAC directed that the relevant record may be produced to audit for verification. However, no record was produced to audit till finalization of this report.

Audit recommends compliance of DAC directives.

(OM#28)

Accounting of Expenditure

1.5.8 Unjustified variation between expenditure of general ledger and pension rolls of gratuity - Rs 796.026 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 Certification Audit of pension payments and management of pension fund in the office of the Accountant General Sindh Karachi for the financial year 2022-23, while scrutinizing the pension payroll data, it was observed that the pension expenditure record in general ledger account amounting to Rs 23,847.194 million; whereas, as per pension roll record of AG Sindh, an expenditure amounting to Rs 23,051.168 million was incurred on account of gratuity; hence overstated the expenditure of Rs 796.026 million which stands unjustified. The details are given as under.

(Rs. in Million)

Sr.#	Head of account	Expenditure in General Ledger	Expenditure in pension Roll	Excess
01	Gratuity	2,419.166	2,188.637	230.529
02	Commutation	21,428.028	20,862.531	565.497
	Total	23,847.194	23,051.168	796.026

Audit is of the view that the lapse on the part of department indicates improper watch and absence of internal controls.

The matter was reported in the month of September, 2023. DAC meeting was held on 16 October, 2023. The management in its reply stated that statement with actual figures of reversal/ actual GL accounts along with its details are available. DAC directed that the relevant record may be produced to audit for verification. However, no record was produced to audit till finalization of this report.

Audit recommends compliance of DAC directives.

(OM#10)

1.5.9 Misclassification of expenditure of Pension from irrelevant cost centers / fund centers – Rs 5.509 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 Certification Audit on the accounts of Government of Sindh for the financial year 2022-23, it was observed that the payments amounting to Rs 5.509 million were made to pensioners on account of Monthly Pension, Commutation, LPR, Family Pension and Medical Allowance but the expenditure were booked in the various regular Cost Centers of different offices instead of Pension Cost Center “XX0000” or Pension Grant “SC21107” where the annual budget appropriation is made for pensioners.

Audit is of the view that the lapse on the part of department indicates improper watch and absence of internal controls.

The matter was reported in the month of September, 2023. DAC meeting was held on 16 October, 2023. The management in its reply stated that the payment on account of monthly pension, commutation, LPR, family pension and medical allowance to pensioners were booked in various heads due to technical errors. However, all such entries were rectified, and expenditures was booked in irrelevant pension cost centers. DAC directed that the relevant record may be produced to audit for verification. However, no record was produced to audit till finalization of this report.

Audit recommends compliance of DAC directives.

(OM#05)

1.5.10 Over statement of expenditure on account of GP Fund – Rs 24,704.018 million

According to Note 7.2 of Financial Statements, “Recognition of Expenditure” Expenditure is recognized on the date when payment is made, or cheque is issued. Financial year to which the payments pertain is determined by the date on which a cheque or payment advice is issued. Policies for recognition of expenditure are as follows:

a) **Payments made through cheque**

Expenditure is recognized on the date the cheque is issued.

b) **Inter government transfers**

Expenditure is recognized on the date the transfer is made by the transferor.

c) **Payments directly in bank accounts**

Expenditure is recognized on the date; payment advice is issued to the bank.

d) **Direct payments by State Bank of Pakistan (SBP)**

Expenditure is recognized on the date when State Bank of Pakistan advises repayment of loans and other direct payments to the relevant accounting office.

e) **Imprest payments**

Expenditure is recognized when the required claim vouchers are submitted, and imprest account is reimbursed.

During Certification Audit on the accounts of Government of Sindh for the financial year 2022-23, It was observed that an expenditure on GP Fund interest was recorded for Rs 24,704.019 Million against GP Fund. Therefore, GP Fund account is overstated by the interest amount during the financial year as the interest is payable in the future which is against the above policy.

Audit is of the view that balances of GP Fund were not presenting the true and fair view in Finance Account, which indicates financial indiscipline within the department.

The matter was reported in the month of September, 2023. DAC meeting was held on 16 October, 2023. The management in its reply stated that the interest amount against GP fund balance is recorded as per policy/ procedure or GP fund Rule as the Government is bound to pay the GP fund balance (including interest) to the subscribers' up to 2022-23. It is worth to mention here that the recording of interest (Liability) transactions is only book adjustment and does not involve cash transaction. Audit responded that, as per policy defined in financial statement, when the expenditure incurred it may be recorded. DAC directed that the relevant record may be produced to audit for verification. However, no record was produced to audit till finalization of this report.

Audit recommends compliance of DAC directives.

(OM#14)

Reporting issues

1.5.11 Unauthorized utilization of public account – Rs 55,483 million

According to Note 24.1 of Financial Statements, “The public account consists of those moneys received by the Government for which it has a fiduciary duty, but not at liberty to appropriate for the general services of Government, unless provided under an Act of Provincial Assembly or rules made by the Governor. The balances in the public account are carried forward at year end and to be used for the specific purpose for which they are established”.

During Certification Audit on the accounts of Government of Sindh for the financial year 2022-23, It was observed that total receipts as per the Statement of Cash Receipt and Payments were Rs 1,718,557 million, whereas payment was of Rs 1,774,040 million. The amount of Rs 55,483 million was paid over the receipts during the financial year to meet out the expenditure of consolidated fund from public account.

Audit is of the view that the deficit in the consolidated fund tantamount to fiscal imbalances within the government's budgeting and spending practices. It is crucial for the government to align its expenses with its revenue, ensuring that expenditures do not consistently exceed receipts.

The matter was reported in the month of September, 2023. DAC meeting was held on 16 October, 2023. The management in its reply stated that that Government maintains a consolidated fund that includes Account –I and public account receipts which pool in the provincial consolidated account. The pool amount is utilized to clear all the immediate liability relating to public accounts. The opening cash balance of Government of Sindh in FY 22-23 was Rs. 91.657 billion while during the financial year receipts stood at Rs. 1.718 trillion and the expenditure was incurred within this limit; therefore, the public account funds were not utilized during the financial year. Audit explained that the cash at the end was Rs 100.390 billion however the receipt during the year was Rs 64.216 billion from where the excess expenditure was incurred for remaining Rs8.733 billion was added in Cash at closing. DAC directed that the relevant record may be produced to audit for verification. However, no record was produced to audit till finalization of this report.

Audit recommends compliance of DAC directives.

(OM#13)

1.5.12 Non-reconciliation of un-reconciled closing balances – Rs 372.211 million

As per Para 12 of the GFR Volume-I “Subject to any special arrangement that may be authorized by competent authority with respect to any particular class of receipt, it is the duty of the department Controlling officers to see that all the sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account. They may accordingly arrange to obtain from their subordinates monthly account and return in suitable form claiming credit for so much paid into the treasury or otherwise accounted for and compare them with the statement of treasury credits furnished by the Accountant General, to see that the amount reported as collected have been duly credited in the Public Account.

During Certification Audit on the accounts of Government of Sindh for the financial year 2022-23, it was observed that there was a net un-reconciled difference in closing balances of State Bank and Finance Account for Rs 372.211 million (page # 142). The opening and closing balances were also not disclosed in the finance account. The details of the said amount along with justification may be provided to audit for clarity of the figures. The details are given as under;

ACCOUNTANT GENERAL SINDH MONTHLY BANK RECONCILIATION STATEMENT FOR THE MONTH OF JUNE 2023		
Closing Balance as per AG Books		
Add:	Payments less Debited by NBP HQ/SBP	105,097,961,978
	Receipts excess Credited by NBP HQ/SBP	10,565,808
		<u>105,144,827,786</u>
Less:		
	Difference b/w Book & Bank prior to APPM Format implementation	(372,310,866)
	Payments excess Debited by NBP HQ/SBP	(422,550,367)
	Receipts less credited by NBP HQ/SBP	(105,102,721,555)
	Adjusted Closing Balance as per AG Books	<u>(105,897,882,788)</u>
	Closing Balance as per Bank Statement	<u>99,636,501,566</u>
		<u>99,636,501,567</u>

AQEEL AHMED CHISHTI
 Accounts Officer
 25/7/2023
 26/7/23

Audit is of the view that un-reconciled difference in closing balances is a serious lapse, which reflects weak internal controls within the formation.

The matter was reported in the month of September, 2023. DAC meeting was held on 16 October, 2023. The management in its reply stated that there are two major causes of differences appearing between book and bank i.e. misclassification and misreporting. DAC directed that the relevant record may be produced to audit for verification. However, no record was produced to audit till finalization of this report.

Audit recommends compliance of DAC directives.

(OM#17)

1.5.13 Non-disclosure of opening & closing balances under Non-Food Account – Rs 1,831,603.693 million

As per Generally accepted Management Practices, the Management is required to produce the financial statements of the accounts with management 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 of presentation.

During Certification Audit on the accounts of Government of Sindh for the financial year 2022-23, it was observed that it was observed that the opening balances and closing balances were not disclosed in the books of account under the head ‘Non-food account’. Only the Debit/Credit balances was disclosed for the period under audit in Finance Account which did not disclose the true and fair view of accounts. The details are given as under;

(Amount in Rupees)

GI	GI_ description	Opening Balance	Debit	Credit	Closing balance
F01101	Non-food Account	--	1,840,336,815,095	1,831,603,693,310	--

Audit is of the view that the management did not disclose opening and closing balances in the books of accounts under head “non-food account”, which is a serious lapse on the part of management.

The matter was reported in the month of September, 2023. DAC meeting was held on 16 October, 2023. The management in its reply stated that there was no closing balance in the previous year that can be made opening balance for the current year. Further, the debit and credit are equal in the Finance Accounts hence no question of closing balance arises. The difference of Rs 8,733,121,785/- as part of the cash balance has been appeared in the Finance Accounts at page #178. DAC directed that the relevant record may be produced to audit for verification. However, no record was produced to audit till finalization of this report.

Audit recommends compliance of DAC directives.

(OM#19)

1.5.14 Non-clearance of closing balances under control accounts – Rs 314.554 billion

As per Generally accepted Management Practices, the Management is required to produce the financial statements of the accounts with management 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 of presentation.

During Certification Audit on the accounts of Government of Sindh for the financial year 2022-23, it was observed that the closing balances under following control accounts for Rs 314.554 billion (debit side) & Rs 314.537 billion (credit side) were not cleared to Nil balances. The details are given as under;

(Rs. in Billion)

GL-Description	Debit as per ledger	Credit as per ledger	Debit As Per Finance Book	Credit As Per Finance Book	Variation in Debit	Variation in Credit
Outstanding Commitments	1,163.005	1,162.952	1,162.987	1,162.952	0.174	-
HR Document Splitting Account	314.537	314.537	-	-	314.537	314.537
Total					314.554	314.537

Audit is of the view that non-clearance of closing balances is a serious lapse, which reflects weak internal controls within management.

The matter was reported in the month of September, 2023. DAC meeting was held on 16 October, 2023. The management in its reply stated that no such variation in the debit/ credit entries against GL head G01201 existed. DAC directed that the relevant record may be produced to audit for verification. However, no record was produced to audit till finalization of this report.

Audit recommends compliance of DAC directives.

(OM#21)

1.5.15 Non-recording of profit earned from investment – Rs 16,984.64 million

As per APPM Section 2.3.2.2 regarding accuracy of information in the accounts states, “The information in the accounts and the supporting subsidiary records shall be accurate, representing the actual substance of past events, without undue errors or omission. This shall include correct and consistent classification of transactions and the recognition of revenues and expenditures in the correct time period.”

As per Generally accepted Management Practices, the Management is required to produce the financial statements of the accounts with management 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 of presentation.

During Certification Audit on the accounts of Government of Sindh for the financial year 2022-23, it was observed that an amount of Rs 16,984.64 million was earned from the investment funds managed by the Sindh Fund Management House, Finance Department, Government of Sindh (as per budget book Volume-I 2023-24). However, the same was not recorded in Financial Statements of Government of Sindh. As a result, reported government receipts were understated by the amount of Rs 16,984.64 million. The details are given as under;

(Rs. in Million)

S. No	Description of Investment	Accumulated Value of Investments as on 1st July 2022	Releases in 2022-23	Expenditure 2022-23	Profit Earned During 2022-23	Estimated Accumulated Value of Investments as on 30th June, 2023
1	Sindh Pension Fund	175,433.15	9,000.00	0.35	2,330.53	186,763.34
2	Sindh Social Relief Fund	7,106.97	-	-	584.44	7,691.41
3	Sindh General Provident Fund	89,347.62	2,000.00	0.37	5,407.88	96,755.14
4	Viability Gap Fund	4,987.68	5,400.00	5,521.36	4,468.32	9,334.65
5	People’s Housing Cell Fund	675.16	-	-	56.07	731.23

(Rs. in Million)

S. No	Description of Investment	Accumulated Value of Investments as on 1st July 2022	Releases in 2022-23	Expenditure 2022-23	Profit Earned During 2022-23	Estimated Accumulated Value of Investments as on 30th June, 2023
6	Provincial Disaster Management Fund	0.09	-	-	0.01	0.10
7	SASO Pensioner's Funds	34.44	-	-	5.80	40.24
8	Sindh Coal Development Fund	3,556.85	-	-	2,535.51	6,092.36
9	Sindh Project Development Facility	625.98	-	47.74	319.92	898.15
10	Endowment Fund for PPHI	927.02	-	-	53.91	980.93
11	Sindh Employees Group Insurance Fund	3,748.29	-	-	306.78	4,055.07
12	Education City Fund	0.20	-	-	0.03	0.23
13	SPPRA Investment Fund	71.10	-	-	6.22	77.32
14	Investment Fund For Sindh Civil Servants Housing Foundation	9,783.511	100.00	2,272.50	908.48	8,419.49

(Rs. in Million)

S. No	Description of Investment	Accumulated Value of Investments as on 1st July 2022	Releases in 2022-23	Expenditure 2022-23	Profit Earned During 2022-23	Estimated Accumulated Value of Investments as on 30th June, 2023
15	Sindh Alternative Energy Fund	174.11	-	-	0.73	174.85
	Total	296,472.171	16,500	7,842.32	16,984.64	322,014.49

Audit is of the view that non-recording of profit earned from investments in financial statement/finance account indicates concealment of fact which does not portray a true and fair picture of the accounts.

The matter was reported in the month of September, 2023. DAC meeting was held on 16 October, 2023. The management in its reply stated that all the figures recorded in the Accounts are in accordance with the guidance provided in section 1.2.2 and section 1.3.11 of International Public Sector Accounting Standards for Financial Reporting under Cash Basis of Accounting. It is further intimated that Volume-I of Budget book contains budget estimates and it may differ from the actual expenditures. Hence comparing budget with actual expenditures is not a prudent approach. DAC directed that the relevant record may be produced to audit for verification. However, no record was produced to audit till finalization of this report.

Audit recommends compliance of DAC directives.

(OM#60)

1.5.16 Variation in Closing Balance of Security Deposit in book of accounts – Rs 18,393.531 million

As per Generally accepted Management Practices, the Management is required to produce the financial statements of the accounts with management 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 of presentation.

During Certification Audit on the accounts of Government of Sindh for the financial year 2022-23, it was observed that there was a variation of Rs 18,3393.531 million in closing balances on account of Security deposits (PWD deposits). The Finance Account shows closing balance of Rs 14,692.125 million in account head i.e., G10- Trust Account, Sub-head- Public Works Deposit G10113. On contrary, while scrutiny of the record of FORM-78 Works Division, the amount of closing balance comes to Rs 33,085.656 million which means there is a variation of Rs 18,393.531 million. Whereas in opening balance of the same there is a variation of Rs 1,767.61 million (in Finance Account at Page # 160 the balance is Rs 7,782.885 million and as per July 2022 monthly accounts of 82 divisions only, out of 380 divisions, there is balance of Rs 9,550.491 million). It is further stated that there are more than 380 Works Division across Sindh, but the monthly accounts of only 224 divisions were provided to audit. If the closing balances of Form-78 are calculated, then the variation may be increased more than current variation.

Audit is of the opinion that variation in security deposit indicates shortfall in collection of the same by AG Sindh. Hence, undue favor to contractor cannot be ruled out. It is responsibility of AG Sindh to ensure that actual amount of security deposit is collected, any lapse may create chances of fraud and misappropriation.

The matter was reported in the month of September, 2023. DAC meeting was held on 16 October, 2023. The management in its reply stated that steps are being taken to speed up reconciliation of salaries. In this regard letters have been issued to the division concerned and to their higher authorities. DAC directed to expedite the reconciliation process. However, no compliance was made.

Audit recommends compliance of DAC directives.

(OM#68)

1.5.17 Variation in account balances between AG Sindh and Forest Department – Rs 78.649 million

As per Generally accepted Management Practices, the Management is required to produce the financial statements of the accounts with management 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 of presentation.

During Certification Audit on the accounts of Government of Sindh for the financial year 2022-23, it was observed that the variation of Rs 78.649 million was noticed in the opening and

closing balances of AG Sindh and Forest Department's record under the head of account G06106 – GP Fund (Forest). The details are given as under;

(Amount in Rupees)

Sr. #	Particulars	As per AG Sindh record	As per Forest Dept.	Variation
1	G06106- GP Fund (Forest) – O/B	234,045,083	312,694,445	78,649,362
2	Receipts including profit	87,430,239	84,864,137	-2,566,102
3	Payment	32,003,525	29,437,423	-2,566,102
4	Closing Balances	289,471,797	368,121,159	78,649,362

Audit is of the view that existence of variation in the opening and closing balances is a serious lapse, which reflects weak internal controls prevalent within the formation.

The matter was reported in the month of September, 2023. DAC meeting was held on 16 October, 2023. The management in its reply stated that the relevant documents for subject observation are available on record. DAC directed that the relevant record may be produced to audit for verification. However, no record was produced to audit till finalization of this report.

Audit recommends compliance of DAC directives.

(OM#15)

1.5.18 Non-reconciliation of expenditure – Rs 17,451.040 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 Government of Sindh, it was observed that an expenditure of Rs 17,451.040 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 December 2022 to December 2023, but no reply was received.

Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

1.5.19 Non-reconciliation of receipts – Rs 231,221.393 million

As per Para 26 of the GFR Volume-I “Subject to any special arrangement that may be authorized by competent authority with respect to any particular class of receipt, it is the duty of the department Controlling officers to see that all the sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account. They should accordingly arrange to obtain from their subordinates monthly account and return in suitable form claiming credit for so much paid into the treasury or otherwise accounted for and compare them with the statement of treasury credits furnished by the Accountant General, to see that the amount reported as collected have been duly credited in the Public Account.

During audit of various offices of Government of Sindh, it was observed that receipts of Rs 231,221.393 million was realized but the same was not reconciled from the accounts office. Details are given at **Annex-2** of Chapter-1.

The matter was reported to the management during December 2022 to December 2023, but no reply was received.

Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

1.5.20 Misclassification of expenditure – Rs 871.349 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 Government of Sindh, it was observed that an expenditure of Rs 871.349 million was incurred by way of misclassification. This was done to avoid the process of re-appropriation through Finance Department. Details are given at **Annex-3** of Chapter-1.

The matter was reported to the management during December 2022 to December 2023, but no reply was received.

Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends investigation of the matter besides taking remedial measures.

1.5.21 Excess expenditure incurred over & above the budget allocation – Rs 2,457.782 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 Government of Sindh, it was observed that an excess expenditure of Rs 2,457.782 million was incurred over and above the budget allocation. Details are given at **Annex-4** of Chapter-1.

The matter was reported to the management during December 2022 to December 2023, but no reply was received.

Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends investigation of the matter besides taking remedial measures.

1.5.22 Savings not surrendered in time – Rs 5,873.048 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 Government of Sindh, it was observed that funds amounting to Rs 5,873.048 million were remained 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-5** of Chapter-1.

The matter was reported to the management during December 2022 to December 2023, but no reply was received.

Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends investigation of the matter besides taking remedial measures.

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 of crops, timely supply of seeds, fertilizers, and pesticides, imparting training and boosting-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.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	38	11	14,563.452	127.968
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-

4	Foreign Aided Projects (FAP)	2	2	18,355.510	-
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2.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure, and receipt of the department:

Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure
18,119.409	16,692.264	(15,139.272)	(1,531.158)	48,164.831	33,892.091

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 14,272.739 million was observed which was not surrendered in time.

(Rs. in Million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
1,805.000	758.000	229.886	-528.114

Revenue estimates were reduced upto 58% in revised estimate. Actual receipts were 70% of revised estimate.

2.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 1,204.980 million were raised as a result of this audit. This amount also includes recoverable of Rs 425.444 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-production of record	185.120

2	Reported cases of fraud, embezzlement, and misappropriation	-
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	-
B	<i>Procurement related irregularities</i>	291.798
C	<i>Management of Accounts with Commercial Banks</i>	-
4	Value for money and service delivery issues	-
5	Others	728.062

2.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. The status of discussion on Audit Paras requiring compliance of the PAC directives and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was 6.35%.

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	41	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	91	9	2	7	22.2
6	2005-06	61	13	1	12	7.7
7	2006-07	9	3	0	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
8	2007-08	4	4	0	4	-
9	2008-09	5	5	0	5	-
10	2009-10	8	1	0	1	-
11	2010-11	7	4	1	3	25
12	2014-15	0	0	0	0	-
13	2016-17	0	0	0	0	-
Total		35	63	4	59	6.35

2.5 AUDIT PARAS

2.5.1 Non-production of auditable record – Rs 185.120 million

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 audit of various offices of Agriculture, Supply and Prices Department for the financial year up to 2021-22, it was observed that an expenditure amounting to Rs185.120 million was incurred but record for scrutiny was not provided to audit. The details are given at Annex-1 of Chapter-2.

Audit is of the view that in the absence of aforesaid record, Audit was unable to ascertain transparency in the relevant transactions.

The matter was reported to the management during the months of March to September, 2023. The management at Sr#03 of AIR#01, stated reason of delay was non-functional ICT. Despite provision of pictures, the response lacks crucial statistical data to validate the field assistants' performance. In AIR#02, the management provided yield reports. But the audit couldn't verify these reports due to the absence of linked records, such as agreements with growers and farmers and yield books. In AIR#11, the management submitted document photocopies, but they did not provide beneficiaries' bank statements. The management at Sr#05 provided document photocopies but did not provide beneficiaries' bank statements. The management at Sr#16 provided financial assistance documents; however, they did not provide beneficiaries' bank statements. The management at Sr#18 provided a copy of an agreement and copy of medical bills, but the management did not provide file and selection mechanism details of lease and employee. Other offices did not reply. Despite written requests DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends that complete record of the expenditure be produced to audit in addition to initiation of disciplinary action against the persons responsible.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23, vide para number 2.5.1, 2.5.1 and 2.5.1, respectively having financial impact of Rs 2,174.543 million. Recurrence of same irregularity is a matter of serious concern.

2.5.2 Expenditure by way of splitting to avoid invitation of tenders – Rs 157.381 million

As per Rule 12(1) of SPPR, 2010, all proposed procurements for each financial year shall be planned and procuring agencies shall proceed accordingly without any splitting or regrouping of the procurements already grouped, allocated and scheduled in the Procurement Plan. Further, Methods of Notification and Advertisement prescribed under Rule 17 of Sindh Public Procurement (SPP) Rules, 2010, “Procurements over three hundred thousand rupees and up to two 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. The advertisement in the newspapers shall appear in at least three widely circulated leading dailies of English, Urdu and Sindhi languages”.

During audit of various offices of Agriculture, Supply and Prices Department for the financial year up to 2021-22, it was observed that various items amounting to Rs 157.381 million were procured by splitting the supply orders to avoid inviting open tenders. It was also observed that procurement plan was not prepared. The details are given at Annex-2 of Chapter-2.

Audit is of the view that procurement by splitting the supply orders was to avoid inviting open competition, which not only deprived the government from competitive rates, but transparency of procurement could not be verified.

The matter was reported to the management during the month of February to May, 2023. The management at Sr#07 replied that the expenditures on furniture repairs were carried out on need basis. However, this reply is untenable since the expenses are incurred through a split-up process. Formation at Sr. #14 replied that the expenditure was incurred on different heads in different dates and places as per need. The reply is not tenable as the expenditure was incurred by splitting on the dates 13/4 & 27/4, 2023. Other offices did not reply. Despite written requests DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends inquiry in the matter and fixing of the responsibility on the person(s) at fault besides other remedial measures.

2.5.3 Procurement of various items through collusive practices without open competition by inviting tenders – Rs 93.724 million

Rule 17(1) & (2) of Sindh Public Procurement Rules, 2010 as amended in March 2019 states that procurement over three hundred thousand 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. According to sub clause (ii) of clause (q) of sub rule (1) of Rule 2 of SPP Rules 2010, “Collusive Practice” means any arrangement between two or more parties to the procurement process or contract execution, designed to achieve with or

without the knowledge of the procuring agency to establish prices at artificial, noncompetitive levels for any wrongful gain”.

During audit of various offices of the Agriculture, Supply and Prices Department for the financial year up to 2021-22, it was observed that procurement of amounting to Rs 93.724 million was made from various firms through collusive practices without open competition by inviting tenders. The details are given as under:

(Rs. in Million)

r.#	Name of Office	Financial Years	IR Area #	Amount
	Director General, Agriculture Research Sindh, Tando Jam	20 21-22	8	5.684
	Cotton Commissioner Sindh, Hyderabad	20 17-18 to 2021-22	5	
	Director Information, Agriculture Extension, Hyderabad	20 21-22	3	2.554
	Secretary, Agriculture Supply & Prices Department, Karachi	20 22-23	9	1.525
	Director General Agriculture Extension, Hyderabad	20 22-23	11	4.379
Total				93.724

Audit is of the view that procurement through collusion practices / without open competition, the transparency of procurement could not be verified.

The matter was reported to the management during the month of March to August 2023. The management at Sr.# 5 replied that expenditure was incurred after fulfillment of all codal formalities and market survey. The reply is untenable as they did not invite open tender. Other offices did not reply. Despite written requests DAC meeting was not convened by PAO till the finalization of this report.

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

2.5.4 Doubtful expenditure on procurement of fertilizer / Chemical – Rs 5.099 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 the vouchers setting forth full and clear particulars of claim.”

During audit of office of the Director General, Agriculture Research Sindh, Tando Jam for the financial year 2021-22, it was observed that an expenditure of Rs 5.099 million was incurred on procurement of fertilizer, pesticide, weedicide, and other chemicals. The management did not produce complete record as well as the record of land owned/ possessed/cultivated. The outcomes of research activities were also not disclosed. Moreover, revenue earned from these research activities was neither declared in accounts nor evidence of its deposit produced. Furthermore, the purchases were made without observing competitive process which prevent government from economic & competitive rates.

Audit is of the view that entire expenditure incurred in absence of details of land cultivated / used for research purposes was doubtful and may result into misuse of Government money.

The matter was reported to the management during the month of March, 2023 but no reply was received. Despite written requests DAC meeting was not convened by PAO till the finalization of this report.

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

(AIR#03)

2.5.5 Un-justified expenditure on off road vehicles / bulldozer – Rs 2.195 million

As per Appendix 18-A “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 various offices of the Agriculture, Supply and Prices Department for the financial year up to 2021-22, it was observed that an expenditure of Rs 2.195 million was incurred on account of POL and repair of vehicle on off road vehicles / bulldozers. It was observed that few vehicles were off road since last five years. In addition of that the supporting record i.e., history sheets, allotment orders, indents, completion certificates, etc were not produced to audit. The details are given as under:

(Rs. in Million)

r.#	Name of Office	Financial Year	IR Area #	Amount
	Additional Director Agriculture Extension, Naushahro feroz	2020-21 to 2021-22	7	1.106
	Additional Director, Agriculture Extension, Shaheed Banzirabad	2019-20 to 2021-22	9	0.713
	Additional Director, Agriculture Engineering Workshop Thatta	2021-22	9	0.376
Total				2.195

Audit is of the view that expenditure on out of order / off-road vehicles shows deliberate misappropriation and only fund were drawn.

The matter was reported to the management during the month of February to April 2023, but no reply was received. Despite written requests DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends investigation into the matter besides fixing of responsibility against the person(s) at fault.

2.5.6 Doubtful expenditure on procurement of fertilizer and seed – Rs 30.203 million

According to Section 3 of the Sindh Fertilizer (Control) Act, 1994, “no person shall sell, offer, expose to sale, hold in stock for sale, advertise or use fertilizer or fertilizer material, save in accordance with this Act and rules”. According to Rule 3(3) of Sindh Fertilizer (Control) Rules, 1999, “License means a licensee issued for sale and distribution of fertilizer or fertilizer”. According to Section 4 of the Sindh Fertilizer (Control) Act, 1994, “no person shall sell, offer, expose to sale, hold in stock for sale, advertise or use fertilizer or fertilizer material unless each package containing fertilizer or fertilizer material, and every tag or label durable attached thereto, is marked in printed characters in such form and in such manner as may be prescribed”. According to Section 12 (1) of the Sindh Fertilizer (Control) Act, 1994, “any person who purchased a fertilizer or fertilizer material may apply to a Government Analyst to conduct a test or analysis of the fertilizer or fertilizer material to ascertain whether it is adulterated”.

During audit of office of the Director General, Agriculture Research Sindh, Tando Jam for the financial year 2021-22, it was observed that an expenditure of Rs 30.203 million was incurred on procurement of fertilizer and seed for growers under development scheme titled “Biosaline Agriculture Research & Development”. The fertilizer was procured from General Order Supplier instead of authorized dealer. Furthermore, the fertilizer was not got tested to ascertain whether it is adulterated. Besides, delivery report, consumption account, evidence of transportation and contract agreement was not available on record.

Audit is of the view that procurement and distribution of fertilizer was doubtful due to above reasons.

The matter was reported to the management during the month of March 2023, but no reply was received. Despite written requests DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends investigation into the matter, fixing of the responsibility on the person(s) at fault.

(AIR#21)

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23, vide para number 2.5.15 having financial impact of Rs 17.009 million. Recurrence of same irregularity is a matter of serious concern.

2.5.7 Irregular expenditure on procurement under Cost of Other Stores – Rs 5.391 million

According to Page No.13 of PC-I of development scheme titled, “Introduction of Maize, Millet, Sorghum and Mungbean in water short environment and linking crops”, fertilizer, pesticide & weedicides etc @ Rs30,000 per acre were prescribed for 360 acres (total Rs10.800 million) for conducting research/demonstration trials at different location of District Hyderabad and Dadu Districts Sindh.

During audit of office of the Director General, Agriculture Research Sindh, Tando Jam for the financial year 2021-22, it was observed that an expenditure of Rs 5.391 million was incurred on purchase of Seed, fertilizer & pesticide/weedicides etc for conducting research/demonstration trials at different location of Hyderabad & Dadu districts Sindh, but the details of total land selected for trial was not provided to audit. Furthermore, tender was not called, procurement was not made from authorized dealer, consumption account not maintained, progress report, grower’s acknowledgment report was also not available on record.

Audit is of the view that entire expenditure on research/demonstration trials was doubtful due to non-production of essential record.

The matter was reported to the management during the month of March 2023, but no reply was received. Despite written requests DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends production of record, inquiry in the matter and fixing of the responsibility on the person(s) at fault besides other remedial measures.

(AIR#27)

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23, vide para number 2.5.41 having financial impact of Rs 8.612 million. Recurrence of same irregularity is a matter of serious concern.

2.5.8 Irregular payment through DDO account instead of payee – Rs 3.951 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 various offices of the Agriculture, Supply and Prices Department for the financial years up to 2021-22, it was noticed that an amount of Rs 3.951 million was drawn in the name of DDO instead of payment to concerned payee. The details are given as under:

(Rs. in Million)

r.#	Name of Office	Financial Year	IR Para #	Amount
	Additional Director, Agriculture Engineering Workshop, Tando Jam	2017-18 to 2021-22	7	1.314
	Additional Director, Agriculture Engineering Workshop Thatta	2021-22	8	0.900
	Additional Director, Agriculture Extension, Shikarpur			0.600

(Rs. in Million)

r.#	Name of Office	Financial Year	IR Para #	Amount
		2019-20 to 2021-22	1 & 01	0.253
	Entomologist / Director, Plant Protection Research Institute, Tando Jam	2017-18 to 2021-22	1	0.584
	Principal Scientist /Director, Soil Fertility Research Institute, Tando Jam	2014-15 to 2021-22	6	0.300
Total				3.951

Audit is of the view that lack of effective internal controls and proper administrative measures led to this irregularity. Hence, cash payment to the vendors was irregular.

The matter was reported to the management during the month of February to May 2023 but no reply was received. Despite written requests DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends for provision of justification, acknowledgements along with detail of deduction of due government taxes.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2021-22, vide para number 2.5.9 having financial impact of Rs 10.490 million. Recurrence of same irregularity is a matter of serious concern.

2.5.9 Un-authorized allotment of vehicles without entitlement to employee – Rs 2.335 million

According to letter No.CTC(S&GAD)-6(227)/87 dated: 05-04-1997 on the subject of “Entitlement of vehicles to government functionaries” issued from SGA&CD, Government of Sindh. The entitlement criteria of various categories of officers have been worked out and approved by the Competent Authority in which there is no any provision for the allotment of Govt. Vehicles to Section officers / non-field officers.

During audit of office of the Additional Director, Agricultural Engineering Workshop, Larkano for the financial year 2021-22, it was observed that an expenditure of Rs 2.335 million

was incurred for drawl of POL against un-authorized allotment of vehicles to the employees. Hence, allotment of vehicles & drawl of POL without entitlement was un-authorized. The details are given as under:

(Rs. in Million)

Sr.#	Name of Office	AIR Para #	Particulars	Amount
1	Additional Director, Agricultural Engineering workshop, Larkano	07 &13	Four vehicles were allotted to employees with pay scale of 11 & 16 which were not entitled for vehicles.	1.294
			An expenditure incurred against two vehicles (GSA-847 Nissan Truck Cargo Crane & GSE-841 Faw Cargo 220 Trailer) allotted to Mr. Ghulam Abbas Memon Incharge Agriculture Engineering Workshop Larkano, without his entitlement.	1.041
Total				2.335

Audit is of the view that allotment of vehicles to un-authorized employees without entitlement was undue favor to employees.

Allotment of the government vehicles to unentitled officials / officers and expenditure was unauthorized.

The matter was reported to the management during the month of February 2023 but no reply was received. Despite written requests DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends retrieving of government vehicles from the unentitled officials / officers immediately, besides making recovery of expenditure incurred thereon.

2.5.10 Irregular expenditure on “Installation of Magnetic Devices for Agriculture” without delivery & installation – Rs 1.905 million

According to terms & conditions mentioned in Supply Order No.(20/3)DGARS/Tech-II/2021/105 dated 06-12-2021 issued to M/s Skyways Enterprises for “Installation of Two (02)

Magnetic Devices for Agriculture” under development scheme namely “Bio-saline Agriculture research and development”:

1. The supply should be made in a period of thirty (30) days of the placement of above order at Thatta/Badin for installation as per agreement.
2. In case of failure the earnest money/call deposit will be forfeiter.
3. The supplier was requiring intimating exact date of delivery of unit to enable procuring authority to depute verifying officer to check the item as per specification shown in tender document.
4. Payment for supply will be made subject to availability of funds.

According to Component-wise/Year-wise physical activities mentioned at Page No.12, 13 & 22 of PC-I of development scheme namely “Bio-saline Agriculture research and development”, 04 “Magnetic devices for Agriculture (water refreshing unit)” were to be installed during 1st year (01) and 2nd year (03) @ Rs2.000 million per device (total Rs8.000 million) being part of main research activity on saline water to be used for agriculture purpose on trial basis.

During audit of office of the Director General, Agriculture Research Sindh, Tando Jam for the financial year 2021-22, it was observed an amount of Rs 1.905 million was paid to M/s Skyways on account of Installation of Magnetic Device, but the same device was not delivered. Furthermore, facts confirmed that delivery was not made as the import documents were not available, stock entry was not made and physically the same device was not traced in the office.

Audit is of the view that government money was put at the risk by making entire payment without delivery and installation of device and chances of misappropriation may not be ruled out as the delivery of the device was yet not made till completion of audit activity.

The matter was reported to the management during the month of March 2023, but no reply was received. Despite written requests DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends immediate recovery of payment made to supplier or recovery of device along with damage charges and investigation into the matter. Besides, fixing of the responsibility on the person(s) at fault for the negligence and ignoring due diligence.

(AIR#33)

2.5.11 Non / Less deduction of various taxes – Rs 398.006 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. 9% tax shall be deducted from non-filer. 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. The Services 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 2021 is 13%.

During audit of various offices of Agriculture, Supply and Prices Department for the financial year upto 2022-23, it was observed that Income Tax, General Sales tax & Sindh Sales Tax on Services amounting to Rs 398.006 million were less/non-deducted. The details are given at Annex-3 of Chapter-2.

Audit is of the view that due to non / less deduction of taxes; government sustained a financial loss in shape of less collection of revenue.

The matter was reported to the management during the month of January to May 2023. The management at Sr#04 maintained that they submitted expenditure bills to the District Accounts Office in Badin and the treasury officer is responsible for deduction of taxes. The management at Sr#13 has asserted that all taxes are deducted at source, and the DAO office is entrusted to issue cheques after tax deduction. However, the replies are untenable, since, DDO is responsible for accurate and fair payment. Formation at Sr. # 28 replied that all the due taxes are being deducted at source by the District Account Office as per rule and policy from the bills. The reply is not accepted, as they did not provide evidence in this regard. However, other offices did not reply. Despite written requests DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends that the recovery be affected from the concerned under intimation to audit.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23, vide para number 2.5.6, 2.5.6 and 2.5.26, respectively having financial impact of Rs 418.001 million. Recurrence of same irregularity is a matter of serious concern.

2.5.12 Less / Non-recovery various outstanding dues – Rs 6.219 million

According to Rule-28 of General Financial Rule-Volume-I, states that " No amount due to Government should be left outstanding without sufficient reason."

Further, as per Clause-04 of agreement between Agriculture Department and Zamindar “The Zamindar will have to pay the charges at the rate fixed by Government from time to time”. AND Clause-11 “Zamindar will provide service of Crawler Tractor / Bulldozers for total meter hours and pay any charges beyond initial 50-meter hours deposited up to maximum of 250-meter hours before the expiry of initial 50-meter hours”.

During audit of various offices of Agriculture, Supply and Prices Department for the financial year up to 2021-22, it was observed that an amount of Rs 6.219 million was outstanding for various activities: dues, recovery of over-claimed amount & house maintenance charges. The details are given as under:

(Rs. in Million)

Sr.	Name of Office	Financial Year	IR Area #	Particulars	Amount
	Additional Director, Agriculture Engineering Workshop, Tando Jam	2017-18 to 2021-22	1 & 05	Dues outstanding on account of excess working hours	1.872
				Amount was not collected from other department	0.850
	Director General, Agriculture Research Sindh, Tando Jam	2021-22	0 & 53	excess payment to Travel Agent	1.008
				Payment of furniture articles irrelevant supplier, who did not make actual supplies.	0.500
	Additional Director, Agricultural Engineering Workshop, Khairpur	2021-22	9	Outstanding dues against various Bulldozer operators	0.922
	Additional Director, Agricultural Engineering Workshop, Larkano	2021-22	1 & 09	dues against farmers & govt. departments	0.633
				less recovery occurred due to non-obtaining rent of bulldozer	0.400

	Additional Director Agriculture Extension, Naushahro feroz	2 020-21 & 2 021-22	3	availing both house accommodation facility and HRA.	0 .034
Total					6 .219

Audit is of the view that undue favor was extended to the concerned quarters without recovery of due /outstanding amount due to which government sustained loss.

The matter was reported to the management during the month of February to March 2023, but no reply was received. Despite written requests DAC meeting was not convened by PAO till the finalization of this report.

Audit requires recovery of outstanding / excess amount form the concerned under intimation to audit.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21 and 2022-23, vide para number 2.5.7 and 2.5.44, respectively having financial impact of Rs 15.713 million. Recurrence of same irregularity is a matter of serious concern.

2.5.13 Irregular procurement of luxury Vehicles and Devices – Rs 133.576 million

Under rule ‘1’ Appendix 18-A of Sindh financial rule Vol-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 the Project Director, Sindh Water & Agriculture Transformation (SWAT) Project, Hyderabad for the financial year 2022-23, it was observed that the management spent Rs 133.576 million on purchase of luxury/ expensive items in violation of PC-I / austerity measures.

- i. 2 Fortuner vehicles, 2 iPhone mobiles, 2 MacBook laptops and 2 iPad were issued to Minister and Secretary Agriculture Department (one for each) without provision in PC-I.

- ii. NOL from World Bank was also not obtained.

Irregular procurement was due to financial indiscipline and weak internal controls.

Audit is of the view that procurement of vehicles and devices without any provision in the PC-I and approval of donor is a serious violation of procurement regulations.

The matter was reported to the management during the month of October 2023, but no reply was received from management. Despite written requests DAC meeting was not convened by PAO till the finalization of this report.

Audit requires justification in this regard besides recovery of items from unauthorized persons.

(AIR#05)

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2020-21 vide para number 2.5.4 having financial impact of Rs 27.644 million. Recurrence of same irregularity is a matter of serious concern.

2.5.14 Non-deduction of stamp duty - Rs 21.219 million

According to Para 22-A of stamp Act, it was the duty of 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 various offices of the Agriculture, Supply & Prices Department Government of Sindh, for the Financial Year 2022-23, it was observed that stamp duty @ 0.35% Rs 21.219/- was not deducted on account of various purchases. The details are given as under:

(Rs. in Million)

Sr.	Name Of Office	Financial Year	AIR Para #	Description	Amount
1	Director General, On Farm Water Management Sindh, Hyderabad	2022-23	3	Non-deduction of stamp duty	11.615

(Rs. in Million)

Sr.	Name Of Office	Financial Year	AIR Para #	Description	Amount
2	Director General, Agriculture Research, Sindh, Tando Jam	2022-23	13	Non-recovery of stamp duty from Suppliers	0.236
3	Director General, Agriculture Engineering, Hyderabad	2022-23	7	Loss to govt. due to non-recovery of stamp duty	9.129
4	Director, Agriculture Extension, Karachi	2022-23	8	Loss of stamp duty due on execution of contract agreement	0.239
Total					21.219

Audit is of view that due to non-deduction of stamp duty, government sustained loss.

The matter was reported to the management during the months August to September, 2023. However, no reply was received. Despite written requests DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends justification for non-deduction of stamp duty coupled with immediate recovery from the concerned.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 2.5.17 having financial impact of Rs 10.337 million. Recurrence of same irregularity is a matter of serious concern.

2.5.15 Unauthorized issue of kitchen garden kits – Rs 148.691 million

According to Rule 114 of Sindh Financial Rules, when materials are issued from stock, the Government servant in charge of the stores should see that an indent has been made by a properly authorized person. When materials are issued, a written acknowledgement should be obtained from the person to whom they are ordered to be delivered or dispatched, or from a duly authorized agent.

During audit of office of the Project Director, Sindh Irrigated Agriculture Productivity Enhancement Program, Hyderabad for the financial year 2022-23. However, following irregularities were noticed:

- i. The kitchen garden kits were distributed to the NGO M/s SRSO for which there was no provision in PC-I.
- ii. There was no information available about the end-users to whom the kits were actually provided.

The details are given as under:

(Amount in Rupees)

Dated	Voucher #	Cheque #	Name of Supplier	Amount
01/02/23	7569	85206504	M/S Peplikan Pipe Industries	30,214,410
01/02/23	7568	85206503	M/S Management Development Pvt. Ltd	22,447,013
14/12/22	7448	85206383		40,932,789
15/12/22	7454	85206389	M/S Peplikan Pipe Industries	55,096,362
Total				148,690,574

Audit is of the view that distribution of kits was a major activity which was carried out without PC-I support and its provision without assurance of actual provision to farmers show weak internal controls in the project.

The matter was reported to the management during the month of November, 2023 but no reply was received. Despite written requests DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends that matter may be inquired to find out the facts and fix responsibility on persons at fault under intimation to audit.

(AIR#4.1.4)

2.5.16 Unauthorized retention of funds into DDO account – Rs 9.965 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 the Director, Agriculture Extension, Karachi for the financial year 2022-23, it was observed that an amount of Rs 9.965 million was received from Project Director, Sindh Water and Agriculture Transformation (SWAT #7254-pk, Agriculture Component) vide cheque number 36109571 dated 07.06.2023. The funds were blocked / retained in DDO account number PK33NBPA0127004000400879 maintained at National Bank, Kutchery Road Branch, Karachi.

Audit is of the view that due to lack of performance; the funds were not used in due course of time. It indicates that weak financial control prevails in the system.

The matter was reported to the management during the month of October, 2023, but no reply was received from management. Despite written requests DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends that public money illegally retained be deposited in the government treasury forthwith and such practice needs to be discontinued.

(AIR#02)

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 2.5.46 having financial impact of Rs 4.612 million. Recurrence of same irregularity is a matter of serious concern.

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 *zaireen* (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.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	2	2	887.594	-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

3.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rs. in Million)

Original Budget/ Grant	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variation Excess/ (Savings)
1,514.746	0.003	478.391	(478.391)	(73.285)	1,441.464	1,139.832	(301.632)

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 301.632 million was observed which was not surrendered in time.

3.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 796.889 million were raised as a result of this audit. This amount also includes recoverable of Rs 89.585 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non production of record	9.256
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	1.281

B	Procurement related irregularities	698.048
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	88.304

3.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. The status of discussion on Audit Paras requiring compliance of the PAC directives and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was 6.35%.

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	1 992-93	0	0	0	0	-
2	1 998-99	0	0	0	0	-
3	1 999-2000	0	0	0	0	-
4	2 001-02*	0	0	0	0	-
5	2 004-05*	0	0	0	0	-
6	2 005-06	0	0	0	0	-
7	2 006-07	0	0	0	0	-
8	2 007-08	0	0	0	0	-
9	2 008-09	0	0	0	0	-

0	1	2	0	0	0	0	-
		009-10					
1	1	2	0	0	0	0	-
		010-11					
2	1	2	4	3	0	3	-
		014-15					
3	1	2	8	7	1	6	14.28
		016-17					
Total			2	10	1	9	10

3.5 AUDIT PARAS

3.5.1 Non-production of auditable record - Rs 9.256 million

Section 14(2) & (3) of the Auditor-General's (Functions, Powers & Terms & Conditions of the Service) Ordinance, 2001, states that; (3) 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. (4) Any person or authority hindering the auditoria 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 Secretary, Auqaf, Religious Affairs, Zakat & Ushr, Department, Government of Sindh, Karachi, for the financial year 2022-23, various accounts record amounting to Rs 9.256 million was not produced to audit for detail scrutiny. The details are given as under:

(Rs in million)

Sr.#	Name of office	Financial Year	Particulars	AIR Para #	Amount
1	Secretary, Auqaf & Religious Affairs, Government of Sindh, Karachi	2022-23	Various record	20	00
2	Chief Administrator Auqaf Sindh, Hyderabad		Various record	01	00
			Record pertaining to award of various contracts	09	9.256
Total					9.256

Audit is of the view that nonproduction of record for audit is a serious lapse on the part of management.

The matter was reported to the management in the month of August 2023. The management at Sr.# 01 replied that para pertains to Chief Administrator Auqaf Sindh, Hyderabad which is independent entity. However, the reply of management is not tenable since the said department

falls under its administrative jurisdiction. The management at Sr.# 02 did not reply. Despite written requests, DAC meeting was not convened by PAO till finalization of this report.

Audit recommends that complete record of the expenditure be produced to audit in addition to initiation of disciplinary action against the persons responsible.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21 & 2022-23 vide para number 3.5.1 & 3.5.1 respectively having financial impact of Rs 1,331.923 million. Recurrence of same irregularity is a matter of serious concern.

3.5.2 Non-recovery of “house rent allowance” from employees who are availing facility of house ceiling / hiring – Rs1.281 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 shall be 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 to those not entitled for house hiring shall draw only house rent allowance.

During the audit of the Secretary, Auqaf, Religious Affairs, Zakat & Ushr, Department, Government of Sindh, Karachi, for the financial year 2022-23, it was observed that payments amounting to Rs1.281 million was allowed under the head “House Rent Allowance” to those employees, who are also availing the facility of House Hiring in contravention of Govt. rules & regulations.

Audit is of the view that a payment of House Rent Allowance to those employees who are availing the facility of Hiring is a gross violation of rules and regulations. This shows that the undue favor has been extended to the employees. The details are given at Annex-1 of Chapter-3.

The matter was reported to the management in the month of August 2023. The management replied that house hiring payment was being made after deduction of House rent allowance however the management failed to provide documentary evidence. Despite written requests, DAC meeting was not convened by PAO till finalization of this report.

Audit recommends that recovery may be affected from the officers/officials concerned besides taking strict disciplinary action against the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 3.5.4 having financial impact of Rs 3.245 million. Recurrence of same irregularity is a matter of serious concern

(AIR#04)

3.5.3 Unauthorized execution of civil works – Rs 373.951 million

According to Sr # 8(iii) (ii) of Second Schedule under Rule-3 (Part-I) “Powers Common to all Departments” of Sindh Delegation of Financial Powers and Financial Control Rules, 2019, “Officers in Category-I are empowered to execute minor repairs & maintenance works including petty construction of residential & nonresidential building executed departmentally and charges to current budget of the department concerned upto Rs0.200 million in each case on the recommendation of the committee consisting of Officer in Category-I concerned, Additional Secretary (Technical) Works & Services Department, a representative of Finance Department and a representative of Planning and Development Department.

Note :(a) Any work relating to petty construction or repair and maintenance and not costing more than Rs 1,000,000, may be treated as ‘Minor Work ‘for the purpose of these rules.

Note :(b) Minor Repair and maintenance work shall not be more than five percent of the approved rates of per square construction notified by Works and Services Department.

Note :(c) Minor repair and maintenance works under Serial No. 8 (iii) will not require administrative approval and technical sanction. However, SPPRA Rules, 2010 shall be applicable

During the audit of office of the Chief Administrator Auqaf Sindh, Hyderabad for the financial year 2022-23, it was observed that department executed Civil Works amounting to Rs373.951. The details are given as under:

(Rs. in Million)

Cost Center	Component	Amount
HB0624	M&R	24.995
HB5093	PSDP(original Works)	348.956
Total		373.951

The above expenditure was found unauthorized due to several reasons: Firstly, the department treated maintenance and repair (M&R) works as original works to avoid approval processes such as AA, TS, and approval of PC-I from competent forums. Secondly, the department allowed a Sub-Engineer, to handle the charge of Assistant Executive Engineer, leading to the execution of not only repair works but also PSDP (Original Works). Thirdly, works were split to

keep them below Rs50 million, making the PAO the competent authority for scheme approval in DDWP, avoiding the need for approval from competent forums like PDWP. Hence, audit is of the view that department was not authorized to execute original works that too without pre audit by Divisional Accounts Officer and minor repairs without committee.

The matter was reported to the management in August 2023, but the management did not reply. Despite written requests, DAC meeting was not convened by PAO till finalization of this report.

Audit recommends provision of justification besides fixing of responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 3.5.5 having financial impact of Rs 605.076 million. Recurrence of same irregularity is a matter of serious concern

(AIR#42)

3.5.4 Irregular receipts/payment from DDO Account – Rs 234.136 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 DDO 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 drawl and disbursement of cash.”

During the audit of office of the Chief Administrator Auqaf Sindh, Hyderabad for the financial year 2022-23, it was observed that an amount of Rs70.997 million was paid and Rs163.139 million was received in bank account of DDO without disclosure of sources of receipts and payment details (especially Rs150.000 million). There was closing balances of Rs101.476 million.

Moreover, the cash of Rs 9,000 million was withdrawn which was not a transparent mode of payment. The details are given as under:

Details of account	Opening balance	Total receipts during the year	Total payments during the year	Closing balance
Salary/ DDO	9,334,572	163,138,798	70,997,423	101,475,947

Audit is of the view that source of receipt and payment was concealed and the same could not be further verified by audit in absence of relevant record.

The matter was reported to the management in August 2023, but the management did not reply. Despite written requests, DAC meeting was not convened by PAO till finalization of this report.

Audit recommends for provision of justification, acknowledgements along with detail of deduction of due government taxes.

(AIR#11)

3.5.5 Non-deposit of collection into Government account – Rs 84.618 million

According to safety measures of Sindh Government vide Letter No. S.S.FD/85/7058 dated 13-13 January 1986 Para#(1) (iii) “All receipts i.e. Cheque/Pay order/Cash etc. received up-to 12.00 should immediately be got deposited with the banks”

During the audit of the Secretary, Auqaf, Religious Affairs, Zakat & Ushr, Department, Government of Sindh, Karachi, for the financial year 2022-23, it was observed that an amount of Rs84.618 million on account of various collections was unauthorizedly retained in the bank accounts of Abdullah Shah Ghazi account at the year ends instead of depositing it to Government account before closure of financial year or on 30th June of each year. This indicates the misuse of financial autonomy.

Audit is of the view that funds were un-authorizedly retained in the bank accounts and payment was also made instead of depositing to government accounts, the same reflects the absence of systematic control and financial indiscipline prevalent in the department.

The matter was reported to the management in the month of August 2023. The management replied that para pertains to Chief Administrator Auqaf Sindh, Hyderabad which is independent entity. However, the reply of management is not tenable since the said department falls under its administrative jurisdiction. Despite written requests, DAC meeting was not convened by PAO till finalization of this report.

Audit recommends investigation of the matter besides fixing of responsibility on person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 3.5.19 having financial impact of Rs 632.591 million. Recurrence of same irregularity is a matter of serious concern

(AIR#23)

3.5.6 Expenditure without inviting open tender – Rs64.966 million

Rule 17(1) & (2) of Sindh Public Procurement Rules, 2010 as amended in March 2019 states that procurement over three hundred thousand 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 offices of Chief Administrator Auqaf Sindh, Hyderabad, for the financial year 2022-23, it was observed that expenditure of Rs64.966 million was incurred on procurement of miscellaneous items and repair works but the work was awarded without inviting the open tender. Due to non-invitation of tender govt could not achieve the economic rates. The details are given as under:

(Rs. in Million)

Sr.#	Name of office	Financial Year	Particulars	AIR Para #	Amount
1	Chief Administrator Auqaf Sindh, Hyderabad	2022-23	Misc: items	15	41.458
			repair work	16	21.908
			Uniforms & clothing	19	1.600
Total					64.966

Audit is of the view that the lapse on part of management indicates prevalence of weak internal controls within the department.

The matter was reported to the management in August 2023, but the management did not reply. Despite written requests, DAC meeting was not convened by PAO till finalization of this report.

Audit recommends that the same expenditure be incurred through open competition and the expenditure be got regularized from the Finance Department.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 3.5.9 having financial impact of Rs 70.233 million. Recurrence of same irregularity is a matter of serious concern

3.5.7 Irregular expenditure on Landscaping / beautification work –Rs24.995 million

As per rule-16(1)(b)(viii) of Sindh Public Procurement Rules, 2010, in case of emergency "Provided that the Head of Department or any other officer not below BS-20 to whom such powers have been delegated by the Head of the Department, declares that a situation of emergency has arisen and reasons for making such a declaration shall be recorded in writing."

During the audit of office of the Chief Administrator Auqaf Sindh, Hyderabad for the financial year 2022-23, it was observed that an expenditure of Rs24.995 million was incurred on Renovation & Rehabilitation (landscaping and beautification) of Lal Bagh @ Sehwan through direct contracting. The emergency clause of SPPRA rules was invoked without valid justification and to avoid invitation of tenders. The payment was made in advance before completion of work & without deduction of 5% security deposit and stamp duty of Rs87,484. The quotations were also not produced to audit. Moreover, the park was neither the part of Dargah Lal Shahbaz Qalander Sehwan nor comes under the jurisdiction of Auqaf Department. The details are given as under;

(Amount in Rupees)

Sr.#	Vendor Name	Cheque No	Pmnt Date	Document No	Amount
1	The Green Leaf	4858581	28.03.2023	5100207273	20,965,350
		4861095	05.04.2023	5100208053	4,030,000
Total					24,995,350

Audit is of the view that due to non-observance of codal formalities of SPPRA rules, the management deprived the government from competitive rates.

The matter was reported to the management in August 2023, but the management did not reply. Despite written requests, DAC meeting was not convened by PAO till finalization of this report.

Audit recommends provision of justification besides fixing of responsibility on the person(s) at fault.

(AIR#34)

3.5.8 Non-deduction of Sindh Sales Tax on Services – Rs 2.157 million

And 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.” And as per Second Schedule of The SST on Services Act, 2011, the rate of tax is 13% on services provided or rendered by persons engaged in contractual execution of work or furnishing supplies.

During the audit of the Secretary, Auqaf, Religious Affairs, Zakat & Ushr, Department, Government of Sindh, Karachi, for the financial year 2022-23, it was observed that expenditure was made on account of procurement of services under various heads i-e Furniture, Machinery & Equipment, transport and rent of office building but Sindh sales tax on services was not deducted at the time of making payment resulting in loss of revenue to the government amounting to Rs 2.157 million. The details are given as under;

(Rs. in Million)

Sr.#	Name of office	Financial Year	AIR Para #	Amount
1	Secretary, Auqaf & Religious Affairs, Government of Sindh, Karachi	2022-23	14	1.498
			22	0.659
Total				2.157

Audit is of the view that sales tax on services was not deducted which deprived government exchequer loss of revenue.

The matter was reported to the management in the month of August 2023. The management replied that sindh sales tax on services was deducted at source, but the management failed to provide the documentary evidence in support of the reply. Despite written requests, DAC meeting was not convened by PAO till finalization of this report.

Audit recommends that expeditious recovery of tax besides discouraging of such practice.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2020-21 & 2022-23 vide para number 3.5.3 & 3.5.13 respectively, having financial impact of Rs 8.203 million. Recurrence of same irregularity is a matter of serious concern

3.5.9 Non-affixing of Stamps – Rs 1.529 million

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 @ 0.35 paisa per hundred rupees of the value of the agreement or against tender cost.” And as per clause 8 of work order # MS/LGHK/(PRO)/1696/1700 dated 29-05-202, the stamp duty of 0.35% will be imposed for amount of supply order on every transaction as per requirement and as per rules of Government of Sindh.

During audit of various offices of Secretary, Auqaf, Religious Affairs, Zakat & Ushr, Department, Government of Sindh, Karachi, for the financial year 2022-23, it was observed that contractual works / services of an amount of Rs422.869 million were executed by various suppliers/ contractors but the revenue stamps amounting to Rs1.529 million were not affixed. The details are given as under;

(Rs. in Million)

Sr. #	Name of office	Financial Year	AIR Para #	Amount
1	Secretary, Auqaf & Religious Affairs, Government of Sindh, Karachi	2022-23	21	0.163
2	Chief Administrator Auqaf Sindh, Hyderabad		47	1.366
Total				1.529

Audit is of the view that government sustained a loss due to non-affixing of stamp duty on agreements.

The matter was reported to the management in the month of August 2023. The management at Sr.#01 replied that audit observation has been noted for future compliance. The management at Sr.#02 did not reply. Despite written requests, DAC meeting was not convened by PAO till finalization of this report.

Audit recommends recovery of stamp duty and inquiry into the matter besides fixing of responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 3.5.24 having financial impact of Rs 0.974 million. Recurrence of same irregularity is a matter of serious concern

(AIR#21)

Chapter - 4
Board of Revenue Department

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.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	9	2	980.349	-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

4.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rs. in Million)

Original Budget/ Grant	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variation Excess/ (Savings)
14,560.163	0.001	8,650.918	(8,650.918)	(600.556)	13,959.608	10,431.209	(3,528.399)

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 3,528.399 million was observed which was not surrendered in time.

(Rs. in Million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
40,800.000	38,000.000	14,925.386	-23,074.614

Revenue estimates were reduced upto 7% in revised estimate. Actual receipts were 39% of revised estimate.

4.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 10,403.261 million were raised as a result of this audit. This amount also includes recoverable of Rs 201.709 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-production of record	9,812.612
2	Reported cases of fraud, embezzlement and misappropriation	126.789
3	Irregularities	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	76.365
C	Management of Accounts with Commercial Banks	200.906
4	Value for money and service delivery issues	8.107
5	Others	178.482

4.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. The status of discussion on Audit Paras requiring compliance of the PAC directives and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was Nil

S r. No	Audi t Rep ort	Tot al Paras discussed	No. of Paras requiring Complia nce	Complia nce of PAC directives made	Percent age of Compliance
1	1992 -93	55	19	0	-
2	1998 -99	7	4	0	-
3	1999 -2000	21	7	0	-
4	2001 -02	9	9	0	-
5	2004 -05	0	0	0	-
6	2005 -06	0	0	0	-
7	2006 -07	7	7	0	-
8	2007 -08	5	5	0	-
9	2008 -09	10	10	0	-
10	2009 -10	0	0	0	-
11	2010 -11	5	5	0	-
12	2014 -15	0	0	0	-
13	2016 -17	0	0	0	-
Total		119	66	0	0

4.5 AUDIT PARAS

4.5.1 Non-production of auditable record - Rs 9,812.612 million

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provides 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." And "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 Board of Revenue, Government of Sindh for the financial years 2016-17 to 2022-23, it was observed that the mentioned offices did not produce auditable record worth Rs 9,812.612 million for scrutiny. The details are given at Annex-1 of Chapter-4.

Audit is of the view that non-production of record for audit is a serious lapse on the part of management. In this way management does not extend cooperation with audit. This non-cooperative attitude results in waste of precious time and later on workload of audit department is also accumulated.

The matter was reported to the management during January to December 2023, but no reply was received.

Audit recommends that complete record of the expenditure be produced to audit in addition to initiation of disciplinary action against the persons responsible.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23, vide para number 4.5.1, 3.5.1 and 4.5.1, respectively having financial impact of Rs386.885 million. Recurrence of same irregularity is a matter of serious concern.

4.5.2 Loss due to missing of the instruments – Rs 121.616 million

As per the rules for sale of stamps used in payment of duty under the stamp Act 1899Rule#12(1) Every ex-officio or licensed vendor shall with his own hand, write, on the face of every stamp embarrassed or engraved on stamped paper which, he sells, just below the stamp impression, a serial number, the date of sale, the name and address of the purchaser, (i.e., of the

persons for whom the stamp is bought) the value of the stamp in full in words and his own ordinary signature; at the same time, he shall make corresponding entries in register to be kept by him in the form in schedule D.

During audit of Deputy Chief Inspector of Stamps Karachi for the financial year 2021-22, it was observed that management of the office doubtfully misappropriated the instruments, because the details/stock position, the instruments, balance position of the stock and reconciliation of the sale account of the instrument amounting Rs 121.616 million were not available in record.

Audit is of the view that due to missing of instruments in record, audit could not authenticate the proceedings.

The matter was reported to the management in January 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends inquiry of the matter under intimation to audit, besides fixing of responsibility on person(s) at fault.

(AIR#5)

4.5.3 Fraudulent withdrawal of funds on defective bills – Rs 5.173 million

As per Appendix 18-A of Sindh Financial Rules, 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 following offices of Board of Revenue, Government of Sindh for the financial year 2022-23, it was observed that an amount of Rs 5.173 million was drawn from various head of accounts. The different vendors have same signature on the invoices and have same logo/design, headings, font & style which indicates doubtful payments. The same amount was drawn on continuous basis. The previous year's claims were entertained by tempering the dates. Moreover, the vendors bills were computer generated instead of on proper printed letter heads and without sales tax invoices. The details are given as under;

(Rs. in Million)

Sr. #	Name of entity	Financial Year	AIR Para #	Amount
1	Assistant Commissioners, District Thatta	2022-23	42	2.532
2	Assistant Commissioners, District Sanghar	2022-23	27	2.351
			28	0.075
3	Assistant Commissioners, District Dadu	2022-23	06	0.137
4	Assistant Commissioners, District South Karachi	2022-23	28	0.078
Total				5.173

Audit is of the view that non-observance of financial propriety while incurring expenditure reflects poor vigilance on financial transactions and weak internal controls.

The above facts indicate that no items were actually purchased / delivered and whole payments have been drawn by DDO fraudulently on the fake bills.

The matter was reported to the management during August to November 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

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

4.5.4 Irregular expenditure without invitation of open tenders – Rs 46.566 million

Rule 17(1) & (2) of Sindh Public Procurement Rules, 2010 as amended in March 2019 states that procurement over three hundred thousand 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. And Rule 12(1) of SPPR 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 following offices of Board of Revenue, Government of Sindh for the financial years 2016-17 to 2022-23, it was observed that an expenditure of Rs 46.566 million was incurred without calling open tender / through splitting of the expenditure in piece meals to avoid open tenders in violation of above-mentioned rule.

(Rs. in Million)

Sr. #	Name of office	Financial Year	AIR Para #	Particulars	Amount
1	Director, Settlements Survey & Land Records Sindh, Hyderabad	2021-22	02	Purchase of survey stone and other stores	17.206
			05	Purchase of survey stone	7.673
2	Assistant Commissioners, District West, Karachi	2022-23	31	Purchase of various items from "Others"	13.662
			32	Purchase of various items from "Others"	0.719
3	Director, E&I, Hyderabad	2019-20 to 2021-22	04	Purchase of machinery, hardware & stationery	6.144
4	Secretary Larmis, Board of Revenue, Karachi	2022-23	22	Purchase of uniforms	0.862
5	Member (RS&EP), Hyderabad	2016-17 to 2021-22	04	Purchase of furniture	0.300
Total					46.566

Audit is of the view that there was failure of the management to follow SPPRA rules which deprived the Government of competitive rates. This indicates prevalence of weak financial & administrative controls.

Due to non-invitation of open tenders, government was deprived-off most economical rates and compromised transparency in execution of these works.

The matter was reported to the management during January to November 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends compliance with prescribed rules & inquiry into the matter, besides fixing of responsibility on the person(s) at fault for the negligence.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21 and 2022-23, vide para number 4.5.2 and 4.5.9 respectively having financial impact of Rs192.217 million. Recurrence of same irregularity is a matter of serious concern.

4.5.5 Non/less recovery of various taxes & duties at applicable rates – Rs 29.799 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. 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.

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.

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%.

During audit of various offices of Board of Revenue, Government of Sindh for the financial years 2018-19 to 2022-23, it was observed that an amount of Rs 29.799 million was not deducted at applicable rates on account of various taxes and duties while making payments to the vendors. The details are given at Annex-2 of Chapter-4.

Audit is of the view that non/less recovery of government taxes and duties was due to non-sensitization about importance of government's tax regime and poor financial management.

Due to non-recovery of government's applicable taxes and duties, government sustained financial loss.

The matter was reported to the management during January to November 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends prompt recovery of amount in question, besides fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23, vide para number 4.5.3, 3.5.5 and 4.5.18, respectively having financial impact of Rs26.226 million. Recurrence of same irregularity is a matter of serious concern.

4.5.6 Irregular payments through DDO account – Rs 158.486 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 drawl and disbursement of cash."

During audit of following offices of Board of Revenue, Government of Sindh for the financial years 2016-17 to 2022-23, it was observed that an expenditure of Rs 158.486 million was incurred through DDO account instead of direct payment to relevant payee. Furthermore, details of transactions with supporting documents and details of receipt/credit transactions were not provided.

(Rs. in Million)

Sr. #	Name of entity	Financial Year	AIR Para #	Amount
1	Assistant Commissioners, District Thatta	2022- 23	61	77.940
			41	6.00
2	Assistant Commissioners, District South Karachi	2022- 23	22	72.016
3	Assistant Commissioners, District Mirpurkhas	2022- 23	31	1.400

4	Member RS&EP, Hyderabad	2016- 17 to 2021- 22	06	0.907
5	District Registrar, Karachi	2021- 22	10	0.166
6	Stamps Assistant Secretary HQ, Hyderabad	2016- 17 to 2021- 22	09	0.057
Total				158.486

Audit is of the view that making payment through DDO account is a violation of rules and regulations that should be avoided at any cost because this practice results in misappropriation of funds and misuse of authority.

The matter was reported to the management during January to November 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends for provision of justification, acknowledgements along with detail of deduction of due government taxes.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2021-22, vide para number 3.5.3 having financial impact of Rs 7.030 million. Recurrence of same irregularity is a matter of serious concern.

4.5.7 Un-authorized cash withdrawal from DDO account – Rs 27.054 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 drawl and disbursement of cash.”

During audit of following offices of Board of Revenue, Government of Sindh for the financial years 2016-17 to 2022-23, it was observed that cash amounting to Rs 27.054 million was drawn from DDO bank account instead of payments through cross cheques to concerned payees.

(Rs. in Million)

Sr. #	Name of entity	Financial Year	AIR Para #	Amount
1	Assistant Commissioners, District East Karachi	2022-23	27	23.826
2	Assistant Commissioners, District South Karachi	2022-23	21	2.799
3	Member (RS&EP), BoR Hyderabad	2016-17 to 2021-22	05	0.429
Total				27.054

Audit is of the view that management failed to make transparent disbursement of Govt. funds, moreover, payment via cash is a serious violation, and hence, this reflects maladministration on part of the management.

The matter was reported to the management during April to November 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends stoppage of such practice immediately, an inquiry into the matter and fixing of responsibility on the person(s) at fault.

4.5.8 Unauthorized retention of government funds in DDO account – Rs 15.366 million

According to Rule 290 of 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 audit of following offices of Board of Revenue, Government of Sindh for the financial years 2019-20 to 2022-23, it was observed that an amount of Rs 15.366 million was shown as balance in DDO account as on June 30, 2023. The same was neither disbursed to actual payees nor surrendered as savings.

(Rs. in Million)

Sr. #	Name of entity	Financial Year	AIR Para #	Amount
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1	Assistant Commissioners, District South Karachi	23	2022-	23	7.797
2	Assistant Commissioners, District East Karachi	23	2022-	26	5.638
3	Assistant Commissioners, District Thatta	23	2022-	62	1.820
4	Regional Directorate, E & I, Hyderabad	20 to 22	2019- 2021-	09	0.111
Total					15.366

Audit is of the view that management cannot retain funds in DDO account beyond the close of financial year. Nonetheless, the management did not deposit the same into public exchequer which indicates weak financial & administrative control.

The matter was reported to the management during February to December 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends stoppage of such practice immediately, an inquiry into the matter and fixing of responsibility on the person(s) at fault.

4.5.9 Non-realization of Advance tax - Rs 8.107 million

According to Section 236W inserted through the Income Tax (Amendment) Act 2016 vide letter No.C.No4(99)IT-Budget/2016 Islamabad, the 7th December, 2016, mandates that every person responsible for registering or attesting transfer of any immovable property, shall, at the time of registering or attesting the transfer collect from the purchaser or transferee an advance tax at the rate of 3 percent of the amount representing the differential between the value of immovable property notified by the FBR and the value recorded by the authority registering or attesting the transfer, provided that the value of immovable property notified by the FBR is greater than the value recorded by the authority registering or attesting the transfer.

During audit of District Registrar, Shaheed Benazirabad for the financial year 2021-22, it was observed that various urban immovable Properties were registered by Sub-Registrars, but the challans of Advance Tax (236W) were not available on the record. This resulted into non-realization of Advance Tax (236W) Rs.8.107 million.

(Amount in Rupees)

S#	Recipient	Period	Amount
01	Sub-registrar Nawabshah	June-2022	5,692,475
02	Sub-registrar Daur	June-2022	1,939,380
03	Sub-registrar Shahdadpur	June-2022	476,050
Total			8,107,905

Audit is of the view that due to non-realization of tax, government exchequer sustained loss and indicates improper watch and weak internal controls prevalent in the entity.

The matter was reported to the management in May 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends strict compliance of rules, recovery of amount in question besides fixing responsibility on the person (s) at fault.

4.5.10 Non/less recovery of outstanding government dues – Rs 163.803 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 Board of Revenue, Government of Sindh for the financial years 2018-19 to 2022-23, it was observed that an amount of Rs 163.803 million was outstanding on account of various receipts and over payments. The management did not make any serious efforts to recover the same, resulting in loss of revenue to the government. The details are given at Annex-3 of Chapter-4.

Audit is of the view that non-recovery of outstanding government dues was due to lack of interest towards performance of duties and weak administrative practices.

Non-recovery of outstanding dues resulted in financial loss to the government exchequer.

The matter was reported to the management during February to November 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends expeditious recovery of outstanding government dues, besides fixing of responsibility on the person(s) at fault.

4.5.11 Less-realization of revenue as per issued security papers – Rs 14.679 million

According to Rule 28 of General Financial Rules (GFR), “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 Secretary cum Director, Land Administration and Revenue Management Information System (LARMIS), Board of Revenue Sindh, Karachi for the financial year 2022-23, it was observed that 83,000 green papers were purchased and issued to PSCs and PRC, Hyderabad. The revenue of Rs 14.679 million was short realized in comparison to number of issued security papers. The management realized only Rs 10.221 million revenue instead of realization of Rs 24.900 million (88,000 papers issued x Rs300 per paper). In addition to that the revenue from available (opening) balances of security papers held at PSCs was not available on record neither produced to audit. Moreover, the physical verification of the stock was not conducted to ascertain the unutilized, damaged, and cancelled security papers.

Audit is of view that due to non-realization of revenue, government sustained financial loss. It is further noted that management is not fully sensitized about importance of realization of due government revenue.

The matter was reported to the management in November 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit requires provision of justification, recovery of differential amount besides fixing of responsibility against the persons at fault.

(AIR#04)

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23, vide para number 4.5.13, having financial impact of Rs26.328 million. Recurrence of same irregularity is a matter of serious concern.

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).

(Rs. in Million)

Sr.#	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	2	2	2,199.067	-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

5.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rs. in Million)

Original Budget/ Grant	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variation Excess/ (Savings)
21,180.98 3	2,463.61 7	314.23 3	(314.23 3)	(1,804.31 2)	21,840.28 8	21,627.090	(213.198)

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 213.198 million was observed which was not surrendered in time.

5.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 1.132 million were raised as a result of this audit. This amount also includes recoverable of Rs 1.132 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement, and misappropriation	-
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	-
B	<i>Procurement related irregularities</i>	-
C	<i>Management of Accounts with Commercial Banks</i>	-
4	Value for money and service delivery issues	-
5	Others	1.132

5.4 Comments on the Status of Compliance with PAC Directives

This department was not included in the audit reports (1992-93 to 2010-11) discussed by the PAC. However, the department has been included in Audit Report 2016-17. The Report has not yet been discussed in PAC.

5.5 AUDIT PARAS

5.5.1 Non deduction of Sindh sales tax on services - Rs 1.132 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." And as per Second Schedule of The SST on Services Act, 2011, the rate of tax is 13% on services provided or rendered by persons engaged in contractual execution of work or furnishing supplies.

During audit of office of the Secretary to Chief Minister, CM House, Karachi for the financial year 2022-23, it was observed that an amount of Rs 8.710 million was paid to vendors for dietary items, but Sindh Sales Tax of Rs 1.132 million was not deducted as per applicable scheduled rates.

Audit is of view that due to non-deduction of government taxes, government sustained financial loss. Non-deduction and deposit of income tax occurred due to weak internal control and negligence of the management.

The matter was reported to the management during August, 2023. The DAC meeting was held on 1st January, 2024. The management replied that the deduction of taxes is the responsibility of office of the Accountant General Sindh. Furthermore, the office of the Accountant General Sindh has deducted the General Sales Tax instead of Sindh Sales Tax. To remove the ambiguity in future the letter/ instructions have been issued to the office of the Accountant General Sindh to deduct Sindh Sales Tax on Catering Services. The DAC further directed that tax recovery is necessary and the bill(s) should determine the appropriate tax. The management produced letter dated 29.12.2023 submitted to AG Sindh in order to remove the ambiguity in future. However, the management's reply is not tenable as it is the first responsibility of concerned DDO to mention proper classified code / applicable rates of taxes in the contingent bills before submission beside this it is the domain of concerned District Accounts Officer to make it possible to deduct any kind of tax imposed by the provincial/federal Government.

Audit recommends that expeditious recovery of tax be made besides taking other remedial measures.

Chapter - 6
Culture, Tourism & Antiquities Department

6.1 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.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	9	5	6,423.004	0.384
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

6.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rs. in Million)

Original Budget/ Grant	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variation Excess/ (Savings)
7,784.587	1,567.681	3,798.017	(3,798.017)	(448.652)	8,903.617	8,039.088	(864.529)

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 864.529 million was observed which was not surrendered in time.

(Rs. in Million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
50.000	52.000	153.191	101.191

Revenue estimates were increased up to 4% in revised estimate. Actual receipts were 295% of revised estimate.

6.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 797.402 million were raised as a result of this audit. This amount also includes recoverable of Rs 35.648 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-production of record	372.243
2	Reported cases of fraud, embezzlement, and misappropriation	-
3	Irregularities	

A	<i>HR/Employees related irregularities</i>	4.177
B	<i>Procurement related irregularities</i>	99.598
C	<i>Management of Accounts with Commercial Banks</i>	-
4	Value for money and service delivery issues	167.969
5	Others	153.415

6.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. The status of discussion on 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 21.53%.

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	-

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
8	2007-08	15	0	0	0	-
9	2008-09	7	7	0	7	-
10	2009-10	0	0	0	0	-
11	2010-11	0	0	0	0	
12	2014-15	17	14	06	08	-
13	2016-17	18	10	03	07	30
14	2017-18	13	13	5	8	38.4
Total		114	65	14	51	21.53

6.5 AUDIT PARAS

6.5.1 Non-production of auditable record – Rs 372.243 million

According to Section 14 (2) and (3) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provides 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.” And “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 office of the Culture, Tourism, Antiquities & Archives Department, Government of Sindh, for the financial year 2022-23, it was observed that the payment of Rs 372.243 million was made but the following auditable record was not produced to audit for scrutiny.

(Rs. in Million)

Sr. #	Name of Office	Financial year	AIR Para #	Particulars	Amount
1	Secretary Culture, Tourism, Antiquities & Archives	2022-23	01	Grant in-aid and endowment fund	170.00
2	Directorate of Culture, Karachi	2022-23	21	Conference/workshop/ symposia	2.243
		2022-23	11	Investment of endowment funds	200.00
Total					372.243

Audit is of the view that non-production of record is a serious lapse on the part of management owing to non-availability of record, the audit team may not authenticate the genuineness of expenditure.

The matter was reported to the management during August to November 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends that complete record of the expenditure be produced to audit in addition to initiation of disciplinary action against the persons responsible.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2022-23, 2021-22 and 2020-21 vide para number 6.5.1, 4.5.1 and 6.5.1 respectively having financial impact of Rs 387.928 million. Recurrence of the same irregularity is a matter of serious concern.

6.5.2 Irregular placement/investment of funds – Rs 167.969 million

According to para 3(b) of notification No.F.4(1)/2002-BR.II Islamabad, the 2nd July, 2003 issued by Government of Pakistan Finance Division (Budget Wing), “The process of selection of bank/(s) should be transparent. Therefore, prior to placing deposits with a bank under this new policy, and in case the total working balances exceed Rs.10 million, the selection of the bank/(s) as well as the terms of 2 deposits will be approved by the concerned Board of Directors/Governing Body on the basis of competitive bids from at least three independent banks”

During audit of Sindhi Language Authority, Hyderabad, Culture, Tourism, Antiquities & Archives Department, Government of Sindh, for the financial year 2021-22, it was observed that Authority invested funds amounting to Rs 154.745 million in different banks. The investment procedure of the Government was not followed in letter & spirit, investment of funds was made on KIBOR instead of investing above the KIBOR as the banks lend money at KIBOR plus rates, offer rates of participant banks on their letter heads were not available for the said investment as to determine highest bidder bank & the investment policy was also not framed.

Furthermore, Government sustained loss of Rs 13.224 million due to non-investment of funds of Rs 110.016 million @ 13.05% being paid by National Bank on other investments. Moreover, 02 current accounts with huge balances were being maintained in private Banks since long, which also resulted into loss on account of interest income.

Audit is of the view that due to non-observance of the procedure, the investments made by the Authority could not be authenticated.

The matter was reported to the management in February 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

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

(AIR#12 &17)

6.5.3 Non-submission of detailed bills and retention of funds – Rs 150.000 million

According to Treasury Rule 308, “Except in the case of contingencies requiring countersignature before payment, contingent charges falling under the group may be drawn from the treasury by presentation of abstract bills in Form T. R. 31, subject to the presentation of detailed bills to the controlling officers for countersignature and transmission to the Accountant General in accordance with the procedure hereinafter prescribed”.

According to Treasury Rule 666 (1), “Advances may be made either direct to the parties concerned and, on their receipt, (stamped when necessary), or in lump sums on abstract bills in Form T. R. 31 to Government officers disbursing the advances”.

During audit of Sindhi Language Authority, Hyderabad, Culture, Tourism, Antiquities & Archives Department, Government of Sindh, for the financial year 2021-22, it was observed that entire amount of grant-in-aid amounting to Rs 150.000 million was drawn on abstract bill without pre-audit by Accountant General Sindh (District Accounts Office, Hyderabad). The funds were drawn in Authority’s own bank accounts; however, detailed bills were not presented in District Accounts Office Hyderabad for post audit purpose. Out of which Rs 81.411 million remained unutilized and the same was not surrendered to Finance Department before close of financial year. The details are given as under:

(Amount in Rupees)

Sr . #	Name of bank	Bank A/c No.	Opening Balance	Total receipts during the year	Total payments during the year	Closing balance
1	Sindh Bank Qasimabad (Current)	7543-1000	1,140,932	182,419,549	147,870,549	35,689,932
3	Sindh Bank Citizen Colony (PLS)	00427553610-6100	83,853,345	19,753,798	83,734,706	19,872,438
4	FWBL Qasimabad (PLS)	0017018179560001	4,565,553	21,650,061	3,786,401	22,429,213
5	FWBL Qasimabad (PLS)	0017018106360001	2,907,615	4,105,177	3,592,964	3,419,888
Total						81,411,471

Audit is of the view that due to non-submission of detailed bills and retaining of unutilized funds at the close of financial year was held irregular in audit.

The matter was reported to the management in February 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends that public money may be deposited into government treasury forthwith under intimation to audit.

(AIR#33)

6.5.4 Non/less-deduction of various Taxes – Rs 31.471 million

As per Sindh Sales Tax on services Act 2011, as amended from time to time any person is responsible for making any payment in full or in part on account of services shall deduct tax at the rate of 14% of gross amount.

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 of a furtherance of any taxable activity carried on by him”, further Section 3 (a) ibid “Taxable supplies are made by a person other than a registered person there shall be charged, levied and paid a further tax @ 3% of the value in addition to the rate specified in Section 3(1)”.

During audit of various offices of Culture, Tourism, Antiquities & Archives Department, Government of Sindh, for the financial years 2015-16 to 2022-23, it was observed that the government taxes of Rs 31.471million was non/less deducted on account of General Sales Tax, Sindh Sales Tax, Income Tax & stamp duty from various vendors. Non/less deduction of taxes resulted into loss to government. The details are given at Annex-1 of Chapter-6.

Non / less realization of government dues resulted in loss to the government.

The matter was reported to the management during August to November 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends that all government taxes may be recovered and deposited in government treasury under intimation to audit.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2022-23, 2021-22 and 2020-21 vide para number 6.5.16, 4.5.2 and 6.5.6 respectively having financial impact of Rs 32.950 million. Recurrence of same irregularity is a matter of serious concern.

6.5.5 Unjustified charging of withholding tax by Banks – Rs 2.152 million

According to Section 49 of Income Tax Ordinance, 2001,

- (1) The income of the Federal Government shall be exempt from tax under this Ordinance.
- (2) The income of a Provincial Government or a Local Government in Pakistan shall be exempt from tax under this Ordinance, other than income chargeable under the head “Income from Business” derived by a Provincial Government or [Local Government] from a business carried on outside its jurisdictional area.

During audit of Sindhi Language Authority, Hyderabad, Culture, Tourism, Antiquities & Archives Department, Government of Sindh, for the financial year 2021-22, it was observed that an amount of Rs 330.945 million was invested/lying in balance in different banks, from which an amount of Rs2.152 million was deducted by these banks as withholding tax on profits despite the fact that authority holds Free Tax Number (9030768) and was exempt to pay tax. The details are given as under:

(Amount in Rupees)

Sr. #	Total Investment	Profit	WHT
01	85,000,000.00	697,000.00	104,550.00
		85,942.00	12,891.30
02	57,364,792.00	4,703,912.00	705,586.80
		580,007.00	87,001.05
03	78,114,018.00	6,396,094.15	959,414.12
		142,738.00	21,410.70
Total Investment	220,478,810.00	12,605,693.15	1,890,853.97
Balances in 10 Bank Accounts	110,016,511.59	1,132,836.92	261,524.00
Total (Investment + Bank Bal.)	330,495,321.59	13,738,530.07	2,152,377.97

Audit is of the view that due to deduction of withholding tax, the Government sustained loss and it indicated prevalence of weak financial discipline.

The matter was reported to the management in February 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends recovery of amount in question under intimation of audit.

(AIR#19)

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23, vide para number 6.5.7 having financial impact of Rs 0.946 million. Recurrence of the same irregularity is a matter of serious concern.

6.5.6 Non-recovery of excess payment – Rs 4.177 million

According to Basic Pay Scales revised in 2015 by Finance Department, Government of Sindh, Karachi vide Office Memorandum No. FD(SR-I)I(32)/2011-2015 dated 24-07-2015, Sindh Government has notified following rates of Medical Allowance for Civil employees of Sindh Government:

(Amount in Rupees)

BPS	Initial B-pay of Pay scale 2008	Pay Scale Chart 2008	25% of 2015	Medical Allowance allowable
1 to 16				1,500
17	9,850	1,478	369	1,847
18	12,910	1,937	484	2,421
19	19,680	2,952	738	3,690
20	23,345	3,502	875	4,377
21	25,880	3,882	971	4,853
22	27,680	4,152	1,038	5,190

During audit of Sindhi Language Authority, Hyderabad, Culture, Tourism, Antiquities & Archives Department Government of Sindh, for the financial year 2021-22, it was observed that excess payment of medical allowance amounting to Rs 4.177 million was made to various employees. The Sindhi Language Authority had adopted basic pay scale scheme of government according to which medical allowance amounting to Rs 1,500 per month is admissible to the employees in BPS-1 to 17 whereas 15% of basic Pay Scale-2008 with 25% increase allowed in 2015 is admissible to officers in BPS-17 and above. However, the authority was paying the medical

allowance to its employees in excess of government prescribed rates in violation to rules. The details are given as under:

(Amount in Rupees)

Sr.#	Category	Recoverable
1	Employees in BPS-17 & above	1,329,903
2	Employees in BPS-1 to 16	2,846,925
Total		4,176,828

Audit is of the view that excess payment of medical allowance was burden on the resources of Authority, which needs to be stopped immediately along with recovery of excess payment made so far.

The matter was reported to the management in February 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends stoppage of payment of excess medical allowance & recovery besides fixing of responsibility against the persons at fault.

(AIR#23)

6.5.7 Mis-procurement due to non-observance of SPPRA rules - Rs 68.127 million

As per instructions to procuring agencies -G. Conditions of Contract, the procuring agency while preparing Contract Data, shall ensure that no Clause of Conditions of Contract is deleted and that the changes included in Contract Data shall be such as not to change the spirit of the document. Any adjustment or change in clauses of Conditions of Contract to meet specific project features shall be made with care and incorporated in Contract Data.

During audit of following offices of Culture, Tourism, Antiquities & Archives Department, Government of Sindh, for the financial years 2015-16 to 2022-23, it was observed that an expenditure of Rs 6.227 million was incurred without invitation of tender. Moreover, the tender amounting to Rs 61.900 million was invited by Director Archives Sindh for purchase of furniture and machinery without execution of contract agreement, stamp duty, bidding documents & comparative statement.

(Rs. in Million)

Sr.#	Name of Office	Financial year	AIR Para #	Particulars	Amount
1	Director, Archives, Sindh	2022-23	01	Irregularity in tendering process of Printing & Publication & Others	61.900
2	Director, Shamsul Ulema Daudpota Library Hyderabad	2015-16 to 2022-23	07	Expenditure without inviting open tender	6.227
Total					68.127

Audit is of the view that procurement was made in violation of SPPRA rule.

Payment without observance of rules was serious violation.

The matter was reported to the management during August to November 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends provision of justification besides fixing of responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23, vide para number 6.5.6 having financial impact of Rs 11.000 million. Recurrence of the same irregularity is a matter of serious concern.

6.5.8 Irregular expenditure though DDO Account – Rs 1.263 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 Director, Shamsul Ulema Daudpota Library, Hyderabad, Culture, Tourism, Antiquities & Archives Department Government of Sindh, for the financial years 2015-16 to 2022-23, it was observed that an expenditure of Rs 1.263 million was incurred through DDO account instead of direct payment to the concerned vendor.

Audit is of the view that making payment through DDO account is a violation of rules and regulations that should be avoided at any cost because this practice results in misappropriation of funds, rent seeking and other misuse of authority that Government wants to stop.

The matter was reported to the management in August 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends for provision of justification, acknowledgements along with detail of deduction of due government taxes.

(AIR#03)

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2022-23, 2021-22 and 2020-21 vide para number 6.5.8, 4.5.7 and 6.5.3 respectively having financial impact of Rs 462.235 million. Recurrence of same irregularity is a matter of serious concern.

Chapter - 7

Department of Empowerment of Persons with Disabilities

7.1 Introduction

The Department of Empowerment of Persons with Disabilities (DEPD) is governed by the newly promulgated ‘Sindh Empowerment of Persons with Disabilities Act 2018’. The Act is in-synch with guidelines as envisaged in United Nations Convention on Rights of Persons with Disabilities (UNCRPD). The Department deals with all issues pertaining to the PWDs such as protection of their fundamental rights like education, health, registration, employment, skill development, rehabilitation, mobility & accessibility, transport, culture, and sports etc. Additionally, Sindh Disabled Persons Protection of Rights Authority is under-going its formation which will be responsible for vigilant implementation of provisions of this Act.

Core functions of the department include:

1. Education of handicapped children, especially deaf, dumb, and blind
2. Grant of scholarships

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	6	2	773.555	-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

7.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rs. in Million)

Original Budget/ Grant	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variation Excess/ (Savings)

6, 753.666	0 .001	1, 099.196	(1, 099.196)	(1, 889.671)	4, 863.996	3, 507.365	(1, 356.631)
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The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 1,356.631 million was observed which was not surrendered in time.

7.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 618.302 million were raised as a result of this audit. This amount also includes recoverable of Rs 0.000 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-production of record	351.285
2	Reported cases of fraud, embezzlement, and misappropriation	-
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	-
B	<i>Procurement related irregularities</i>	-
C	<i>Management of Accounts with Commercial Banks</i>	267.017
4	Value for money and service delivery issues	-
5	Others	-

7.4 Comments on the Status of Compliance with PAC Directives

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

7.5 AUDIT PARAS

7.5.1 Non-production of record - Rs 351.285 million

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 audit of Secretary, Empowerment of Persons with Disabilities, Government of Sindh Karachi, for the financial years 2022-23, the auditable record of Rs 351.285 million was not produced to Audit.

(Rs. in Million)

Sr.#	Office	AIR Para #	Financial Year	Particulars	Amount
01	Secretary, Empowerment of persons with disabilities	01	2022-23	Grant in Aid	50.000
		03			256.285
		04			10.000
		06			5.000
		08			30.000
Total					351.285

Non-production of record was violation of rules which rendered the expenditure unaudited.

The matter was reported to the management in the month of August 2023. DAC was held on 10-01-2024 where in management stated that all these funds are available. DAC directed that record may be produced for verification but the same is still awaited.

Audit requires compliance with DAC directives.

Note: The issue was reported earlier also in the Audit Reports for the Audit Year 2022-23 vide para number 10.5.1 having financial impact of Rs 301.840 million. Recurrence of same irregularity is a matter of serious concern.

7.5.2 Unjustified retention of government funds - Rs 267.017 million

According to Revised Procedure for Operation of Assignment Accounts of Government #3. Budgeting and Reconciliation vi. The balance in the existing Lapsable Assignment Accounts, remaining un-spent on June 30, will not be available without its revival through a fresh budgetary ceiling. 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 Director General, Empowerment of Persons with Disabilities, Protection Authority Sindh Karachi, for the financial year 2020-21 to 2022-23, it was observed that there was closing balance of Rs 267.017 million into DDO bank account. The funds were required to be surrendered to government but retained with department without justification. Hence the unauthorized retention was made to avoid lapse of funds.

(Rs. in Million)

Sr.#	Particulars	AIR Para #	Amount
01	Grant	01	160.00
02		05	107.017
Total			267.017

Non-surrendering of unspent balances by departments stands unauthorized & irregular.

The matter was reported to the management in the month of August 2023. DAC was held on 10-01-2024 where in management replied that due to lack of human resource and new establishment of office the funds were not fully utilized but plan to utilize in future as the office will be expended throughout Sindh province. Also, activities as per policy will be carried out accordingly. On the other saved funds are placed in Sindh bank account for operation of future activities as per direction of the Government of Sindh. DAC directed that Ex-post facto permission from the Board of Directors and Finance Department for utilization of available funds may be obtained and provided to audit verification, however the same was not produced.

Audit requires compliance with DAC directives.

(AIR#01)

Note: The issue was reported earlier also in the Audit Reports for the Audit Year 2022-23 vide para number 10.5.8 having financial impact of Rs 66.722 million. Recurrence of same irregularity is a matter of serious concern

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 of the Education Department are;

- (i) Bureau of Curriculum and Extension Sindh
- (ii) Literacy and Non-Formal Education Sindh

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	49	5	12,045.623	-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	2	2	400.290	-

8.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure, and receipt of the department:

(Rs. in Million)

Original Budget/ Grant	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variation Excess/ (Savings)
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28	1	1	(16	(5	23	228,	(
7,584.216	,389.59	61,531.0	0,141.542)	2,105.701	8,257.648	539.883	9,717.76
	4	80)			5)

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 9,717,765 million was observed which was not surrendered in time.

(Rs. in Million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
874.167	328.706	891.263	562.557

Revenue estimates were reduced upto 62% in revised estimate. Actual receipts were 271% of revised estimate.

8.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 39,589.462 million were raised as a result of this audit. This amount also includes recoverable of Rs 503.846 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-production of record	87.752
2	Reported cases of fraud, embezzlement, and misappropriation	17,281.266
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	1.914
B	<i>Procurement related irregularities</i>	1,228.411
C	<i>Management of Accounts with Commercial Banks</i>	965.117
4	Value for money and service delivery issues	-

5	Others	20,025.002
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8.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. The status of discussion on Audit Paras requiring compliance of the PAC directives and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was 27.16%.

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*	11	6	2	4	33.3
5	2004-05*	10	9	3	6	33.3
6	2005-06	3	1	0	1	-
7	2006-07	3	2	0	2	-
8	2007-08	19	12	0	12	-
9	2008-09	8	2	0	2	-
10	2009-10	18	13	0	13	-

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	2010-11	6	6	0	6	-
2	2014-15	24	12	8	4	-
3	2016-17	0	0	0	0	-
Total		63	81	22	59	27.16

8.5 AUDIT PARAS

A- Education & Literacy Department (Colleges)

8.5.1 Non-production of record – Rs 74.883 million

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 audit of the following offices of College Education & Literacy Department, Government of Sindh, for the financial years 2017-18 to 2022-23, various auditable record amounting to Rs 74.883 million was not produced to audit for scrutiny. The details are as under:

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	Principal/Project Director Cadet College Larkano	2021-22	10	Financial & Physical reports, estimates of the schemes, contractor files, PC-I original, Revised/Modified, Drawing design etc	71.011
2	Principal Govt. Girls Degree College, Sujawal	2018-19 to 2021-22	19	Various auditable record	0.587
3	Principal, C&S Government Boys Degree College, Shikarpur	2017-18 to 2021-22	01	Record of head "A05270- To others"	0.285
4	Principal/CEO, Cadet College, Sanghar	2019-20 to 2021-22	01	Various auditable record	0
5	Principal Govt. Girls Degree College, Thatta	2018-19 to 2021-22	18	Various auditable record	0

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para #	Particulars	Amount
6	Secretary College Education Government of Sindh	2022-23	04	1.Details regarding total students enrolled college wise, details of total students appeared in examination.2. Revenue receipts record etc	0
7	Government Degree Ghazali College Latiefabad Hyderabad	2022-23	04	Bills of Financial Assistance	3.00
Total					74.883

Non-production of record was violation of rules which rendered the expenditure unaudited.

The matter was reported to the management during February to April & August to November 2023. The management at Sr. # 4 replied that the complete utilization report and Bank statement is attached. Further, the Chartered Accountant is also appointed to conduct the commercial Audit. The reply is not tenable as the relevant evidence is not attached. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends that complete record of the expenditure be produced to audit in addition to initiation of disciplinary action against the persons responsible.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23, vide para number 7.5.1, 5.5.3 and 7.5.1, respectively having financial impact of Rs 4,073.720 million. Recurrence of same irregularity is a matter of serious concern.

8.5.2 Irregular payment without supporting vouchers / documents – Rs 12.869 million

According to Rule-23 of Sindh Financial Rules, Volume-I, “as a general rule every payment including repayment of money previously logged with Government for whatever purpose must be supported by the voucher setting forth full and clear particular of claim.”

During audit of the following offices of College Education & Literacy Department, Government of Sindh for the year financial years 2014-15 to 2021-22, it was observed that an expenditure of Rs 12.869 million was incurred under various heads of accounts, but the supporting vouchers / documents were not available. The details are given at as under:

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Amount
1	Principal, Government Girls College, Hyderabad	2017-18 to 2021-22	10	3.600
2	Principal Government Boys Degree College Thatta	2018-19 to 2021-22	04	2.403
3	Principal Government Girls College Samaro District Umerkot	2018-19 to 2021-22	02	1.425
4	Principal Government Girls College Badin	2017-18 to 2021-22	06	1.313
5	Principal, Government Boys Degree College, Dadu	2017-18 to 2021-22	06	0.802
6	Principal, C&S Government Boys Degree College, Shikarpur	2017-18 to 2021-22	03	0.762
7	Principal, Government Degree Boys & Girls College, Kashmore @ Kandhkot	2020-21 to 2021-22	03	0.651
8	Principal, Government Girls Degree College, Shikarpur	2017-18 to 2021-22	03	0.650
9	Principal, Government Girls Degree College, Bhan Saeedabad	2014-15 to 2021-22	13	0.615
10	Principal Government Girls Degree College, Kotri	2017-18 to 2021-22	11	0.270
11	Principal, Government Boys Degree College, Kotri	2018-19 to 2021-22	10	0.147

12	Principal, Pir Syed Sibghatullah Shah Shaheed Government Degree College, Sanghar	2017-18 to 2021-22	12	0.120
13	Aisha Government Girls Degree College, Nawabshah	2018-19 to 2021-22	16	0.111
Total				12.869

Audit is of the view that non-production of supporting record / documents for audit is a serious lapse on the part of management. It creates an impression that there is something wrong that management wants to conceal from the audit's eye. Hence, non-production of record was violation of rules which rendered the expenditure unaudited.

The matter was reported to the management during February to May 2023, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends production of auditable record, besides initiating disciplinary proceedings against the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23, vide para number 7.5.39 having financial impact of Rs 21.751 million. Recurrence of same irregularity is a matter of serious concern.

8.5.3 Non-transparency in purchase of furniture – Rs 38.897 million

According to Rules 57 (1) of Sindh Public Procurement 2010, "Except for defect liability or maintenance by supplier, consultant for contractor, as specified in the conditions of contract, performance of the contract shall be deemed close on the issue of overall delivery certificate, certificate of completion of deliverables, or taking over certificate which shall be issued within thirty days of final taking over of goods or receiving the deliverables or completion of works enabling the supplier or contractor to submit a final bill and the procuring agency to carry out any inspection of goods, works or services related thereto, as provided in the contract agreement and auditors to do substantial audit".

During audit of the Regional Director Colleges, Mirpurkhas, for the financial years 2016-17 to 2021-22, it was observed that the management incurred expenditure amounting to Rs 38.897 million for purchase of Furniture & Fixture without delivery at designated locations (delivered at RD office) along with nominations of receivers, college-wise delivery details, execution of joint inspection, stock register, pictorial evidence & requisition/demand of furniture by respected colleges. It was added that the work was awarded for purchase of furniture & fixture amounting to Rs23.836 million to vendors without disclosing experience in the field of furniture or evidence of workplace.

Audit is of the view that payment of such a huge amount without observing proper rules and regulations is serious violation that may cause loss to Government exchequer.

The matter was reported to the management during March 2023, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends investigation of the matter besides taking remedial measures.

(AIR#08)

8.5.4 Irregularities in investment - Rs 946.683 million

As per Rule 9.11 of the Cadet College Petaro CCP Rules & Regulation promulgated vide letter dated 02.11.2022: “Any investment made by the college shall be as under: (a) The Principal after approval of Chairman BoG may invest the surplus fund in authorized Government / Private Banks after considering the rates offered in the financial market by different bank / institutions where maximum profit can be generated for the college. Details with regard to all investments shall be recorded in the investment register and in the prescribed form. (b) The Bursar shall report to the principal the monthly progress of these funds as to their operational results, expected maturity and prospective profitable option available to place the college funds to generate maximum profit.”

During audit of the Principal, Cadet College Petaro, Jamshoro for the financial year 2021-22, it was observed that Rs 946.683 million was invested in different banks without obtaining rates of interest, rate / mode of penalty (in case of premature break of terms & conditions), expected maturity and profit options available to place government funds. Moreover, the approval from the Chairman / BoG was not obtained.

Audit is of the view that ignoring prescribed instructions regarding maximizing profit was detrimental to college financial health and could create hurdles in meeting-out financial obligations.

The matter was reported to the management during October 2022, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit requires the management to work out interest rates offered by various banks on investment besides developing a mechanism to keep watch on the returns which should be reported to the principal on monthly basis by the Bursar besides obtaining approval from the Chairman BoG.

8.5.5 Unauthorized retention of government money – Rs 18.434 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 following offices of College Education & Literacy Department, Government of Sindh for the year financial years 2018-19 to 2021-22, it was observed that an amount of Rs 18.434 million was drawn from government treasury and kept into DDO bank account. The unauthorized retention was made to avoid lapse of funds.

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para #	Amount
1	Principal, Cadet College Petaro, Jamshoro	2021-22	05	14.303
2	Principal Government Muslim Science Degree College, Hyderabad	2018-19 to 2021-22	05	2.813
3	Principal Government Nazareth Girls College, Hyderabad	2020-21 to 2021-22	03	1.318
Total				18.434

Non-utilization of funds was due to weak financial management and resulted in irregular retention of public money.

The matter was reported to the management during the month of October 2022 to April 2023, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends that public money illegally retained be deposited in the government treasury forthwith and such practice needs to be discontinued.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2021-22 vide para number 5.5.6 having financial impact of Rs 38.284 million. Recurrence of same irregularity is a matter of serious concern.

8.5.6 Less/ non-recovery of government taxes & dues – Rs 12.835 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, Section 153 & 233 of Income Tax Ordinance 2001, as amended 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 contact with government or local authorities, etc., shall deduct advance tax at the time of making payments at the rate of 4.5% for filers & 6.5% for non-filers on supply/purchases and at the rate of 10% for filers & 15% for non-filers on services rendered of gross amount”.

During audit of the various offices of College Education & Literacy Department, Government of Sindh for the financial years 2014-15 to 2021-22, it was observed that an amount of Rs 12.835 million on account of various taxes & outstanding dues were less/ not deducted / recovered at applicable rates. The details are given at **Annex-1** of Chapter-8.

Non-realization of governmental taxes caused a revenue loss to the Government.

The matter was reported to the management during February to May 2023. The management at Sr. # 20 replied that the procurement was made by Sindh textbook board Jamshoro & the same was passed by District Account Office. The management at Sr. # 03 for AIR # 7 stated that the scheme pertained to the year 2009, therefore SST is not applicable and the management of AIR # 11 and 17, stated that 3% SST is applicable for consultancies. The replies are not tenable as modified / revised PC-I with technical estimates and comparative statement was not attached for verification / actualization. In addition, verification from SRB regarding nature of consultancy was not got verified. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends recovery may be affected besides fixing responsibility on the person(s) at fault. In addition, to enhance knowledge and skill on taxation, special training courses may be arranged for the management in consultation with FBR and SRB.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21 and 2022-23 vide para number 7.5.9 and 7.5.48 and 7.5.50 respectively having financial impact of Rs 45.206 million. Recurrence of same irregularity is a matter of serious concern.

8.5.7 Irregular payments of Scholarship - Rs 2,069.733 million

According to Rule-23 of Sindh Financial Rules, Volume-1, “As a general rule every payment including repayment of money previously logged with Government for whatever purpose must be supported by the voucher setting forth full and clear particulars of claim”.

During audit of the Secretary College Education Karachi, College Education Department Government of Sindh for the financial year 2022-23, it was observed that an expenditure amounting to Rs 2,069.733 million was incurred on account of Scholarship to students of below universities / institutes without following rules and criteria.

(Rs in Million)

Name of Offices	AIR Para #	Particulars	Amount
	30	Scholarship was granted to students at the Universities who were not	12.329

Secretary College Education Government of Sindh		included in Sindh Educational Endowment Fund (SEEF) Panel / approved list of institutes	
	31	Paid excess amount of Rs 1.206 million on account of scholarship to Institute of Business Management, Karachi against their actual demands	1.206
	32	Scholarships was disbursed to various universities / institutes, but some universities / institutes failed to disburse the funds	14.737
	33	Scholarships granted without verification of domiciles of the several applicants from concerned authority to fulfill the eligibility criteria.	5.655
	34	Payments were made without supporting documents	96.765
	35	Scholarship was made to students enrolled under Self Finance Scheme.	12.328
	36	Scholarships were granted to the students of elite and high-profile institutes having heavy fees structure.	-
	37	delay in payments of scholarships	69.733
	39	Received funds of Rs 2.00 billion on account of Endowment Fund which were further invested instead of utilization of the same for Scholarship purpose.	2,000.000
Total			2,069.733

Audit is of the view that incurring expenditure in violation of set criteria, financial prudence and rules were irregular.

The matter was reported to the management during June 2023 to November 2023, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends inquiry into the matter under intimation to audit and strict compliance with the prescribed rules.

8.5.8 Non-invitation of open tenders – Rs 6,853.886 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 of College Education & Literacy Department, Government of Sindh, for the Financial Years 2018-19 to 2022-23, it was observed that expenditure of Rs 6,853.886 million was incurred on account of purchase/execution of various items/works without inviting open tenders.

(Rs. in Million)				
Sr.#	Name of office	Financial Year	AIR Para #	Amount
1	Secretary College Education Government of Sindh	2022-23	2,13,25 & 29	6,835.802
2	Principal/Project Director Cadet College Larkano	2021-22	06	5.882
3	Government Degree Ghazali College Latiefabad Hyderabad	2022-23	13	2.862
4	Principal Government Girls Degree College, Larkano	2018-19 to 2021-22	04	2.380
5	Principal, Government Boys Degree College, Larkano	2018-19 to 2021-22	13	2.380
6	Principal Govt Girls Degree College Tando Muhammad Khan	2018-19 to 2021-22	09	2.378
7	Principal, Cadet College Petaro, Jamshoro	2021-22	18	1.297
8	Principal, Government Intermediate College Bhitshah, Matiari	2018-19 to 2021-22	08	0.905
Total				6,853.886

Non-compliance with the SPPRA transpired weak internal control and financial indiscipline. Hence, the whole expenditure stands irregular due to violation of SPPRA rules.

The matter was reported to the management during February 2023 to November 2023, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends that the same expenditure be incurred through open competition and the expenditure be got regularized from the Finance Department.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21 and 2021-22, vide para number 7.5.2 and 5.5.2, respectively having financial impact of Rs 99.236 million. Recurrence of same irregularity is a matter of serious concern.

8.5.9 Irregular cash payment from DDO account - Rs 9.317 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 following offices of College Education & Literacy Department, Government of Sindh, for the financial years 2017-18 to 2022-23, it was noticed that an amount of Rs 9.317 million was drawn through DDO account and paid in cash instead of vendor account. Detail is given as under:

(Rs. in Million)				
Sr.#	Name of Office	Financial Year	AIR Para #	Amount
1	Principal / Project Director, Cadet College, Karampur	2021-22	04	6.251
2	Principal, Government Boys Degree College, Dadu	2017-18 to 2021-22	07	0.749
3	Government Degree Ghazali College Latiefabad Hyderabad	2022-23	6	0.632
4	Principal, Government College for Women, Khairpur	2014-15 to 2021-22	06	0.613

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para #	Amount
1	Principal / Project Director, Cadet College, Karampur	2021-22	04	6.251
2	Principal, Government Boys Degree College, Dadu	2017-18 to 2021-22	07	0.749
5	Principal, Pir Syed Sibghatullah Shah Shaheed Government Degree College, Sanghar	2017-18 to 2021-22	07	0.386
6	Principal, Government Degree Boys & Girls College, Kashmore @ Kandhkot	2020-21 to 2021-22	01	0.334
7	Principal, Government Intermediate College Bhitshah, Matiari	2018-19 to 2021-22	06	0.268
8	Government Degree Girls College Gulshan e Jauhar Block-12 Karachi	2022-23	4	0.084
Total				9.317

Audit is of the view that lack of effective internal controls and proper administrative measures led to this irregularity. Hence, cash payment to the vendors was irregular.

The matter was reported to the management during February to November 2023, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends for provision of justification, acknowledgements along with detail of deduction of due government taxes.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2021-22 vide para number 5.5.8 having financial impact of Rs 18.669 million. Recurrence of same irregularity is a matter of serious concern.

8.5.10 Unjustified expenditure incurred during vacation – Rs 9.183 million

Appendix 18-A of Sindh Financial Rules, 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 officer 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 Principal, Cadet College Petaro, Jamshoro for the financial year 2021-22, it was observed that expenditure of Rs 9.183 million was incurred on account of supply of milk, fruits and washing services during the vacation period starting from 5th July 2021 to 2nd August 2021. During the vacation period the College remains closed for cadets and staff, hence, the expenditure during vacation period stands unjustified.

Audit is of the view that expenditure incurred during vacation when the students and staff remain out of campus is unjustified.

The matter was reported to the management during October 2022, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit requires the management to clarify incurrence of expenditure during vacation with documentary evidence.

(AIR#11)

8.5.11 Irregular payments to employees instead of actual vendors – Rs 4.414 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 drawl and disbursement of cash."

During audit of the following offices of College Education & Literacy Department, Government of Sindh, for the financial years 2017-18 to 2021-22, it was observed that an amount of Rs 4.414 million was paid to the employees of the college for procurements of various items instead of making direct payments to concerned vendors. Furthermore, payment to actual suppliers by staff could not be verified as payment acknowledgement receipts of concerned vendors were also not available with the record.

(Rs. in Million)

Sr.#	Name of Office	Financial year	AIR Para #	Amount
1	Principal/Project Director Cadet College, Larkano for the financial year 2021-22	2021-22	16	2.840
2	Principal, Cadet College. Karampur	2021-22	07	1.574
Total				4.414

Audit is of the view that making payment through employees is a violation of rules and regulations that should be avoided at any cost because this practice results in misappropriation of funds.

The matter was reported to the management during February to March 2023, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends stoppage of such payments with immediate effect and responsibility may be fixed on the person(s) at fault for previous violations. A policy of zero tolerance should be ensured to stop such violations in future.

8.5.12 Irregular drawing of funds in favour of DDO instead of actual vendors – Rs 1.474 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 DDO 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 drawl and disbursement of cash.”

During audit of the following offices of College Education & Literacy Department, Government of Sindh, for the financial years 2017-18 to 2021-22, it was observed that an amount of Rs 1.474 million was made through DDO account instead of direct payment to concerned payees/ vendors. Thus, the authentication of expenditure could not be checked.

(Rs. in Million)

Sr.#	Name of Office	Financial year	AIR Para #	Amount
1	Principal Government Girls Degree College, Kotri	2017-18 to 2021-22	08	0.685
2	Principal Government Degree College Sujawal	2017-18 to 2021-22	11	0.529
3	Principal, Pir Syed Sibghatullah Shah Shaheed Government Degree College, Sanghar	2017-18 to 2021-22	08	0.260
Total				1.474

Audit is of the view that by making payment through DDO account is a violation of rules and regulations that should be avoided at any cost because this practice results in misappropriation of funds, rent seeking and other misuse of authority that Government wants to stop.

The matter was reported to the management during April 2023 & May 2023, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends for provision of justification, acknowledgements along with detail of deduction of due government taxes.

8.5.13 Loss to Government due to providing free of cost Electricity and Gas to employees - Rs 1.260 million

As per Section(I) of Appendix 18-A of SFR Vol-I, 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 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 Principal, Government Girls College Hyderabad for the financial years 2017-18 to 2021-22, it was observed that three (03) nos. of family quarters in the GGCH premises were allotted to the officers / officials which are consuming electricity and Gas from institute main meter without paying singly penny. Thus, government sustained average loss of Rs252,000/- per year & accumulated amount of Rs 1,260,000 i.e.,2017-18 to 2021-22 is as follows.

(Rs. in Million)

Particular	Electricity charges	Gas charges	Total Recovery
03 nos. of quarters	Per month electricity charges (assume) Rs.5000/- x 03 quarters x 60 months (audit review period only) Total Rs.900,000/ per. month	Per month Gas charges (assume) Rs.2000/- x 03 quarters x 60 months Total Rs.360,000/-	1.260
Total			1.260

Audit is of the view that management of GGCH extended undue financial favor to its employees due to non-separating / installation of individual meters. This sort of preferential treatment may cause heartburn among other staff.

The matter was reported to the management during February 2023, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends that separate Gas and Electricity meters should be installed in each government accommodation besides fixing responsibility on the person(s) at fault under audit.
(AIR#13)

B- Education & Literacy Department (Schools)

8.5.14 Irregular payments to individuals instead of direct payment to school’s bank accounts - Rs 8,532.046 million.

As per Rule#06 (v) of SEF Finance Audit and Accounts Rule 2017, “the foundation fund account shall be the operating account of the foundation and no expenditure shall be made from the account unless specified in the schedule of expenditure authorized under the signature of Managing Director with the approval of Board of Governor”. Further Rule#10(i) states that “the same vigilance shall be exercised in respect of expenditure as a person of ordinary prudence shall exercise in respect of his or her own money, (ii) the expenditure shall not be more than what the occasion demands (iii) No person shall exercise the powers of sanctioning expenditure to pass an order which supports directly or indirectly to be the advantage of such person”.

During the audit of the office of the Managing Director of the Sindh Education Foundation in Karachi for the financial year 2021-22, it was observed that the foundation’s management paid Rs 8,532.046 million to individuals instead of the relevant school accounts. Some payments were made without having valid school registration, valid CNIC, and NTN, or even school registration ranging from primary to elementary, secondary, and higher secondary levels. The subsidy payments for the schools were even made without verifying the enrollment and attendance of students studying in 27,000 schools in the province, along with site verification and other data validation. The details are given as under:

(Rs. in Million)

Name of Office	Particulars	Financial Year	AIR Para #	Amount
Sindh Education Foundation	Subsidy payments of different schools were made in one payee’s account instead of relevant School Bank Account	2021-22	03	346.306
	Payments were transferred to the bank accounts of organizations that did not have valid registration of schools.		06	809.062
	Payments were made to those partners who has invalid CNIC and NTN or even school registration in		16	25.804

(Rs. in Million)

Name of Office	Particulars	Financial Year	AIR Para #	Amount
	primary to elementary, secondary and higher secondary.			
	Subsidy payments for the schools were made without verifying the enrolment and attendance of students in more than 27,000 schools in the province along with the site verification and other data validation.		18	7,339.00
	Irregular payment of subsidies to (12) schools whose partnership with the foundation was cancelled.		53	11.874
Total				8,532.046

Audit is of the view that the foundation's management has breached the principles of economy and efficiency in its operations. The legitimacy of the subsidy payments to the partner school is questionable and requires justification.

The matter was reported to the management during April 2023 to May 2023, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Since there is high probability of misappropriation in the disbursement of the funds, therefore; audit strongly recommend that the matter must be investigated. Besides, the audit suggests taking corrective measures to prevent misuse of public money and to ensure transparency and accountability in the subsidy payments.

8.5.15 Doubtful subsidy payments to single school operator in multiple levels –Rs 5,267.230 million.

As per Sind Education Foundation Notification No. SEF/PSDU/075/2022 dated 16th June 2022 Para#07(iii)(b) “In case of non-disclosure of a government job by the partner, the foundation

would reserve the right to impose penalty (financial and /or legal) in the following manner (any or all) (i) by terminating contract and or (ii) by imposing deduction/adjusting (in Part or whole) of subsidy of the non-disclosure period, (from date of joining of the government job to date of decision by the foundation in particular case (iii) by way of claiming damage and or (iv) Blocklisting the partner for future partnership.

During the audit of office of the Managing Director Sindh Education Foundation Karachi for the financial year 2021-22, it was observed that the foundation's management expensed Rs 5,267.230 million for subsidy payments to a single operator across multiple levels and schools. Most of these payments were made on invalid registrations and incorrect information provided by the school operators. The details are given as under:

(Rs. in Million)

Name of Office	Particulars of payments	Financial Year	AIR Para#	Amount
Sindh Education Foundation	The foundation paid Rs 4,126.353 million on account of subsidy and other amounts to individual accounts instead of the relevant school accounts.	2021-22	37,39& 47	4,126.353
	The foundation had made duplicate payments into single accounts with incorrect/made-up operator names and identities of the school operator		38& 44	1,106.655
	Multiple payments were made to the bank accounts of organizations that did not have valid registration numbers, and the management of the		48	34.060

	foundation was provided misleading information with invalid CNICs or NTN.			
	M/s. Public School Hyderabad was paid for site verification and data collection activity for the establishment of new FAS schools without any provision		52	0.160
Total				5,267.23

Audit is of the view that irregular payment was made to the school operator. Hence, audit held the entire payment suspicious.

The matter was reported to the management during April 2023 to May 2023, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

The audit recommends inquiry into the matter besides, fixing responsibility on persons at fault.

8.5.16 Dubious payments of School Subsidy to Government Servants and Contractors – Rs 3,481.99 million

As per Sind Education Foundation Notification No. SEF/PSDU/075/2022 dated 16th June 2022 Para#07(iii)(b) “In case of non-disclosure of a government job by the partner, the foundation would reserve the right to impose penalty (financial and /or legal) in the following manner (any or all) (i) by terminating contract and or (ii) by imposing deduction/adjusting (in Part or whole) of subsidy of the non-disclosure period, (from date of joining of the government job to date of decision by the foundation in particular case (iii) by way of claiming damage and or (iv) Blacklisting the partner for future partnership.

During the audit of office of the Managing Director Sindh Education Foundation Karachi for the financial year 2021-22, it was observed that management of the foundation paid a huge subsidy of Rs3,481.99 million to the government employees against the above-mentioned rules. The government employees cannot run business unless approval of competent. Secondly, the payments were made to contractors who were registered as dry cleaner, commission agents, general order suppliers etc. Audit treated the said payments as dubious because the contractors did not possess specialty in imparting education. The details are given as under.

(Rs. in Million)

Name of Office	Particulars	Financial Year	AIR Para #	Amount
Sindh Education Foundation	Payments were credited to government employees accounts who are working in different positions in Sindh and Federal departments or were government employees of the foundation.	2021-22	01&41	3,281.91
	Payments to general order suppliers, commission agents, dry cleaners, construction companies, govt. contractors, oil traders, insurance agents/brokers, property valuers, state life agents, retailors of general store, officials of public office etc, working in different parts of the country		02	162.434
	Payments to the employees working in foundation, active employees, and former employees (Conflict of Interest)		04	12.231
	Subsidy payments to government servants having fake identity at the foundation		17	25.413
Total				3,481.99

Audit is of the view that the payment to irrelevant persons who has not specialty in education and payment into personal account instead of School account were illegal and dubious due to above facts a potential embezzlement in public funds cannot be ruled out.

The matter was reported to the management during April 2023 to May 2023, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit highly recommends inquiry into the matter beside responsibility be fixed against the person(s) involved in such payments.

8.5.17 Loss due to allotment of vehicles and fuel without entitlement – Rs 1.914 million

According to letter No.CTC(S&GAD)-6(227)/87 dated: 05-04-1997 on the subject of “Entitlement of vehicles to government functionaries” issued from SGA&CD, Government of Sindh. The entitlement criteria of various categories of officers have been worked out and approved by the Competent Authority in which there is no any provision for the allotment of Govt. Vehicles to Section officers / non-field officers.

During the audit of the following offices of School Education Department for the financial years 2019-20 to 2022-23, it was observed that the office at Sr#01 had purchased vehicles (Vigo) improperly, without justification or site requirements. These vehicles were incorrectly assigned to junior officials who were not entitled. The management failed to provide utilization reports, physical verification logbooks, fuel consumption accounts, and movement registers. A vehicle from the local office, listed at Sr#02, was retained by a senior official who was not entitled and was incurring fuel charges. This misuse of the vehicle and the associated POL charges resulted in a loss. The details are given as under:

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para#	Amount
1	Sindh Education Foundation (SEF)	2021-22	58	1.689
2	Director Higher Secondary Education Karachi	2019-20 to 2022-23	04&08	0.225
Total				1.914

Audit is of the view that lapse on the part of management indicates improper watch, and absence of systemic internal controls due to unauthorized retention of office vehicles.

The matter was reported to the management during April 2023 to November 2023, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit requires immediate recovery of vehicles besides fixing responsibility for un-justified possession of vehicle.

8.5.18 Irregular purchase of Science Lab items and equipment – Rs 660.297 million

According to 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 the audit of following offices of the School Education Department, Government of Sindh, for the financial year 2022-23, it was observed that the procurement of science lab items of Rs 660.297 million was made irregularly. The supply of lab equipment to 12 out of 100 schools was doubtful. There were delays in delivery of lab. Equipment and unverified receipts in schools. Penalties were not imposed on late supplies, material shifting was unauthenticated, and unauthorized payments were made to the contractors. The details are given as under:

(Rs. in Million)

Sr.#	Name of Office	Particulars	Financial Year	AIR Para #	Amount
1	Secretary School Education	Irregular payment of Rs579.477 million was incurred on account of purchase of various Lab Items.	2022-23	5	579.477
2	SSEIP	Potential misappropriation on supply of Lab. Equipment to 12 Schools instead of 100.		2	80.820
Total					660.297

Audit is of the view that the procurement of science lab items without following rules is irregular. Doubts about supplies to 12 out of 100 schools, delays in delivery, unverified receipts, lack of penalties for late supplies, unauthenticated material shifting, and unauthorized payments to contractors all indicate potential inefficiencies and violations in the procurement process.

The matter was reported to the management during August 2023 to November 2023, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

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

8.5.19 Irregular expenditure on hiring and repair & renovation of office buildings – Rs 266.159 million

As per Summary to the Chief Minister Sindh/ Chairman SEF BOGs Ref. SEF/131/2020 dated 08th October 2020 para#05. “Accordingly, in view of above, the foundation has pro-actively searched and found new premises on rental basis at the 1st floor of NICL Building with covered area of 14,383 Sq. feet situated at Abbasi Shaheed Road, Karachi cantonment, which fulfills and suits the need of the Foundation’s Head Office being safe, secure and owned by the government of Pakistan. The rent of the building has been negotiated with NICL authorities @ Rs 100/ per sq ft per month (Rs 1,438,300/ per month) *on standard terms and conditions*, including other services such as janitorial services, security services, generator services, air conditioning facility (HVAC), sweet water supply, firefighting, lifts, canteen and prayer area facilities during the office hours”. **AND** as per Sindh Tenancy Law and Sindh Rented Premises Ordinance 1979, regarding Repairs and Maintenance. “The landlord is responsible for the repairs and maintenance of the rented premises. However, if for some reason the owner of the property is unable to do so, the tenant has the right to get done with the required maintenance work and whitewash. In such circumstances, the landlord is liable to pay for maintenance costs, which should be deducted from rental payments. However, a documented proof should be provided by the tenant against the expenditures incurred for the reimbursement.

During the audit of following offices of the School Education Department, Government of Sindh, for the financial years 2021-22 and 2022-23, it was observed that Rs 266.159 million was expensed on hiring of buildings and repair and renovations of the hired buildings and floors without tender. The landlord being responsible for these costs. The repair work was carried out without following procurement rules or a formal agreement, and the cost was not adjusted in the rent, causing a significant loss to the government. The details are given as under:

(Rs. in Million)

S r.#	Name of Office	Particulars	Financial Year	AIR Para No	Amount
1		R&M of Building	2021-22	12,32,45& 46	184.568

(Rs. in Million)

S r.#	Name of Office	Particulars	Financial Year	AIR Para No	Amount
	Sindh Education Foundation	hired without procurement rules.		31,40 &42	59.168
2	Director Higher Secondary Education Karachi		2022-23	15	9.345
3	SELECT			25	7.500
5	SSEIP			10	5.578
Total					266.159

Audit is of the view that there is a weak internal control in department, and also procurement rules were violated.

The matter was reported to the management during April 2023 to November 2023, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

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

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23, vide para number 7.5.66, 7.5.99 respectively having financial impact of Rs 730.832 million. Recurrence of same irregularity is a matter of serious concern.

8.5.20 Unjustified payments to Consultants and Specialists – Rs 156.66 million

As per World Bank Procurement Regulations Para 7.22 An open competitive approach to market provides all eligible prospective firms or individual Consultants with timely and adequate advertisement of a Borrower's requirements and an equal opportunity to provide the required Consulting Services. Open, competitive procurement approaches, including the advertisement for

EoI, is the preferred approach for Bank-financed selection of consultants. As per advertisement at least 5 years of documentary verifiable relevant experience is required.

During audit of following offices of School Education Department, Government of Sindh, for the financial years 2021-22 and 2022-23, it was observed that an expenditure of Rs156.66 million was incurred on account of hiring of various services without observing competitive process and hoisting of procurement plan. The unqualified security services were hired, and payments were made without verification of quality / validity of services performed, incomplete deliverables, design, and in absence of proper sanction orders. Moreover, the consultant selection was made without proper documentation, verification of qualifications and experience. The offer letters, contracts, and joining dates indicated potential overlap in selection stage. The details are given as under:

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para	Amount
1	Sindh Education Foundation	2021-22	25	12.148
			28	21.746
			56 & 57	26.497
			61	3.252
2	SELECT	2022-23	04	93.017
Total				156.66

Audit is of the view that management awarded works without completing the required codal formalities by extending undue favor.

The matter was reported to the management during April 2023 to November 2023, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends provision of justification besides fixing of responsibility on the person(s) at fault.

8.5.21 Irregularities, loss and violation of SPPRA rules during procurement process– Rs 106.398 million

As per Rule-17 (1) & (2) of Sindh Public Procurement Rules, 2010, Procurement over three 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 Secretary School Education Department, Government of Sindh, for the financial year 2022-23, it was observed that Rs106.398 million was disbursed on account of different purchases in violation Sindh public procurement rules to obtain competitive and economical rates. The details are given as under.

(Rs in million)

Name of Office	Particulars	Financial Year	AIR Para #	Amount
Secretary School Education	M/s Diamond Star International as the vendor applied for Biding document on opening day of tender 10 th of February 2023, and he was awarded work for procurement of plant and Machinery.	2022-23	04	19.845
	Tender of Rs14.930 million to single bidder without market rate analysis		06	14.930
	Loss due to awarding of work order to 2 nd lowest bidder.		29	71.623
Total				106.398

Audit is of the view that the disbursement of amount for various purchases were made in violation of Sindh public procurement rules, potentially compromising the attainment of competitive and economical rates. This raises concerns about the efficiency and transparency of the procurement process.

The matter was reported to the management during April 2023 to November 2023, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

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

8.5.22 Loss due to unjustified payments exceeding actual enrollments – Rs 9,139.480 million

As per Rule#10(i) of SEF Finance Audit and Accounts Rule 2017, “the same vigilance shall be exercised in respect of expenditure as a person of ordinary prudence shall exercise in respect of his or her own money, (ii) the expenditure shall not be more than what the occasion demands (iii) No person shall exercise the powers of sanctioning expenditure to pass an order which supports directly or indirectly to be the advantage of such person”.

During the audit of office of the Managing Director Sindh Education Foundation Karachi for the financial year 2021-22 it was observed that the foundation’s management overpaid subsidies to the schools based on unreliable data. Unjustified excessive payments were made without details of student profiles, which include student pictures, General Register (G.R.) numbers, student names, father’s/guardian’s names and CNICs, genders, school codes, and village names. The payments were made without assessment results for each subject area, and without a barcode on the profile/assessment booklet of the student profile. The details are given as under:

(Rs. in Million)

Name of Office	Particulars of payments	Financial Year	IR Para#	Amount
Sindh Education Foundation	The foundation’s management overpaid subsidies to schools based on unreliable data by claiming subsidies for fictitious enrolments.	2021-22	5,35&49	1,349.456
	The foundation’s management made dubious and excessive payments, without details of student profiles (comprising student pictures, GR numbers, student names, father’s/guardian’s names and CNICs, genders, school codes, village names)		4&43	7,338.727
	Payment for enrolment and examination fee without the students’ profile and other details		5	3,732.22
	Discrepancies of Rs413.973 million upon verifying the actual		6	4,13.973

(Rs. in Million)

Name of Office	Particulars of payments	Financial Year	IR Para#	Amount
	enrolment data against subsidy payments for primary to secondary level schools,			
Total				9,139.48

The audit is of the view that these are serious financial irregularities while transferring of significant amount without proper documentation. The audit concludes that these transactions constitute a potential misappropriation of funds and a loss to the foundation.

The matter was reported to the management during April 2023 to May 2023, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

The audit recommends inquiry into the matter.

8.5.23 Doubtful assessment expenditure without student profiles and criteria – Rs 1,432.412 million

As per the contract agreement with M/S United Bank Limited para#2.1. “the disbursement to girl students will be carried out through solutions in preferential order. #01. Biometric based disbursement and cash out solution. #02. CNIC Based disbursement and cash out solution#03. PIN Mailer based disbursement and cash out with biometric solution and outlets. The para#2.6 states that “submission of reports during and after completion of disbursement and cash out of funds by the service provider is mandatory. The para#2.11 states that service provider shall formulate and present different types of customized reports for foundation management in addition to financial and performance- based reports including tranche wise and Academic year wise reports.

During the audit of office of the Managing Director Sindh Education Foundation Karachi for the financial year 2021-22, it was observed that the foundation’s management failed to maintain proper records of various student payments, including student assessments of partner schools, stipend payments to female students, and scholarship payments. This serious violation of the foundation’s policies and procedures exposed the foundation to the risk of misappropriation. The details are given as under:

(Rs. in Million)

Name of Office	Particulars	Financial Year	IR Para #	Amount
Si ndh Education Foundation	Expenditure on the activity of “Assessment of the students’ learning outcomes of partner schools” without supporting record or documentation to support the expenditure,	2021-22	2	7 3.716
	Expenditure of the stipend payments to the girls’ students was made without any documentation to support the disbursement.		3	9 2.396
	The management had disbursed Rs1.266 billion for scholarship account for#3641 students without any documentation to support the disbursement		4	1 ,266.000
	Compensation on sad demise of school children without any provision and required codal formalities.		1	0 .300
Total				1,432.41 2

The audit is of the view that the foundation has weak internal controls and needs to improve its accountability and transparency. Audit has identified major issues in the payment system of the foundation.

The matter was reported to the management during April 2023 to May 2023, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

The audit recommends an inquiry into the matter.

8.5.24 Non- deduction of various taxes – Rs 491.011 million

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 @ 13%. Further, 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.

According to Section 153 & 233 of Income Tax Ordinance 2001, as amended 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 contact with government or local authorities, etc., shall deduct advance tax at the time of making payments at the rate of 4.5% for filers & 6.5% for non-filers on supply/purchases and at the rate of 10% for filers & 15% for non-filers on services rendered of gross amount”.

During the audit of following offices of School Education Department Government of Sindh for the financial years 2017-18 to 2022-23, various taxes (i.e., Income Tax, General Sales Tax and Sales Tax on Services) amounting to Rs 491.011 million were not deducted. The details are given as under.

(Rs. in Million)

Sr. #	Name of Office	Particulars	Financial Year	AIR Para#	Amount
1	Director School Education, Elementary, Secondary & Higher Secondary, Mirpurkhas	Sales Tax, Income tax & Stamp Duty	2017-18 to 2021-22	1,2&3	17.412
2	Director of School Education (E, S&HS) Hyderabad Region Hyderabad	Income tax	2020-21 to 2021-22	26	0.188
3	District Education Officer (Primary), Shikarpur	Non-recovery of stamp duty	2020-21	03	0.005
4	Secretary School Education	Income tax & GST	2022-23	19,10&20	469.781
5	SSEIP	SST		6	0.400
6	SELECT	Income tax & GST		03,8,9&17	2.682
7	Director School Education	Stamp duty		20	0.543
Total					491.011

Audit is of the view that the non-deduction of various taxes, including Income Tax, General Sales Tax, and Sales Tax on Services, is a significant irregularity and loss to government.

The matter was reported to the management during August 2023 to November 2023, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends recovery of amount in question under intimation to audit besides fixing responsibility on the person at fault for the negligence.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23, vide para number 7.5.103 and 7.5.104 respectively having financial impact of Rs 3.230 million. Recurrence of same irregularity is a matter of serious concern.

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.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	7	3	145,534.747	-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	1	1	1,522.910	-

9.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure
16,210.688	43,608.444	(43,608.444)	(1,611.939)	47,952.774	46,890.177

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 1,062.597 million was observed which was not surrendered in time.

(Rs. in Million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
4,000.000	1,150.000	603.849	-546.151

Revenue estimates were reduced up to 71% in revised estimate. Actual receipts were 53% of revised estimate.

9.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 50,169.304 million were raised as a result of this audit. This amount also includes recoverable of Rs 18,663.541 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr.#	Classification	Amount
1	Non-production of record	10.914
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
<i>A</i>	<i>HR/Employees related irregularities</i>	-
<i>B</i>	<i>Procurement related irregularities</i>	-
<i>C</i>	<i>Management of Accounts with Commercial Banks</i>	-
4	Value for money and service delivery issues	-
5	Others	50,158.390

9.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. The status of discussion on 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 37.50%.

Sr. #	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	-
7	2006-07	3	3	0	3	-
8	2007-08	0	0	0	0	-
9	2008-09	5	3	0	3	-
10	2009-10	0	0	0	0	-
11	2010-11	0	0	0	0	-
12	2014-15	3	2	0	2	-
13	2016-17	13	8	3	5	37.50
Total		16	10	3	7	37.50

9.5 AUDIT PARAS

9.5.1 Non-production of auditable record - Rs 10.914 million

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 audit of the various offices of Energy Department, Government of Sindh, for the financial years 2018-19 & 2022-23, the auditable record of Rs10.914 million was not produced to audit. The details are given at **Annex-1** of Chapter-9.

Non-production of record was violation of rules which rendered the expenditure unaudited.

The matter was reported to the management during February, March & August 2023. The office at Sr. # 1, replied that all the record is available but provided partial record. No reply was received from the office at Sr.# 2&3. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends that complete record of the expenditure be produced to audit in addition to initiation of disciplinary action against the persons responsible.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-22 & 2022-23, vide para number 6.5.1 & 8.5.1 respectively having financial impact of Rs240.216 million. Recurrence of same irregularity is a matter of serious concern.

9.5.2 Non-recovery of electricity duty – Rs 18,653.034 million

According to Rule-5(3) of West Pakistan Electricity Duty Rules, 1964, “the amount of electricity duty due from a licensee for a certain month is to be paid within sixty (60) days of the

expiry of that month to which the duty release. In case of failure to pay the duty within the prescribed period a penalty is due to equal the defaulting assesses/licensee in terms of provision of Rule-11 ibid”.

During audit of office of the Electricity Reconciliation Cell Energy Department, Government of Sindh, for the financial year 2022-23, it was observed that electricity duty was collected by K-Electric, HESCO and SEPCO amounting to Rs 18,653.034 million, but the duty was not deposited into government account. However, there were outstanding dues against DISCOs till June 2023. Thus, the deducted outstanding dues could not be recovered from the concerned by energy department. The detail is given as under:

(Rs. in Million)

Sr.#	Name of Licensee	Outstanding period	Electricity duty
1	K-Electric	Outstanding duty till June 2023	17,992.916
2	SEPCO	Outstanding duty till June 2023	36.475
3	HESCO	Outstanding duty till June 2023	623.643
Total			18,653.034

Audit was of the view that weak supervisory and financial controls led to non-realization of receipt. The government sustained loss due to non-deduction/non-recovery of outstanding electricity duty.

The matter was reported to the management in the month of December 2023, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit requires recovery of electricity duty besides fixing responsibility on the person (s) at fault.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23, vide para number 8.5.31 having financial impact of Rs 545.160 million. Recurrence of same irregularity is a matter of serious concern.

(AIR#26)

9.5.3 Un-justified payment of electricity charges to K-Electric - Rs 14,386.909 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 voucher setting forth full and clear particulars of the claim”.

During audit of office of the Electricity Reconciliation Cell Energy Department, Government of Sindh, for the financial year 2022-23, it was observed that an amount of Rs 14,386.909 million was paid to K-Electric on account of electricity charges. However, it was noted that the complete list of connections department-wise and meter number-wise was not available.

It was mentioned that as per decision of meeting dated 04/02/2022, the payment was allowed against individual limit of each connection but the copy of minutes of meeting along with documentary evidence of fixing limit could not be produced. Further, while releasing funds, the Finance department intimated Energy Department that payment will be made subject to the fulfilment of codal formalities, as per terms approved by the BoDs of HESCO, SEPCO, Provincial Cabinet and Economic Coordination Committee Government of Pakistan and it was also advised that administrative department will ensure that the electricity connections are registered and legal. But no documentary evidence in this regard was produced to audit for authenticity.

Moreover, the payment was made through production of certificate of consultant (appointed on contract basis) without active involvement of senior management (PAO/Director) or any other senior officer of Energy Department

Audit is of the view that the above irregularity indicates weak administrative & financial controls. In absence of basic record/documentations the payment could not be authenticated.

The matter was reported to the management in the month of December 2023, but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends provision of justification besides production of record to authenticate genuineness of payments.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23, vide para number 8.5.27 having financial impact of Rs 10,288.800 million. Recurrence of same irregularity is a matter of serious concern.

(AIR#05)

9.5.4 Un-justified payment of electricity charges - Rs 13,857.936 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 voucher setting forth full and clear particulars of the claim”.

During audit of office of the Electricity Reconciliation Cell Energy Department, Government of Sindh, for the financial year 2022-23, it was observed that an amount of Rs 13,857.936 million was incurred on account of electricity charges. The payment was made on lump-sum basis instead of reconciliation and the complete list of connections department-wise and meter number-wise was also not produced.

It is further mentioned that as per decision of meeting dated 04/02/2022, the payment was allowed against individual limit of each connection but the copy of minutes of meeting along with documentary evidence of fixing limit could not be produced. Further while releasing funds, the Finance department intimated Energy Department that payment will be made subject to the fulfilment of codal formalities, as per terms approved by the BoDs of HESCO, SEPCO, Provincial Cabinet and Economic Coordination Committee Government of Pakistan and it was also advised that administrative department will ensure that the electricity connections are registered and legal. But no documentary evidence in this regard was produced to audit for authenticity.

Audit is of the view that the payment without relevant documentations and justifications stand irregular.

The matter was reported to the management in the month of December 2023 but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends provision of justification besides production of complete documentation showing genuineness of payments.

(AIR#01)

9.5.5 Irregular payment of dewatering during urban flooding - Rs 1,607.934 million

Rule 10 (i) and (iv) of General Financial Rules, Volume-I, states that, “every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money. Public moneys should not be utilized for the benefit of a particular person or section of the community”.

During audit of office of the Electricity Reconciliation Cell Energy Department, Government of Sindh, for the financial year 2022-23, it was observed that an amount of Rs 1,607.934 million was incurred on account of De-watering, but the payment was made through average billing, whereas the reasons and approval of competent authority for payment on average basis was not obtained. Further, the approval of such connections, details and placement of connections were not available.

Audit is of the view that the payment without relevant documentations stand un-justified, which indicates that administrative & financial control, is weak in the department. In absence of basic record/documentations the payment could not be authenticated.

The matter was reported to the management in the month of December 2023 but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends compliance with prescribed rules besides production of record showing genuineness of payments.

(AIR#07)

9.5.6 Irregular payment of differential subsidy to power producers – Rs 1,539.163 million

According to Sindh New Captive Power Plants Subsidy Bill, 2017 clause 2(j) “Tariff differential amount” difference between the amount which the power producers would have been entitled to receive in respect of an invoice issued under the power purchase agreement according to the tariff agreed in the power purchase agreement prior to the tariff determination and the amount paid or payable by the Power Purchaser for the same invoice pursuant to the tariff determination.

During audit of office of the Electricity Reconciliation Cell Energy Department, Government of Sindh, for the financial year 2022-23, it was observed that an amount of Rs 1,539.163 million was paid to Sindh New Captive Power Plants on account of differential subsidy. However, the claims pertained to previous period from 2018 to 2021, but neither the

invoices of relevant period by power purchaser were provided nor the reasons of pendency or delay were elucidated.

The copy of certificate issued by a Chartered Accountant certifying the tariff differential amount payable were not available. The approved policy framework and tariff system for new Captive Power producers and Power purchase agreements were also not available.

The detailed calculation sheet along with supporting documents showing the basis of calculation of production and transmission was not available on record. Further the detailed load shedding affected after such power generators could also not be produced.

It is also pertinent to mention here that Apex Court in decision of 2013 discouraged the subsidy to Captive Power Plants, as they are not being made in the interest of the common man, but government engaged the producers against decision and justification.

(Rs.in Million)

Document No	G/L Descp	Vendor No.	Vendor Name	Cheque No	Date	Amount
1900271769	Others	0030725552	Lucky Cement Limited	4676018	11/14/2022	454.667
1900271770	Others	0030715517	Shikarpur Power (Pvt) Limited	4676017	11/14/2022	184.887
1900271772	Others	0030715523	Thatta Power (Private) Limited	4676014	11/15/2022	249.951
1900271779	Others	0030715518	Omni Power (Pvt) Limited	4676015	11/14/2022	142.548
1900318799	Others	0030715518	Omni Power (Pvt) Limited	4679129	11/29/2022	16.315
1900318806	Others	0030715523	Thatta Power (Private) Limited	4679128	11/29/2022	248.831
1900271777	Others	0030715520	Dadu Energy (Pvt) Limited	4676016	11/14/2022	241.964
Total						1539.163

Audit is of the view that lapse occurred due to non-observance of rules and procedures. In absence of important record, the payment found un-justified.

The matter was reported to the management in the month of December 2023 but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends inquiry into the matter besides taking other remedial measures.

(AIR#08)

9.5.7 Excess payment against NEPRA rates - Rs 96.484 million

As per 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 Electricity Reconciliation Cell Energy Department, Government of Sindh, for the financial year 2022-23, it was observed that excess rate amounting Rs 96.484 million was allowed to Adaptive Power Generators against the rate declared by NEPRA. However, the approval and reasons of allowing excess rate against NEPRA could not be justified.

(Rs.in Million)

Vendor Name	Units	PPA Rate	NEPRA Rate	Difference	Excess Amount
Shikarpur Power (Pvt) Limited	8358300	15.21757869	11.87404	3.34353869	27.946
Thatta Power (Private) Limited	1783500	16.6307	12.3268	4.3039	7.676
Omni Power (Pvt) Limited	7331816	13.60194	10.20327	3.39867	24.918
Omni Power (Pvt) Limited	736000	15.5753	10.3011	5.2742	3.882
Dadu Energy (Pvt) Limited	9292900	13.65315456	10.20302	3.45013456	32.062
Total					96.484

Audit was of the view that weak supervisory and financial controls led allowing excess rate without justification. The government paid excess amount against prescribed rates.

The matter was reported to the management in the month of December 2023 but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit requires provision of justification along with documentary evidence.

(AIR#24)

9.5.8 Irregular drawl of funds in the name of staff instead of vendor – Rs 6.416 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 office of the Managing Director, Thar Coal & Energy Board, Karachi for the financial years 2021-22 & 2022-23, it was observed that funds of Rs 6.416 million has been drawn from assignment account on the name of office staff instead of issuance of payee cheque to the vendor.

Audit is of the view that weak internal control prevails in the system as the funds was not transferred / drawn on concerned vendor name. Thus, payment to the vendor is held doubtful.

The matter was reported to the management in the month of August 2023 but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends inquiry into the matter, production of acknowledgement and tax deduction certificate.

(AIR#12)

9.5.9 Non deduction of applicable taxes from M/s State Life Insurance Corporation – Rs 6.130 million

According to the section 153 Payments for Goods and Services (1) 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 (b) for the rendering of or providing of services; 10% (Filer) and 17.5% (non-Filer) income tax is required to be deducted at source

while making payment to suppliers / contractors. Sindh Sales Tax on Services Act, 2011, working tariff (Amended up to 04th December 2017) under tariff heading 9806.3000 (Renting of immovable property services), 3% sales tax on services needs to be deducted.

During audit of the following offices of the Energy Department, Government of Sindh, Karachi for the financial year 2022-23, it was observed that payment of Rs 50.988 million was made to M/s State Life Insurance Company on account of rent of office but applicable taxes of Rs 6.130 million (Income tax of Rs 5.098 million and SST of Rs 1.032 million) were not deducted / recovered. The detail is given as under:

(Rs. in Million)

S r. #	Name of Office	Finan cial Year	A IR Para #	T ax	Amo unt of tax	Amo unt
101	Managing Director, Thar Coal & Energy Board, Karachi	2022- 23	11	I. Tax	3.39 3	4.41 1
				S ST	1.01 8	
202	Secret ary Energy Department	2022- 23	30	I. Tax	1.70 5	1.71 9
				S ST	0.01 4	
Total						6.13 0

The matter was reported to the management in the month of August & September 2023 but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

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

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23, vide para number 8.5.14 having financial impact of Rs 37.794 million. Recurrence of same irregularity is a matter of serious concern.

9.5.10 Less-deduction of Sindh sales tax on services – Rs 3.891 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) which states that ‘the accounting office responsible for making payment shall deduct and withhold the tax amount and shall transfer the same amount, so deducted at source during a month to Sindh Government’s head of account “B-02384”---Sindh Sales Tax on Services”.

During audit of the following offices of the Energy Department, Government of Sindh for the financial year 2022-23, it was observed that the payment of Rs 37.693 million was made, but SST Rs 3.891 million was less deducted in violation of above rule. Due to which the government sustained financial loss. The detail is given as under:

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para #	Amount
01	Managing Director, Thar Coal & Energy Board, Karachi	2022-23	05	3.092
02	Project Director, Sindh Solar Energy Program (FAP)	2022-23	12	0.474
03	Electricity Reconciliation Cell, Energy Department	2022-23	25	0.325
Total				3.891

Audit is of view that less-deduction of SST at the time of payment to the vendors is loss to government exchequer.

The matter was reported to the management in the month of December 2023 but no reply was received. Despite written requests, DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends recovery of SST from the payees under intimation to audit.

Chapter - 10
Excise, Taxation & Narcotics Control Department

10.1 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.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	8	5	2,480.300	84,787.557
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	1	1	11.001	

10.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rs. in Million)

Original Budget/ Grant	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variation Excess/ (Savings)

5, 871.145	0 .000	2, 460.871	(2, 460.871)	(1, 145.532)	4, 725.613	4, 401.526	(3 24.088)
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The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 324.088 million was observed which was not surrendered in time.

(Rs. in Million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
127,200.000	123,290.000	88,291.801	-34,998.199

Revenue estimates were reduced up to 3% in revised estimate. Actual receipts were 72% of revised estimate.

10.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 127,825.635 million were raised as a result of this audit. This amount also includes recoverable of Rs 57,581.117 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-production of record	178.820
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	-
B	<i>Procurement related irregularities</i>	624.690
C	<i>Management of Accounts with Commercial Banks</i>	-
4	Value for money and service delivery issues	-
5	Others	127,022.125

10.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. The status of discussion on Audit Paras requiring compliance of the PAC directives and subsequent compliance by the department is tabulated as follows.

r. 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	2	1	0	1	-
2	1998-99	0	0	0	0	-
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	-
11	2010-11	0	0	0	0	-
12	2014-15	11	9	0	9	-
13	2016-17	9	7	0	7	-
Total		66	43	0	43	-

10.5 AUDIT PARAS

10.5.1 Non-production of auditable record - Rs 178.820 million

According to section 14 (2) and (3) of the Auditor-General of Pakistan (Function, Power, Terms and Condition of service) ordinance, 2001, states that: “The officer in charge of any office or department shall afford all facilities and provide record for audit and inspection and comply with the requests for information in as complete a form as possible and with the 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 and Narcotics Control Department Govt. of Sindh, the management failed to produce various auditable record of Rs 178.820 million for scrutiny. Thus, the record remained unaudited. The details are given at **Annex-1** of Chapter-10.

Non-production of record was violation of rules which rendered the expenditure unaudited.

The matter was reported to the management in the month of October 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends that complete record of the expenditure be produced to audit in addition to initiation of disciplinary action against the persons responsible.

(AIR#01)

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, and 2021-22, vide para number 9.5.1 and 7.5.1, respectively having financial impact of Rs 86.812 million. Recurrence of same irregularity is a matter of serious concern.

10.5.2 Irregular expenditure on service charges – Rs 305.575 million

Rule 17 (1) & (2) of Sindh Public Procurement Rules, 2010 states that procurement over three hundred thousand rupees and up to two 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 Secretary, Excise, Taxation & Narcotics Control Department, Government of Sindh, Karachi, for the financial year 2022-23, it was observed that an amount of Rs 305.575 million was paid to vendors for performance of various services for scanning of property and motor registration tax record. The management paid excess expenditure of Rs 29.274 million over agreement amount; thus, excess expenditure was incurred without invitation of tenders and revision of agreement along with recovery of stamp duty. Moreover, the details of record / data archived/indexed was not disclosed on invoices.

Non-compliance with the SPPRA transpired weak internal control and financial indiscipline. Hence, the whole expenditure stands irregular due to violation of SPPRA rules.

The matter was reported to the management during the month of July- 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends that the same expenditure be incurred through open competition and the expenditure be got regularized from the Finance Department.

(AIR#16)

10.5.3 Irregular expenditure from the head “software” – Rs 225.018 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 Secretary, Excise, Taxation & Narcotics Control Department, Government of Sindh, Karachi, for the financial year 2022-23, it was observed that an expenditure of Rs 225.018 million was incurred on performance of several services relating to software application already installed with the department. However, the payment was made without disclosure of details of the services performed, execution of third-party verification/ joint inspection, system/software upgraded/developed, bank guarantee of advance payments, deduction of taxes on human resources payments, application’s source code, limitations of the system, debugging of errors, upgrades made, etc.

Moreover, the head of account charged was “repair of software”; whereas there were services hired for development / up-gradation of software; thus, misclassification was noticed.

Audit is of the view that lapse on part of department indicates the improper watch and weak internal controls.

The matter was reported to the management in the month of July-2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends provision of justification and detail records besides fixing of responsibility against the person(s) at fault.

(AIR#13)

10.5.4 Irregular purchase from the head ‘hardware’ – Rs 88.758 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 Secretary, Excise, Taxation & Narcotics Control Department, Government of Sindh, Karachi, for the financial year 2022-23, it was observed that an expenditure of Rs 88.758 million was incurred on purchase of machinery and maintenance services without deduction of 18% GST, evidence of warranty, details of articles procured / maintenance services provided, joint inspection, etc. The contractor provided services for Hyderabad Data Center Support & Maintenance whereas there was no evidence of visits by the persons at Hyderabad data center who certify the payments. Moreover, the services were provided from the ‘repair of hardware’ head instead of specific head of account “others services rendered”; thus, misclassification was noticed for Rs 34.725 million.

Audit is of the view that lapse indicates improper watch by the management which depicts weak internal controls and administrative management.

The matter was reported to the management during the month of July to September 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends provision of justification and detail records besides fixing of responsibility against the person(s) at fault.

(AIR#09)

10.5.5 Less achievement of receipts target – Rs 67,849.21 million

The Job description for the post of Director General Excise & Taxation is to administer, monitor & supervise targets of recovery of taxes/revenue fixed by the government. Further, the government of Sindh set/revised the target of revenue/receipts at Rs122,224 million for Excise & Taxation Department to be collected on account of various taxes for the financial year 2022-23.

During audit of following offices of Excise, Taxation & Narcotics Control Department, Government of Sindh, it was observed that the following offices did not achieve the assigned revenue target, resulting into less achievement of Rs 67,849.21 million. Detail is given as under:

(Rs. in Million)

Sr.#	Name of Office	Observation	Financial Year	AIR Para #	Amount
1	Director General, Excise & Taxation Dept. (A-Direction), Kar	less target achieved against the target set by Government for the year 2022-23	2022-23	02	30,449.438
2	Excise & Taxation Office, infrastructure (B-Field) Karachi	Loss to government due to non-achievement of target of infrastructure cess	2022-23	01	24,739.52
3	Deputy Director Excise & Taxation office (Infrastructure cess) Karachi	Short fall in realization of infrastructure cess target	2019-20 to 2020-21	03	6,526.421
4	Excise & Taxation Office, Motor Registration Wing, Karachi	Loss to government due to non-achievement of target of motor vehicle tax	2022-23	01	3,622.93
5	Secretary, Excise, Taxation & Narcotics Department	Less achievement of target against the original targets fixed by the Finance Dept.	2022-23	12	1,779.20

(Rs. in Million)

Sr.#	Name of Office	Observation	Financial Year	AIR Para #	Amount
6	Excise & Taxation Officer Professional	Non-achievement of revenue target	2019-20 to 2020-21	01	726.348
7	Director, Excise & Taxation (A-Direction) Larkano	Non-achievement of revenue target	2017-18 to 2021-22	03	5.351
Total					67,849.21

Audit is of the view that non-achievement of set targets deprives government estimated fund to be utilized.

Non-achievement of revenue targets occurred due to weak internal controls and resulted in loss to government.

The matter was reported to the management during the month of July to October 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends provision of justification for less realization of receipts.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022- 23, vide para number 9.5.9 having financial impact of Rs 23,395.221 million. Recurrence of same irregularity is a matter of serious concern.

10.5.6 Undue favor to the importers due to non-assessment – Rs 1,576.666 million

The Sindh Development and Maintenance of Infrastructure Cess Act, 2017 – Levy of Cess - There shall be levied and collected a Cess for maintenance and development of infrastructure on goods at the rate determined on the basis of their value, net weight and distance in accordance with the Schedule, for carriage by road and smooth and safer movement in the province upon entering or before leaving the province from or for outside the country, through air or sea.

During audit of Excise & Taxation Office, Infrastructure (B-Field) Karachi for the financial year 2022-23, it was observed that import value of Rs 126,131.313 million was not assessed to impose /collect infrastructure Cess from the importers. The local office also did not produce exemptions or other relevant documents in support of their action. Hence, the Government sustained loss of Rs 1,576.666 million on account of infrastructure Cess.

Audit is of the view that due to non-assessment; undue favor was extended to importers at the cost of government loss.

The matter was reported to the management in the month of October 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends immediate assessment and realization of due cess besides taking remedial measure.

(AIR#04)

10.5.7 Doubtful payment through DDO account – Rs 20.471 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 drawl and disbursement of cash.”

During audit of following offices of the Excise, Taxation & Narcotics Department Government of Sindh, it was observed that an amount of Rs 20.471 million was paid through DDO account instead of direct crediting to the payees concerned. The details are given as under;

(Rs. in Million)

Sr. #	Name of Office	Description	Financial year	AIR Para#	Amount
1	Director, Excise & Taxation (A-Direction), Hyderabad	Irregular payment through DDO account	2013-14 to 2021-22	6	3.600

2	Director, Excise & Taxation Department (A-Direction), Larkano	Irregular receipts and payments from DDO account	2013-14 to 2021-22	7	13.632
3	Deputy Director, Divisional Intelligence Office Excise and Taxation department Hyderabad	Un-authorized payment made from DDO account	2010-11 to 2021-22	17	3.239
Total					20.471

Audit is of the view that making payment through DDO account is a violation of rules and regulations that should be avoided at any cost because this practice results in misappropriation of funds, rent seeking and other misuse of authority that Government wants to stop.

The matter was reported to the management in the month of March 2023. However, no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends for provision of justification, acknowledgements along with detail of deduction of due government taxes.

10.5.8 Non- realization/collection/deposit of Government revenues – Rs 57,553.84 million

Cess for special maintenance and development of infrastructure @ 1.2% to 1.25% is levied and collected under Section-9 of Sindh Finance Act 1994 as amended by Sindh Finance Act from time to time, on all imported goods except those which have been exempted under Rule-14 of Sindh Development & Maintenance of Infrastructure Cess Rules, 1994.

Motor Vehicle Taxation Act 1958, Section-3 “Motor Vehicle Tax commonly known as “Token Tax” is payable by owner of vehicle on annual / quarterly basis. Failure to pay the tax within prescribed period with penalty under section-9 of the Act *ibid*. The unpaid amount of tax along with penalty is recoverable as arrear of land revenue”.

During audit of following offices of Excise, Taxation and Narcotics Control Department Govt. of Sindh, it was observed that various revenues amounting to Rs 57,553.84 million was not realized/collected by the department. Govt. sustained loss in shape of less collection of revenues. Detail is given as under;

(Rs. in Million)

Sr.#	Name of Office	Observation	Financial Year	AIR Para #	Amount
1	Deputy Director Excise & Taxation Office (Infrastructure Cess) Karachi	Non-realization of Govt. revenue due to clearance of goods on bank guarantee	2019-20 to 2021-22	2	57,477.635
		Infrastructure Cess was not realized		4	11.685
		Less assessment of infrastructure cess		6	0.046
2	Excise & Taxation Officer, Professional Tax, Karachi	Current dues of professional tax were not recovered	2019-20 to 2021-22	3	44.004
		Professional tax was not recovered from chronic defaulters		4	10.266
3	Excise & Taxation office, Infrastructure Cess (B-Field) Karachi	Non-deposit of realized cess into Govt. treasury	2022-23	2	5.247
		Less realization of Infrastructure Cess on imports		05	0.293
4	Excise & Taxation office Motor Registration wing, Karachi	Non-realization of motor registration tax	2022-23	11	3.595
		Non-recovery of motor dealers license fee		12	1.072
Total					57,553.84

Non-realization of various taxes occurred due to weak internal controls and resulted in loss to the Government.

The matter was reported to the management during the month of July to October 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends recovery may be affected besides fixing responsibility on the person(s) at fault. In addition, special training courses on taxes may be arranged for the management.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2020-21, vide para number 9.5.9 having financial impact of Rs 4.452 million. Recurrence of same irregularity is a matter of serious concern.

10.5.9 Non/less deduction of various taxes - Rs 21.938 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, "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 audit of following offices of Excise, Taxation & Narcotics Control Department, Government of Sindh, it was observed that an amount of Rs 21.938 million under various taxes (i.e., Income Tax, Sindh Sales Tax on Services, and GST) was less/not deducted which resulted into loss to government. Detail is given as under:

(Rs. in Million)

Sr.#	Name of Office	Observation	Financial Year	AIR Para #	Amount
1	Excise & Taxation Office, Motor Registration Wing, Karachi	Income tax was not deducted on printing of MVR smart card	2022-23	13	16.952
		GST was not deducted on printing of MVR smart card	2022-23	14	2.496
		GST was less deducted	2022-23	15	2.085
2	Director General, Excise & Taxation	SST was not deducted from lessor/landlord	2022-23	09	0.345

	Dept. (A-Direction), Karachi	Less recovery of income tax from landlord	2022-23	13	0.060
Total					21.938

Audit is of view that due to non-deduction of due taxes government sustained financial loss, it is further noted that management is not fully sensitized about importance of implementation of tax regime of the Sindh Government.

The matter was reported to the management during the month of September and October 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends for provision of justification for less realization of receipts besides a special training may be arranged regarding taxation for the management in collaboration with FBR & SRB.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23, vide para number 9.5.3, 7.5.4 and 9.5.12, respectively having financial impact of Rs 634.902 million. Recurrence of same irregularity is a matter of serious concern.

10.5.10 Non-execution of contract agreement and loss of stamp duty – Rs 5.339 million

According to Rule 159 (a) of S.F.R. Vol-I, in the case of work or supply costing not less than Rs.100/- a contract should be made on written agreement, duly stamped and registered, so on that it can be maintained in the Court of Law in the event of dispute. Read with Section-2 of Stamp Act, “it is the duty of the Competent Authority to recover the Stamp Duty and affix the same, while execution of agreement @ 0.35 paisa per hundred rupees of the value of the agreement or against tender cost.”

During audit of following offices of Excise, Taxation & Narcotics Control Department, Government of Sindh, it was observed that an amount of Rs 5.339 million was not recovered on account of stamp duty @0.35% due to non-execution of contracts agreements which resulted loss to Govt. Detail is given as under:

(Rs. in Million)

Sr. #	Name of Office	Observation	Financial Year	AIR Para #	Amount
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1	Secretary, Excise, Taxation & Narcotics Department Govt. of Sindh Office, Karachi	Due to non-execution of agreement, the recovery of stamp duty @ 0.35% was not made.	2022-23	08	3.887
2	Excise & Taxation Office, Motor Registration Wing, Karachi	Stamp duty @0.35% was not recovered	2022-23	16	1.413
3	Director General, Excise & Taxation Dept. (A-Direction), Karachi	Stamp duty @0.35% was not recovered from the lessor	2022-23	14	0.039
Total					5.339

Non-deduction of stamp duty was caused by weak financial management and resulted into revenue loss to the government.

The matter was reported to the management in the month of July to October 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends that the necessary recoveries be effected.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23, vide para number 9.5.18 having financial impact of Rs 0.662 million. Recurrence of same irregularity is a matter of serious concern.

Chapter - 11
Finance Department

11.1 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.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	28	3	4,236.489	-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	1	1	1,987.490	-

11.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure, and receipt of the department:

Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure
58,054.246	20,964.770	(20,964.770)	(5,692.569)	345,270.513	325,543.594

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 19,726.919 million was observed which was not surrendered in time.

(Rs. in Million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
1,084,782.028	1,117,250.774	1,148,652.168	31,401.394

Revenue estimates were reduced upto 3% in revised estimate. Actual receipts were 103% of revised estimate.

11.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 300,055.653 million were raised as a result of this audit. This amount also includes recoverable of Rs 1,846.008 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-production of record	4,310.448
2	Reported cases of fraud, embezzlement and misappropriation	296.638
3	Irregularities	
A	HR/Employees related irregularities	2,790.599
B	Procurement related irregularities	228.013
C	Management of Accounts with Commercial Banks	32.529
4	Value for money and service delivery issues	76,092.665
5	Others	216,304.761

11.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. The status of discussion on Audit Paras requiring compliance of the PAC directive and subsequent compliance by the department is tabulated as follows.

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	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	15	4	15	21.05
11	2010-11	0	0	0	0	-
12	2014-15	0	0	0	0	-
13	2016-17	0	0	0	0	-
Total		34	16	4	16	

11.5 AUDIT PARAS

11.5.1 Non-production of record – Rs 4,310.448 million

Section 14 (2) and (3) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provides 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.” And “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 the Finance Department, Government of Sindh, for the financial year 2021-22 & 2022-23, the auditable record of Rs 4,310.448 million was not produced to audit for scrutiny. Due to non-production of record, the accounts amounting to Rs 4,310.448 million remained unaudited. The details are given at Annex-1 of Chapter-11.

Non-production of record was violation of rules which rendered the expenditure unaudited.

The matter was reported to the management during May 2023. The management at Sr.# 01 (AIR#01), replied that all the auditable record shall be provided as and when required by the audit. In support of the reply, no record was produced and management at Sr. No. 01 (AIR#3) replied that all the record of arrears of pay & allowances was maintained at accounts offices. The management at Sr.#01 (AIR#28) replied that the payment was made through Pre-Audit cheques issued by the A.G Sindh, the question for maintaining proper record of Acknowledgement does not arise. The replies were untenable as they did not provide evidence in support of their claims. However, other offices did not reply. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit recommends that complete record of the expenditure be produced to audit in addition to initiation of disciplinary action against the persons responsible.

Note: The issue was reported earlier in the Audit Reports for the Audit Years 2022-23, 2021-22 and 2020-21 vide para numbers 11.5.1, 8.5.1 and 10.5.1 respectively having financial impact of Rs 191,509.314 million. Recurrence of same is irregularity is a matter of serious concern.

11.5.2 Fraudulent payment of pension – Rs 211.231 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 following offices of the Finance Department, Government of Sindh, for the financial year 2021-22, it was observed that an amount of Rs 211.231 million was fraudulently edit/delete of entry after making payment to pensioners through pension roll. Similarly, in other case the payment was allowed to married heir of government employee against the rule. The details are given as under;

(Rs. in Million)

Sr.#	Office	AIR Para #	Financial Year	Observations	Amount
01	Naushahro Feroze	1	2021-22	Edit/ delete the figure after making payment of pensioners	153.611
		2	2021-22	Fraudulent payment of monthly family pension to married heir (widow) Mst. Naila Khatoon	1.092
02	Ghotki	46	2021-22	Edit/ delete the figure after making payment of pensioners	56.528
Total					211.231

Audit is of the view that lapse on part of department indicates the improper watch and weak internal controls.

The matter was reported to the management in May 2023, but no reply was received. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit recommends inquiry into the matter.

11.5.3 Fraudulent drawl of funds of pensionary benefits, pension increases self and pension increases family – Rs 79.400 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 the District Accounts Office, Sanghar for the year 2021-22, it was noticed that funds of Rs 79.400 million were drawn and misappropriated on account of pension increases self and pension increases family, following IDs were misused in the scam. It is worth to mention here that the scam was unearthed / disclosed by the officer of AG Sindh, Karachi, why the same was not done by the officers of the district accounts office. It is the responsibility of the officer concerned to watch all the proceedings of payments under his control. The details are under:

(Amount in Rupees)

Sr. #	SAP User ID	Name of official	Designation	Number of transactions	Amount
01	10324234	Ghulam Rasool	Accountant	59	22,582,865
02	10698734	Mehboob Khan	Sub-Accountant	54	21,447,703
03	10324148	Manzoor Ali	Sub-Accountant	56	19,605,506
04	10701878	Zohaib Hassan	Sub-Accountant	3	1,226,334
05	10764613	Mohsin Ali Dall	Sr. Computer Operator	13	5,784,151
06	10702314	Amir Bux Bozdar	Sr. Computer Operator	4	110,442
07	10751395	Muhammad Yasin Dahjyo	Typist	25	8,643,220
Total					79,400,221

Audit holds the opinion that there should be proper check on the utilization of funds/ IDs on daily basis.

The matter was reported to the management in the month of May 2023, but no reply was received. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit recommends the prompt fact finding enquiry besides fixing the responsibility on the persons at fault, further the status of pensioners to whom the amount was paid also needs to be investigated keeping the department concerned on board.

(AIR#20)

Note: The issue was reported earlier in the Audit Report for the Audit Year 2021-22 vide para number 8.5.3 having financial impact of Rs 110.545 million. Recurrence of same is irregularity is a matter of serious concern.

11.5.4 Duplicate payment on account of arrears of pension adjustment – Rs 6.007 million

Appendix 18-A of Sindh Financial Rule Vol-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 negligence”.

During audit of District Account Office, Shaheed Benazirabad /Nawab Shah for the financial year 2021-22, it was observed that an expenditure amounting to Rs 6.007 million was incurred on account of arrears of pension and payment was made twice to officer/official which stands recoverable. The details are as under:

(Amount in Rupees)

Personal #	Name	Cost Center	Job	Job	Date	Changed by	Amount
10571421	Syed Jaffar Shah	SB0000	1014	O.T. Assistant	08.07.2021	10717522	1,505,916
10571421	Syed Jaffar Shah	SB0000	1014	O.T. Assistant	17.08.2021	10717522	924,278
10036089	Wasi Ullah Khan	SB0000	212	Associate Professor	24.12.2021	10717522	1,996,136
10036089	Wasi Ullah Khan	SB0000	212	Associate Professor	27.01.2022	10717522	1,580,889
Total							6,007,219

Audit is of the view that undue financial favor was extended to the concerned as the pensioners got dual benefit / double payment of arrears of pension adjustment.

The matter was reported to the management in the month of May 2023, but no reply was received. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit requires recovery of undue amount and initiation of inquiry into the matter.

(AIR#01)

Note: The issue was reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 11.5.12 having financial impact of Rs 656.058 million. Recurrence of same is irregularity is a matter of serious concern.

**11.5.5 Doubtful payments of pay and allowance in single account of two different employees
– Rs 2,681.99 million**

Appendix 18-A of Sindh Financial Rule Vol-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 negligence”.

During audit of the following offices of the Finance Department, Government of Sindh for the financial year 2021-22, it was observed that management of the office allowed pay, allowance and pension of various different employees in one bank account and with same IDs in violation of rules. Therefore, the payments should be verified up to date with each personal number with complete justifications/service record. The details areas under:

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para#	Particulars	Amount
01	District Accounts Officer, Sanghar	2021-22	33	Pension were paid to same pensioner with different IDs with same Bank account	2,489.548
			34		0
			37		3.673
			38		66.950
			35	Pay & allowances were allowed to two different employees in one bank account.	2.542
			36		0.797
02	District Accounts Officer, Shaheed Benazirabad/ Nawabshah	2021-22	23	Pension were paid to same pensioner with different IDs with same Bank account	99.078
			22	Allowed to different employees by using single bank accounts.	19.402
Total					2,681.99

Management of the office paid pension amounting to Rs2,681.99million to same pensioner with different IDs with same Bank account doubtfully.

Audit is of the view that there is a chance of doubtful payments of pay and allowances in single account.

The matter was reported to the management in the month of May 2023, but no reply was received. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit requires clarification of all payments in respective bank accounts along with remedial measures.

11.5.6 Irregular payment through creation/ restoration of IDs – Rs 43.265 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 following offices of the Finance Department, Government of Sindh, for the financial year 2021-22, it was observed on sample basis that arrears of pay amounting to Rs 43.265 million was paid to various officers/officials on opening/restoration of ID without observing codal formalities and having relevant documentations. The details are given as under;

(Rs. in Million)

Sr. #	Name of Office	AIR Para #	Financial Year	Particulars	Amount
1	DAO, Matiari	6	2021-22	Payment of arrears on restoration of their IDs	43.265
2	DAO, Ghotki	24	2021-22	Opening of 107 new IDs without availability of requisite record	-
		26	2021-22	Wrong Date of Appointment in newly created IDs	-
3	DAO, Mithi	9	2021-22	Opening of new IDs without availability of requisite record	-
4	DAO, Umerkot	14	2021-22	Opening of new IDs without availability of requisite record	-
5	DAO, Shaheed Benazirabad / Nawabshah	8	2021-22	Wrong Date of Appointment in newly created IDs	-
Total					43.265

Audit is of the view that whole payment of salary and arrears to officers/officials was doubtful due to non-availability of above essential record, which may result into misappropriation of government funds.

The matter was reported to the management in May 2023, but no reply was received. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit requires, inquiry into the matter, fixing responsibility on the person(s) at fault and other remedial measures.

11.5.7 Non-invitation of tenders – Rs 193.453 million

As per Rule 17 “Methods of Notification and Advertisement” of Sindh Public Procurement Rules, 2010, (amended 2019) provides that:

- (1) Procurements over [three hundred thousand rupees and upto two 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 following offices of the Finance Department, Government of Sindh, for the financial year 2021-22, it was observed that expenditure of Rs 193.453 million was incurred on various heads of accounts without observing SSPR rules. The tenders were not invited to obtain most economic and competitive rates from local market. This deprived government from opportunity cost which could be availed if the tenders were invited. The details are given as under.

(Rs. in Million)

Sr. #	Name of Office	AIR Para #	Financial Year	Details	Amount
1	Secretary, Finance Department	15	2022-23	Payment on procurement of various items without observing SPPRA rules	90.316
2	DAO, TM Khan	1	2021-22	Purchase of Drugs/ Medicines, Diet, Others	44.009
3	DAO, Matiari	9	2021-22	Purchase of Drugs/ Medicines	23.265
		2	2021-22	Purchase of Drugs/ Medicines	24.944
4	DAO, Ghotki	38	2021-22	Other miscellaneous	2.337
4	DAO, Shikarpur	9	2021-22	Local Purchase of medicines	8.582
Total					193.453

Expenditure without calling open tenders occurred due to weak financial controls and resulted in mis-procurement. Therefore, the whole expenditure stands irregular due to violation of SPPRA rules.

The matter was reported to the management during May 2023. The management at Sr. No.01 replied that all the requirements were done as per observing SPPR rule, and copies of vouchers of the procurement of HP Toners were attached. The reply was not tenable as no record was produced. However, other offices did not reply. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit requires regularization of expenditure besides fixing of responsibility for non-compliance of SPPRA Rules.

Note: The issue was reported earlier in the Audit Reports for the Audit Years 2022-23 and 2021-22 vide para numbers 11.5.31, and 8.5.17 respectively having financial impact of Rs 10,292.660 million. Recurrence of same is irregularity is a matter of serious concern.

11.5.8 Doubtful issuance of cheques in excess of bill amount – Rs 34.560 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 on the accounts of following offices of the Finance Department, Government of Sindh, for the financial year 2021-22, it was observed that the bills/claims amount was Rs 59.613 million, whereas cheques of Rs 94.173 million were issued in excess of bills amount, resulting in excess payment of Rs 34.560 million. The details are given as under:

(Rs. in Million)

Sr.#	Name of office	AIR Para #	Bill Amount	Cheque Amount	Amount
01	DAO Tando Allah Yar	16	26.927	45.849	18.922
02	DAO Matiari	15	32.686	48.324	15.638

Total	59.613	94.173	34.560
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Audit is of the view that issuance of cheques in excess of bill amount indicates weak internal control and may result into misappropriation of government funds.

The matter was reported to the management in May, 2023, but no reply was received. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit requires justification and fixing of the responsibility on the person(s) at fault besides other remedial measures.

11.5.9 Doubtful payments of pension in same bank accounts in same names - Rs 32.529 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 District Account Office, Shaheed Benazirabad/Nawab Shah for the financial year 2021-22, it was observed that an amount of Rs 32.529 million was paid on account of monthly self and family pension in the names of pensioners having same names and same bank accounts having different personnel numbers. Additionally, in 82 cases minor alterations were made in CNICs involving insertion of extra digit in the beginning or end. Both new and old NICs were employed to establish a separate identification for the same individuals who maintained identical bank accounts.

Audit is of the view that due to payment of pensions in same bank accounts in the same names stand doubtful and misuse of the public funds cannot be ruled out which may result into loss to government Exchequer.

The matter was reported to the management in the month of May 2023, but no reply was received. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit recommends stoppage of the doubtful payments, recovery of the amount involved and fixing of the responsibility on the persons at fault and taking remedial measures.

Note: The issue was reported earlier in the Audit Report for the Audit Year 2021-22 vide para number 11.5.12 having financial impact of Rs 2,489.550 million. Recurrence of same is irregularity is a matter of serious concern.

11.5.10 Non / Less deduction of Government taxes – Rs 1,780.664 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. 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 Para-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 @ 0.35 paisa per hundred rupees of the value of the agreement or against tender cost”.

During audit of various offices of Finance Department, Government of Sindh, for the financial years 2021-22 & 2022-23, it was observed that the managements did not deduct / less deducted various taxes amounting to Rs 1780.664 million (i.e., Income Tax, Sindh Sales Tax on Services, and Stamp duty) which resulted into loss to government. The details are given at Annex-2 of Chapter-11.

Audit is of view that due to non-deduction of due taxes government sustained financial loss, it is further noted that management is not fully sensitized about importance of implementation of tax regime of the Sindh Government.

The matter was pointed out to the management during May 2023. The management at Sr. No. 07 replied that the responsibility of deduction of taxes lies upon A.G Sindh, Karachi or subordinate offices while processing the bills and may be conveyed to the A.G Sindh to put its comments. The contention of the reply was not tenable. However, other offices did not reply. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit recommends recovery besides fixing of responsibility on the person(s) at fault. In addition, a special training courses on taxes may be arranged for the staff / management in consultation with FBR & SRB.

Note: The issue was reported earlier in the Audit Reports for the Audit Years 2022-23 and 2021-22 vide para numbers 11.5.32 and 8.5.18 respectively having financial impact of Rs 795.157 million. Recurrence of same irregularity is a matter of serious concern.

11.5.11 Recovery of excess payment of pension – Rs 63.001 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 following offices of the Finance Department, Government of Sindh, for the financial year 2021-22, it was observed that an amount of Rs 63.001 million was overpaid to the pensioners due to double payment and wrong pension calculation. The details are given as under;

(Rs. in Million)

Sr.#	Name of Office	AIR Para #	Observations	Amount
01	DAO, Shikarpur	13	double payment of pension/commutation to families of expired employees	21.589
02	DAO, Matiari	3	Payment pensions increase in excess of due amount.	4.045
		4	Double payment of pension arrears to a pensioner.	0.187
		23	Overpayment of pension due to wrong calculation of pension	1.747
03	DAO, TM Khan	17	Overpayment of pension due to wrong calculation of pension	1.197
		18	Excess payment of pension arrears.	0.865
		21	Doubtful of pension arrears more than one time.	10.947
04		3	Concealment of defalcation/losses as a result of fraudulent adjustment of pension	7.926

(Rs. in Million)

Sr.#	Name of Office	AIR Para #	Observations	Amount
	DAO, Tando Allah Yar	4	Payment of pension increase in excess of due amount.	5.196
		23	Excess payment of medical allowance to pensioner	4.224
		24	Overpayment of pension due to wrong calculation	2.609
05	DAO Mithi	03	Double drawl of medical reimbursement by pensioner	1.332
06	DAO Ghotki	02	Double drawl of medical charges by pensioner	1.137
Total				63.001

Audit is of the view that lapse on part of department indicates the improper watch and weak internal controls.

The matter was pointed out to the management in May 2023, but no reply was received. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit recommends to affect recovery of overpaid amount besides, observance of rules strictly.

11.5.12 Irregular excess payments – Rs 2.343 million

According to Rule 20 (1) of Civil Servants Leave Rules, 1986, “A civil servant may, fifteen months before the date of superannuation or thirty years qualifying service on or after the 1 St July, 1983, at his option, be allowed to encash his leave preparatory to retirement if he undertakes 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 following offices of the Finance Department, Government of Sindh, for the financial year 2021-22, it was observed during scrutiny of payment of salaries and encashment of

leave preparatory retirement that an amount of Rs 2.343 million was paid in excess of actual amount. The details are given as under;

(Rs. in Million)

Sr. #	Name of Office	AIR Para #	Observations	Amount
01	DAO, Mirpurkhas	5	Recovery due to release of excess salary	1.652
02	DAO, Larkano	2	Recovery due to extra increments	0.451
03	DAO, Matiari	25	Recovery of excess payment of encashment of leave	0.218
04	DAO, Tando Allah Yar	29	Recovery of excess payment of encashment of leave	0.022
Total				2.343

Audit is of the view that excess payment indicates weak pre-audit mechanism prevails in District Accounts Offices, which resulted into loss to government.

The matter was reported to the management in May 2023, but no reply was received. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit requires recovery of excess amount, fixing of responsibility on the person(s) at fault and taking other remedial measures.

11.5.13 Imprudent investment under Sindh Province Pension Fund – Rs 59,300.00 million

According to article 802 of Compendium of Pension Rules (CSR), “The administrators of a Local Fund may, with the permission of the Local Government, make a permanent arrangement for contributing for pensions from the general revenues for its permanent employees or for any specified classes of them by paying to Government a contribution of one-ninth of the sanctioned salaries of the several appointments.

As per Para 2(iii) of Establishment Division’s O.M No. 18/48/81-\$.3(C.V), dated 24-4-1982, the concerned foreign employer or the government servant shall pay provisionally [ay pension contribution at a uniform rate of 33-1/3% of the mean of minimum of the pay scale held by him.

As per Section 4 (a) of The Sindh Fund Management House Act, 2013 “The House shall, subject to the provisions of this Act and the rules and regulations, have the functions to make arrangements for the investment of amounts of the relevant designated funds in financial assets, and to manage investments of the relevant designated funds”.

During audit of Secretary, Finance Department, Government of Sindh, Karachi for the financial year 2022-23, it was observed that Government of Sindh made an investment of Rs 59,300.000 million since inception of Sindh Province Pension Fund (during 2022-23 an amount of Rs 9,000.000 million added) by the Sindh Fund Management House. The management failed to provide important details, including grade-wise breakdown of pension contributions, monthly investment specifics, and the working of pension liability. These omissions hinder a clear evaluation of financial processes and decisions related to pension matters and investments.

Audit is of the view the lack of proper calculation in the investment of the pension fund has led to imprudent investment under the mentioned funds. This situation has the potential to exacerbate the disparity between the pension liability and the invested funds in the near future, leading a potential source of concern and unrest among provincial employees.

The matter was reported to the management in the month of December 2023. The management replied that the allocation and release of funds into the SPP Fund was done on an ad-hoc basis, without following a proper calculation. SFMH prepares weekly MIS report which is shared with Secretary Finance and SFS (Res). The calculation can be shared with the Audit team along-with the asset, class wise calculation. The actuarial valuation report for the year 2020 has been shared. The reply was not tenable as no documentary evidence was enclosed. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit recommends that the Sindh Fund Management House takes proactive measures to rectify the identified deficiencies and provide the necessary record for audit verification.

(AIR#50)

11.5.14 Non-investment of general provident fund of Sindh Government employees’ subscription – Rs 15,537.717 million

As per para 4 of Sindh GP Investment Fund Ordinance 2008, (1) The Fund or any portion thereof, not for the time being invested under sub-section (6) of section 3, shall be kept in a schedule Bank determined by the Board in consultation with Government, which offers maximum profits, subject to security of the funds. (2) The Fund shall be utilized for clearance of G.P Fund liabilities of the employees of Government, in the manner as may be approved by the Board.

As per APPM Section 2.3.2.6 regarding the Economy: the accounting system shall include controls to ensure the prudent allocation of government resources. This objective shall be addressed by:

- i. Expenditure approval, certification and authorization procedures.
- ii. A competitive procurement processes
- iii. Central purchasing facilities
- iv. Asset management policies and procedures

During audit of Secretary, Finance Department, Government of Sindh, Karachi for the financial year 2022-23, it was observed that Government of Sindh made an investment of Rs 23,200.000 million since inception of Sindh General Provident Investment Fund, whereas during 2022-23 government had sufficient savings of Rs 15.537 billion under the head G06103 which were not invested; resultantly, the Government of Sindh sustained financial loss,

(Amount in Rupees)

GL	GL Description	Receipt/ Subscription	Payment	Balance
G06103	General provident fund (civil)	41,471,163,438	25,933,446,087	15,537,717,351

Audit is of the opinion that by retaining the said amount, the government was deprived of profit. Moreover, in the absence of investment, government has to bear the burden of making GP Fund payment from its own resources.

The matter was reported to the management in the month of December 2023. The management replied that the once GP Fund subscription is grown enough to pay the liabilities itself, without being depleted and creating additional burden on the GoS. And the subscription will be invested into the fund. The contention of the replied was not tenable as no evidence was provided in support of their claims. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit recommends immediate investment of GP Fund through Fund Management House besides taking remedial measures.

(AIR#53)

11.5.15 Unjustified retention of government funds – Rs 619.745 million

According to Revised Procedure for Operation of Assignment Accounts of Government #3. Budgeting and Reconciliation. The balance in the existing Lapsable Assignment Accounts,

remaining un-spent on June 30, will not be available without its revival through a fresh budgetary ceiling. 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 District Accounts Office, Karachi for the financial year (s) 2018-19 to 2021-22, it was observed that there was closing balance of Rs 619.745 million in account # 3176486920 dated. 21-12-2021. The funds were required to be surrendered to government but retained with department without justification. Hence the unauthorized retention was made to avoid lapse of funds.

Non-surrendering of unspent balances by departments stands unauthorized & irregular.

The matter was reported to the management in May 2023. The management replied that amount was retained by the department instead of being surrendered to the government. It is important to highlight that the Treasury Office was unaware of this matter, as the department overseeing the Sindh Intra District Peoples Bus Service Project does not fall under the purview of the Treasury office. The reply is irrelevant and untenable. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit recommends compliance of government orders besides fixing responsibility on person(s) at fault.

(AIR#02)

11.5.16 Non-deposit of revenue into Government account – Rs 396.203 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 financial years 2021-22, it was observed that management deducted income tax from the different departments amounting to Rs 396.203 million, however, the same were not deposited into government account. The details are given as under:

(Rs. in Million)

Sr. #	Name of Office	AIR Para #	Financial Year	Particulars	Amount
1	DAO, Larkano	17	2021-22	Non-deposit of WH Taxes	361.580
2	DAO, Matiari	20	2021-22	Short deposit of income tax	27.124
3	DAO, Umerkot	3	2021-22	Short deposit of income tax	7.226
4	DAO, Tando Allah Yar	27	2021-22	Short deposit of income tax	0.273
Total					396.203

Audit was of the view that due to non-deposit of government receipts; the government was deprived of revenue it earned. Retention of money without any legal justification is inefficiency on the part of management.

The matter was pointed out to the management during May, 2023, but no reply was received. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit recommends that taxes collected may be deposited in government account regularly as and when received besides taking corrective measures in the future.

11.5.17 Unjustified allowing payment under tax refund head – Rs 239.00 million

According to General Financial Rule-20 “It is the duty of the departmental Controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account They should accordingly arrange to obtain from their subordinates monthly accounts and returns in suitable form claiming credit for so much paid into the treasury or otherwise accounted for and compare them with the statements treasury credits furnished by the Accountant General, to see that the amount, reported as collected have been duly credited in the Public Account.

During audit of Treasury Office, Karachi for the financial year(s) 2018-19 to 2021-22, it was observed that payment of Rs 239.00 million was allowed to the supplier/service provider by

Treasury Officer Karachi and charged under account “Tax refund” against government rules. It is pertinent to mention here that from G/L account G-12714 payment can only be made to income tax authorities. Therefore, payments from the head and account to other suppliers stand irregular and doubtful.

Audit is of the view that allowing payment from revenue head shows serious lapse on the part of management, which indicates improper watch, and weak administrative and financial controls.

The matter was reported to the management in May 2023. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit recommends provision of proper justification, besides fixing responsibility on person(s) at fault.

(AIR#03)

11.5.18 Un-authorized allotment of vehicles to Ex-Secretaries of Finance Department

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 Secretary, Finance Department, Government of Sindh, Karachi, for the financial year 2022-23, it was observed that nine (09) vehicles have been retained by Ex-officers of Finance Department. In addition, the same vehicles were repaired by the department due to which the government sustained financial loss. However, the management of the department did not initiate appropriate action to recover the said vehicles from the officers which is ultimately a burden on government. The details are given as under:

SNo.	Vehicle	Name of Vehicle	Model	Allotted to
1	GSA-712	Suzuki Cultus	2011	EX Secretary Finance
2	GS-7979	Suzuki Cultus	2005	EX Secretary Finance
3	GS-289- C	Toyota Corolla XLI	2015	EX Secretary Finance

4	GS- 6776	Toyota Corolla XLI	2008	EX Secretary Finance
5	GS-6584	Toyota Corolla XLI	2008	Ex-Additional Secretary
6	GS-9220	Suzuki Mehran	2009	Ex-Additional Secretary
7	GS-8175	Toyota Corolla XLI	2006	Ex-Additional Secretary
8	GSF-200	Suzuki Swift (A/T)	2018	Ex-Deputy Secretary
9	GS-5935	Suzuki Mehran	2009	Ex- DG Protocol

The irregularity occurred due to poor administrative and financial management which resulted into unauthorized retention of office vehicles.

The matter was reported to the management in the month of December 2023. The management replied that action has been started to recover the vehicles and two vehicles have been recovered so far from the erstwhile officers. The reply was not tenable as no documentary evidence of recovery of vehicles was provided. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit requires recovery of vehicles besides fixing responsibility on the person(s) at fault.
(AIR#47)

11.5.19 Non-payment to pensioner from Sindh Pension Fund – Rs 192,071.48 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”.

During audit of the office of Secretary, Finance Department, Government of Sindh, Karachi for the financial year 2022-23, it was observed that amount of Rs 192,071.48 million was invested in Sindh Pension Fund and as per closing balance. But pension payment to Sindh Government employees were not started from Sindh Pension Fund.

Audit is of the view that due to non-utilization of pension fund for pension payment, Government of Sindh faced extra financial burden.

The matter was reported to the management in the month of December 2023. The management replied that fund was created with a view to bridge between the pension fund

liabilities of the retiring employees. Currently, the fund is not paying the liabilities of the retiring employees. The pensioners cannot be paid from the SPPF until the fund reaches a substantial size to pay off the pension bill. The reply is ambiguous and untenable. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit recommends immediate use of pension fund to reduce financial burden on government exchequer besides taking remedial measures.

(AIR#48)

11.5.20 Release of abnormal excess budget of voted expenditure through revised estimates – Rs 21,881.186 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”, According to the para 95 of General Financial Rules (GFRs) Vol-I “all anticipated savings should be surrendered to Government immediately they are foreseen without waiting till the end of the year, unless they are required to meet excesses under some other unit or units which are definitely foreseen at the time and no savings should be held in reserve for possible future excess”.

During audit of the office of Secretary, Finance Department, Government of Sindh, Karachi, for the financial year 2022-23, it was observed that an amount of Rs 21,881.186 million of voted budget was released in abnormal excess through revised estimate instead of regular budget to avoid vote and discussion in Provincial Assembly.

Audit is of the view that release of abnormal excess of budget through revised estimates indicated improper watch of the management.

The matter was reported to the management in the month of December 2023, but no reply was received. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit requires justification of abnormal excess release of budget through revised estimate besides fixing of responsibilities on a person(s) at fault.

(AIR#52)

11.5.21 Irregular payments through DDO account – Rs 571.431 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. 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 on following offices of Finance Department, Government of Sindh, for the financial years 2021-22, it was observed that an amount of Rs 571.431 million was paid under various heads of accounts through DDO account instead of direct crediting in favor of the actual payee / vendor accounts. The details are given as under:

(Rs. in Million)

Sr. #	Name of Office	AIR Para #	Financial Year	Particulars	Amount
1	DAO, Mithi	1	2021-22	Various Operating expenses	257.381
2	DAO, Sanghar	26		Contingencies	224.588
		17			5.454
3	DAO, Matiari	8		Various Operating expenses	45.186
4	DAO, Larkano	14		Various Operating expenses	10.826
5	DAO, Ghotki	32		Various Operating expenses	10.265
6	DAO, Tando Allah Yar	18		Various Operating/Grant expenses	8.061
7	DAO, Shikarpur	8		Various Operating expenses	5.353
8	DAO, TM Khan	11		Various Operating expenses	3.817
9	DAO, Sukkur	14	Financial Assistant	0.500	
Total					571.431

Audit is of the view that lack of effective internal controls and proper administrative measures led to this irregularity. Hence, cash payment to the vendors was irregular.

The matter was pointed out to the management in May, 2023, but no reply was received. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit recommends for provision of justification, acknowledgements along with detail of deduction of due government taxes.

Chapter - 12

Food Department

12.1 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 reserve 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.

(Rs. in Million)

Sr No.	Description	Total Nos	Au dite d	Expenditur e audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	21	3	3,382.748	-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

12.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure
76,380.000	23,458.481	(23,458.481)	(685.423)	255,471.409	201,358.484

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 54,112.924 million was observed which was not surrendered in time.

(Rs. in Million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
100,424.210	100,424.210	75.769	-100,348.441

Revenue estimates were not revised. Actual receipts were 0.08% of revised estimate.

12.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 51,428.009 million were raised as a result of this audit. This amount also includes recoverable of Rs 4,250.304 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-production of record	14,512.629

2	Reported cases of fraud, embezzlement, and misappropriation	12,982.164
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	-
B	<i>Procurement related irregularities</i>	1.161
C	<i>Management of Accounts with Commercial Banks</i>	-
4	Value for money and service delivery issues	165.675
5	Others	23,762.380

12.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. The status of discussion on Audit Paras requiring compliance of the PAC directives and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was 9.80%.

r. 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	7	6	0	6	-
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	-
1 0	2009-10	8	8	0	8	-
1 1	2010-11	0	0	0	0	-
1 2	2014-15	22	14	1	14	
1 3	2016-17	8	0	0	0	-
Total		150	102	10	93	9.80

12.5 AUDIT PARAS

12.5.1 Non-production of auditable record – Rs 8,106.554 million

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 audit of the following offices of Food Department, Government of Sindh, for the financial years 2020-21 & 2021-22, it was observed that the management did not produce auditable record worth Rs 8,106.554 million for audit scrutiny. The details are given as under;

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	DFC, Shaheed Benazirabad	2021-22	01	Various record	4,607.880
2	Secretary, Food Department	2022-23	07	Various record	352.224
3	DFC, Badin	2021-22	01	Various record	0
4	DFC, Ghotki	2021-22	13	Electricity consumption of mills	3,146.450
			11	Wheat stock, jute/PP bags record	0
5	Deputy Director Food, Larkano Region, Larkano	2021-22	11	Wheat stock, jute/PP bags record	0
			15	Wheat Movement Plan	0
			13	Visit reports of WPCs/PRCs	0
			11 & 12	Inspection reports/ Internal Audit	0
6	DFC, Sukkur	2021-22	03	PLA account	0
Total					8,106.554

Non-production of record was violation of rules which rendered the expenditure unaudited.

The matter was reported to the management during March, May & September 2023. In response to AIR#11 & 13 at Sr#04 the management replied that monthly registers of centers were produced to audit & copy of same is attached, whereas electricity bills were obtained from mills owners & attached for verification. The reply is not tenable as the monthly register was not as per prescribed format & opening balance of register was without period. Further, all the electricity bills were not related with audited period. However, other offices did not reply. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends that complete record of the expenditure be produced to audit in addition to initiation of disciplinary action against the persons responsible.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2022-23, 2021-22 and 2020-21 vide para number 12.5.1, 9.5.1 and 11.5.1 respectively having financial impact of Rs 28,973.860 million. Recurrence of same irregularity is a matter of serious concern.

12.5.2 Irregular expenditure without supporting record – Rs 6,406.075 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 the following offices of Food Department, Government of Sindh, for the financial years 2020-21 & 2022-23, it was observed that an expenditure of Rs **6,406.075** million was incurred on different heads of account but the supporting vouchers were not available with the bills produced. Thus, audit could not authenticate the expenditure incurred. The details are given as under;

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	DFC, Dadu	2021-22	05	Passbook, dhal report etc	4,295.681
2	DFC, Badin	2021-22	3, 14 & 28	Shortage recovery, registration of chakkies & flour mills records	2,107.918
3	DFC, Shaheed Benazirabad	2021-22	06	Financial assistance	0.700
4	DFC, Sanghar	2021-22	11	Financial assistance	0.600
5	DFC, Sukkur	2021-22	10	Financial assistance	0.500
6	DFC, Ghotki	2021-22	05	Financial assistance	0.300
7	Secretary, Food Department	2022-23	26	Medical reimbursement record	0.264
8	DD Food, Larkano	2021-22	14	TA/DA record	0.112
Total					6,406.075

Audit is of the view that in absence of complete supporting documents, audit could not authenticate the payments made.

The matter was reported to the management during March & May 2023. In response to AIR#05 at Sr#06 the management submitted photocopies of documents but omitted beneficiaries' bank statements crucial for verifying credited amounts hence reply is untenable. However, other

offices did not reply. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends production of record besides fixing of responsibility against the persons at fault.

12.5.3 Various outstanding dues of misappropriated wheat / bardana stocks – Rs 4249.143 million

As per wheat policy of 2020-21 issued vide No. SO(W)-7(28)2020-21 dated 31.03.2021 of Food Department, Government of Sindh, policy guidelines for wheat procurement campaign crop 2020-21, (vi) Center Incharge will be held responsible for return of bardana from growers No bardana will remain outstanding at the close of wheat procurement campaign. Outstanding bardana should be adjusted before the final payment to the grower, in case of any outstanding, center incharge/ district food controller will be held equally responsible and will have to compensate.

During audit of the following offices of Food Department, Government of Sindh for the financial years 2020-21 & 2021-22, it was observed that government dues/ misappropriated wheat/ bardana stocks amounting to Rs 4,249.143 million were not recovered despite closure of procurement seasons. The details are given as under;

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	District Food Controller, Kashmore @ Kandhkot	2021-22	01	Wheat bags	4,159.530
			04	Bardana	56.064
			05	Sale proceeds of iron patties	1.393
2	District Food Controller Badin	2020-21 & 2021-22	04	Shortage of wheat stock	24.940
3	District Food Controller, Sukkur	2021-22	14	Penalty amount imposed on employees	5.914
			06	Recovery of bardana from growers	0.645
4	District Food Controller Shaheed Benazirabad	2021-22	23	Registration fees from chakkies	0.342
			18	7,003 PP bags	0.315
5	District Food Controller Sanghar	2021-22	07	Jute bags and PP Katta	0
Total					4,249.143

Audit is of the view the due to non-recovery of outstanding dues, bardana and misappropriated wheat, the government has sustained a loss.

The matter was reported to the management during March & May 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report

Audit recommends recovery of above items besides fixing of responsibility against the persons at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2022-23, 2021-22 and 2020-21 vide para number 12.5.12, 9.5.17 and 11.5.5 respectively having financial impact of Rs 962.567 million. Recurrence of same irregularity is a matter of serious concern.

12.5.4 Missing wheat Stock – Rs 12,986.164 million

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 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 following offices of Food Department, Government of Sindh, for the financial years 2019-20 to 2022-23, it was observed that wheat stock of Rs 12,986.164 million was non / short dispatched and was missing / misappropriated which has resulted into loss to Government. The details are given as under:

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	District Food Controller, Kashmore @ Kandhkot	2021-22	12	36,628.87 bags	366.288
		2021-22	06	13.407 M.Ton	1.347
2	District Food Controller, Sanghar	2021-22	02	406.500 M.Ton	22.358
3	Deputy Director Food, Karachi	2022-23	15	3254 PP bags	12,548.200
			22	165,000	-
			24	119,114.889	-
4			08	4,125.0 M. Ton	20.625

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
	District Food Controller, Tharparkar @ Mithi	2019-20 to 2021-22	06	308.591 M.Ton	10.029
			07	243.752 M. Ton	8.531
			05	202.138 M.Ton	6.569
5	District Food Controller, Badin	2020-21 & 2021-22	09	40.311 M.Ton	2.217
Total					12,986.164

Audit is of the view that management failed to take precautionary measures and secure wheat stock which indicates prevalence of weak administrative and financial controls causing loss to the Government.

The matter was reported to the management during March 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report

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

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2022-23, 2021-22 and 2020-21 vide para number 12.5.13, 9.5.03 and 11.5.8 respectively having financial impact of Rs 683.879 million. Recurrence of same irregularity is a matter of serious concern.

12.5.5 Loss to government due to non-disposal of wheat stock – Rs 274.900 million

As per wheat policy guidelines issued every year regarding the “substandard quality/damaged / weevil wheat and the wheat containing dust etc shall not be accepted, failing which concerned center Incharge and District Food Controller be held responsible”.

During audit of the following offices of Food Department, Government of Sindh, for the financial years 2020-21 to 2022-23, it was observed that management retained wheat stock of Rs 274.900 million and did not dispose them in time. Due to non-disposal of retained old wheat stock, the quality of stock was damaged / unsuitable for human consumption. Thus, the government has sustained loss. The details are given as under;

(Rs. in Million)

Sr. #	Name of Office	Financial Years	AIR Para #	Weight in Metric Ton/ KGs	Amount
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1	Deputy Director Food, Karachi	2022-23	08	3,539.295	194.661
2	District Food Controller Dadu	2021-22	02	1732.902 M. Tons	60.651
3	District Food Controller, Sukkur	2021-22	02	7123 PP Bags	19.588
Total					274.900

Audit is of the view that the timely disposal of wheat stock would have benefited the general public and could save government from loss.

The matter was reported to the management during March 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report

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

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2022-23 and 2021-22 vide para number 12.5.22 and 9.5.25 respectively having financial impact of Rs 1,114.753 million. Recurrence of same irregularity is a matter of serious concern.

12.5.6 Doubtful payment of transportation charges - Rs 258.455 million

According to Rule-23 of Sindh Financial Rules, Volume-1, "As a general rule every payment including repayment of money previously logged with Government for whatever purpose must be supported by the voucher setting forth full and clear particulars of claim".

During audit of the following offices of Food Department, Government of Sindh, for the financial years 2020-21 to 2022-23, it was observed that the expenditure amounting to Rs 258.455 million was incurred on transportation charges. However, detail of vehicles with numbers, dispatch & arrival, bilty number with wheat transported from the PRC / WPC / godown & documentary evidence / update regarding correspondence / submission documents i.e., bills, gate passes for transportation were not provided for the actualization.

(Rs. in Million)

Sr. #	Name of Office	Financial Years	AIR Para #	Weight in Metric Ton/ KGs/ Bags	Amount
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1	Deputy Director Food, Karachi	2022-23	07	1,950,000	205.670
2	District Food Controller Dadu	2021-22	12	-	14.162
			17	24,551.595	36.091
3	District Food Controller, Badin	2020-21 & 2021- 22	24	-	2.532
Total					258.455

Audit is of the view that in the absence of essential record, chances of misappropriation cannot be ruled out.

The matter was reported to the management during March, May & December 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report

Audit recommends provision of justification and fixing of responsibility on person(s) at fault.

12.5.7 Non-achievement of wheat procurement targets

As per policy Food Department, Government of Sindh, Karachi letter No.SO/(W)-7(28)2020-21 dated:31 March 2021A target of 1,400 M. Tons wheat has been fixed for the Sindh Province for procurement of wheat from Crop 2021-22. The department has declared approximately 500 wheat procurement centers for purchase of targeted quantity of 1,400 MMT. 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 Food Department, Government of Sindh, for the financial years 2020-21 to 2022-23, it was observed that wheat procurement targets fixed by the Government were not achieved resulted into short procurement. The details are given as under;

Sr. #	Name of Office	Financial Year	AIR Para#	Targets achieved in %
1	Deputy Director Food, Larkano Region, Larkano	2020-21	01	54.436%
2	District Food Controller, Sukkur	2021-22	07	16.54%

Sr. #	Name of Office	Financial Year	AIR Para#	Targets achieved in %
3	District Food Controller, Ghotki @ Mirpur Mathelo	2021-22	01	53.64%
4	District Food Controller, Kashmore @ Kandhkot	2021-22	09	55.69%
5	District Food Controller, Shaheed Benazirabad	2021-22	16 & 17	26.59%
6	District Food Controller, Dadu	2021-22	01	34.91%
7	District Food Controller, Badin	2020-21 & 2021-22	02	04.95%
			15	29.91%

Audit is of the view that due to non-achievement of wheat procurement; the province is facing shortage of wheat and causes escalation in prices.

The matter was reported to the management during March & May 2023. The management at Sr#03 stated that open market rates were higher than the government fixed rates. The reply is not tenable as supporting documents were not attached, the Government lifted ban & cancelled the license of the dealers for three months. However, other offices did not reply. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends provision of justification for non-achievement of targets besides fixing of responsibility on the persons at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2022-23, 2021-22 and 2020-21 vide para number 12.5.17, 9.5.10 and 11.5.2 respectively having financial impact of Rs42,695.289 million. Recurrence of same irregularity is a matter of serious concern.

12.5.8 Loss due to non-fumigation & improper storage of wheat stocks – Rs 13,559.524 million

According to the Policy guidelines for wheat procurement campaign crop 2021-22, Para (vi) “Procured wheat shall be stored properly, keeping in view the safety & security of wheat stock. The entire space available in in the official godowns will be exhausted & private godowns shall be hired to store maximum wheat stock in the covered accommodation at the rate approved by the respective rent assessment / procurement commodities; and,

The Policy guidelines for wheat procurement campaign crop 2021-22 issued by the food department vide letter No. SO(W)-7(29)/2021-22/122 Karachi dated 28th February, 2022 at para T.O.Rs (xiv) the cleanliness of godowns should be ensured with fumigation and spray to store newly procured wheat.

During audit of the following offices of Food Department, Government of Sindh, for the financial years 2019-20 to 2021-22, it was observed that wheat stock worth Rs 13,559.524 million was lying in the PRC/ WPCs, godown & open space area in centers & same was not fumigated and kept under proper storage. Thus, the chances of damage could not be ruled out. The details are given as under;

(Rs. in Million)

Sr. #	Name of office	Financial year	AIR Para #	Description	Amount
1	District Food Controller Shaheed Benazirabad	2021-22	12	Fumigation of wheat stock	4,740.730
2	District Food Controller Ghotki @ Mirpur Mathelo	2021-22	06	Fumigation of wheat stock	3,310.720
3	District Food Controller Sukkur	2021-22	13	Fumigation of wheat stock	3,201.689
4	District Food Controller, Tharparkar @ Mithi	2019-20 to 2021-22	10	Receipt of wheat from different districts but stored without it fumigation	1,239.713
5	District Food Controller Dadu	2021-22	09	Rain-soaked wheat stocks lying in godown & open space	570.250
6	District Food Controller, Kashmore @ Kandhkot	2021-22	02	Fumigation of wheat stock	469.698
7	District Food Controller Badin	2020-21 & 2021-22	08	Stock damaged at godown	26.724
8	District Food Controller Sanghar	2021-22	08	Fumigation of wheat stock	0

(Rs. in Million)

Sr. #	Name of office	Financial year	AIR Para #	Description	Amount
Total					13,559.5 24

Audit is of the view that, due to non-fumigation chances of damage of wheat stock could not be ruled out which may result into loss.

The matter was reported to the management during March & May 2023. The management at Sr#02 the management stated that the Department has not yet approved the contractor for fumigation. The reply is not tenable as documentary evidence were not attached with the reply. However, other offices did not reply. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends action may be taken for non-fumigation & rain soaked due to open space of wheat stock besides fixing of responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2022-23, 2021-22 and 2020-21 vide para number 12.5.19, 9.5.24 and 11.5.7 respectively having financial impact of Rs 8,958.688 million. Recurrence of same irregularity is a matter of serious concern.

12.5.9 Non-pursuing court matters of misappropriated wheat stock – Rs 3,391.310 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 the District Food Controller, Dadu for the financial year 2021-22, it was observed that wheat stock of Rs 3,391.310 million & 600 empty PP bags were misappropriated by various officials. However, the management failed to pursue court cases against those officials.

Audit is of the view that due to poor internal controls; the entity did not pursue the court cases resultantly Government sustained financial loss.

The matter was reported to the management during March 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report

Audit required recovery of misappropriated stock besides stoppage of the salary.

(AIR#18)

12.5.10 Variation of wheat stocks figures – Rs 1,368.048 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. As per Rule 34 of Sindh Financial Rules, Volume-I, the D.D.O. is responsible to conduct the reconciliation of figures of receipt/expenditure with concerned treasury so as authenticate the figures. And as per Health Department Government of Sindh letter No SO(B)13-18/2019-20 “Receipts should be duly reconciled with AG Sindh /DAO concerned”

During audit of the following offices of Food Department, Government of Sindh, for the financial years 2019-20 to 2022-23, it was observed that there was variation of Rs 1,368.048 million in wheat stock as per record of DAO/cashbook/Bank & stock position of wheat procurement at District Food Controllers. The variation needs proper reconciliation to work out any material misstatement. The details are given as under;

(Amount in Rupees)

Sr. #	Name of Office	Financial year	AIR Para #	Provincial receipt/Sale of wheat Variation between the District Food Controllers, & DAO		
				As per District Food Controller /PC-7/ Center wise	Cash book/DAO/ Bank/ Books of account	Difference
1	District Food Controller, Sukkur	2021-22	01	4,286,509,290	3,015,655,500	1,270,853,790
2	District Food Controller Sanghar	2021-22	05	43,4570,717	359,266,982	75,303,735

3	District Food Controller Dadu	2021-22	03	1,355,694,900	1,366,917,415	11,231,875
4	Deputy Director Food Department, Karachi	2022-23	20	531,420,300	530,257,300	1,163,000
5	District Food Controller Ghotki @ Mirpur Mathelo	2021-22	04	3,146,450,243	3,145,436,684	1,013,559
6	District Food Controller, Tharparkar @ Mithi	2019-20 to 2021-22	03	603,665,000	595,183,000	8,482,000
Total						1,368,047,959

Audit is of the view that due to variation in wheat stocks; the chances of misappropriation could not be ruled out.

The matter was reported to the management during March & December 2023. The management at Sr#05 stated that variation incurred due to addition of other recoveries in sale of wheat. The reply is not tenable as the attached DFC statement proved that the other recoveries column was not added in sale of wheat column. However, other offices did not reply. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

12.5.11 Non-recovery of stamp duty – Rs 1.198 million

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 @ 0.35 paisa per hundred rupees of the value of the agreement or against tender cost.”

During audit of the following offices of Food Department, Government of Sindh, Karachi for the financial years 2019-20 to 2022-23, it was observed that the contract for transportation of wheat was awarded to various transporters but stamp duty amounting to Rs 1.198 million was not deducted / recovered.

(Rs. in Million)

Sr. #	Name of office	Financial Years	AIR Para #	Details of non-reconciliation	Amount
1	Deputy Director Food Karachi	2022-23	21	work for transportation of imported wheat from port Qasim to Karachi was awarded to M/s Adil Enterprises Rs 331.770 million but stamp @ 0.35% Rs1.161 million was not recovered	1.161
2	District Food Controller, Tharparkar @ Mithi	2019-20 to 2021-22	11	Rs 10.725 million. The work was awarded without execution of contract agreement which has caused loss on account of stamp duty for Rs 0.037 million.	0.037
Total					1.198

Audit is of the view that Due to non-recovery of stamp duty, government was deprived of its revenue.

The matter was reported to the management during December 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report

Audit recommends expeditious recovery of stamp duty, besides fixing of responsibility against the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 12.5.16 having financial impact of Rs 6.285 million. Recurrence of same irregularity is a matter of serious concern.

12.5.12 Non-imposition of penalty on contractor for late supply of wheat stock – Rs 165.675 million

As per clause # 02 of the contract agreement, the contractor shall be duty bound to work even after normal working hours and on Sundays and holidays for which no any overtime/overcharge or double charge on any account shall be payable by Food Department. Clause # 03 mentions that the benchmark of the assessment of pace of handling and transportation of wheat bags etc. from mentioned districts to all PRCs / godowns of Karachi would be transportation of at

least 2,000 metric ton (20,000 bags of wheat) per day. Below than this threshold the performance shall be considered as poor and work order shall be cancelled immediately and penalty shall be imposed on the contractor.

During audit of the Deputy Director Food Department, Karachi for the financial year 2022-23, it was observed work order for transportation of 50,000 M. Tons of wheat from Sukkur and S.B.A to Karachi was awarded to the contractor but contractor failed to dispatch required quantity. In addition, the imported wheat from Port Qasim to godowns at Karachi was awarded to M/s Adil enterprises who transported short quantity of imported wheat for the period from execution of agreement up to 30-04-2023. Thus, due to non-imposition of penalty on contractors, public exchequer sustained financial loss.

Audit is of view that by non-imposition of penalty undue favour was extended to the contractors.

The matter was reported to the management during December 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report

Audit recommends action may be taken against the person(s) at fault, besides taking remodel measure.

(AIR # 05 & 10)

12.5.13 Irregular issuance of bardana to growers – Rs 661.0 million

According to the Policy guidelines for wheat procurement campaign crop 2021-22 issued by the food department vide letter No. SO(W)-7(29)/2021-22/122 Karachi dated 28th February 2022 at para (xxv) stated that “the center incharge will prepare a list of growers whom bardana was issued during the week with name, father`s name, CNIC No. with copy, cell No. if any, name of deh & quantity of bardana issued”. As per wheat policy of 2021-22 issued vide No. SO(W)-7(29)2021-22 dated 28.02.2022 of Food Department, Government of Sindh, policy guidelines for wheat procurement campaign crop 2021-22, 02 (xvii);

- (a) In first 05 days only small growers holding less than 16 acres land will be provided Bardana (100 Jute Bags or 200 PP Bags).
- (b) The growers holding more than 30 acres land shall be provide maximum of 500 Jute bags of 1000 PP bags.
- (c) (c). The growers holding more than 50 acres land shall be provided maximum of 1000 Jute Bags or 2000 PP Bags at one time for above growers on return of filled bags more jute bags can be issued after 07 days.

During audit of the following offices of Food Department, Government of Sindh, for the financial years 2020-21 & 2021-22, it was observed that the expenditure of Rs 661.0 million was

incurred on bardana and the same were issued to various growers without obtaining copy of growers CNIC, and addresses were not found in daily report registers. The details are given as under.

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Amount
1	District Food Controller, Sanghar	2021-22	04	661.0
2	District Food Controller, Badin	2020-21 & 2021-22	26	0
Total				661.0

Audit is of the view that due to non-completing of codal formalities, the loss to public exchequer could not be ruled out.

The matter was reported to the management during March & May 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report

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

Chapter - 13

Forest & Wildlife Department

13.1 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.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	18	1	69.228	-

2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

13.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rs. in Million)

Original Budget/ Grant	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variation Excess/ (Savings)
4,347.813	958.500	989.695	(945.165)	(66.476)	5,284.366	4,519.186	(765.180)

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 765.180 million was observed which was not surrendered in time.

(Rs. in Million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
460.000	270.000	52.918	-217.082

Revenue estimates were reduced upto 40% of revised estimate. Actual receipts were 20% of revised estimate.

13.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 1,366.516 million were raised as a result of this audit. This amount also includes recoverable of Rs 20.430 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	66.222
B	<i>Procurement related irregularities</i>	7.579
C	<i>Management of Accounts with Commercial Banks</i>	186.696
4	Value for money and service delivery issues	-
5	Others	1,106.019

13.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. The status of discussion on 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 9.80%.

r. 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	12	11	2	9	18.2
6	2005-06	17	14	2	12	14.3
7	2006-07	08	3	0	3	-
8	2007-08	17	0	0	0	-
9	2008-09	9	0	0	0	-
1 0	2009-10	10	5	2	3	4.0
1 1	2010-11	6	4	0	4	-
1 2	2014-15	0	0	0	0	-
1 3	2016-17	0	0	0	0	-
Total		123	52	9	43	17.30

13.5 AUDIT PARAS

13.5.1 Unutilized balance lying in bank account - Rs 184.596 million

According to Rule 290 of 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 audit of Conservator Wildlife Management, Karachi for the financial year 2021-22, it was noticed that an amount of Rs 184.596 million was found lying in in current bank account maintained at National Bank of Pakistan as on 30-6-2022. Audit is of the view that management cannot retain funds in DDO account beyond the close of financial year.

The management did not deposit the same into public exchequer which indicates weak financial & administrative control in the entity.

The matter was reported to the management during September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends provision of justification and stoppage of such practice in future.

(AIR#15)

13.5.2 Irregular payment through DDO account – Rs 2.100 million

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 Deputy Conservator Wildlife, Shaheed Benazirabad Division for the financial year 2021-22, it was observed that an expenditure of Rs 2.100 million was incurred under Financial Assistance, but the payments were made through DDO account instead of direct payment to relevant payees.

(Amount in Rupees)

Cost Center	Vendor Name	G/L Descp	Cheque#	Date	Amount
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SB0098	Deputy Conservator Wildlife	Fin. Assis. To The Families of G. Serv. Who Expire	4237556	1/21/2022	900,000
			4237559	1/21/2022	900,000
			4237560	1/21/2022	300,000
Total					2,100,000

Audit is of the view that management failed to make transparent disbursement of Govt. funds, moreover, cash payment is a serious violation, and hence, this reflects maladministration on part of the management.

The matter was reported to the management during September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends provision of acknowledgement and stoppage of cash payment forthwith.

(AIR#23)

13.5.3 Overpayment to Labor Jamadars – Rs 3.950 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 not in order.

During certification audit of the forest department, government of Sindh for the financial year 2022-23, an amount of Rs 79.000 million was disbursed to Labor Jamadars resulting in an excess payment of Rs 3.950 million which has led to an overpayment. Details are given at **Annex-1** of Chapter-13.

This overpayment has consequently led to an overstatement of figures in the appropriation account, thereby compromising the accuracy and reliability of the financial statements.

The matter was reported to the management in September 2023. The DAC meeting was held on 25-10-2023. The management replied that the cost of per acre maintenance work was mentioned in the acquaintance rolls as per release of funds under development scheme titled “TBTTP Up-Scaling of Green Pakistan Program (GPP)”. The detailed deliberation was held on

the para and the management informed the forum that the work was carried out as per approved rates in PC-I. The DAC directed the management to furnish the copy of PC-I showing the maintenance rate of every year. However, no progress was reported till finalization of this report.

Audit recommends compliance with the DAC directives.

(OM # 139)

13.5.4 Non-invitation of tender – Rs 7.579 million

As per Rule 17 “Methods of Notification and Advertisement” of Sindh Public Procurement Rules, 2010, (amended 2019) provides that:

- (1) Procurements over [three hundred thousand rupees and upto two 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 certification audit of the Forest Department, Government of Sindh, for the financial year 2022-23, while reviewing the accounts record of following offices, it was observed that expenditure of Rs 7.579 million was incurred without invitation of tender. Furthermore, computer generated invoices were used without address, proprietor name, NTN / STN number, stamp etc. income tax and sales tax were not deducted. Acknowledgment receipt, delivery challans and inspection report were not provided. Head of publicity was utilized for purchase of dinner, water and tea set.

(Rs. in Million)

Sr.#	Name of Office	Subject	Memo No	Amount
1	DFO (A) Matiari	Seminar	234	6.745
2	DFO Direction Hyderabad	Printing & Publicity	86	0.466
3	DFO (Coastal Forest Division-RB) Karachi	Purchase of boat parts	244	0.368
Total				7.579

Audit is of the view that due to non-compliance of procurement rules, management failed to obtain the most economic and competitive rates from local market.

The matter was reported to the management in September 2023. The DAC meeting was held on 25-10-2023. The management of office at Sr. No-01 replied that an amount of Rs 6.745 million was spent on Seminars without inviting tenders, claiming local hiring made it unnecessary. The reply is not tenable as tender is required. The office at Sr. No-02 justified Rs 0.466 million local purchase without tender due to urgency and argued that Sales Tax was not applicable. The response lacked clarity on urgency and other issues raised. The office at Sr. No-03 spent Rs 0.364 million on boat parts without following SPPRA rules. DAC directed compliance and inquiry, but no progress was reported.

Audit recommends compliance with the DAC directives.

13.5.5 Manual payment of pay and allowances – Rs 640.940 million

The CGA Office has adopted sub-modules HR module in SAP R/3 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 the Forest Department, Government of Sindh, for the financial year 2022-23, while reviewing the accounts record of following offices, it was observed that the salary of the employees of the forest department is being drawn through manual bills instead of computerized pay bills through SAP R/3 system implemented in all over the Sindh through Accountant General Sindh Office and District Accounts Offices. Details of payroll payments are as under:

(Rs. in Million)

Sr.#	Name of Office	OM No	Amount
1	Chief Conservator of Forests Sindh, Hyderabad	19	613.149
2	DFO (S/F) Division-I Karachi	105	23.578
3	DFO Coastal Left bank Sujawal	196	4.203
4	DFO A. Sukkur	46	0.000
5	DFO (RM) Umer Kot	55	0.000
6	DFO (A) Khairpur	73	0.000
7	DFO Direction Hyderabad	84	0.000

Total	640.93
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Although the office of the Budget and Accounts Officer Forest department is connected with the SAP R/3 system, the pay and allowances of the employees are still not being processed electronically through HR module of the system and being maintained manually. Due to this irregularity, various deviations could be noticed in accounting control system of the department, like.

- i. Payment of over and above the sanctioned strength,
- ii. Non deduction of income tax,
- iii. Improper processing of accounting transactions relating to GP fund, Benevolent Fund and Group Insurance etc.

The matter was reported to the management in September 2023. The DAC meeting was held on 25-10-2023, management replied that the SAP system is installed in the Budget & Accounts Office (Forests) Sindh Hyderabad, but no punching power of expenditure have been allowed. However, the department shall boost efforts to approach concerned authorities for allowing access of online payment of salaries through SAP R/3 system installed in the Budget & Accounts Office (Forests) Sindh Hyderabad. DAC directed the management to make correspondence with Finance Department and furnish progress. However, no progress was reported till finalization of this report.

Audit recommends compliance with the DAC directives.

13.5.6 Irregular payment of monthly pension to 248 doubtful pensioners having invalid CNIC – Rs 66.222 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 not in order.

During the certification audit of the Forest Department, Government of Sindh, for the fiscal year 2022-23, it was observed that out of the 1,442 pensioners (as per June 2023 payroll), 248 pensioners were receiving monthly pensions with CNICs that raised concerns due to variations in their numeric format. It should be noted that according to NADRA's Standard Operating Procedures (SOPs), a valid CNIC should consist of 13 identical digits. However, in the case of these 248 pensioners, the CNICs exhibited inconsistencies in their numeric structure. Details are given at **Annex-2** of Chapter-13.

Audit is of the view that while transferring the pension to DCS, CNICs of pensioners were required to be updated in the master data to make pension data as transparent which was not done, it reflects poor financial and administrative controls within the formations.

The matter was reported to the management in September 2023. The DAC meeting was held on 25-10-2023. The management replied that CNICs with 13 digits were introduced in 2001-2002 and declared old NICs as invalid from 1st January 2004. The inquisition pensioners had retired prior to the introduction of CNICs by NADRA, and later on expired when old NICs were applicable, therefore, the old NICs were used in creating their online Pension IDs during DCS process for family pensions as per proforma provided by the AG office. However, since the employees had already expired before introduction of CNICs, hence, there was not any possibility at that time to create their IDs on the basis of CNICs. The DAC directed to update record from Master Data and remove anomalies for verification in the next Audit. However, no progress was reported till finalization of this report.

Audit recommends compliance with the DAC directives.

.(OM # 111)

13.5.7 Non recovery of various taxes – Rs 20.430 million

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, withholding agent shall deduct an amount equal to 1/5th 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.

According to Section 153 & 233 of Income Tax Ordinance 2001, as amended 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 contact with government or local authorities, etc., shall deduct advance tax at the time of making payments at the rate of 4.5% for filers & 6.5% for non-filers on supply/purchases and at the rate of 10% for filers & 15% for non-filers on services rendered of gross amount”.

During certification audit of various offices of the Forest Department, Government of Sindh, it was observed that income tax, SST, GST amounting to Rs 20.430 million was not deducted from suppliers/contractors at applicable rates. Details are given at **Annex-3** of Chapter-13.

Audit is of the view that due to non-deduction of taxes, government sustained financial loss.

The matter was reported to the management in September, 2023. The DAC meeting was held on 25-10-2023. The management replied that as pointed by audit, in few cases taxes are recovered, in few cases instructions are noted for future compliance, further replied that GST is not applicable, management also replied that suppliers are submitting tax goshwara to tax authority, hence tax is not applicable. Audit contended that the reply is not convincing as all the government offices are bound to withhold the government taxes as required under the rules; hence, all the taxes are required to be recovered and requires verification of record. DAC directed the management to produce record for verification of recoveries. However, no progress was reported till finalization of this report.

Audit recommends compliance with the DAC directives.

13.5.8 Non-recovery of outstanding dues from contractors – Rs 11.178 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.

During certification audit of the Forest Department, Government of Sindh, in the office of the Chief Conservator of Forests Sindh, Hyderabad, for the financial year 2022-23, it was observed that as per Annexure-C of the Appropriation Accounts there has been an outstanding balance of Rs 11.178 million on account of recoveries from contractor for many years; however, no effort was made by the management to realize the outstanding recovery. As a result, government was deprived of its due revenue.

Audit is of the view that outstanding dues were not recovered from the contractors since long despite of repeated observation raised in previous years. This indicates that administrative & financial control is very weak in the department.

The matter was reported to the management in September, 2023. The DAC meeting was held on 25-10-2023. The management replied that Sindh Forest Department has taken all possible efforts under the provision of Section-81 and 82 of the Sindh Land Revenue Act, 1967. Most of the defaulting forest contractors have expired or even become pauper, who have no worth to pay-up the Government dues. Apparently, there is no hope of recovery. DAC directed the management to produce the correspondence of efforts taken by the department for recovery of old outstanding dues to audit. However, no progress was reported till finalization of this report.

Audit recommends compliance with the DAC directives.

(OM#17)

13.5.9 Fictitious withdrawal of funds in the name of labour Jamadar through Fake signatures – Rs 5.195 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 certification audit of the Forest Department, Government of Sindh, for the financial year 2022-23, it was observed while reviewing the accounts record of DFO (A) Division Sukkur that payment of Rs 5.195 million was drawn in favour of Mohsin Ali contractor/ Labour Jamadar through fake signatures as all the signatures on vouchers had variations which proves that someone had made fake signatures on bills to draw the amount. Furthermore, no evidence of payment through cross cheque in the bank account of concerned contractor was available on record.

(Amount in Rupees)

CV.No	Month	Payee/Supplier	Name of work	Area	Amount	Remarks
1 to 17	Mar-23	Mohsin Ali	Mesquite Eradication	Khia Bindi	374,790	Conservancy & Works
18-39	Mar-23	Mohsin Ali	Jungle clearance	Khia Bindi	499,720	
1 to 38	May-23	Mohsin Ali s/o Badaruddin	Supply of 4 Mds Babul seed including carriage along with gunny bags		870,666	
1 to 28	Jun-23	Mohsin Ali	2nd year maintenance (i) salary of Nighban 1000/- per acre	Bagarji-I&II	2,800,000	GPP Scheme
1 to 5	May-23	Mohsin Ali	4th year maintenance	Ktiabad	110,000	

(Amount in Rupees)

CV.No	Month	Payee/Supplier	Name of work	Area	Amount	Remarks
6 to 29	May-23	Majid Ali	4th year maintenance	Sundrani	540,000	
Total					5,195,176	

The payment vouchers display different signatures of contractor which clearly suggests fake bills have been generated for withdrawal of money.

The matter was reported to the management in September 2023. The DAC meeting was held on 25-10-2023. In DAC meeting management replied that illiterate labor often signed in Sindhi or used thumb impressions, certified by the Range Forest Officer. The audit questioned this explanation, citing significant variations in English signatures on vouchers, deeming it implausible. Additionally, no evidence of payment through cross cheque in contractors' bank accounts raised suspicions of fake signatures. DAC instructed the production of CNICs and agreements for verification, but no progress was reported by the finalization of this report.

Audit recommends compliance with the DAC directives.

(OM # 45)

13.5.10 Fraudulent payment to various individuals – Rs 1.239 million

As per Rule '1' Appendix 18-A of Sindh financial rule Vol-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 certification audit of the Forest Department, Government of Sindh, for the financial year 2022-23, while reviewing the accounts record of following offices, it was observed that fraudulent payments of Rs 1.239 million were made to various individuals within the organization. It was noticed that the same individuals, albeit under different designations, have been receiving payments concurrently from both the development and non-development sides of the organization as detailed below:

(Rs. in Million)

Sr.#	Name of Office	Particulars	OM No	Amount
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1	DFO (A), Shaheed Benazirabad	Same individual engaged on monthly wages at different places in same period	124	0.734
2	DFO (A) Naushehro Feroze	-do-	20	0.284
		-do-	21	0.051
		Pay of tube well operator without having tube well in the division	24	0.170
Total				1.239

Further investigation and corrective actions are imperative to rectify this issue and safeguard the organization's financial integrity.

The matter was reported to the management in September, 2023. The DAC meeting was held on 25-10-2023. DFO (A) Naushehro Feroze replied that Beldar engaged in same forest who was supervising all the labourers engaged in the forests and paid the amount to those laborers being technical. Further, Beco Manchine were already installed at Bhorti & Mithiani (Riverine) Forests of Afforestation Range Tharushah the pay of Tube Well Operator engaged on Beco Machine on daily wages for the month of April-2022 to August-2022 was paid. DAC directed the management to nominate an officer to find the location of tube-wells and take corrective measures if any irregularity is committed and submit inquiry report for verification to audit. In addition to which the nominated officer would ensure that there is no same individual engaged on monthly wages at different places during same period. However, no progress was reported till finalization of this report.

Audit recommends compliance with the DAC directives.

13.5.11 Unjustified expenditure on conservancy works & development schemes without tender – Rs 339.297 million

As per Rule 12(1) of SPPRA Rules 2010 “Limitation on Splitting or Regrouping of Proposed Procurement - 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”.

As per Rule 17(1) of SPPRA Rules 2010 “Procurements over three 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 the Forest Department, Government of Sindh, for the financial year 2022-23, while reviewing the accounts record of various offices, it was observed that payment of Rs 339.297 million was paid to various Labour Jamadars on account of conservancy & works without showing compartment number of Forest. And jamadars were engaged without obtaining copy of CNICs and agreement. Payment was made through cash instead through cross cheques. Taxes were also not deducted. Details are given at **Annex-4** of Chapter-13.

In view of above, expenditure incurred stands irregular, as a result financial propriety and probity cannot be authenticated.

The matter was reported to the management in September, 2023. The DAC meeting was held on 25-10-2023. The management replied that according to Forest Accounting System/Procedure, supervision of forestry operations in remote areas is supervised by Forest Technical Staff. They explained the engagement of local, mostly illiterate labor, certified by field staff, who often use Sindhi signatures or thumb impressions. The management claimed that payments were made in cash due to the absence of bank accounts for labor in far-flung areas. However, the reply lacked documentary evidence. DAC instructed the production of relevant records for verification, but no progress was reported by the finalization of this report.

Audit recommends compliance with the DAC directives.

13.5.12 Irregular cash payments to the vendors – Rs 83.790 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 drawl and disbursement of cash.”

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”.

During certification audit of the Forest Department, Government of Sindh, for the financial year 2022-23, while reviewing the accounts record of following offices, it was observed that an amount of Rs 83.790 million was drawn in cash by the RFO for payment to the concerned contractors/ Labour Jamadars instead of direct crediting in respective accounts of through cross cheque. As neither the evidence of cheque number nor the copy of cheque was available with the payment vouchers.

(Rs. in Million)

Sr.#	Name of Office	OM No.	Amount
1	DFO A. Sukkur	42	26.529
2	DFO (A) Khairpur	66	37.076
3	DFO Direction Hyderabad	83	7.454
4	DFO (S/F) Division-I Karachi	101	12.731
Total			83.790

Audit is of the view that by making cash payment through DDO account is a gross violation of rules and regulations as this practice results in misappropriation of funds, ransacking and misuse of authority against the public interest.

The matter was reported to the management in September, 2023. The DAC meeting was held on 25-10-2023. The management of office at serial #01 replied that instructions are noted for future compliance regarding payments to contractors/labor Jamadars. Management of office at serial #02 explained that payments were disbursed to three RFOs based on the potential of works, justifying cash payments as authorized under the West Pakistan Forest Manual. Management of office at serial #03 stated local suppliers are reluctant to accept cheques, leading to cash payments. The management of office at serial #04 justified cash disbursements citing Section 2.5 of the West Pakistan Forest Manual, despite objections based on prevailing government rules. DAC directed an inquiry and ex-post facto sanction, but no progress was reported by the finalization of this report.

Audit recommends compliance with the DAC directives.

Chapter - 14
Health Department

14.1 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.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	143	68	92,817.266	1.747
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	5	1	30.340	-

14.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure
9,226.783	109,360.715	(110,564.130)	(18,441.989)	223,517.887	204,613.68

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 18,904.204 million was observed which was not surrendered in time.

(Rs. in Million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
700.000	188.117	702.756	514.639

Revenue estimates were reduced upto 73% in revised estimate. Actual receipts were 374% of revised estimate.

14.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 50,414.119 million were raised as a result of this audit. This amount also includes recoverable of Rs 1,798.458 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr.	Classification	Amount
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No.		
1	Non-production of record	7,153.055
2	Reported cases of fraud, embezzlement and misappropriation	1,455.220
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	2,660.747
B	<i>Procurement related irregularities</i>	14,795.910
C	<i>Management of Accounts with Commercial Banks</i>	-
4	Value for money and service delivery issues	-
5	Others	24,348.697

14.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. The status of discussion on 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 27.27%.

r. 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	11	7	4	-
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	-
1 0	2009-10	11	9	0	9	-
1 1	2010-11	20	20	0	20	-
1 2	2014-15	21	19	0	19	-
1 3	2016-17	0	0	0	0	-
Total		221	154	42	112	27.27

14.5 AUDIT PARAS

14.5.1 Non-production of record – Rs 7,153.055 million

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 audit of various offices of Health Department, Government of Sindh, for the financial years 2019-20 to 2022-23, various auditable records amounting to Rs 7,153,055 million was not produced to audit for scrutiny. The details are given at Annex-1 of Chapter-14.

Non-production of record was violation of rules which rendered the expenditure unaudited.

The matter was reported to the management in the month of February to November, 2023. The DAC meeting for the financial year 2021-22 was held on 01-11- 2023. The DAC directed to produce record to audit for verification. But no record was produced. However, despite written requests, DAC meeting for the financial year 2022-23 was not convened by the PAO till finalization of this report.

Audit recommends that complete record of the expenditure be produced to audit in addition to initiation of disciplinary action against the persons responsible.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23 vide para number 14.5.1, 14.5.1 and 14.5.1 respectively having financial impact of Rs 113,764.62 million. Recurrence of same irregularity is a matter of serious concern.

14.5.2 Non-taking action against absconding doctors – Rs 968.057 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 following offices of Health Department, Government of Sindh for the financial year 2021-22 and 2022-23, it was observed that an amount of Rs 968.057 million was incurred on account of payment of salary to those employees/doctors whose remained absent from their duties for many years; however, the competent authority did not take action against them for their removal from service or any other appropriate action. The details are given as under;

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	DHO Kashmore @ Kandhkot	2021-22	2	Non-taking of stringent action against 17 absconding doctors	949.44
2	DHO Larkano	2021-22	2	Non-taking of stringent action against 06 absconding doctors	12.782
3	District Health Officer, Kashmore	2022-23	4	Non-taking of stringent action against absconder doctors	4.275
4	Civil Surgeon, Civil Hospital, Dadu	2022-23	16	Non-initiating of strict action and recovery of salary against absconders	1.436
5	District Health Officer, Malir, Karachi	2022-23	18	Non-initiating of action against absconding technician	0.124
6	District Health Officer, Khairpur	2022-23	3	Unauthorized transfer of medical officer and non-taking action against his absenteeism	0
7	District Health Officer, Larkano	2022-23	6	Non taking action against absconder doctors	0
Total					968.057

Audit is of the view that non-initiating of strict action against absconders indicates the extension of favoritism to the employee and prevalence of weak administrative control within the department.

The matter was reported to the management in the month of February 2023 to November, 2023. The DAC meeting for the financial year 2021-22 was held on 01-11-2023. The management at Sr.No.01 replied that action has already been taken against the concerned absconding doctors. The management at Sr.No.02 replied that the office has written letter to the District Accounts Officer, Larkano for stoppage of salaries of absconder doctors. The DAC directed the management to produce the evidence regarding actions taken against absconding doctors to Audit for verification. However, no progress was reported till the finalization of this report. However, despite written requests, DAC meeting for the financial year 2022-23 was not convened by the PAO till finalization of this report.

Audit recommends compliance of above DAC directives and initiation of disciplinary proceeding against absconding doctors.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 14.5.48 having financial impact of Rs 259.84 million. Recurrence of same irregularity is a matter of serious concern.

14.5.3 Loss / misappropriation of various medicines due to its consumption in other Hospital – Rs 192.011 million

As per Health Department Government of Sindh Notification No.SO(PM&I)2-I/2021-22/CPC(MAIN) dated 11th November 2021 “Directed to ensure the procurement of listed items keeping in view of demands/ consumption & budget availability for the year 2021-22, in case of purchase of excess quantity of any item, the head of procuring agency will be responsible. It must ensure to furnish the copies of supply orders and contract agreement as and when issued to the contractors, to the office, as well as Sindh Public Procurement Regulatory Authority, Karachi.

During audit of office of the Medical Superintendent Sindh Infectious Diseases Hospital & Research Centre, Karachi for the financial year 2021-22, it was observed that the management purchased various medicines of Rs 518,753,230/- from different suppliers but as per record, some of the medicines were shown received / consumed in Dow University Hospital Ojha Campus without any justification. Meanwhile, the medicines amounting to Rs 192,011,725/- were purchased by local office from the grant received from Health Department Government of Sindh for onward provision free of cost to patients but the same were consumed in Dow University Hospital Ojha Campus; a hospital which charges for medicines from their patients.

Audit is of the view that management misused the powers to issue such medicines amounting to Rs 192 million to other hospital from the store depriving of needy/poor patients from provision of essential medicines free of cost. This has also resulted into loss to government due to misappropriation of medicines.

The matter was reported to the management during the month of February 2023. The DAC meeting for the financial year 2021-22 was held on 01-11-2023. The management of SIDH replied that SIDH budget was used on patients of SIDH only and it was not possible that procurement of SIDH be consumed in DOW Hospital. The DAC directed the management to produce evidence for Audit verification that medicines in question were not consumed in DOW University Hospital. However, management did not submit detailed facts and figures supported with evidence during verification. Further, progress was reported till the finalization of this report.

Audit requires compliance of DAC directives.

(AIR#25)

14.5.4 Irregular payments on doubtful quotations – Rs 9.531 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 office of the Medical Superintendent, Taluka Hospital, Ubauro for the financial year 2021-22, it was observed that an expenditure Rs 9.531 million was incurred on purchase of uniform & local purchase of medicines. The Procurement was made through obtaining quotations which appear to be similar as their formatting, pattern and font styles were same. Even the items mentioned in quotations were in the same sequence. This clearly shows that fabricated and fake quotations and bills have been used to draw funds.

Audit is of the view that the expenditure was incurred by obtaining fabricated quotations and bills. The authenticity of these claims stands unverified.

The matter was reported to the management in March 2023. The DAC meeting for the financial year 2021-22 was held on 01-11-2023. The DAC directed the management to furnish the

reply with evidence for Audit verification. However, no progress was reported till the finalization of this report.

Audit requires compliance of DAC directives.

(AIR#21)

14.5.5 Loss to government due to missing of procured medicine and other articles – Rs 8.796 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 the District Health Officer, Tando Muhammad Khan for the financial year 2021-22, it was observed that articles including medicines, bed nets and kits amounting to Rs 8.796 million were not traceable in the stock registers and there was no proof of receipt of these items in the store. There are chances that these items have either been misappropriated or stolen. It is also apprehended that payment has been made to suppliers without receiving the medicines. The detail is given as under:

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	D HO Tando Muhammad Khan	2021-22	3	Medicines not traced in stock register.	7.109
			5	Stock Register shows less quantity than the quantity procured	1.167
			6	Bed Nets, Dengue Kits etc issued from Directorate Malaria Control to DHO, TMK but the same were not received in stores.	0.520
Total					8.796

Audit is of the view that non-delivery of medicine and untraceable articles received from Directorate of Malaria resulted in misappropriation of public funds.

The matter was reported to the management in March 2023. The DAC meeting for the financial year 2021-22 was held on 01-11-2023. The management replied that Medicine produced in the year 2021-22 was entered in the stock register as well as issued for use @ Health Facilities & can be verified at any time. The DAC directed the management to produce the record for Audit verification. However, no progress was reported till the finalization of this report.

Audit requires compliance of DAC directives.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 14.5.2 having financial impact of Rs 1,244.62 million. Recurrence of same irregularity is a matter of serious concern.

14.5.6 Non-taking up of action against the doctor who was involved in spreading HIV

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 appear 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 District Health Officer, Larkano for the financial year 2021-22, it was observed that Dr. Muzaffar Ali Ghaghara, Medical Officer was found involved in heinous crime of spreading HIV among patients. He was declared guilty of the crime and suspended but the case is still awaited to be finalized by the department after lapse of reasonable time. Further, officer involved in this case was continuously drawing his monthly salary which comes to Rs 2.516 million (Rs 209,682x12). No serious action has so far been taken against him. Further, status of case and action against the suspended doctor was not communicated to Audit.

Audit is of the opinion that due to non-communicating follow-up of case of MO involved in criminal negligence of spreading HIV cases appears to be an extension of undue favour to the medical officer.

The matter was reported to the management in the month of February 2023. The DAC meeting for the financial year 2021-22 was held on 01-11-2023. The management replied that Dr. Muzaffar Ali Ghanghro M.O RHC Bangul Dero is already placed under suspension vide

Government of Sindh Health Department, Karachi vide Order No: SO.CI (H) M-169/2006 dated 30th October, 2019. The DAC directed the management to finalize the case as per rules under intimation to Audit. However, no progress was reported till the finalization of this report.

Audit requires compliance of DAC directives.

(AIR#12)

14.5.7 Misappropriation of government funds - Rs 31.978 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 following offices of the Health Department, Government of Sindh for the financial years 2021-22 to 2022-23, it was observed that government has sustained loss of Rs 31.978 million on account due to misappropriation of funds. The details are given as under:

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para #	Amount
1	District Health Officer, Tando Muhammad Khan	2021-22	04	1.869
2	DHO Jacobabad	2022-23	12	11.686
3	DHO Tando Muhammad Khan	2022-23	15	16.355
4	Director, Jacobabad Institute of Medical Sciences (JIMS) Jacobabad	2021-22 to 2022-23	1	2.068
Total				31.978

The audit uncovered significant issues, including fuel consumption by vehicles under repair in the workshop and financial misconduct by Assistant/Accounts. Funds allocated for diet charges were misappropriated without any subsequent action taken. Moreover, unauthorized removal of medicines from the main medical store involved four employees. Financial benefits

were extended to a preferred vendor without following proper rules, and expenditures occurred without formal agreements. Most vendor claims and invoices appeared to be fabricated. Repair work was conducted without a market survey, depriving the government of cost-effective rates.

Audit is of the view that these findings have significant implications on the Health Department's integrity and financial health. These issues of non-compliance with financial rules, and incomplete documentation all contribute to a compromised operational environment. These lapses not only jeopardize the credibility of the organization but also pose risks of financial loss and inefficiency.

The matter was reported to the management from February to November 2023. The DAC meeting for the financial year 2021-22 was held on 01-11-2023. The management of office at Sr. #1, stated the case is pending in the High Court of Sindh Circuit Bench Hyderabad, with Rs 1.869 million to be deducted from Mr. Hotchand's commuted value of pension through District Accounts Office Tando Muhammad Khan. DAC directed pursuing the matter with the District Accounts Office and in the High Court, with intimation to Audit. The management of office at Sr. #4, replied that the issue is with the Anti-Corruption department, where an inquiry was urged but not initiated. The reply of the management was not tenable. Despite written requests, DAC meeting for the financial year 2022-23 was not convened by the PAO until the finalization of this report.

Audit recommends compliance of the DAC directives for the financial year 2021-22. Further, inquiry be initiated against person(s) at fault.

14.5.8 Doubtful procurement of Medicines - Rs 52.010 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 Civil Surgeon Civil Hospital, Tando Allah Yar, for the financial year 2022-23, it was observed that payment amounting to Rs 52.010 million was made to M/S Shakeel Qazi on account of purchase of medicines.

Firstly, the selected local vendor did not have prior experience in the pharmaceutical field, raising doubts about their ability to fulfill procurement requirements. Additionally, the procurement process occurred without involvement or approval from the health department's

procurement committee, deviating from established protocols. Complete documents including vouchers were not available to authenticate the expenditure. Furthermore, M/S Shakeel Qazi's drug license certificate and his affiliation with recognized pharmaceutical company was not evident posing potential risks to the quality and authenticity of the medicines. Notably, there was no record of the medicines being delivered by the vendor, casting further uncertainty. Moreover, the absence of sanctions from the incumbent Medical Superintendent raised questions about the legitimacy of bill processing and fund disbursement.

Audit is of the view that the procurement from Suppliers stands doubtful on the grounds that neither the vouchers exist in local office nor the delivery of medicine is authenticated.

The matter was reported in the month of November, 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

The matter may be enquired and responsibility be fixed against the person(s) found at fault.

(AIR#04)

14.5.9 Doubtful procurement of medicines from company owned by Govt. employee/relative - Rs 38.932 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 the District Health Officer, Tando Muhammad Khan for the financial year 2022-23, it was observed that expenditure amounting to Rs 38.932 million was incurred on account of purchase of medicine and other items/services doubtfully as the firm who supplied medicines are either owned by Govt. Employee or relative. The details are given as under;

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	District Health Officer,	2022-23	1	Expenditure was incurred on account of medicines without open tender and drug sale license. Moreover, the	24.000

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
	Tando Muhammad Khan			company is owned by a primary school teacher.	
			2	Expenditure was incurred without calling open tender. Moreover, the company was owned by Mr. Pawan Kumar who is the son of Mr. Hotchand, currently the Accounts Officer in DHO, Tando Muhammad Khan	10.442
			3	1. The enterprise was owned by a former Director General Health Services (personal # 10021199) who had held the significant position in Health department. During his tenure of service, he gave undue favor to supplier. Moreover, various supply orders of tender amount was awarded without competitive process and drug sales license.	4.490
Total					38.932

Audit is of the view that the procurement carried out by the District Health Office raises significant chances of frauds. The purchase of medicines and other supplies from a government school teacher's enterprise is highly irregular and suggests potential embezzlement in government funds.

The matter was reported in the month of November, 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommended that a thorough investigation be conducted into these transactions besides recovery of fraudulent payments, if any, besides fixing of responsibility on person(s) at fault.

14.5.10 Theft of various injections through creating fake indents – Rs 1.957 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 owned action or culpable negligence”.

During audit of office of the Medical Superintendent Dr. Ruth K.M Pfau Civil Hospital Karachi for the financial year 2022-23, it was observed that various injection of Meropenem 1gm amounting to Rs 1.957 million with quantity#1971 issued to various wards through indents request. When the ward’s manual consumption account as well as computerized database was checked for this purpose the entry of the same was found missing which confirms that the issued injections have been stolen. In absence of doctors ‘prescription, patients tag number, Self-Assessment worksheet by the Pharmacist record also confirms that the injections have been stolen.

Audit is of the view that all issued injections were theft on fake indents and not utilized on patients of wards.

The matter was reported in the month of November, 2023. The management replied that the indents were duly submitted from respective wards to this store sections for issuance of medicines i-e Meropenem 1gm.However the reply was not tenable as no relevant documentary evidence was produced in support of reply. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends inquiry in the matter, besides fixing of responsibility on the persons at fault.

(AIR#01)

14.5.11 Suspicious treatment of large number of patients throughout the District – Rs 122.822 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 the District Health Officer, Naushahro Feroze for the financial year 2022-23, it was observed that the management provided detail of Aggregated Primary Health Centre (PHC) & Secondary Health Centre (SHC) of the District through District Health Information System (DHIS) Report. The following given DHIS report picturized medication of total patients through OPD attendance of the year:

Primary Health Centre (PHC)	Secondary Health Centre (SHC)	Performance
OPD	OPD	Total OPD
2,597,753	769,667	3,367,420

The above depicted table displayed the total patents 3,367,420 were treated by all the PHCs & SHCs during the financial year but the entity presented following detail of the total population of the district.

Establishment of district	Current Population of the district	No. of Talukas	Total UCs
1990	1,869,587	05	51

As per above position of population of the district, the number of patients were clearly excess than the population. Thus, the treatment of spurious excess number of patients i.e. 1,497,833 is mere a figure to show the utilization of the medicine.

The Health Department, Government of Sindh released Rs 152.916 million (As per SAP) under GL account A03927 Purchase of Medicine (CRC 85% & Local 15%) for treatment of general public. However, the utilization of funds for medicines were kept under observation on following grounds:

Total OPD as per DHIS (PHCs & SHCs) report	Population given by the Department	Excess Population	Funds for medicines by the Health dept.	Amount per patient (Amount /Population)	Amount
A	B	A-B	C	C/B	(A-B)*(C/B)
3,367,420	1,869,587	1,497,833	152,916,285	82/-	122,822,306

The above calculation indicated that the expenditure amounting to Rs 122.822 million was mere shown in the bills / invoices for clearing the cheques through District Accounts Office (DAO), but actually funds were not utilized. Whereas the variation in figure of OPD patients & total population i.e., 1,497,833 is proved as bogus number of people & the public funds were wasted which depicted poor financial & managerial skills of the management.

Audit is of the view that the management of the entity did not pay proper attention towards the utilization of funds. The excess figure between the OPD (all PHCs & SHCs) & the population of the district evidenced the mis-utilization.

The matter was reported in the month of November, 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit required thoroughly investigation of mis-utilization of funds for excess OPD than the actual population besides taking remedial measures.

(AIR#06)

14.5.12 Doubtful procurement of excess quantity of various items – Rs 26.610 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 the Civil Surgeon Civil Hospital, Tando Allah Yar, for the financial year 2022-23, it was observed that an expenditure of Rs 26.610 million was incurred on procurement various items with unjustified excess quantity which is beyond audit understanding and totally unjustified. The procurement of items in such massive quantities appears unlike with the available space and operational environment of the Civil Hospital. This raises suspicions that the vouchers were prepared to withdraw funds from the public exchequer without legitimate usage. Further irregularities were noted, including the procurement of LED bulbs without necessary documentation, raising concerns about installation, shelf life, and the fate of replaced bulbs. The purpose behind acquiring a large quantity of torches and a significant amount of Typhon liquid is unclear. Additionally, the procurement of pillow covers, bed sheets, and other items lacks clarity on their purpose. These discrepancies underscore a lack of transparency and raise questions about the necessity and justification for these procurements.

Audit is of the view that due to non-observance of codal formalities and government rules, the authenticity of expenditure could not be verified.

The matter was reported in the month of November, 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends clarification with regard to unjustified procurement of excess quantities without justification.

Note: The issue was reported earlier also in the Audit Report(s) for the Audit Year 2022-23 vide para number 14.5.71 having financial impact of Rs 621.698 million. Recurrence of same irregularity is a matter of serious concern.

(AIR#14)

14.5.13 Irregular payment of inadmissible allowances – Rs 1,445.548 million

As per Finance Division Notification No.F.1(1)/83 18th August 1983, “Non-practicing allowance shall be admissible in all cases where a doctor is not allowed to practice”.

According to Finance Department letter No.FD(SK-II)5/40-2002I dated 20-07-2011, Hard Work Allowance was allowed to Medical Doctors treating patients of notified infectious diseases such as TB, Swine Flu etc”.

According to Para 5 (ii) of Finance Department, Government of Sindh, Karachi Office Memorandum No.FD(SR-I)I(32)/2008-2011 dated 12-07-2015 regarding introduction of revised Basic Pay Scales and Allowances 2011, Dearness Allowance-2006 allowed vide Finance Department Office Memorandum No.FD/SR-I/1(51)/2003-04 dated 07-07-2006 was discontinued.

During audit of various offices of Health Department, Government of Sindh, for the financial years 2019-20 to 2022-23, it was observed that the allowances amounting to Rs 1,445.548 million were paid to government employees without its admissibility. The undue favor was extended to the government employees due to payment of inadmissible allowances. The details are given at Annex-2 of Chapter-14.

Audit is of the view that the management has extended undue favor due to non-recovery of inadmissible allowances which has resulted into adverse financial impact on Government kitty

The matter was reported to the management in the month of February to November, 2023. The DAC meeting for the financial year 2021-22 was held on 01-11-2023, the DAC directed the management to produce record to audit for verification. However, no progress was reported till finalization of this report.

Moreover, the management at Sr. #53 in respect of AIR Para # 03 replied that the Board of Governors JIMS Jacobabad decided to break-up gross salary being offered to the staff during that time. The formula i.e., 50% salary allocation of gross salary into basic and 50% in other different allowances were unanimously approved by the board and adopted accordingly. The reply is not tenable as it is against government rules. The management at Sr. #77, AIR Para 49 replied that the payment was made to the staff under various allowances as per their admissibility and approval of the competent authority and sent to the AG Sindh for payment. Reply was not tenable as documentary evidence was not produced in support of reply. However, despite written requests, DAC meeting for the financial year 2022-23 was not convened by the PAO till finalization of this report.

Audit recommends compliance of the DAC directives for the financial year 2021-22. However, audit recommends convening of DAC meeting for the financial year 2022-23.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23 vide para number 14.5.3, 14.5.6 and 14.5.42 respectively having financial impact of Rs 3,199.03 million. Recurrence of same irregularity is a matter of serious concern.

14.5.14 Irregular appointments of the contract employees - Rs 1,101.179 million

As per Government of Sindh, Finance Department, Karachi letter No: FD /B&E-I/ Appointment /2(363)/2013-14 dated 25th September 2013. Appointment of staff on contingency basis (3) No appointment are made against unsanctioned post and against sanctioned posts on contingency basis, without specific approval of Finance Department for each post.

During audit of following offices of the Health Department, Government of Sindh for the financial years 2021-22 to 2022-23, it was observed that an expenditure of Rs 1,101.179 million was incurred on account of pay and allowances against the employees hired on contract basis without observance of APT rules. The policy adopted against appointment of staff on contract basis, with market-based salaries, from government funding was unjustified. The detail is given as under:

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para #	Amount
1	Director , Jacobabad Institute of Medical Sciences (JIMS), Jacobabad	2021-22 to 2022-23	2	500.981
2	MS Sindh Infectious Hospital & Research Centre NIPA, Karachi	2022-23	11	334.773
3	Principal, Shaheed Benzair Bhutto Medical College Layari, Karachi	2021-22 to 2022-23	4	226.066
4	Director , Syed Abdullah Shah Institute of Medical Sciences, Sehwan	2022-23	5	39.359
Total				1,101.179

Several lapses were identified during the audit: firstly, there was a failure to adhere to government notification guidelines for contract employees hired from the market. Additionally, salaries were disbursed without clear criteria, standards, or legislative approval. The absence of surveys on salaries in nearby areas and similar institutions led to a discriminatory payment procedure, resulting in undue favors and excessive payments beyond entitlement for the staff. The allowances paid exceeded government pay scale limits, including extraordinary benefits like high percentages for house rent, utility, conveyance, medical allowances, and fixed allowances ranging from Rs 50,000 to Rs 150,000. These exceptional benefits should be halted, and recovery measures should be implemented for the undue favors provided.

Audit is of the view that due to non-observance of government pay scales, there were chances of extension of undue favor to the employees as well as financial burden on the public exchequer.

The matter was reported to the management in the month of February to November, 2023. The management at Sr. #01 in respect of AIR Para # 02 emphasizes the establishment of Jacobabad Institute of Medical Sciences (JIMS) under its own Board of Governors (BoGs) and the adherence to JIMS ACT 2013; however, the detailed focus on procedural aspects and attachments does not effectively address the concerns raised, rendering the reply not tenable. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 14.5.44 having financial impact of Rs 969.774 million. Recurrence of same irregularity is a matter of serious concern.

14.5.15 Doubtful payment to daily wage employees without approval from competent authority - Rs 10.734 million

As per Government of Sindh, Finance Department, Karachi letter No: FD /B&E-I/ Appointment /2(363)/2013-14 dated 25th September 2013. Appointment of staff on contingency basis (3) No appointment are made against unsanctioned post and against sanctioned posts on contingency basis, without specific approval of Finance Department for each post.

During audit of office of the District Health Officer, Tando Allah Yar for the financial year 2022-23, it was noticed that an amount of Rs 10.734 million was paid to 24 different employees from "Payments to other for service rendered" head of account but their recruitment was not authorized from Health department. The health department recruited 18 Medical Officers and 10 other supporting staff on account of COVID whereas the evidence of recruitment indicated 24 different employees was not available which creates the doubt of payment made to unknown persons. Audit requested to furnish their personal files/recruitment record but same was not available in office.

Furthermore, it was pointed out that 08 employees are receiving payments amounting to Rs 4.017 million from two distinct General Ledger (GL) heads specifically, from "Others A06102" and "Payments to Others for Service Rendered A03912." This dual payment structure raises questions about the appropriateness and authorization of these transactions. Details are given as under:

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para #	Amount
1	DHO Tando Allah Yar	2022-23	6	6.717
			16	4.017
Total				10.734

The management failed to watch the laid down procedures. Thus, the above lapse on the part of management indicates improper watch and absence of systemic internal controls.

The matter was reported in the month of November, 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends justification besides fixing of responsibility against the person(s) at fault.

14.5.16 Un-justified payment of salary to doctors & staff nurses appointed on 89 days since last two years – Rs 103.286 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 following offices of Health Department, Government of Sindh, for the financial year 2022-23, it was observed that an amount of Rs 103.286 million was being paid to various Doctors and Staff Nurses, who were appointed for 89 days and paid salary from the funds released under the head “Other Services Rendered”. The detail is given as under;

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para #	Amount
1	District Health Officer, Central Karachi	2022-23	05	38.846
2	District Health Officer, Matiari	2022-23	02	36.164
3	District Health Officer, Tando Allah Yar	2022-23	08	28.276
Total				103.286

Several issues were highlighted during the audit, including the appointment of Doctors and Nurses for COVID-19 duty in 2020 and subsequent renewals every 89 days without proper justification. Payments were made from the non-Salary head of account despite sanctioned posts being available, the appointment of staff was not adequately justified. In emergency situations, appointments should follow established rules, involving requisitions to the Sindh Public Service Commission and obtaining necessary NOCs, if required. However, the records supporting these appointments, such as copies of advertisements and relevant documents, were not provided.

Additionally, crucial documentation, including Progress & Performance Reports, place of posting details, and attendance records for the appointed doctors and nurses, was not produced, raising concerns about the transparency and adherence to proper procedures in these appointments.

Audit is of the view that the expenditure incurred without supporting detail and documents was irregular which indicate prevalence of financial indiscipline within the formation.

The matter was reported in the month of November, 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

14.5.17 Compromised expenditure on purchase of medicines - Rs 747.067 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 Health Department, Government of Sindh for the financial year(s) 2021-22 & 2022-23, it was observed that an expenditure of Rs 747.067 million was incurred by adopting compromised practice. Vendors with different names were found to have same contact number and addresses on their bills. This indicates that compromised tendering process was adopted resulting in failure of healthy competition as well as extending undue favor to favorite vendors. The details are given at Annex-3 of Chapter-14.

Audit is of the view that there was failure of the management to follow SPPRA Rules resulted undue favor was extended to the vendors in non-achievement of competitive rates.

The matter was reported to the management in the month of February to November, 2023. The DAC meeting for the financial year 2021-22 was held on 01-11-2023. The management at Sr.#02 & 03 replied that the addresses and Contact Number of Parras Enterprises and Huzaifa Enterprises are not same. The DAC directed the management of formations to produce evidence in support of their replies for Audit verification. However, no progress was reported till the finalization of this report. However, despite written requests, DAC meeting for the financial year 2022-23 was not convened by the PAO till finalization of this report.

Audit recommends compliance of the DAC directives for the financial year 2021-22. However, for the financial year 2022-23, audit recommends convening of DAC meetings.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 14.5.74 having financial impact of Rs 182.475 million. Recurrence of same irregularity is a matter of serious concern.

14.5.18 Mis-procurement of SPPRA violation – Rs 3,075.314 million

Rule 17 (1) & (2) of Sindh Public Procurement Rules, 2010 states that procurement over three 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 Health Department, Government of Sindh for the financial year(s) 2016-17 to 2022-23, it was observed that expenditure of Rs 3,075.314 million was incurred on procurement of various articles without observing SPPRA rules and procedures. The details are given at Annex-4 of Chapter-14.

Audit is of the view that undue favour was extended to the firm for procurement of drugs/ medicines against five years agreement, which is violation of SPPRA Rules. This indicates weak internal controls of the management.

Audit is of the view that there was failure of the management to follow SPPRA rules which shows non-transparency in procurement process.

The matter was reported to the management during the months from February to November 2023. The DAC meeting for the financial year 2021-22 was held on 01-11-2023. The management of office at sr.#01 & (AIR #5) replied that procurement of medicines was made with the permission of Health Department based on previous tender rates. The management at sr.#2 replied that the expenditure was incurred through quotations and daily vehicle was hired for Covid-related awareness. The management at sr.#03 justified Thalassemia Day Care Centre medicine procurement due to delayed budget release. The management at sr.#06 replied that due to delayed CRC tendering medicines were procured from local market. The management at sr.#07 denied splitting, Sr.#08 & 14 used Central Rate Contract. The management at Sr.#09 (AIR#31) replied that funds were released on emergency basis relaxing the rule of tender, in case of AIR(18) the medicines were purchased through CRC and quotations basis and in case of AIR(4) the expenditure

was made through quotations. The management at sr.#10 (AIR #13, 17 & 19) used quotations for need-based procurement. Sr. #108 AIR Para 15 claimed tender procurement. The replies of the management is not tenable as it lacks documentary evidences. Despite requests, DAC meeting for 2022-23 was not convened by the PAO until the finalization of this report.

Audit recommends compliance of the DAC directives for the financial year 2021-22. However, for the financial year 2022-23, audit recommends convening of DAC meetings.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23 vide para number 14.5.8, 14.5.15 and 14.5.66 respectively having financial impact of Rs 8,972.80 million. Recurrence of same irregularity is a matter of serious concern.

14.5.19 Imprudent purchase of drugs & medicines having short shelf life – Rs 67.200 million

According to Health Department Government of Sindh Notification No.SO(PM&I)2-I/2021-22/CPC(MAIN) dated 11th November 2021, Para#3 the date of manufacturer of the Drugs and Medicines Expiry thereof bache number must be printed in Red on labels of bottles/Containers/Packages/vials/ampoules, boxes 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 various offices of Health Department, Government of Sindh for the financial years 2016-17 to 2022-23, it was observed that medicines amounting to Rs 67.200 million were procured and the same were accepted without having sufficient shelf-life which should at least be 70%. The details are given at Annex-5 of Chapter-14.

Audit is of the view that those medicines nearing expiry could pose risks to lives and should be replaced as per rules to avoid the wastage of government money.

The matter was reported to the management during the months of February to November 2023. The DAC meeting for the financial year 2021-22 was held on 01-11-2023. Formations at Sr.#02, 03, 06,7, 8 and 9 provided varied responses regarding the procurement and utilization of medicines, with shorter shelf life. The DAC directed to produce record to audit for verification, but responses are still awaited. The management at sr.#17 replied that medicines were purchased in small quantity and for emergency use, but lacked competent authority approval for emergency procurement with short shelf life. Despite requests, DAC meeting for the financial year 2022-23 was not convened by the PAO until the finalization of this report.

Audit recommends compliance of the DAC directives for the financial year 2021-22. However, for the financial year 2022-23, audit recommends convening of DAC meetings.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21 and 2022-23 vide para number 14.5.15, 14.5.85 having financial impact of Rs 358.462 million. Recurrence of same irregularity is a matter of serious concern.

14.5.20 Irregular procurement of physical assets - Rs 1,755.728 million

According to Rule-23 of Sindh Financial Rules, Volume-1, “As a general rule every payment including repayment of money previously logged with Government for whatever purpose must be supported by the voucher setting forth full and clear particulars of claim”.

During audit of various offices of Health Department, Government of Sindh for the financial year 2022-23, it was observed that Plant & Machinery, Computer parts and electric items were procured amounting to Rs 1,755.728 million without observing following codal formalities. The details are given at Annex-6 of Chapter-14.

Audit is of the view that due not non-observance of codal formalities and government rules, the authenticity of expenditure could not be verified.

The matter was reported to the management in the months of February to November 2023. The DAC meeting for the financial year 2021-22 was held on 01-11-2023. The management at Sr.#01 replied that no advance payment was made. The DAC directed the management of Sr.#01 to produce the relevant record with supporting evidence for verification. However, no progress was reported till the finalization of this report.

The management at Sr.#03 replied that the purchases of furniture, machinery & equipment are purchased after assessment and according to the requirement of the hospital. They further added that the same has been recorded in the dead stock register. However, dead stock register is not attached with the reply. However, despite written requests, DAC meeting for the financial year 2022-23 was not convened by the PAO till finalization of this report.

Audit requires compliance with DAC directives. However, for the financial year 2022-23, audit recommends convening of DAC meetings.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 14.5.130 having financial impact of Rs 52.823 million. Recurrence of same irregularity is a matter of serious concern.

14.5.21 Non-execution of contract agreement – Rs 1,742.480 million

Rule-159 (a) of Sindh Financial Rules, Volume-I, “the work or supply costing not less than Rs 100 a contract should be made on a written agreement, duly stamped and registered, so that it can be maintained in a court of law in the event of dispute”.

During audit of various offices of Health Department, Government of Sindh, for the financial years 2019-20 & 2022-23, it was observed that payments amounting to Rs 1,742.480 million were made to various contractors without executing any contract agreements with them. Furthermore, stamp duty of Rs 8.617 million was also not collected. The details are given at Annex-7 of Chapter-14.

Audit is of view that due to non-execution of agreement with contractor, the government sustained loss. As a result, the government was deprived of the benefit of revenue of Stamp duty @ 0.35% which amounts to Rs 8.617 million.

The matter was reported to the management in the month of February to November, 2023. The DAC meeting for the financial year 2021-22 was held on 01-11-2023. The management of various offices replied that either the Stamp Duty has been recovered or the letters have been sent to vendors for depositing the amount in the Government Account and the same may be got verified from Audit. DAC directed the management to produce the relevant record with supporting evidence for verification. However, no progress was reported till the finalization of this report. However, despite written requests, DAC meeting for the financial year 2022-23 was not convened by the PAO till finalization of this report.

Audit recommends compliance with DAC directives. However, for the financial year 2022-23, audit recommends convening of DAC meetings.

14.5.22 Unjustified retention of funds into DDO account – Rs 487.994 million

According to Rule 290 of 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 audit on the accounts record of following offices of Health Department, Government of Sindh for the financial years 2021-22 and 2022-23, it was observed that an amount of Rs 487.994 million was shown as balance in DDO account on close of financial year. The same was neither disbursed to actual payees nor surrendered as savings. The details are given at Annex-8 of Chapter-14.

Audit is of the view that management cannot retain funds in DDO account beyond the close of financial year, but the management did not deposit the same into public exchequer which indicates weak financial & administrative control in the entity.

The matter was pointed out to the management during the month of February to November 2023. The DAC meeting for the financial year 2021-22 was held on 01-11-2023. Management clarified the receipt of Rs 49,728,110 from the Deputy Commissioner Shikarpur for the SIUT Centre establishment, deposited in the DDO Account. The management at sr. #12 AIR Para 02, replied that closing balances were bid security of the contractors and they were directed to collect or face crediting into the Government treasury. DAC directed to produce relevant records for verification, but no progress was reported. Despite requests, DAC meeting for the financial year 2022-23 was not convened by the PAO until the finalization of this report.

Audit recommends compliance with DAC directives for the financial year 2021-22. However, for the financial year 2022-23, audit recommends convening of DAC meetings.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21 and 2022-23 vide para number 14.5.23 and 14.5.91 respectively having financial impact of Rs 11,094.08 million. Recurrence of same irregularity is a matter of serious concern.

14.5.23 Irregular payment through DDO account – Rs 91.047 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 drawl and disbursement of cash.”

During audit of various offices of Health Department, Government of Sindh, for the financial year 2021-22 and 2022-23, it was observed that funds amounting to Rs 91.047 million were drawn and kept in DDO account instead of crediting the same directly in to the bank accounts of parties concerned. The details are given at Annex-9 of Chapter-14.

Audit is of the view that making payment through DDO account is a violation of rules and regulations that should be avoided at any cost because this practice results in misappropriation of funds, rent seeking and other misuse of authority that Government wants to stop.

The matter was pointed out to the management during the months of February to November 2023. The DAC meeting for the financial year 2021-22 was held on 01-11-2023. The management at sr.No.01 explained salary payments for COVID-19 staff based on Finance Department instructions. The management at sr.No.02 replied that financial assistance payments of Rs 0.900 million was made through DDO accounts and a payment of Rs 0.300 million was made through direct bank transfers. The management at Sr. #07 AIR Para #. 04, replied that DAO-issued cheques in the name of legal heirs for financial assistance DAC directed to produce record to audit for verification. However, no progress was reported till finalization of this report. Despite requests, DAC meeting for the financial year 2022-23 was not convened by the PAO until the finalization of this report.

Audit recommends compliance with DAC directives for the financial year 2021-22. However, for the financial year 2022-23, audit recommends convening of DAC meetings.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23 vide para number 14.5.25, 14.5.20 and 14.5.80 respectively having financial impact of Rs 95.988 million. Recurrence of same irregularity is a matter of serious concern.

14.5.24 Irregular purchase of medicines and allied items without Drug Testing & Joint inspection reports – Rs 5,127.212 million

As per instructions of Government, “Drug Testing Laboratory report of each item / medicine is required to be obtained”. As per notification issued by Health Department, Government of Sindh vide # S.O (PM&I) 2-1/2011 (Main) dated 21st April 2012, “a representative from PM&I Cell, Health Department must be included as a member of Joint Inspection Committee for physical

verification / joint inspection of receipt of stores before forwarding the bills to the accounts office for payment. All the payments will be made on production of Joint Inspection report duly signed.”

During audit of various offices of Health Department, Government of Sindh, for the financial years 2019-20 to 2022-23, it was observed that an expenditure of Rs 5,127.212 million was incurred on account of purchase of medicines and allied items without drug testing lab report, Joint inspection report and consumption account. The details are given at Annex-10 of Chapter-14.

Audit is of the view that due to non-compliance of rules about drug testing and joint inspection, the quality and efficacy of the drug has been compromised and undue favor was extended to suppliers.

The matter was reported to the management in the month of February to November, 2023. The management at Sr. #08 in respect of AIR Para # 10 asserted the procurement of drugs and medicines through Central Rate Contract (CRC) and highlights their initiative in requesting drug testing from the District Health Officer, Jacobabad, however, this explanation is not considered tenable. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends adherence to Government instruction to ensure quality besides investigation for fixing of responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 vide para number 14.5.94 and 14.5.24 respectively having financial impact of Rs 10,433 million. Recurrence of same irregularity is a matter of serious concern.

14.5.25 Irregular procurement of medicines through local purchase – Rs 180.304 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 various offices of Health Department, Government of Sindh for the financial year 2022-23, it was observed that medicines amounting to Rs 180.304 million were

procured through local purchase without fulfilling various codal formalities. The details are given at Annex-11 of Chapter-14.

Audit is of the view that due to non-fulfilment of necessary codal formalities during procurement process of medicines, the authenticity of expenditure could not be verified.

The matter was reported in the month of November, 2023. The management at Sr. #3 vide para No.36 replied that the medicines were purchased as per share approved by the Health Department. However, due to scarcity of the medicines, the procurement made from Local Purchase, keeping in view of the safe life of the patients. Reply was not tenable as the same was not supported with approval from competent authority and relevant documentary evidences. Despite written requests, DAC meeting for the financial year 2022-23 was not convened by the PAO till finalization of this report.

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

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-22 and 2022-23 vide para number 14.5.27 and 14.5.69 respectively having financial impact of Rs 856.912 million. Recurrence of same irregularity is a matter of serious concern.

14.5.26 Un-authorized Procurement of medicine without central rate contract / tender – Rs 580.24 million

As per Notification No. SO(PM&I)2-1/2022-23/HPC(Main)/01 dated 11th January 2023 issued by Procurement & Monitoring & Inspection Cell, Health Department Karachi, it was directed to the management to ensure the procurement of listed items keeping in view of demands/consumption and budget availability for the year 2022-23, in case of purchases of excess quantity of any item, the head of procuring agency will be responsible. It must be ensured to furnish the copies of supply orders and contract agreement as and when issue to the contractors. AND

Central Rate Contract System / Procurement Committee was constituted in 2014 with the approval of Chief Minister. The function of committee was to process the tenders and after finalization of due process, list of the approved items, rates and name of manufacturers are circulated to Health Institutes/ Hospital for procurement of Drugs/ Medicine. However, the issuance of supply order, execution of contract agreement, inspection of medicine and making payment is the responsibility of Procuring agency. The procuring agency i-e health institutes and hospitals located throughout the Sindh province were made bound to procure the 85% of the medicine through CRC whereas the remaining 15% were to be procured through Local Purchase.

During audit of following offices of Health Department, Government of Sindh for the financial year 2022-23, it was observed that an amount of Rs 580.24 million was incurred for procurement of medicine and other items was made from local general order suppliers process which were not approved by the CPC. The detail is as under;

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	District Health Officer, Tando Allah Yar	2022-23	3	Procurement of medicines & other items was made from local general order suppliers which were not approved by the CPC.	302.04
2	Civil Surgeon Civil Hospital, Tando Allah Yar	2022-23	3	Procurement of medicines & other items was made from local general order suppliers which were not approved by the CPC.	278.2
Total					580.24

Audit is of the view that this deviation raises concerns about compliance with the prescribed procurement procedures and the potential impact on cost efficiency. Strangely it was informed that the district has never adopted this practice since many years.

The matter was reported in the month of November, 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends a thorough review of the procurement practices for last 05 years to ensure adherence to the established guidelines.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2020-21 vide para number 14.5.11 having financial impact of Rs 57.899 million. Recurrence of same irregularity is a matter of serious concern.

14.5.27 Irregular award of work through collusive practices – Rs 736.884 million

As per SPPRA Rules 2010, the “Corrupt and Fraudulent Practices” means either one or any combination of the practices given below;

- (i) “Coercive Practice” means any impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence the actions of a party to achieve a wrongful gain or to cause a wrongful loss to another party;
- (ii) “Collusive Practice” means any arrangement between two or more parties to the procurement process or contract execution, designed to achieve with or without the knowledge of the procuring agency to establish prices at artificial, noncompetitive levels for any wrongful gain;
- (iii) “Corrupt Practice” means the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence the acts of another party for wrongful gain;
- (iv) “Fraudulent Practice” means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;

During audit of following offices of Health Department, Government of Sindh for the financial year 2022-23, it was observed that an expenditure Rs 736.884 million was incurred on account of purchase of various articles through collusive practices. The detail are given as under;

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	District Health Officer, Tando Allah Yar	2022-23	12	Engaging two vendors for procurement of various items through collusive practice	390.381
2	Civil Surgeon Civil Hospital, Tando Allah Yar	2022-23	11	Engaging seven vendors for procurement without open competition of various items through collusive practice	345.583
3	District Health Officer, Kashmore	2022-23	9	Work was awarded to 2nd lowest bidder by collusive practice	0.92
Total					736.884

Audit is of the view that the whole expenditure has been incurred by the way of collusive methods. The several codal formalities of procurement rules & tax provisions were violated as a result whole expenditure stands irregular rather doubtful.

The matter was reported in the month of November, 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends compliance with the prescribed rules & inquiry into the matter besides fixing of responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-22 and 2022-23 vide para number 14.5.19 and 14.5.68 respectively having financial impact of Rs 814.961 million. Recurrence of same irregularity is a matter of serious concern.

14.5.28 Irregularity in tendering process - Rs 204.440 million

As per Rule 7 of the SPPRA Rules, 2010. The procuring agency shall, with the approval of its Head of the Department/ competent authority, shall constitute a procurement committee comprising odd number of persons and headed by gazette officer not below the rank of BS-18, and shall ensure that at least one third of the members of a procurement committee are from the agencies or departments other than the procuring agency.

During audit of various offices of Health Department, Government of Sindh, for the financial year 2022-23, it was observed that expenditure of Rs 204.440 million was incurred under various heads through competitive bidding process. However, various requirement of SPPRA was not observed and relevant documents was not produced to justify the tendering process. The details are given at Annex-12 of Chapter-14.

Audit is of the view that due to the above lapses audit could not ascertain the fairness and transparency of tendering process.

The matter was reported in the month of November, 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends justification of the matter besides fixing of responsibility against the person(s) at fault.

14.5.29 Doubtful utilization of various supplements/medicines – Rs 25.986 million

As per Health Department Government of Sindh Notification No.SO(PM&I)2-I/2021-22/CPC(MAIN) dated 11th November 2021 “Directed to ensure the procurement of listed items keeping in view of demands/ consumption & budget availability for the year 2021-22, in case of purchase of excess quantity of any item, the head of procuring agency will be responsible. It must ensure to furnish the copies of supply orders and contract agreement as and when issued to the contractors, to the office, as well as Sindh Public Procurement Regulatory Authority, Karachi.

During audit of various offices of Health Department, Government of Sindh for the financial year 2021-22 & 2022-23, it was observed that an amount of Rs 25.986 million was incurred on account of purchase of different supplements/ medicines without consumption register and database utilization report. Moreover, the milk/medicine were issued to the patient of wards which was closed since long. However, following irregularities were also noticed. The details are given at Annex-13 of Chapter-14.

Audit is of the view that purchase of medicines in absence of consumption account and database utilization report is treated as doubtful and risky. Moreover, issuance of medicine /milk to the patient of closed ward may result in shoplifting through fake intend which need to be investigated.

The matter was reported to the management in the month of February to November, 2023. The DAC meeting for the financial year 2021-22 was held on 01-11-2023. The management claimed no doubtful utilization of medicines, insisting on on-the-spot actions following the Medical Officer's directives. DAC directed the submission of relevant replies with documentary evidence to prove proper issuance of medicines to hospitals and dispensaries. The management at sr. #2, replied that milk and Meropenem 1mg injection were issued to wards and recorded in the stock register. The reply is not tenable as no documentary evidence was provided. Despite requests, DAC meeting for the financial year 2022-23 was not convened by the PAO until the finalization of this report.

Audit recommends compliance of the DAC directives for the financial year 2021-22. However, for the financial year 2022-23, audit recommends convening of DAC meetings.

14.5.30 Non-deduction of Government taxes – Rs 352.910 million

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, withholding agent shall deduct an amount equal to 1/5th 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.

According to Section 153 & 233 of Income Tax Ordinance 2001, as amended 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 contact with government or local authorities, etc., shall deduct advance tax at the time of making payments at the rate of 4.5% for filers & 6.5% for non-filers on supply/purchases and at the rate of 10% for filers & 15% for non-filers on services rendered of gross amount”.

During audit of various offices of Health Department, Government of Sindh, for the financial years 2021-22 & 2022-23, it was observed that an amount of Rs 352.910 million of Income Tax, GST, SST on services and stamp duty were not / less-deducted from the payments. Thus, the government sustained loss of Rs 352.910 million. The details are given at Annex-14 of Chapter-14.

Audit is of view that due to non-deduction of due taxes government sustained financial loss. It is further noted that management is not fully sensitized about importance of implementation of tax regime of the Sindh Government.

The matter was reported to the management in the month of February to November, 2023. The DAC meeting for the financial year 2021-22 was held on 01-11-2023. The formation at sr.No.01 replied that 1/5th GST were deducted through the SAP system. The formation at sr.No.04 replied that the GST has been deposited in the bank. The formation at sr.No.05 replied that the rate of tax for construction activities is 5% and mentioned a court stay against SRB. Formation at sr.No.08 replied that the dietary items (food) are not entitled for S.S.T. Formation at Sr.No.09 replied that SST was deducted at prescribed rates. Formation at sr.No.10 replied that SST was deducted from SAP system. Formation at sr.No.11 & 12 replied that SST is not admissible on items in question. Formation at Sr.No.15 replied that persons were engaged at Covid related centers at Rs: 600 per person for 89 days extendable for further period. Formation at Sr.No.17 replied that persons have been approached for depositing income tax. Formation at sr.No.18, 20 & 23 replied that income tax is deducted by the AG Sindh /District Accounts Office at prescribed rates, Formation at Sr.No.19 replied that income tax has been deducted at prescribed rate of 4.5%. The management at sr. #. 33 AIR Para 10 replied that the taxes has been deducted by the AG Sindh office. The management at sr. # 44 AIR Para 37,38,40 & 44 replied that this office has submitted the bills to AG Sindh for the payment to vendor being a withholding agent. Deduction of Govt. taxes is the responsibility of AG Sindh. The replies of the department is not tenable as they lack of documentary evidences. DAC directed to produce record to audit for verification. No progress was reported till finalization of this report. Despite requests, DAC meeting for the financial year 2022-23 was not convened by the PAO until the finalization of this report.

Audit recommends compliance of DAC directives for the financial year 2021-22. Audit recommends recovery may be made besides fixing responsibility on the person(s) at fault. In

addition, special training courses on taxes may be arranged for the management with FBR and SRB besides convening of DAC meeting for the financial year 2022-23.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23 vide para number 14.5.22, 14.5.28 and 14.5.107 respectively having financial impact of Rs 3,392.52 million. Recurrence of same irregularity is a matter of serious concern.

14.5.31 Blockage of government funds – Rs 553.415 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 various offices of Health Department, Government of Sindh for the financial years 2019-20 to 2022-23, it was observed that machinery & equipment and medicines amounting to Rs 553.415 million were procured without any need and same remained unutilized / unconsumed / uninstalled for a long time of period resulting in blockage of money. The details are given at Annex-15 of Chapter-14.

Audit is of the view that procurement of medicines/disposables in excess of demand and unnecessary purchase of machinery equipment without any use indicate poor internal control, which resulted into blockage of huge government funds

The matter was reported to the management in the month of February to November, 2023. The DAC meeting for the financial year 2021-22 was held on 01-11-2023. Formation at Sr.No.02 replied that medicines were purchased on demand of concerned doctors and their requisitions. Formation at Sr.No.03 replied that stock register was not ready at that time and medicines shown unutilized were consumed on patients who visit on daily basis. Formation at Sr.No.04 replied that due to rain emergency / flood stock registers could not be maintained in time. Formation at Sr.No.05 replied that Procurement was made on emergent basis at the end of year 2021-22 which were reflected in stock register but the same were utilized for medical camps. Formation at Sr.No.06 replied that the Air conditioners were procured but could not be installed in time due to construction work was in process and were installed after completion. The DAC directed the management to produce relevant record with supporting evidence for Audit verification. However, no progress was reported till the finalization of this report. However, despite written requests, DAC meeting for the financial year 2022-23 was not convened by the PAO till finalization of this report.

Audit recommends compliance of the DAC directives for the financial year 2021-22. However, for the financial year 2022-23, audit recommends convening of DAC meetings.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-22 and 2022-23 vide para number 14.5.25 and 14.5.123 respectively having financial impact of Rs 1,324.13 million. Recurrence of same irregularity is a matter of serious concern.

14.5.32 Irregular/Unjustified payment of Grant-in-aid – Rs 13,881.890 million

As per Accounting Policies and Procedure Manual (APPM),

- (a) Section 4, sub-section-12, clause-1, sub clause-4;“Before approval of 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 grant have been spent for the purpose intended. When approving the grant, the delegated authority must indicate that in audited financial statement was received and the criteria for providing the grant were met (or, for any reason, were exempted from providing an audited financial statement). The purpose of the grant, and any conditions attached to it, must clearly be indicated by the delegating authority in any grant agreements as well as to the Accountant General”.
- (b) (b) Section 4, sub-section-12, clause-1, sub clause-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 various offices of Health Department, Government of Sindh for the financial years 2021-22 & 2022-23, it was observed that an amount of Rs 13881.890 million was paid from to various financial & non-financial institutions on account of grant-in-aid without any criteria / TOR. Various important records including application process for institutions / patients seeking the grand-in-aid, approved summary of Chief Minister Sindh indicating grant amount, purpose and allocation to various institutions and approved area of utilization and comprehensive list of patients receiving aid with supporting documents were not provided to Audit. Further, the Audited financial statements, MoUs, utilization reports, bank statements, and annual audit reports from recognized audit firms were not submitted. Moreover, monitoring reports and outcomes from grant-in-aid recipients were not adequately documented, indicating gaps in transparency and accountability. The details are given at Annex-16 of Chapter-14.

Audit is of the view that the payment was made without obtaining utilization/consumption report along-with bank statement and complete relevant record in respect of expenditure incurred from recipient.

The matter was reported to the management in the month of February to November, 2023. The DAC meeting for the financial year 2021-22 was held on 01-11-2023. The management replied

that in compliance with the contents of this para an amount of Rs 40.00 Million were earmarked in the financial year 2021-22, for providing funds to the trust namely M/S Afzaal Memorial Foundation Shikarpur, which were transferred through the District Accounts Officer Shikarpur through crossed cheque the foundation utilized funds for providing well equipped center as a charitable institution with all necessary services of Blood Bank Medicines machines and proper services to patients of Thalassemia free of cost. The trust has maintained entire record audit report form their concerned audit forum since the trust has got no liaison with DAO Shikarpur hence need not existed to get expenditure verified or reconciled from District Accounts Office. However, all reports duly verified along with photo graphs of entire foundation furnished to this office. The DAC directed the management to produce relevant record for Audit verification. However, no progress was reported till the finalization of this report. However, despite written requests, DAC meeting for the financial year 2022-23 was not convened by the PAO till finalization of this report.

Audit recommends compliance of the DAC directives for the financial year 2021-22. However, for the financial year 2022-23, audit recommends convening of DAC meetings.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 14.5.22 having financial impact of Rs 9,928.46 million. Recurrence of same irregularity is a matter of serious concern.

14.5.33 Irregular payment on account of reduced rate - Rs 31.219 million

According to Clause-8: Reduced Rates: of the standard bidding document for the works, 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 on the accounts record of office of the Medical Superintendent Sindh Infectious Diseases Hospital & Research Centre, NIPA Karachi for the financial year 2021-22, it was observed that reduced payment of Rs 31.219 million was made to the contractor M/s United Construction Co. for "Establishment of Sindh Infectious Disease Hospital and Research Centre at NIPA" upto 7th RA Bill for various items of work without recording any written reasons.

Audi is of the view the allowing reduced rate implies that defective work was carried out and government interests were not safeguarded. It indicates prevalence of weak administrative and internal controls of the management.

The matter was reported to the management in the month of February 2023. The DAC meeting for the financial year 2021-22 was held on 01-11-2023. The management replied that the project status was on going and due to Covid emergency many items were needed urgently hence as financial support partial payment was made to facilitation speedy work at site. However, the payment was conditional to the completion of work assigned. The DAC directed the management to produce evidence in support of their reply for Audit verification. However, no progress was reported till the finalization of this report.

Audit requires compliance of DAC directives.

(AIR#29)

14.5.34 Non-clearance of long lasting outstanding dues - Rs 44.095 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 Health Department, Government of Sindh for the financial year 2021-22 & 2022-23, it was observed that outstanding amount of Rs 44.095 million was not recovered in shape of different fees. The details are as under;

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	Civil Surgeon Civil Hospital, Mithi	2021-22	21	Non-clearance of outstanding dues	4.569
2	Principal, Shaheed Benazir Bhutto Medical College Lyari, Karachi	2021-22 & 2022-23	10	Late deposit of fees into Govt. treasury i.e. prospectus fee, admission fee and tuition fee	34.397
3	District Health Officer, Naushahro Feroze	2022-23	9	Non-recovery of utility charges to whom allotted bungalows / quarters.	2.909
4	Principal, Shaheed Benazir Butto Medical College Lyari, Karachi	2021-22 & 2022-23	2	Non-recovery of outstanding fees to students within stipulated time.	1.169

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
5	MS, Sindh Govt. Hospital, Paretabad, Hyderabad	2022-23	20	Less fees was deposited against the position depicted by registers.	1.051
Total					44.095

Audit is of the view that non-recovery of Government dues is a serious lapse on the part of management to give benefits to their favorites.

The matter was reported to the management in the month of February to November, 2023. The DAC meeting for the financial year 2021-22 was held on 01-11-2023. The management replied that for the payment of outstanding dues amounting to Rs 4.569 million of M/S District Drug Store Mithi, this office has written letters to higher authorities regarding clearance of their liabilities which is under process & soon this outstanding dues will be cleared subject to approval of said amount. The DAC directed the management to produce the evidence of clearance of liabilities to Audit for verification. However, no progress was reported till the finalization of this report. However, despite written requests, DAC meeting for the financial year 2022-23 was not convened by the PAO till finalization of this report.

Audit recommends compliance of the DAC directives for the financial year 2021-22. However, for the financial year 2022-23, audit recommends convening of DAC meetings.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23 vide para number 14.5.29, 14.5.31 and 14.5.102 respectively having financial impact of Rs 1,006.58 million. Recurrence of same irregularity is a matter of serious concern.

14.5.35 Irregular expenditure on diet charges – Rs 320.564 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”. 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 offices of Health Department, Government of Sindh, for the financial year 2022-23, it was observed that an expenditure of Rs 320.564 million was incurred on account of diet charges. The details are given at Annex-17 of Chapter-14.

Several irregularities were noted during the audit: Firstly, there was a lack of information on the total number of patients in and out of wards and their period of stay. Secondly, the pattern of Sr. No. on invoices and delivery challans was unjustified. Thirdly, no diet chart was produced, and no agreement was executed, while the diet was served without the recruitment of a Dietician. The administration, operation, and monitoring of the kitchen and diet distribution lacked oversight from a Kitchen Committee. Evidence of authorized individuals advising on diet requirements, receiving daily reports, gate passes for verification, inspection, and diet consumption records were not available. Expenditure on diet procurement occurred without the invitation of open tenders in some cases, and the consumption account was unavailable. Lastly, excess expenditure was incurred due to variations in counting indoor patients for diet provision.

Audit is of the view that there was failure of the management to follow SPPRA Rules resulted in non-achievement of competitive rates and thus bringing about loss to government exchequer. The whole expenditure stands irregular due to violation of SPPRA rules.

The matter was reported in the month of November, 2023, the management at Sr. #. 10 asserted that JIMS Jacobabad solely procures raw material for patients' diet, prepares and delivers the food with an experienced Catering Supervisor, and claims adherence to codal formalities in expenditures; however, this explanation is not considered tenable. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends adherence of SPPRA rules besides fixing responsibility on person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-22 and 2022-23 vide para number 14.5.26 and 14.5.104 respectively having financial impact of Rs 803.38 million. Recurrence of same irregularity is a matter of serious concern.

14.5.36 Non-crediting of revenue into government treasury – Rs 252.496 million

According to Rule 41(a) of Sindh Financial Rules, Volume-I, the Departmental Controlling Officer should see that all sums due to the Government are regularly received and checked against demands and that they are paid into the treasury. Read with Para 399 (iii) of CPWA Code, “the unclaimed balance of Public Works Deposits for more than three complete account years should be credited to Government as lapsed deposit”

During audit on the accounts of following offices of Health Department, Government of Sindh, for the financial years 2021-22 & 2022-23, it was observed that an amount of Rs 252.496 million was not credited into the government treasury. As a result, the government was deprived of revenue. The detail is given as under:

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	Secretary Health	2022-23	10	Tender Fees	0.726
2	MS Lyari General Hospital, Karachi	2022-23	23	Tender Fees	0.132
3	Chief Operating Officer, SMBB Institute of Trauma, Karachi	2022-23	26	Tender Fees	0.715
4	MS Services Hospital, Hyderabad	2022-23	4	Tender Fees	0.021
5	Director Health Services, Karachi	2021-22 to 2022-23	3	Tender Fees	0.375
6	MS Chandka Medical College Hospital Larkano	2022-23	8	Tender Fees	0.310
7	Director Pir Syed Abdul Qadir Shah Jilani, Institute of Medical Sciences, Gambat	2022-23	5	Income tax deducted from contractors and Employees Salaries	249.759
8	DHO Central Karachi	2022-23	21	Drug licenses renewal and collection fees	0.458
Total					252.496

Audit was of the view that due to non-deposit of government receipts; the government was deprived of revenue it earned. Retention of deposit money without any legal justification is inefficiency on the part of management.

The matter was reported in the month of November, 2023, at Sr. #. 04 AIR Para 04, management replied that the amount has been credited into Govt. treasury vide challans. However, original treasury challans to authenticate the amount has been deposited into Govt. treasury is required. Despite written requests was not convened by the PAO till finalization of this report.

Audit recommends deposit of receipts into government account besides fixing of responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23 vide para number 14.5.21, 14.5.33 and 14.5.96 respectively having financial impact of Rs 3,282.169 million. Recurrence of same irregularity is a matter of serious concern.

14.5.37 Loss to Govt. due to unauthorized occupation of hospital shops & canteen – Rs 21.860 million

Appendix 18 (a) Section-I 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 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.” Read with Rule-10 (4) of General Financial Rules Volume-I, Public money should not be utilized for the benefit of a particular person or section of the community.

During audit on the accounts of following offices of Health Department, Government of Sindh, for the financial year 2022-23, it was observed an approximate rent revenue of Rs 21.860 million approx. was not recovered from shops/canteen which were being operated by unauthorized occupants within hospital premises without execution of contract agreement and adopting competitive bidding process. The detail is given as under:

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	MS Dr. Ruth K.M Pfau Civil Hospital Karachi	2022-23	22	Expected loss to govt. due to unauthorized utilization by the tenant of canteen	19.200
2	MS KMC Civil Hospital Khairpur		22	Loss to govt. due to unauthorized occupation of hospital shops and canteen	2.000
3	Chief Operating Officer, SMBB Institute of Trauma, Karachi		22	Suspicious deduction of rent of cafeteria	0.660
4	MS Dr. Ruth K.M Pfau Civil Hospital Karachi		30	Loss to govt. due to undue favour given to the owner of OPD canteen through the agreement for the period of 10 years	0
Total					21.860

Following irregularities were noticed:

- i. As per the last year's observation memo#08 of the Director General Audit Sindh, Karachi, the rent for canteen was Rs 100,000/- however, the current rent of the canteen as per bill was Rs 55,000/ per month. This depicted that the rent was decreased instead of increase which was undue favour to the proprietor of the cafeteria.
- ii. ATM Booth was seen in the premises of the institute but deduction of rent was not provided to audit whereas the memo#08 indicated that Rs 30,000/ # per month rent was fixed in the last year.
- iii. The tender as well as agreement for the rent of canteen was not executed due to which government sustained loss.
- iv. The correspondence between cafeteria & bank for the agreements was not provided to audit

Audit is of the view that due to un-authorized occupation of hospital shops & canteen for medical stores, resulted loss to Govt. hence undue favor was extended to the owners of medical stores could not be ruled out.

The matter was reported in the month of February, 2023. The management at Sr. #. 1 vide AIR Para 22 replied that the matter is pending before Honorable Court as and when decided the same will be intimated to audit. Moreover, the management at Sr #. 4 vide AIR Para 30 replied that the agreement was made with the vendor of OPD canteen and recovery was also made. However, the reply was not tenable as no documentary evidences were accompanied and no proof of recovery was also provided to audit. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

14.5.38 Doubtful release of funds through re-appropriation – Rs 4,225.778 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 various offices of Health Department, Government of Sindh for the financial years 2019-20 to 2022-23, it was observed that re-appropriation of original budget for operating expenses were made which resulted in a substantial increase in revised budgets worth Rs 4225.778 million without any valid justification. The details are given below:

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	Secretary Health Department	2022-23	2	Abnormal increase in revised estimates of budget	3620.954
2	Civil Surgeon Civil Hospital Tando AllahYar	2022-23	0	Reappropriation of funds beyond actual budget	248.761

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
3	District Health Officer Tando AllahYar	2022-23	1	Reappropriation of funds beyond actual budget	187.27 2
4	Director, Drug Testing Laboratories	2019-20 to 2022-23	2	Abnormal increase in revised estimates for head of account "A03970-Others)	4.933
5	Medical Superintendent Ghulam Muhammad Mahar Medical College Hospital Sukkur	2022-23	7	Abnormal increase in budget	163.85 8
Total					4225.7 78

Audit is of the view that that due to abrupt increase through re-appropriation of budget resulted in an excessive financial burden on government.

The matter was reported in the month of November, 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends justification besides taking remedial measures.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 14.5.116 having financial impact of Rs 200.000 million. Recurrence of same irregularity is a matter of serious concern.

14.5.39 Irregular expenditure on nutrition services to 21 districts of Sindh – Rs 979.843 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 not in order.

During audit of office of the Program Coordinator Accelerated Action Plan (AAP) for Reduction of Stunting & Malnutrition Karachi (Health Components), for the financial year 2022-23, it was observed that an expenditure of Rs 979.843 million was incurred for the provision of Nutrition (OTPs & NSC) Services in 21 districts of Sindh.

Several irregularities were noticed including unauthorized reports submitted under the Accelerated Action Plan (AAP) for Stunting and Malnutrition, a lack of checks in human resources assignments, and inconsistent training oversight by PPHI. Site management lacked clear procedures, leading to disparities in PPHI and non-PPHI facilities. OTP sites faced medicine shortages, impacting program effectiveness, while counseling and nutrition sessions lacked observed quality and outcomes. Inefficient planning resulted in medicine shortages in some OTPs and excess stock in others. The absence of a mechanism to trace referred children by LHWs and CHWs affected program efficiency, and consistent shortages of essential items like RUTF caused delays and staff redundancy, leading to low OTP enrollment and target failures by PPHI.

Audit is of the view that the management did not observe the codal formalities which depicts lack of internal controls prevalent in the department.

The matter was reported in the month of November, 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends justification into the matter besides taking remedial measures.

(AIR#19)

14.5.40 Irregular execution of repair & maintenance work of hospital building – Rs 448.237 million

As per Para 514-A of PWD Manual Volume-I no work should be permitted to be started unless the contract / tender value for it in one of the prescribed forms is sanctioned by the competent authority. And as per para-07 of schedule of rate for finished items of work volume-III, Part-II of 2012, “all works shall be executed adopting composite rates and all material shall be procured by the contractors on their own expenses”.

During audit of office of the Director, Pir Abdul Qadir Shah Jeelani Institute of Medical Sciences, Gambat, for the financial year 2022-23, it was observed that payment of Rs 448.237 million was made on account of “Repair of Office Building” to various vendors without tender process. Further, the work was awarded without considering the Govt. composite scheduled rates. Hence, the expenditure made on repair of building remains un-justified. The detail is given as under;

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	Director, Pir Abdul Qadir Shah Jeelani Institute of Medical Sciences, Gambat	2022-23	28	i. Work was awarded without considering schedule of rates ii. Contractor Ledger, Security Deposit Register etc was not maintained.	342.277
			23	i. Tender was not invited ii. Scheduled rates was not observed	105.960
Total					448.237

Audit is of the view that the work was awarded to private contractor on market rates by ignoring the Govt composite scheduled rates.

The matter was reported in the month of November, 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends compliance with prescribed rules besides fixing of responsibility on the person(s) at fault for the negligence.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23 vide para number 14.5.10, 14.5.30 and 14.5.114 respectively having financial impact of Rs 629.974 million. Recurrence of same irregularity is a matter of serious concern.

14.5.41 Non/short delivery of items purchased – Rs 392.00 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 following offices of Health Department, Government of Sindh for the financial year 2022-23, it was observed that an amount of Rs 392.00 million was paid on account of purchase of different articles/equipment. However, till execution of audit it was found that the actual supply of items/equipment is still pending or less delivered. The detail is given as under;

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	MS, Services Hospital, Karachi	2022-23	23	Undue favor to vendor for non-delivery of machinery	173
2	District Health Officer, Tando Allah Yar	2022-23	4	Less delivered of procured medicines	214.90
3	MS, Taluka Hospital, Hala, Matiari	2022-23	13	Short delivery of medicines	0.119
4	District Health Officer, Thatta	2022-23	20	Payment without delivery of purchased items	1.8
5	Director Institute of Chest Diseases, Kotri	2022-23	12	Payment without delivery of purchased items	1.419
6	District Health Officer, Thatta	2022-23	6	Short delivery of medicines	0.09
Total					392

Audit is of the view that due to short/non-delivery of equipment, the management sustained financial loss which indicates prevalence of poor financial management practices within the department.

The matter was reported in the month of November, 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends recovery & inquiry into the matter for fixing of responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 14.5.101 having financial impact of Rs 932.071 million. Recurrence of same irregularity is a matter of serious concern.

14.5.42 Irregular payments to individuals instead of company on account of Others – Rs 48.066 million

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 office of the District Health Officer (DHO) in Tando Muhammad Khan for the financial year 2022-23, it was observed that an amount of Rs 48.066 million paid to individuals from object element A06102 and A03919 (Others & Other Service Renders) engaged for rendering other services instead of hiring of services through contractor after calling open tender. On scrutiny of the record, it was revealed that some of these individuals were actually government employees (Primary School Teachers) working in different cost centers. They were receiving payments amounting to Rs 3.228 million.

Audit is of the view that there is weak internal control within the office. The observation is highly irregular and suggests potential embezzlements.

The matter was reported in the month of November, 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends a thorough investigation into the matter, recovery of the funds, and fixing responsibility on person at fault.

(AIR#06)

14.5.43 Doubtful payment on LPG to the same contractor who supplied and utilized - Rs 7.407 million

As per SPPRA Rules (1) "Conflict of Interest" means – (i) where a contractor, supplier or consultant provides, or could provide, or could be perceived as providing biased professional advice to a procuring agency to obtain an undue benefit for himself or those affiliated with him; (iii) any engagement in consulting or other procurement activities of a contractor, consultant or service provider those conflicts with his role or relationship with the procuring agency under the contract; (iv) where an official of the procuring agency engaged in the procurement process has a financial or economic interest in the outcome of the process of procurement, in a direct or an indirect manner. As per article 44 (3) of audit code, it is the duty of the Auditor-General to see that the incurring of expenditure from the revenues of the central government and of the provinces is governed by the essential condition that there should exist sanction special or general accorded by the competent authority, authorizing expenditure.

During audit of office of the Medical Superintendent Civil Hospital Karachi, for the financial year 2022-23, it was observed that management paid of Rs 7.407 million to M/s New Allied electronics for the supply of LPG gas for the usage in kitchen while the same was utilized by the same contractor in kitchen for the preparation of diet for the patients without monitoring by the management. Management created three vendors of single company by using names 1) M/s New Allied Electronics vender#30024018 2) M/s New Allied Electronic Industries vender# 308513783 and 3) M/s New Allied Electronics Indus(Pvt) vender#30213526. Furthermore, Payment made to the supplier without inviting open tender. Photocopy of cash memos were used instead of original and delivery challans were also not available.

Audit is of view that purchase and utilization of LPG by the same company with having three vendors numbers and in absence of above treated as doubtful needs to be investigated.

The matter was reported in the month of November, 2023. The management replied that due to shortage of Gas and unavailability of Gas from SSGC the LPG has been procured to ensure the kitchen works. Reply was not tenable as LPG gas was procured from the same contractor who prepares food for the patients, furthermore relevant documentary evidence was not produced in support of reply. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends justification into the matter and recommends fixing the responsibility on the persons at fault.

(AIR#24)

14.5.44 Irregular expenditure on purchase of I.T Equipment - Rs 3.487 million

Rule 17 (1) & (2) & 50 of Sindh Public Procurement Rules, 2010 states that "Procurement over three hundred thousand rupees and up to two 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 languages. Also contract evaluation report & contract agreements are to be submitted within 15 days after signing of agreements. As per Rule 113 of Sindh Financial Rules, "All materials received should be examined, counted, measured or weighed, as the case may be, when delivery is taken and they 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 the appropriate stock registers".

During audit of the office of Director, Syed Abdullah Shah Institute of Medical Sciences, Sehwan for the financial year 2022-23, it was observed that an expenditure of Rs 3.487 million was incurred on account of purchase of IT equipment. Procurement were made from General order supplier instead of relevant shop/agency through split up to avoid tendering process. Furthermore, delivery challan, utilization and distribution of the items was not made available.

Audit is of the view that the lapse occurred due to non-observance of Sindh Rules and due to weak supervisory controls on store and stocks management, the receipt and further utilization of items under IT equipment, the expenditure could not be authenticated.

The matter was reported in the month of November, 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit requires to clarify that position for purchase of IT equipment in absence of above besides taking remedial measures.

(AIR#23)

14.5.45 Irregular payment made for non-scheduled items of work – Rs 14.752 million

According to Para 8(4) of Section-Introduction under Schedule of Rates-2012, the schedule of rate may be found inadequate to carry out certain items of works. In such cases, the only competent body to review the position is the Standing Rates Committee. All such cases should therefore, be referred to the Secretary, Standing Rates Committee for decision of the committee.

According to Sr # 4 of the Schedule of Rates (Composite) for finished items of works, 2004, the non-scheduled items costing upto Rs 1,000 should be got sanctioned by the concerned Superintending Engineer and the items exceeding Rs 1,000 must be got approved and sanctioned by the Chief Engineer. Para 128 of CPWA Code provides that the escalation will not be allowed without preparation of rate analysis and got approved by the government.

During audit of office of the Medical Superintendent, Chandka Medical College, Hospital, Larkano for the financial year 2022-23, it was observed that payment amounting to Rs 14.752 million was made on account of executing non-scheduled items without Rate Analysis and approval of the competent authority. Hence, audit could not authenticate the expenditure so incurred.

Audit is of the view that execution of non-scheduled items in violation of rules and without approval of competent authority was irregular.

The matter was reported in the month of November, 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 14.5.114 having financial impact of Rs 1,917.790 million. Recurrence of same irregularity is a matter of serious concern.

(AIR#22)

14.5.46 Doubtful expenditure on account of Other Service Rendered – Rs 540.000 million

As per Government of Sindh, Finance Department, Karachi letter No: FD /B&E-I/ Appointment /2(363)/2013-14 dated 25th September 2013. Appointment of staff on contingency basis (3) No appointment are made against unsanctioned post and against sanctioned posts on contingency basis, without specific approval of Finance Department for each post.

During audit of office of the Program Coordinator Accelerated Action Plan for Reduction of Stunting & Malnutrition Karachi, for the financial year 2022-23, it was observed that payment of Rs 540.000 million was made to NGOs on account of provide services of the consultant for outreach components under the contract agreement from the head of account “other services rendered”.

However, several irregularities were noted in this regard: Firstly, monthly reports from NGOs indicated a 0% rescreening of children and pregnant women compared to the given targets, leading to an unmet goal. Secondly, the total number of children provided with MNP fell below

the target, and the agreed-upon deduction for non-achievement was not implemented. Thirdly, adolescent girls consistently failed to meet the target for deworming, with no consequences for NGOs. Additionally, the percentage of adolescent girls provided with IFAS was below the agreed minimum threshold of 80%, but no action was taken. The majority of districts reported shortages of essential supplies, impacting project efficiency, with no steps taken to address these shortcomings. Furthermore, violations of reporting SOPs occurred, including the absence of monthly progress reports at specific serial numbers and missing reports at other stages. The management of AAP ignored the essential monthly performance report, lacking a mechanism for scrutiny, and no reports were scrutinized or signed by the management despite available staff.

Audit is of the view that the expenditure on NGOs to provide services of the consultant for outreach components without observing prescribed conditions of the agreement stand irregular. This indicates that administrative & financial control is very weak in the department.

The matter was reported in the month of November, 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends justification into the matter besides taking remedial measures.

(AIR#17)

14.5.47 Irregular purchase and issuance of medicines – Rs 454.275 million

As per Sindh Drug Act “Supplier of Medicines are required to pay the fees at the rate of Rs.1000/- 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 the Director, Pir Abdul Qadir Shah Jeelani Institute of Medical Sciences, Gambat, for the financial year 2022-23, it was observed that drugs and medicine of Rs 454.275 million were procured with following observation.

The Health Department of the Government of Sindh typically procured medicines through the Central Procurement Committee (CPC) tenders, ensuring a centralized competitive process for all hospitals in Sindh. However, Pir Abdul Qadir Shah Jeelani Institute of Medical Sciences, Gambat, did not adhere to this practice and did not compare rates offered by CPC-approved vendors with those from its own tender to ensure the most economical rates. Secondly, drugs and medicines were procured without obtaining Drug Test Reports from the supplier, and fees were not obtained

to conduct drug tests independently. The absence of Drug Testing Laboratory Reports raises concerns about the authentication of the quality and potency of the procured drugs.

Audit is of the view that due to non-compliance of rules about drug testing, the quality and efficacy of the drug has been compromised by the management to favor the supplier and the health of patients has been placed at risk.

The matter was reported in the month of November, 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends adherence to Government instructions to ensure quality besides investigation for fixing of responsibility on the person(s) at fault.

(AIR#15)

14.5.48 Unjustified missing/shoplifting of medicines amounting to - Rs 21.833 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 following offices of Health Department, Government of Sindh for the financial year 2022-23, it was observed various medicines amounting to Rs 21.833 million were purchased from various vendors were found missing/shoplifted, neither their entry found into stock register nor their issuance/consumption was shown anywhere. However, following irregularities were also noticed. The detail is given as under;

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	MS, Dr. Ruth K.M PFAU Civil Hospital, Karachi	2022-23	2	1. Excess quantity of I.V Cannula issued more than the admitted patients. 2. Prescription on drug chart of the Doctors was not available. 3. Identifications of patient with	10.034

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para #	Particulars	Amount
				tag number was also not available. 4. Break-up report with admission number and date of birth was also not found available on record. 5. Number of days of prescribed injection was continued per patient was also not available. 6. Self-assessment worksheet of the pharmacist was not found. 7. Health & treatment records of diseased patients was not produced to audit	
2	District Health Officer, Tando Allah Yar	2022-23	9	Loss to public funds due to enroot shoplifting of medicines/items	9.922
3	District Health Officer, Kumber Shahdaskot	2022-23	11	Procurement of medicines from various vendors were found missing/shoplifted	1.877
Total					21.833

Audit is of the view that management failed to observe the Govt. rules and procedures, which reflects the absence of systematic control and financial indiscipline prevalent in the department.

The matter was reported in the month of November, 2023. The management at Sr. # 1 vide para No.2 replied that the indents were duly submitted from respective wards to this store sections for issuance of medicines i-e I V cannula. Reply was not tenable as no evidence was produced in support of reply. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends justification of the matter, besides taking remedial measures.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 14.5.7 having financial impact of Rs 232.02 million. Recurrence of same irregularity is a matter of serious concern.

14.5.49 Irregular payment of Janitorial Services – Rs 26.842 million

According to Para-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 @ 0.35 paise per hundred rupees of the value of the agreement or against tender cost”. According to SPPRA rule 89. Integrity Pact - All contract agreements of goods, works and services shall include integrity pact, as specified by the regulations. 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 following offices of Health Department, Government of Sindh for the financial year 2022-23, it was observed that an amount of Rs 26.842 million was incurred on account of payment of janitorial services. However, following irregularities were noticed. The detail is given as under;

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	Director, Syed Abdullah Shah Institute of Medical Sciences, Sehwan	2022-23	15	The approved rates for labor and supervisors exceeded the government's minimum wage rates of Rs 30,000 each. Secondly, there was a shortage of 4 supervisors and 7 janitorial workers, constituting a violation of the contract by the contractor. Thirdly, stamp duty at the rate of 0.35%, amounting to Rs 72,879, was not recovered. Lastly, the execution of the Integrity Pact with the contractor was not implemented.	20.822
2	MS, Lyari General	2022-23	14	Key issues identified include the absence of payment vouchers for	6.020

	Hospital, Karachi			janitorial staff with employee signatures/thumb impressions, non-submission of monthly payroll copies disbursed through bank accounts, and the company's failure to provide police verification, good moral, and character certificates for each employee, as required by the agreement clauses.	
Total					26.842

Audit is of the view that non-observance of contractual obligations by the contractor resulted in irregular payment on account of janitorial services.

The matter was reported in the month of November, 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends justification into matter besides taking remedial measures.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 14.5.118 having financial impact of Rs 173.864 million. Recurrence of same irregularity is a matter of serious concern.

14.5.50 Doubtful expenditure incurred on account of other services rendered – Rs 41.843 million

As per Government of Sindh, Finance Department, Karachi letter No:FD/B&E-I/Appointment/2(363)/2013-14 dated 25th September 2013, appointment of staff on contingency basis (3) No appointment are made against unsanctioned post and against sanctioned posts on contingency basis, without specific approval of Finance Department for each post.

During audit of following offices of Health Department, Government of Sindh for the financial year 2022-23, it was observed that the payments amounting to Rs 41.843 million were made on account of 'other service rendered'. The following irregularities were noticed. The detail is given as under;

(Rs. in Million)

Sr .#	Name of Office	Financia l Year	AIR Para #	Particulars	Amount
1	District Health Officer, Sukkur	2022-23	10	No approval from the Finance Department for staff hiring, absence of a competitive process for staff appointments, medical officers posted at a Quarantine Camp at Labor Colony Site Area Sukkur without verifiable evidence, and the lack of dated pictorial evidence for patient care Some officers posted at the camp were found working elsewhere. Various documents including bank statements, attendance certificates and contract agreements were missing in files. A liability of Rs 0.673 million was paid without the approval of the Finance Department.	30.829
2	District Health Officer, South, Karachi	2022-23	1	Payment was made to the regular government servants on account of payment to other service rendered instead of hire of labour/staff.	11.014
Total					41.843

Audit is of the view that in absence of above documents, expenditure could not be authenticated. This indicates that administrative & financial control is very weak in the department.

The matter was reported in the month of November, 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends justification besides fixing of responsibility against the persons at fault.

14.5.51 Irregular expenditure on purchase of medical gas – Rs 358.192 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. 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 on the accounts of various offices of Health Department, Government of Sindh, for the financial years 2021-22 & 2022-23, it was observed that the expenditure of Rs 358.192 million was incurred on purchase of medical gas. The details are given at Annex-18 of Chapter-14.

Several notable observations were made during the audit: Firstly, medical gas was procured based on quotations rather than through a tendering process. Secondly, the installation of gas plants in various hospitals raised concerns about the additional procurement of gas in cylinders. Thirdly, there was a lack of need assessment before procurement. Fourthly, financial power was exceeded, and no committee was formed to certify the filling of liquid oxygen containers and monitor tank pressure and overflows. Fifthly, the absence of a consumption mechanism in the hospital posed a risk of misuse. Sixthly, there was no provision for the storage of medical gas except in cylinders, lacking large gas containers for emergency needs. Seventhly, details of available empty cylinders and requisitions from concerned wards for gas refill were not provided with the bills. Eighthly, steps to install a gas plant as per hospital requirements were not initiated by the management. Ninthly, the required 10% performance security was not obtained from the supplier. Tenthly, the quantity and quality of gas were not certified at the time of delivery. Lastly, there was no maintenance of a consumption account for gas utilization in any hospital unit/ward, hindering the authentication of gas consumption.

Audit is of the view that there was failure of the management to follow SPPRA Rules resulted in non-achievement of competitive rates and thus bringing about loss to government exchequer.

The matter was reported to the management in the month of February to November, 2023. The DAC meeting for the financial year 2021-22 was held on 01-11-2023, the DAC directed the management to produce record to audit for verification. However, no progress was reported till

finalization of this report. Moreover, the management at Sr. #. 10 in respect of AIR Para # 19 management asserted that due to high inflation, the tender for oxygen supply was renewed on the same terms, conditions, and rates, with an Inspection Committee overseeing the inflow and outflow of oxygen cylinders and contends that the general order supplier won the bid at the lowest rates, supported by monthly inspection reports; however, this explanation is not considered tenable. However, despite written requests, DAC meeting for the financial year 2022-23 was not convened by the PAO till finalization of this report.

Audit recommends justification besides fixing of responsibility against persons at fault.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 14.5.106 having financial impact of Rs 457.717 million. Recurrence of same irregularity is a matter of serious concern.

14.5.52 Excess payment made under various heads – Rs 1,301.707 million

As per section 2.22 of SPPRA Procurement Regulation (Works), 5.4(iii) Rates for enhanced quantities are decided (a) variations in quantities upto 15% of total contract price are to be executed by the contractor at the original contract rates. (b) When total cost of executed work exceeds 15% of total contract price (stated in letter of acceptance) then rates of those quantities are decided by clauses of the contract agreement.

During audit of various offices of Health Department, Government of Sindh for the financial year(s) 2021-22 & 2022-23, it was observed that management procured goods and services of Rs 1,301.707 million in excess than the tendered quantity/required quantity. The details are given at Annex-19 of Chapter-14.

Audit is of the view that purchase of various articles over the tendered quantity leads to mis- procurement which indicates prevalence of weak internal controls in the department.

The matter was reported in the month of November, 2023. The management at Sr. #1,2,9 & 18 vide para-No.18,26,12 & 58 respectively replied that the excess expenditure was made due to increase of patient and inclusion of list of trauma patient. They further added that the excess was made due to provide additional service and work (Janitorial service). However, the reply of the department was not tenable as no relevant documentary evidence were produced in support of reply. However, despite written requests, DAC meeting for the financial year 2022-23 was not convened by the PAO till finalization of this report.

Audit recommends production of the justification besides fixing of responsibility against the person(s) at fault.

Chapter - 15

Home Department

15.1 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 situations report on crime, political and general situation.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	74	25	22,717.724	101.563
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

15.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure

1,594.141	79,078.367	(79,078.367)	(7,513.565)	128,053.701	116,684.272
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The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 11,369.430 million was observed which was not surrendered in time.

(Rs. in Million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
3,885.000	1,568.460	1,391.670	-176.790

Revenue estimates were reduced up to 60% in revised estimate. Actual receipts were 89% of revised estimate.

15.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 7,585.243 million were raised as a result of this audit. This amount also includes recoverable of Rs 1,893.699 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-production of record	1,808.141
2	Reported cases of fraud, embezzlement and misappropriation	5.320
3	Irregularities	
<i>A</i>	<i>HR/Employees related irregularities</i>	958.533
<i>B</i>	<i>Procurement related irregularities</i>	959.783
<i>C</i>	<i>Management of Accounts with Commercial Banks</i>	414.154
4	Value for money and service delivery issues	-

5	Others	3,439.281
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15.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. The status of discussion on Audit Paras requiring compliance of the PAC directives and subsequent compliance by the department is tabulated as follows. The overall compliance by the department was 11.0%.

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	6	6	-
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	-
8	2007-08	23	16	0	16	-
9	2008-09	24	14	0	14	-
10	2009-10	25	12	0	12	-
11	2010-11	02	0	0	0	-
12	2014-15	0	0	0	0	-
13	2016-17	0	0	0	0	0
Total		181	90	10	80	11

15.5 AUDIT PARAS

15.5.1 Non-production of record – Rs 1,808.141 million

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provide 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 Home Department, Government of Sindh for the financial years 2018-19 to 2022-23, accounts record amounting to Rs 1,808.141 million was not produced to the audit for scrutiny. The details are given at Annex-1 of Chapter-15.

Audit is of the view that due to non-production of record, the authenticity of the record could not be verified

The matter was reported to the management during the months from March 23 to October 2023. The management at Sr.#.05 replied that available records were produced to Audit team. However, due to heavy floods and rains in the months of July and August 2022, the records in the office were heavily affected. Now the photocopies of said record have been collected from the District Accounts Office and are ready. The reply is not tenable as no record has been produced to Audit. However, the other offices did not reply. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23 vide para number 14.5.1, 12.5.1 and 15.5.1 respectively having financial impact of Rs 983.821 million. Recurrence of same irregularity is a matter of serious concern.

15.5.2 Doubtful drawl of fund in the name of an employee -Rs 3.803million

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 payment to the suppliers may be issued through crossed cheques in the name of firms concerned”.

During audit of office of the Secretary, Home Department, Government of Sindh, Karachi for the financial year 2022-23, under Citizens Police Liaison Committee (CPLC) grant, it was observed that cheques amounting to Rs 3.803 million were drawn in the name of employee Syed Sardar Hassan, Accountant, rather than the designated actual payee. Additionally, the audit was not provided with further details or records elucidating the specific account for which these funds were drawn. A justification for this discrepancy is necessary for clarity and compliance.

Audit is of the opinion that drawl of funds in the name of an employee raises doubts on the genuineness of the payment, especially given the absence of further details or records explaining the specific account for which these funds were drawn. A thorough justification is imperative for clarity and compliance.

The matter was reported to the management in the month of August 2023 but reply was not received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends that the management should adhere to payment protocols by drawing funds in the name of the designated payee for transparency and credibility besides fixing of responsibility on person(s) at fault.

(AIR#30)

15.5.3 Significant Loss of Arms and Ammunition - Rs 1.517 million

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 Superintendent of Police, Sindh Reserve Police (SRP) Base-1, Karachi for the financial year 20219-20 to 2021-22, it was observed that a substantial number of arms and ammunitions valued at approximately Rs 1.517 million were observed to have been stolen, indicative of criminal negligence by responsible officials/officers. Notably, no subsequent

action or inquiry has been initiated or communicated to the audit, resulting in weakened internal controls over public assets. The details are given as under;

(Amount in Rupees)

Sr.#	Description of arms	Theft/stolen	Approx. price	Total approx. loss
1	Rifle China	2	100,000x2	200,000
2	SMG 7.62	5	150,000x5	750,000
3	Pistol 9 mm	7	70,000x7	490,000
4	Revolver 38 spl.	1	50,000x1	50,000
5	7.62 (ammunition)	680	30x680	20,400
6	9 mm pistol (ammunition)	210	210x25	5,250
7	9 mm MP-5 (ammunition)	50	50x20	1,000
8	Revolver 38 spl.(ammunition)	27	27x20	540
Total				1,517,190

Audit is of the view that a significant quantity of arms and ammunitions was stolen, and no subsequent action or inquiry was initiated or communicated to the Audit leading to weakened internal controls over public assets reflecting a stark instance of criminal negligence.

The matter was reported to the management in the month of March 2023 but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

The Audit strongly recommends a comprehensive investigation to recover the stolen assets from the accountable custodians, and further advises appropriate action in accordance with applicable rules.

(AIR # 02)

15.5.4 Unauthorized payment of inadmissible allowances - Rs 955.552 million

According to Rule 41(a) of Sindh Financial Rules, Vol-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. As per O.M.No:FD (SR-1)1(32)2011-2015, dated:

22th July, 2016, Para 6(i) states, the adhoc relief allowance 2013@10% of the basic pay scale 2011 to the employees in BPS 16 and above shall cease to exist with effect from 01-07-2016. As per Government of Sindh S & GAD Notification No. PA-DS (G)/41133/76 dated: 27-07-77 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 various offices of Home Department for the financial years from 2013-14 to 2022-23, it was observed that an expenditure of Rs 955.552 million was incurred on payment of various allowances which were not admissible. The details are given at Annex-2 of Chapter-15.

Audit is of the view that payment of inadmissible allowances resulted in undue financial burden on government exchequer

The matter was reported to the management during the months from December 2022 to November 2023. Management at Sr.#.68 replied that allowances are added in the salary by AG Sindh, Karachi and clarification of admissibility shall be obtained from AG Sindh. Formation at Sr.#.34 replied that recovery of Governor House Allowance has been made. Formations at Sr.#43 & Sr.#53 replied that recovery of various allowances is under process. Formations at Sr.#04 & Sr.#33 replied that allowances were admissible. Formation at Sr.#10 replied that Special and Technical Allowances were allowed after ensuring their admissibility under Finance Department’s notifications. Formation at Sr.#24 replied that different allowances for different Categories of officers /officials were paid to actual entitled officers. Formation (2021-22) at Sr.#37 replied that the District Accounts Thatta has been requested to stop and recover the said allowances through FO2 and FO3. Formation at Sr.#48 replied that Constabulary Allowance which is now called Field Allowances is admissible to constables and driver constables but ASIs pointed out by Audit are under the process of recovery. Formation at Sr.#75 (2022-23) replied that recoveries have been made from concerned police staff on account of House rent and 5% maintenance. However, fixed conveyance is allowed to lower grade staff and these employees are not allotted any vehicles. Formation at Sr.#01 against AIR # 08 replied that other allowance (A01270) is admissible according to Finance Department’s orders, against AIR# 11, the management replied that various allowances were paid through SAP system by the District Accounts Office without raising any objection. However, clarification has been requested from District Accounts Office of District SBA which is awaited. Against AIR# 02, the management replied that the recovery of House Rent Allowance is under process by District Accounts Office, SBA. Against AIR # 03, the management replied that technical allowance for M.T section drivers were allowed after the recommendation of MTO and their experience in the driving., against AIR# 05 the management replied this office has requested to recover the amount paid and stop further payments. Formation at Sr.#57 replied that the employee was transferred to DIGP from CM Secretariat, and he was drawing CM Secretariat Allowance. After his posting to DIGP Office, he was entitled to draw Training Allowance & POL Special Package Allowance which could not be allowed as he has resigned. The replies are not tenable as the relevant record including evidence of recovery; notifications from Finance

Department to prove admissibility or clarification from AG Sindh regarding entitlement of these allowances were not produced to Audit in support of the replies. However, the remaining offices did not reply. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends that inadmissible allowances may be recovered, and responsibility fixed for making payment beyond entitlement besides taking remedial measures to stop repetition of this practice

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23 vide para number 14.5.3, 12.5.2 and 15.5.6 respectively having financial impact of Rs 1,186.556 million. Recurrence of same irregularity is a matter of serious concern.

15.5.5 Payment of salary after dismissal/compulsory retirement orders – Rs 2.981 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 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 Senior Superintendent of Police District West Karachi for the year 2021-22, it was observed that management has paid salary amounting to Rs 2.981 million to following constables who were either dismissed from service or compulsorily retired. The details are given as under.

(Amount in Rupees.)

r.#	Personal No	Name	Major Punishment	Order Date	Period (absconding)	Rate	Months	Total
	10641270	Syed Nawab Jadoon	Dismissal from service	29.09.2021	01.04.2022 to 30.06.2022	3517	4	30,551
					01.07.2022	2892	5	14,460

					2 to 30.11.20 22			
					0 1.12.202 2 to 31.01.20 23	6122	4	2 9 2,244
					0 1.06.201 8 to 30.11.20 18	0803	3	6 1 84,818
					0 1.12.201 8 to 30.06.20 19	3509	3	7 2 34,563
					0 1.07.201 9 to 30.11.20 19	5807	3	5 1 79,035
	1 0717762	N iaz Uddin	C ompulsor y Retired from service	2 3.12.202 1	0 1.12.201 9 to 30.06.20 20	6495	3	7 2 55,465
					0 1.07.202 0 to 30.11.20 20	8021	3	5 1 90,105
					0 1.12.202 0 to 28.02.20 21	8758	3	3 1 16,274

	0876761 ¹	M Sunny	Dismissal from service	3.06.2022 ⁰	1.06.2022 ⁰ to 30.06.2022	7095 ³	1 ¹	7,095 ³
	0884447 ¹	M Saleem	Dismissal from service	1.01.2022 ²	1.08.2021 ⁰ to 30.11.2021	4690 ³	4 ⁴	38,760 ¹
					1.12.2021 ⁰ to 28.02.2022	5264 ³	3 ³	05,792 ¹
	0172015 ¹	A Majeed	Compulsorily Retired from service	1.01.2022 ²	1.02.2022 ⁰ to 30.06.2022	1464 ⁵	5 ⁵	57,320 ²
					1.07.2022 ⁰ to 30.11.2022	4536 ⁵	5 ⁵	72,680 ²
					1.12.2022 ⁰ to 31.01.2023	5401 ⁵	2 ²	10,802 ¹
	0163296 ¹	M Hussain	Dismissal from service	4.06.2022 ¹	1.06.2022 ⁰ to 30.11.2022	6640 ⁵	6 ⁶	39,840 ³
					1.12.2022 ⁰ to 31.01.2023	0,954 ⁶	2 ²	21,908 ¹

Total	2 ,981,712
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Audit is of the view that all pay and perks to the officials after dismissal/compulsory retirement orders were irregular and undue favor at the cost of public exchequers.

The matter was reported to the management during the month of January 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends the recovery of payment of salary to the officials after dismissal or compulsory retirement orders, besides fixing of responsibility on the persons at fault.

(AIR # 16)

15.5.6 Irregular expenditure on purchase of arms & ammunition – Rs 16.940 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”. Rule 17 (1) & (2) of Sindh Public Procurement Rules, 2010 states that procurement over three hundred thousand rupees and up to two 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 office of the Assistant Inspector General of Police, Security (SSU), Karachi for the financial year 2021-22, it was observed that an expenditure of Rs 16.940 million was incurred on account of purchase of arms & ammunitions without observing various codal formalities including buying Arms & Ammunition from general order supplier, without preparing procurement plan and attaching Inspection reports.

Audit is of the view that due to non-compliance of rules & procedures, audit could not authenticate the payments made.

The matter was reported to the management during the months from January 2023 and August 2023. Management replied that Specialized arms & ammunition have not been procured during the financial year 2021-22. However, arms accessories have been procured through tender process as per SPPRA Rule and Procurement Plan, Financial & Technical evaluation reports,

Inspection report are available. The reply is not tenable as relevant record in support of reply was not produced. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends that the management should provide relevant record for verification besides fixing of responsibility on person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2021-22 vide para number 12.5.5 having financial impact of Rs 750.486. Recurrence of same irregularity is a matter of serious concern.

15.5.7 Non-invitation of tender – Rs 282.049 million

Rule 17 (1) & (2) of Sindh Public Procurement Rules, 2010 states that procurement over three 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 for the financial years 2014-15 to 2022-23, it was observed that an expenditure of Rs 282.049 million was incurred without inviting open tenders. The details are given at Annex-3 of Chapter-15.

Audit if of the view that the tenders were not invited for procurement of goods & repair services as result competitive rates were not obtained. In the absence of competitive rates, chances of compromise on quality & payment of higher rates cannot be ruled out.

The matter was reported to the management during the months from February 2023 to October 2023. Management at Sr.#03 replied that expenditure was incurred after fulfilling codal formalities and all requisite record is available for verification. Formation at Sr.#04 replied that offices mentioned in the para including SSP Mirpurkhas, SSP Umerkot and SSP Tharparkar incurred the expenditure on local bodies elections 2022 and due to shortage of time, tenders could not be invited but other formalities were fulfilled. Formation at Sr.#12 replied that in case of vehicles, the repairs were sanctioned within the powers of Delegation of Financial Powers, 2019 and in case of feeding charges, there was no need to invite tenders as per orders issued by the IGP Sindh. The reply was not tenable as non-invitation of tenders is a clear violation of SPPRA Rules. However, the other offices did not reply. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends compliance with prescribed rules besides fixing of responsibility against the persons at fault.

Note: The issue was reported earlier also in the Audit Report(s) for the Audit Year (s) 2020-21, 2021-22 vide para number 14.5.10 and 12.5.8 respectively having financial impact of Rs 123.845 million. Recurrence of same irregularity is a matter of serious concern.

15.5.8 Irregular award of tenders against single bid – Rs 106.015 million

As per rule-48 Sindh Public Procurement Rules 2010 states that “if single bidder participates in the bidding process, the rates will be compared with market rates or last awarded contract”.

During audit of following offices of Home Department for the financial years 2019-20 to 2022-23, it was observed that the tenders costing Rs 106.015 million were awarded to single bid against above rule. This resulted into extension of undue favor to the contractors. The details are given as under;

(Rs in million)

Sr.#	Name of office	Financial Year	AIR Para #	Particulars	Amount
01	Deputy Inspector General of Police, Sukkur Range, Sukkur	2019-20 to 2021-22	14	Tender for Rs 8.854 million was awarded to M/s Mushtaque Ahmed Bullo on account of M/R of various police stations of Khairpur District by accepting single bid and without market analysis.	8.854
02	Inspector General of Police Sindh, Karachi	2022-23	04	Expenditure incurred through single bid without market survey and comparison of rates of previous tenders.	97.161
Total					106.015

Audit is of the view that this deviation raises apprehensions about fair competition and transparency in the procurement process, resulting in the extension of undue favor to contractors.

Such practices necessitate immediate corrective measures to uphold the integrity and efficiency of the tendering procedures.

The matter was reported to the management during March 2023 and August 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends that management should enforce strict adherence to procurement rules, promoting fair competition by discouraging the consistent awarding of tenders to a single bid. Implement measures to enhance transparency in the tendering process and prevent undue favoritism towards contractors.

15.5.9 Irregular expenditure incurred by way of Collusive Award of work – Rs 23.819 million

According to Rule-48 of SPPRA rules 2013 amended from time to time that even when only one bid is submitted, the bidding process may be considered valid, if the bid was advertised in accordance with rules, and prices are comparable to last awarded contract or the market price.

During audit of office of the Deputy Inspector General of Police, West Range Karachi Government of Sindh for the financial year 2021-22 to 2022-23, it was observed that works amounting to Rs 23.819 million were awarded to various contractors without observance of SPPRA rules. Undue favour was extended to selected contractors by rejecting first lowest bidders and by managing the procurement process by awarding the contracts at the same rates & quantities of non-scheduled items mentioned in Engineer's estimates. The details are given at Annex-4 of Chapter-15.

Audit is of the view that there was failure of the management to follow SPPRA Rules resulted in non-achievement of competitive rates and thus bringing about loss to government exchequer. Undue favoritism was evident through the rejection of first lowest bidders and manipulation of contracts, compromising the fairness and transparency of the procurement process.

The matter was reported to the management in the month of October 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends that the management should enforce strict adherence to SPPRA rules in the procurement process, ensuring fair competition and preventing favoritism. Implement thorough

scrutiny of bid rejections and contract manipulations, fostering transparency and accountability in awarding contracts.

15.5.10 Excess procurement of plant and machinery beyond the tendered quantities – Rs 10.886 million

As per section 2.22 of SPPRA Procurement Regulation (Works), 5.4(iii) Rates for enhanced quantities are decided (a) variations in quantities upto 15% of total contract price are to be executed by the contractor at the original contract rates. (b) When total cost of executed work exceeds 15% of total contract price (stated in letter of acceptance) then rates of those quantities are decided by clauses of the contract agreement.

During audit of office of the Inspector General of Police, Sindh, for the financial year 2021-22, it was observed that according to the tender, a total of 2,058 units of plant and machinery were supposed to be procured at a cost of Rs 69.844 million. However, the management went ahead and procured a total of 2,365 items, with a cumulative value of Rs 84.356 million. This resulted in an excess procurement of 307 units of plant and machinery, incurring an additional cost of Rs 10.886 million. The details are given at Annex-5 of Chapter-15.

Audit is of the view that due to excess procurement of plant and machinery; exchequer sustained a loss of Rs 10.886 million. This indicates prevalence of financial indiscipline, absence of administrative watch and negligence of management of the entity.

The matter was reported to the management in the month of December 2022. Management replied that the Procurement of Plant & Machinery may kindly not be considered as excess procurement. As the quantity was 15% increase in accordance with Instructions mentioned in Tender Notice at S.No.10. However, the record was not produced in support of reply. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

(AIR # 11)

15.5.11 Doubtful duplicate claim / work execution at same sites – Rs 8.657 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 on the accounts record of Deputy Inspector General of Police, West Range Karachi for the financial year 2021-22 to 2022-23, it was observed that the management of the entity seemingly incurred questionable expenses amounting to Rs 8.657 million. This arose from the management permitting contractors to claim duplicate bills or perform work twice at the same sites. The details are given as under;

(Rs. in Million)

OM #	Name of work	Amount
04	Police Headquarter Barracks west zone	6.200
05	R/R PS Johar abad and Yousaf Plaza	1.201
06	R/R PS New Karachi	1.256
Total		8.657

Audit is of the view that claiming identical types of work on the same site raises suspicions about the payments. It suggests the possibility that either the work wasn't previously executed despite the incurred expenditure, or intentionally included in the bidding documents for the purpose of duplicating bill claims, or any other scenario that may be at play.

The matter was reported to the management in the month of October 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

(AIR#06)

15.5.12 Doubtful expenditure through tender – Rs 4.899 million

As per instructions to procuring agencies -G. Conditions of Contract, the procuring agency while preparing Contract Data, shall ensure that no Clause of Conditions of Contract is deleted and

that the changes included in Contract Data shall be such as not to change the spirit of the document. Any adjustment or change in clauses of Conditions of Contract to meet specific project features shall be made with care and incorporated in Contract Data.

During audit of office of the Senior Superintendent of Police, Security, Special Branch, Karachi for the fiscal year 2022-23, it was observed that tender amounting to Rs 4.899 million was executed under the "Repair of Machinery & Equipment" category for the repair of Bomb Disposal Equipment, awarded to M/s Asian Consultant & Computer Services Karachi. Several irregularities were identified, including the misallocation of funds from account "KQ-0216" to "KQ-0191," the discrepancy in inspection dates, missing documentation such as work order references and witness signatures in the contract agreement, and the tampering of the bid evaluation report. Additionally, the absence of a key committee member's signature and discrepancies in the number of committee members attending the meeting highlighted a lack of check and balance. Furthermore, the contract was awarded without a market survey, and essential certificates for bid evaluation were not provided. These findings indicate a need for improved financial oversight and adherence to proper procurement procedures in the office's operations.

(Amount in Rupees)

Cost Center	Document No	Document Date	G/L Descp	Vendor Name	Cheque No	Amount
KQ0191	5100227832	19.06.2023	Repair of M&R	Asian Consultant & Computer Services	4998993	4,899,996

Audit is of the view that due to execution of doubtful tender, chances of misappropriation in repair & maintenance of bomb disposal equipment cannot be ruled out.

The matter was reported to the management vide memo # 07 dated 13-10-2023 but reply was not received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends that appropriate action may be taken against the person(s) at fault besides taking remedial measures.

(AIR # 07)

15.5.13 Non-deduction of stamp duty – Rs2.210 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 @ 0.35 paisa per hundred rupees of the value of the agreement or against tender cost before execution of the agreement.

During audit of following offices of Home Department for the financial years 2019-20 to 2022-23, it was observed that various contracts amounting to Rs 631.579 million were awarded to contractors / Suppliers but stamp duty of Rs 2.210 million as required under rules was not realized. The Details are given as under:

(Rs. in Million)

Sr.#	Name of office	Financial Year	AIR Para #	Particulars	Contract Amount	Stamp duty
01	Secretary, Home Department, Karachi	2022-23	01	Paid Rs77.190 million to M/s NTC for PHEEL without Contract Agreement resulting in loss of Stamp duty	77.190	0.270
02	Deputy Inspector General of Police East, Karachi	2019-20 to 2022-23	16	Stamp duty @ 0.35% not deducted from contractors on account of repairs works of various police buildings of Rs57.80 million	57.80	0.202
03	Inspector General of Police Sindh, Karachi	2022-23	06	Expenditure of Rs496.589 on POL, execution of M&R works and repair of transport without stamp duty	496.589	1.738
Total					631.579	2.210

Audit is of the view that the management did not perform its duties properly by non-realizing of due stamp duty. It has given undue favor by hoodwinking its responsibility.

The matter was reported to the management in the months of August 2023 and October 2023, but reply was not received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2021-22 vide para number 12.5.23 having financial impact of Rs 1.050 million. Recurrence of same irregularity is a matter of serious concern.

15.5.14 Un-authorized cash withdrawal from the DDOs Bank Accounts - Rs 346.101 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 drawl and disbursement of cash.” 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 various offices of Home Department, Government of Sindh during the financial years 2019-20 to 2022-23, it was observed that an amount of Rs346.101 million was withdrawn from the DDO Account in cash unauthorizably instead of issuance of crossed cheques in favour of actual payee. The mode of payment adopted was not transparent and could results in misuse of government funds. Thus, audit could not authenticate the payments made in cash. The details are given at Annex-6 of Chapter-15.

Audit is of the view that making cash payment through DDO account may result in misappropriation of funds.

The matter was reported to the management during March 2023 and October 2023. The management at sr.#03 against AIR #01 replied that the cash payments pertain to Secret Funds and in order to keep the sources secret, the payments are to be disbursed in cash, against AIR# 16 the management replied that the amount pertains to retirement grants and marriage grants which were kept in DDO Account and were disbursed in cash due to non-availability of concerned officials. Formation at Sr.#09 replied that payments from DDO account were related to Funeral Charges etc. Formation at Sr.#07 admitted that cheques were issued in favour of DDO. Formation at Sr.#13 replied that during the years 2019 to 2021 the cheques of investigation were issued in the name of DDO. Formation at Sr.#17 replied that an amount of Rs 8,000 per month was being deducted from salary of Mr. Jameel Ahmed Qureshi, Police constable and same was being paid to his wife Mrs. Shahnaz in compliance of an order. Formation at Sr.#19 replied that in compliance of court order 50% salary of Mr. Ashfaq Ahmed, Police Constable was being deposited to the Nazir of the

Court and remaining 50% was disbursed to him through DDO Account. Formation at Sr.#04 replied amount was paid to various shuhada of Sindh police District Dadu on account of Eid the payments were disbursed through crossed cheques after fulfilling codal formalities and same through approval of competent authority. The replies are not tenable as payment through DDO Account is clear violation of government rules. In case of court orders, relevant record / evidence was not produced to Audit in support of the replies. However, other offices did not reply. DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends the rectification of the matter along adoption of measures to stop such practice of cash withdrawal from the Bank besides fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23 vide para number 14.5.18, 12.5.17 and 15.5.5 respectively having financial impact of Rs 600.103. Recurrence of same irregularity is a matter of serious concern.

15.5.15 Unjustified retention of funds in DDO Account – Rs 68.053 million

According to Rule 290 of 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 audit of various offices of Home Department for the financial years 2021-22 to 2022-23, it was observed that an amount of Rs 68.053 million remained in the DDO account at the close of the financial year. This sum neither underwent disbursement to actual payees nor was surrendered as savings. The details are given at Annex-7 of Chapter-15.

Audit is of the view that the management is not permitted to retain funds in the DDO account beyond the financial year's closure. The failure to either utilize or deposit these funds into the public exchequer indicates a deficiency in financial and administrative control within the entity.

The matter was reported to the management during August 2023 to October 2023. Management at Sr.#04 replied that amount retained in DDO Account pertains to a Shaheed Police Employee and the payment is pending as the matter is pending in court due to dispute between two widows. The court has now decided to disburse the amount into the bank accounts of both widows, the reply is logical but evidence of disbursement along with acknowledgement from the widows was not produced for Audit. Formation at Sr.#06 (2022-23) replied that DDO Account Balance is old and due to a scam in Accounts Branch of SSP Thatta, the record was seized by NAB and due to non-availability of previous record, the balance amount in DDO Account could not be verified.

The reply is not tenable as the balance retained in DDO Account is unverified. However, other offices did not reply. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23 vide para number 14.5.21, 12.5.14 and 15.5.21 respectively having financial impact of Rs148.047 million. Recurrence of same irregularity is a matter of serious concern.

15.5.16 Violation of government instruction by using luxurious vehicles beyond their entitlement - Rs 2,039.160 million

According to SGA&C notification issued with the approval of competent authority on dated 05th April 2007, having subject “entitlement of vehicles to government functionaries” in Para 2 (i) states that “Additional Chief Secretary, Senior Member Board of revenue, Secretaries of the administrative Departments, Members board of Revenue, Divisional Commissioner, Inspector General of Police, Additional Inspector General of Police, Deputy Inspectors General of Police, Heads of Autonomous Bodies/Corporations in BPS-20 and above should be allowed to use 1300 CC locally manufactured cars” (ii) All officers in BPS-19 and BPS-20 like Heads of attached Departments/ Regional Heads or equivalent in autonomous bodies/corporations and deputy Commissioners to use 1000CC locally manufactured cars.& according to letter No. CTC(S&GAD)-6(227)/87 dated: 05-04-1997 on the subject of “Entitlement of vehicles to government functionaries” issued from SGA&CD, Government of Sindh, the entitlement criteria of various categories of officers have been worked out and approved by the Competent Authority in which there is no any provision for the allotment of Govt. Vehicles to Non-gazette staff.

During audit of various offices of Home Department, Government of Sindh, for the financial year(s) 2019-20 to 2021-22, it was observed that expenditure amounting to Rs 2,039.160 million was incurred on fuel and repairs for officers whose allotted vehicles exceeded the CC limits specified by SGA&C notifications. This practice directly contradicts the entitlement criteria outlined in the SGA&C notification and the letters from SGA&CD dated April 5, 2007, and April 5, 1997, respectively. These guidelines clearly define the permissible CC limits for various officer categories. The allocation of vehicles beyond the stipulated limit not only favors officers unduly but also represents a violation of established criteria, indicating a lax adherence to prescribed rules and regulations within the organization. It is crucial to note that this deviation in CC power admissibility led to increased fuel consumption, and in some instances, vehicles were assigned to non-gazetted officials, resulting in a loss to the Government. The details are given at Annex-8 of Chapter-15.

Audit is of the view that the allocation of vehicles beyond the specified limits to officers is an unjustified favor. This not only breaches established entitlement criteria but also raises questions about the judicious use of public funds. Such practices signal a deficiency in fiscal responsibility and adherence to prescribed guidelines, paving the way for potential wastage of public resources.

The matter was reported to the management in Feb & March-2023. Management at Sr.#02 replied that Home Department is the administrative office of Police Department. Government of Sindh, involving almost all matters, of Sindh Police whether flood relief activities and other important nature of tasks/ancillaries where these protocol vehicles have been deputed. The reply is not tenable as the violation of CC limit in allotment of vehicles has clearly been noted. However, other officer did not reply. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends recovery of these vehicles along with POL consumed from officers and it is urged to rectify these deviations to ensure transparency and the judicious use of government assets in accordance with approved regulations.

15.5.17 Non / Less deduction of various taxes and duties – Rs 837.233 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 @ 0.35 paisa per hundred rupees of the value of the agreement or against tender cost before execution of the agreement. 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 @ 13%. Further, 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 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”. 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 @ 3% of the value in addition to the rate specified in Section 3(1). According to Section 153 & 233 of Income Tax Ordinance 2001, as amended 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 contact with government or local authorities, etc., shall deduct advance tax at the time of making payments at the rate of 4.5% for filers & 6.5% for non-filers on supply/purchases and at the rate of 10% for filers & 15% for non-filers on services rendered of gross amount”.

During audit of various offices of, Home Department, Government of Sindh, for the financial years up to 2019-20 to 2022-23, an amount of Rs 837.233 million was not deducted / recovered from the vendors / suppliers on account of income tax, general sales tax, SST and stamp duty while making the payments. The details are given at Annex-9 of Chapter-15.

Audit is of the view that due to non-recovery of taxes and dues; the government was deprived of its revenue.

The matter was reported to the management during the months of December 2022 to October 2023. Management at Sr.#02 against AIR#23, replied that the stamp duty is deducted by Stamp Department Sindh, Adhesive stamps in contract agreements before the signing of contract. Against AIR # 24,25 & 26 the management replied that taxes are deducted by the AG Sindh / relevant District Accounts Offices at prescribed rates against various heads. Against AIR # 02 the management replied that M/s Wah Industries have been requested to provide the copies of paid challan against 17% GST amounting to Rs.106.505 million. Against AIR#40 the management replied that, all the payment of newly procured vehicle's registration tax has been made through DIGP T&T Sindh cost center (KQ-0181). Formation at Sr.#07 replied that taxes are deducted by AG Sindh at prescribed rates and if taxes are not deducted properly, it is the responsibility of AG Sindh. Formation at Sr.#21 against AIR#18, AIR# 19 & AIR #20 replied that letter has been sent to the concerned contractor for depositing the professional tax and duties. Against AIR# 05 & AIR#6, the management replied that recovery of House Rent and House maintenance is under process. Formation at Sr, No.14 against AIR# 06 replied that taxes are deducted by the District Accounts Office at prescribed rates. Against AIR #13, the management replied that Conveyance Allowance has now been deducted. Formation at Sr.#26 replied that the matter is under court proceeding and efforts are in process to resolve the matter to receive the certificate from the concerned court. Formation at Sr.#32 against AIR# 03, replied that recovery on account of minor punishment in shape of increment has been made. Against AIR # 09, the recovery of the taxes is responsibility of AG Sindh. Formation at Sr.#25 replied that it is the responsibility of AG Sindh to deduct taxes. Formation at Sr.#08 (2021-22) against AIR# 02 replied that letters have been sent to concerned organizations for recovery of service charges of Police Guards and some amounts have been recovered through Challans. Against AIR #12 & AIR#19, the management replied that Conveyance Allowance has been stopped and recovery is under process by DAO Thatta. Against AIR# 20, the management replied that 5% maintenance is already being deducted and FO2 have been sent to District Accounts Office Thatta. Formation at Sr.#46 (2022-23) replied that taxes are deducted by District Accounts Office at prescribed rates after pre-audit of bills. Formation at Sr.#28 against AIR # 25 replied that as per SPPRA rules security deposits which should not be more than 10% was received in shape of call deposits. Against AIR # 05 the reply was not received. Against AIR # 33, the management replied that repair / renovation work was carried out according to detailed estimate approved by the Chief Engineer, Building Development, Hyderabad. The reply is not tenable as the excess payment was clearly calculated in the Audit Para which needs to be recovered Formation at Sr.#05 replied that no dues are outstanding as regard to deputation of Police Guards for the period of 2021-22 furthermore, all dues of Government about Police Guards are deposited in Government accounts. The replies are not tenable as taxes and various dues have not been deducted at prescribed rates and no evidence including deduction of taxes by AG Sindh /

District Accounts Offices was attached with the reply. Relevant record showing recovery or tax-exemption was also not produced. Other offices did not reply. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends recovery of the tax and other dues besides fixing responsibility on the person(s) at fault, besides taking remedial measures.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23 vide para number 14.5.14, 12.5.16 and 15.5.24 respectively having financial impact of Rs 236.847 million. Recurrence of same irregularity is a matter of serious concern.

15.5.18 Irregular expenditure on account of Cost of Investigation – Rs 263.740 million

According to circular issued by the AIG Finance & welfare the procedure for the expenditure of funds for cost of investigation includes these steps: Investigation team will submit detail expenditure bills to their DSP. DSP will verify the bills and concerned DPO/SSP investigation will validate those bills after re-verification. SSP/DPO Investigation sanction will issue the sanction order with a copy to the Regional Police Officer

During audit of the various offices of Home Department, Government of Sindh for the financial years 2018-19 to 2022-23, it was observed that payment of Rs 263.740 million was made to various investigating officers on account of cost of investigation by hiring private vehicles despite availability of official's vehicles. Moreover, expenditure was incurred without maintaining any data regarding FIRs lodged and disposed, without availability of site plan, photographs, CNICs of taxi drivers and Final disposal report of the case, without maintaining imprest account by the relevant cost centres etc. the details are given at Annex-10 of Chapter-15.

Audit is of the view that non fulfilment of requirements for the said payment of investigation charges makes the payment doubtful.

The matter was reported to the management during the months of February 2023 to October 2023. Formation at Sr.#17 replied that due to insufficient vehicles and stationery budget, private vehicles were hired and stationery were purchased from Cost of Investigation. Formation at Sr.#01 replied that official orders was attached with the bill, clarified stationery procurement from cost of investigation under admissible rules, and explained the shortage of government vehicles for IOs. Formation at sr.#19 (2022-23) stated bills were passed after verifying SOPs and received through DSPs. Formation at sr.#11 claimed record availability, but supporting records were not produced to audit. The reply of the department is not tenable as they lack of documentary evidences. Despite requests, DAC meeting was not convened by the PAO until the finalization of this report.

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

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-22 and 2022-23 vide para number 12.5.20 and 15.5.20 respectively having financial impact of Rs 136.108 million. Recurrence of same irregularity is a matter of serious concern.

15.5.19 Irregular expenditure on purchase of anti-riot equipment – Rs 199.986 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”. 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 on the accounts of Inspector General of Police Sindh, Karachi, for the financial year 2022-23, it was observed that an expenditure of Rs 199.986 million was incurred on the purchase of Anti-Riot Equipment, including shields, suits, helmets, etc. The audit revealed several shortcomings, such as the undisclosed stock within the police department, an advance payment made without securing a bank guarantee or clearing old outstanding ordered quantities, and the absence of essential documents like warranty details, pre-shipment inspection reports, quantity assurance certificates, manufacturing dates, shelf-life declarations, delivery challans, demand notices, joint inspections. Furthermore, despite the lapse of months, the delivery of the items had not been completed, and no liquidity damages were imposed on the contractor for late delivery. The absence of an Original Equipment Manufacturer (OEM) certificate and the failure to provide technical specifications for the procured items were also highlighted during the audit, indicating the need for improved procurement and documentation practices.

(Rs. in Million)

Sr #	Particulars	Cheque #	Payment Date	Document #	Amount
1	Wah Industries Limited – 1677 Anti-Riot equipment	4815455	06-03.2023	5100205232	199.986

Audit is of the view that these findings indicate significant lapses in procurement practices within the police department. Furthermore, delayed delivery of items and the failure to impose

liquidity damages on the contractor for late deliveries raise concerns about efficiency and accountability.

The matter was reported to the management in August 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends immediate corrective actions like implementing transparent disclosure practices for available stock, ensuring advance payments are contingent upon the provision of bank guarantees and clearance of old outstanding orders, and prioritizing the collection of essential documents from suppliers. Additionally, prompt delivery of outstanding items and the imposition of liquidity damages for late deliveries should be enforced besides fixing of responsibility against the persons at fault.

(AIR # 11)

15.5.20 Non / Less recovery government receipts for Police Guard Services – Rs 83.472 million

Rule-28 of General Financial Rules, Volume-I, states that, “no amount due to Government should be left outstanding without sufficient reasons and where any dues appear to be irrecoverable, the orders of competent authority for their adjustment must be sought.”

During audit of following offices of Home Department, Government of Sindh, for the financial year 2019-20 to 2022-23, it was observed that Police Guards were provided to various organizations including SSGCL, United Petroleum and NBP but government receipts of Rs 83.472 million on account of services charges / cost of the same were not recovered from these organizations. The details are given as under;

(Rs. in Million)

Sr.#	Name of office	Financial Year	AIR Para #	Particulars	Amount
01	Deputy Inspector General of Police East, Karachi	2019-20 to 2022-23	22	Police guards were provided to SSGCL department but amount not recovered	53.707

(Rs. in Million)

Sr.#	Name of office	Financial Year	AIR Para #	Particulars	Amount
02	Senior Superintendent of Police, District Tando Allah Yar	2022-23	04	Police guards were provided to United Petroleum but amount not recovered	3.137
03	Senior Superintendent of Police, District Thatta	2022-23	08	Police guards were provided to SSGCL department but amount not recovered	9.608
04	Senior Superintendent of Police, District Sukkur	2022-23	03	Police guards were provided to State Bank of Sukkur but amount not recovered	1.269
05	Superintendent of Police, Kambar @ Shahdadkot	2021-22	.03	Police guards were provided to NBP but amount not recovered	15.751
Total					83.472

Audit is of the view that government receipts were put at risk due to mismanagement and weak internal controls prevalent in the department.

The matter was reported to the management during the months of May 2023 and October 2023. Management at Sr.#03 replied that letters have been forwarded to SSGC Rawal Goth and SSGC Ranpathani for early clearance of their dues. The reply is not tenable as the recovery has not yet been made. However, other officer did not reply. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends recovery and reconciliation of Police Guard Service Charges with concerned banks and treasury offices besides, fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21 and 2021-22 vide para number 14.5.12 and 12.5.15 respectively having financial impact of Rs 706.552 million. Recurrence of same irregularity is a matter of serious concern.

15.5.21 Loss to government due to non-recovery of pending challans – Rs 5.388 million

Rule-28 of General Financial Rules, Volume-I, states that, “no amount due to Government should be left outstanding without sufficient reasons and where any dues appear to be irrecoverable, the orders of competent authority for their adjustment must be sought.”

During audit of the accounts of office of the Superintendent of Police, Traffic West, Karachi for the financial year 2022-23, it was observed in the statement of challans that a total of 233,858 challans were issued. Out of these, 8,024 challans remained pending, leading to an unrecovered amount of Rs 5.388 million. This failure to realize funds against pending challans resulted in a loss of revenue for the government. The details are given as under;

(Amount in Rupees)

Total challans issued	Fine imposed	Fine Realized	Pending challans	Outstanding Amount
233,858	106,951,600	101,563,150	8,024	5,388,450

Audit is of the view that the failure to recover these funds signifies a substantial loss in government revenue. This highlights the urgency of addressing and rectifying the inefficiencies in the challan processing system to ensure the optimal realization of funds and prevent further financial losses.

The matter was reported to the management vide observation memo No. 05 dated 17-11-2023, but no reply was received. DAC meeting was not convened by the PAO till finalization of this report.

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

(AIR # 05)

15.5.22 Non-recovery of rent to be realized from Police Welfare Shops – Rs 4.738 million

Rule-28 of General Financial Rules, Volume-I, states that, “no amount due to Government should be left outstanding without sufficient reasons 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 Senior Superintendent of Police, Sukkur for the financial year 2022-23, it was observed that the management rented out 117 police welfare shops to private individuals. However, the local office has failed to recover the monthly rent totaling Rs 4.738 million from these shops since November 2022, with the last rent realization recorded in October 2022. Additionally, the absence of rent agreements and criteria/policy for leasing out these shops at nominal rates was noted, underscoring a lack of transparency in the rental process. The details are given as under;

(Amount in Rupees.)

Name of Building / Project	No. of Shops	Monthly Rent	Rent not recovered for last 08 months (Nov to June-23)
Al-Rahim Shopping Center, Sukkur	34	334,560	2,676,480
Shaheed Hassan Abbas Shopping Center, Sukkur	31	103,442	827,536
PHQ shopping Center	52	154,332	1,234,656
Total	117	592,334	4,738,672

Audit is of the view that audit findings reveal a concerning lapse in the management's oversight. Despite leasing out 117 police welfare shops, the failure to recover monthly rents raises significant financial concerns. Furthermore, the absence of documented rent agreements and a clear policy for leasing out these shops at nominal rates underscores a lack of transparency and adherence to established procedures in the entity's management practices.

The matter was reported to the management vide Observation Memo No.17 in the month of Sep, 2023 but no reply was received. DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends prompt action to streamline rent recovery procedures and enhance transparency in the leasing process and responsibility be fixed on the person(s) at fault.

(AIR#01)

15.5.23 Less-realization of Fine receipts of Rs 3.589 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 the Senior Superintendent of Police, Traffic Central Karachi for the year 2022-23, it was observed that fines totaling Rs 75.977 million were imposed. However, only Rs 72.388 million of these fines were realized, leaving a shortfall of Rs 3.589 million pending in the court against 7132 challans.

Audit is of the view the management's lack of proactive measures to expedite the resolution of long-pending cases in the court has led to the short-realization of revenue, amounting to Rs 3.589 million.

The matter was reported to the management vide observation memo No.04 dated 20.10.2023, but no reply was received till finalization of AIR. DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends implementing proactive measures to expedite the resolution of long-pending cases in the court for fines imposed. This will enhance revenue realization, specifically addressing the Rs 3.589 million shortfall, and improve overall efficiency in the management of traffic fines. Besides responsibility on person(s) at fault be fixed.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2020-21 vide para number 14.5.13 having financial impact of Rs 134.123 million. Recurrence of same irregularity is a matter of serious concern.

(AIR#04)

15.5.24 Missing government vehicle – Rs 1.975 million

According to Para 40-B Appendix 18-A (1) of 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 the audit of the Superintendent, Central Prison, Mirpurkhas for the financial year 2018-19 to 2021-22, it was observed that an expenditure of Rs.1.975 million was incurred on the purchase of a vehicle (Cultus AGS). Surprisingly, this acquisition was not reflected in the statement of available vehicles provided to Audit by the concerned office. The details are given as under;

(Amount in Rupees)

GI Description	Payee Name	Particular	SO. #	Date	Cheque . #	Date	Amount
Purchase of Transport	Suzuki Tharparkar Motors Workshop	Purchase Cultus AGS	4814	21-11-19	3452221	24-11-19	1,975,000

Audit is of the view that the purchase of vehicle was concealed, omitting this information from the statement of available vehicles in the accounts of the Superintendent, Central Prison, Mirpurkhas and this could. This concealment raises significant concerns about the potential misuse of the vehicle

The matter was reported to the management in the month of March 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends that matter may be investigated besides fixing of responsibility on person(s) at fault.

(AIR # 15)

Chapter - 16

Human Rights Department

16.1 Introduction

Directorate of Human Rights was established in September 2008 with two divisional offices at Hyderabad and Sukkur. The aim is to address the issues related to human rights violations with full concentration. Composition of the Pakistani society especially in Sindh province is of heterogeneous nature where crime of different kinds takes place. During this period, the department has recorded about 22,202 registered complaints from overall Sindh which clearly show intensity

of human right violations in Sindh. The case vary from the severity of cold blooded murder in the name of honor killing Karo Kari, Vani, Kidnapping, Sexual harassment, rape, children abuse, force marriage, acid thrown, burn cases, minority rights, child rights (child Labor, Domestic Labor, smuggling), human trafficking, property and family dispute, request for legal, financial and medical assistance. Mission The mission of the human rights department, government of Sindh is to endeavor to ensure that the human rights of all people in the province fully realize and protect, in law, in policy and in practice. The department pursues its objectives vigorously and independently. It does its best to ensure that law and practice is in line with the highest international standards, measuring our law and practice against the standards set out in the constitution and in international human rights agreements. Directorate of Human Rights has been performing its duties with zeal, enthusiasm and sense of responsibilities since the beginning to get better result to provide Human Rights to deserving persons. In this regard, all possible efforts have been made at its level best to resolve the matter/cases reports against violation of Human Rights, which have been collected from newspapers, electronic media and persons who personally visited the office for resolving their problems. The office The Directorate of Human Rights along with two divisional offices in Sindh province at Hyderabad and Sukkur work smoothly and regularly on daily basis and the same reported/collected violation news/cases are forwarded by this office to concerned authorities for necessary action and asked for current position/action taken by them in the same connection.

Vision & Mission

The mission of the human rights department, government of Sindh is to endeavor to ensure that the human rights of all people in the province fully realize and protect, in law, in policy and in practice. The department pursues its objectives vigorously and independently. It does its best to ensure that law and practice is in line with the highest international standards, measuring our law and practice against the standards set out in the constitution and in international human rights agreements. Directorate of Human Rights has been performing its duties with zeal, enthusiasm and sense of responsibilities since the beginning to get better result to provide Human Rights to deserving persons. In this regard, all possible efforts have been made at its level best to resolve the matter/cases reports against violation of Human Rights, which have been collected from newspapers, electronic media and persons who personally visited the office for resolving their problems. The office The Directorate of Human Rights along with two divisional offices in Sindh province at Hyderabad and Sukkur work smoothly and regularly on daily basis and the same reported/collected violation news/cases are forwarded by this office to concerned authorities for necessary action and asked for current position/action taken by them in the same connection.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23

1	Formations	4	2	306.079	-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

16.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rs. in Million)

Original Budget/ Grant	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variation Excess/ (Savings)
42 9.401	0 .001	4 7.666	(4 7.666)	(10 0.747)	32 8.654	31 9.127	(9 .527)

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 9.527 million was observed which was not surrendered in time.

16.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 140.846 million were raised as a result of this audit. This amount also includes recoverable of Rs 0.00 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr.	Classification	Amount
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No.		
1	Non-production of record	11.353
2	Reported cases of fraud, embezzlement, and misappropriation	-
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	-
B	<i>Procurement related irregularities</i>	55.113
C	<i>Management of Accounts with Commercial Banks</i>	-
4	Value for money and service delivery issues	-
5	Others	74.380

16.4 Comments on the Status of Compliance with PAC Directives

This department has been included in the Audit Report 2020-21 first time.

16.5 AUDIT PARAS

16.5.1 Non-production of supporting vouchers and other record – Rs 11.353 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 Directorate of Human Rights Hyderabad for the financial years from 2018-19 to 2021-22, supporting vouchers amounting to Rs 0.711 million were not produced to audit and it was told that same were not being traced at office by incumbent DDO.

Similarly, Directorate of Human Rights Sukkur incurred an expenditure of Rs10.642 million on account of pay and allowances during financial years 2016-17 to 2021-22. The audit requested for personal files/service books but the same were not produced to verify the appointment process of employees.

(Amount in Rupees)

Sr. #	Name of Office	Financial Year	AIR Para #	Head of A/c	Amount
1	Directorate of Human Rights Hyderabad	2018-19 to 2021-22	02	P.O. L Charges A. planes H.coptors S.Cars M/Cycle	238,729
				Newspaper's periodicals and books	167,446
				Telephone and trunk call	75,036
				Stationery	69,744
				Printing and publication	67,000
				Others	36,000
				Transport	28,500
				Machinery and Equipment	15,000
				Furniture and Fixture	13,490
				Sub-Total	710,945
2	Directorate of Human Rights, Sukkur	2016-17 to 2021-22	01	Pay and allowances	10,642,000
Total					11,352,945

The lapse on part of management indicates prevalence of weak internal controls within the department.

Audit is of the view that non-production of supporting record / documents for audit is a serious lapse on the part of management. This is obstruction of functioning of government machinery.

The matter was reported to the management during March and April 2023. The DAC meeting was held on 24-10-2023 wherein the management at Sr. # 1 replied that before conducting of this audit; heavy rains occurred in the year 2022-23 and unfortunately office's two roofs were collapsed, and some record was misplaced. However, the same is recovered now. Besides, the management of Sr. # 2 replied that regular appointment; the copy of advertisement for recruitment of staff along with Notification of recruitment committee, minutes of interviews for appointments and copies of appointment orders will be produced to audit for verification. The DAC directed that the copy of advertisement for recruitment of staff along with Notification of recruitment committee, minutes of interviews for appointments and copies of appointment orders will be produced to audit for verification. However, no progress was made till finalization of this report.

Audit requires compliance with DAC directives.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2020-21 vide para number 15.5.1 having financial impact of Rs 44.661 million, respectively. Recurrence of same irregularity is a matter of serious concern.

16.5.2 Irregular expenditure on procurement of hardware, furniture and plant & machinery – Rs 6.266 million

According to Rule-23 of Sindh Financial Rules, Volume-1, "As a general rule every payment including repayment of money previously logged with Government for whatever purpose must be supported by the voucher setting forth full and clear particulars of claim". **AND** According to Rule 113,114 of Sindh Financial Rules-Volume-I; "All material received should be examined, counted, measured or weight as the case may be when delivery is taken, and the material issued from the stock for departmental use should be recorded properly."

During audit of following offices of the Human Rights, Department Government of Sindh Karachi, for the financial year 2022-23, it was observed that an expenditure of Rs6.266 million was incurred on account of purchase of hardware, furniture fixture and plant & machinery equipment. Invoices and quotation exhibited a consistent pattern, computer generated without reference of work order, with later filled dates. Delivery challans /inspection and account for was also not available.

(Rs. in Million)

Sr. #	Name of Department	Particular	Financial Year	AIR Para #	Amount
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01	Secretary Human Rights, Department Government of Sindh	Furniture, Hardware and Plant & Machinery	2022-23	02	5.707
02	Director Human Rights, Karachi	Plant & Machinery		10	0.559
Total					6.266

Audit is of the view that procurement through advance generated vouchers without proper correspondence, physically delivered, accounted for & warranty etc chances of mis-utilization of funds could not be ruled out.

The matter was pointed out to the department during September & November, but no reply was received. DAC meeting regarding above offices was not convened despite written requests till finalization of this report.

Audit recommends that inquiry may be initiated against the person(s) at fault besides taking remedial measures.

16.5.3 Un-justified expenditure on Conference / Seminars / Workshops / Symposia / Session – Rs 48.847 million

According to Rule-23 of Sindh Financial Rules, Volume-1, “As a general rule every payment including repayment of money previously logged with Government for whatever purpose must be supported by the voucher setting forth full and clear particulars of claim”.

During audit of following offices of the Human Rights, Department Government of Sindh Karachi, for the financial year 2022-23, it was observed that an expenditure of Rs 48.847 million was incurred under various heads regarding conducting awareness sessions on human rights promotion & protection, issues, laws and provision at legal assistance to Human rights victims at various places in all over Sindh Province on account of Conference, Seminars / Workshops etc without detail of activities, progress report, number of participants / Guests & Speakers and detail of Venue & Date of program.

(Rs. in Million)

Sr.#	Name of Department	Financial year	AIR Para #	Amount
1	Secretary Human Rights, Department Government of Sindh	2022-23	03,06 & 07	39.999
				2.499
				3.128
2	Director Human Rights, Karachi		03	3.221
Total				48.847

Audit is of the view that due to non-observing the codal formalities, the expenditure was treated as irregular / unjustified.

The matter was pointed out to the department during September & November, 2023. The management at Sr.#1 did not reply except AIR#07 wherein the management stated that the approvals and necessary copies of correspondence were attached. The reply is not tenable as the approvals and agreement with consultant raised in observation was not attached with the reply. No reply was received for the management at Sr.#2. However, DAC meeting regarding above paras was not convened despite written requests till finalization of this report.

Audit recommends the action may be initiated against the person @ fault for improper utilization of funds.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 16.5.2 having financial impact of Rs 40.756 million, respectively. Recurrence of same irregularity is a matter of serious concern.

16.5.4 Irregularity in Grant-in- Aid for Legal Assistance – Rs 50.000 million

According to Rule-23 of Sindh Financial Rules, Volume-1, “As a general rule every payment including repayment of money previously logged with Government for whatever purpose must be supported by the voucher setting forth full and clear particulars of claim”.

During audit of the Secretary, Human Rights Department, Government of Sindh for the financial year 2022-23, it was observed that amount of Rs 50.000 million was disbursed to the societies i.e., M/s Legal Aid Society (LAS) (Rs 15 million) and Rs 35.000 million to M/s Pakistan Legal United Society (PLUS) regarding provision of legal aid & awareness to poor & needy people during lodging / filing of cases. However, the summary for approval of legal assistance to poor / needy people was objected Chief Secretary, Government of Sindh & Law Secretary was authorized for vetting of MoUs of the societies, but correspondence with Secretary Law was not provided. Moreover, following points were noted:

- i. The management provided monthly report (June 2023 only) of Legal Aid Society (LAS) containing 17 cases (6 cases pertained to the next financial year 2023-2024) without having detail & nature of the cases before payment.
- ii. The detail of 11 months of cases of LAS was not made known to audit
- iii. Bank statements of the Plus was not found attached with the files.
- iv. Registration of the societies was also not available on record

(Amount in Rupees)

Cost Center	Document No	Date	G/L	Vendor Name	Cheque No	Amount
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KQ2281	1900852517	26.05.2023	A05270	Pakistan Legal United Society (PLUS)	4918282	35,000,000
KQ2281	1901013824	22.06.2023	A05270	Legal Aid Society	5043686	15,000,000
Total						50,000,000

Audit is of the view that payment to the societies without scrutiny of proper record of the LAS & PLUS Societies.

The matter was pointed out to the management during September, 2023 but no reply was received. Despite written requests DAC meeting was not convened till finalization of this report.

Audit recommends justification regarding disbursement of payment & legal aid to the needy ones besides taking remedial measures.

(AIR#12)

16.5.5 Non-achievement of target against finalization of cases – Rs 24.380 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 the audit of Secretary, Human Rights Department, Government of Sindh for the financial year 2022-23, it was observed that an amount of Rs 35.000 million was disbursed to M/s Pakistan Legal United Society (PLUS) for legal aid & awareness to poor & needy people all across the Province of Sindh for access to justice from April to June 2023. The utilization report of PLUS depicted that total 273 cases were targeted for which the said amount was released. However, only 83 cases were covered out of 273, whereas the 190 cases worth Rs 24.380 million of targets were still outstanding. In addition, the signature of chairman on the prescribed format was missing.

Audit is of the view that due to non-achievement of target authenticity of payment to the M/s Pakistan Legal United Society (PLUS) could not be ruled out.

The matter was pointed out to the management during September, 2023 but no reply was received. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit recommends action may be taken against the person(s) at fault for non-achievement of target.

(AIR#25)

Chapter - 17

Human Settlement, Spatial Development & Social Housing Department

17.1 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 headquarters is in Karachi. The general direction and administration of the Authority and its affairs vest 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 Functions 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 Abadis or any area which is not regularizable as Katchi Abadis in accordance with the law.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	2	2	763.811	359.538
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

17.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rs. in Million)

Original Budget/ Grant	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variation Excess/ (Savings)
34 3.331	0 .000	2 0.016	(2) 0.016)	(2) 4.244)	31 9.087	28 8.112	(3) 0.975)

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 30.975 million was observed which was not surrendered in time.

17.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 247.670 million were raised as a result of this audit. This amount also includes recoverable of Rs 1.870 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-production of record	159.538
2	Reported cases of fraud, embezzlement, and misappropriation	-
3	Irregularities	
<i>A</i>	<i>HR/Employees related irregularities</i>	-
<i>B</i>	<i>Procurement related irregularities</i>	12.550
<i>C</i>	<i>Management of Accounts with Commercial Banks</i>	-
4	Value for money and service delivery issues	73.712
5	Others	1.870

17.4 Comments on the Status of Compliance with PAC Directives

This department has been included in the audit reports 2020-21 first time.

17.5 Audit Paras

17.5.1 Non-production of record - Rs 159.538 million

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 audit of following offices of Human Settlement Department, Government of Sindh, for the Financial Years up to 2022-23, it was observed that auditable record of Rs 159.538 million was not produced to audit despite various reminders. In the absence of provision of record, authenticity of expenditure could not be ascertained by Audit. The details are given at Annex-1 of Chapters-17.

(Rs. in Million)

Sr. #	Name of Offices	AIR Para #	Amount
1	Secretary, Human Settlement Department	1	0
2	Director General Human Settlement Authority	1	159.538
Total			159.538

Audit could not authenticate the expenditure due to non-production of record which indicates prevalence of weak internal control

The matter was reported to the management in month of July 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends that complete record of the expenditure be produced to audit in addition to initiation of disciplinary action against the persons responsible.

17.5.2 Irregular hiring of building without competitive process - Rs 12.550 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 office of the Secretary Human Settlement Department, Government of Sindh, for the Financial Year 2022-23, it was observed that an expenditure of Rs 12.550 million was incurred on account of rent of office building, hence the building was hired without adopting competitive process, thus resulted that in absence of competitive process chances of hiring rented building for office on high rates could not be ruled out.

Audit is of the opinion that expenditure incurred on rent of office building without competitive process, chances of hiring rented building on excess rate & undue financial favor extended to building owner could not be ruled out.

The matter was reported to the management in month of July 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends competitive process be made for hiring building on rental basis, besides fixing responsibility on person(s) at fault.

(AIR#02)

17.5.3 Non-deduction of Government Taxes -Rs 1.870 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 @ 0.35 paisa per hundred rupees of the value of the agreement or against tender cost before execution of the agreement.” read as According to Income Tax Ordinance, 2001, Section 153(1)(a) Payments for goods and services. 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 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 of services, 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. The rate of tax to be deducted from a payment referred to in clause (a) of

sub-section (1) of section 153 shall be. (a) in case of a company, 8% of the gross amount payable;(b) in any other case, 10% of the gross amount payable.

During audit of the following offices of Secretary Human Settlement Department, Government of Sindh for the Financial Year 2022-23, it was observed that government taxes amounting to Rs 1.870 million was not deducted from the bills of vendors on account of stamp duty & income tax, Thus resulted that not deduction of taxes at sources, government sustained revenue loss. The details are given at Annex-2 of Chapters-17.

(Rs. in Million)

Sr.#	Name of Offices	AIR Para #	Amount
1	Secretary, Human Settlement Department	28	0.257
2	Director General Human Settlement Authority	29	0.255
		27	1.358
Total			1.870

Audit is of the view that due to non-deduction of taxes, government sustained financial loss.

The matter was reported to the management in month of July 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends inquiry besides fixing of responsibility against the persons at fault.

17.5.4 Un-authorized retention of Government funds at sub-offices - Rs 73.712 million

According to Rule 290 of 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 audit of office of Director General Human Settlement Authority, Government of Sindh for the Financial Year 2022-23, it was observed that an amount of Rs 73.712 million was retained in the accounts of the banks at the year-end instead of surrendering to finance section of authorities head office Karachi before closure of Financial Year.

(Rs. in Million)

Sr. #	Name of Offices	Name of Banks	Account No.	Closing Balance
1	Larkano Office	UBL (Shikarpur)	010-1422-5	1,635,045
2	Larkano Office	UBL (Kandhkot)	010-2556-4	576,369
3	Headquarter	HBL Karachi	03033882426100	472,589
4	Larkano Office	HBL Larkano	0075-99002517-03	1,154,663
5	Shaheed Benazirabad	HBL	0916-79002252-03	1,254,687
6	Karachi Office	HBL (High Court Branch Karachi)	0076-79001735-03	954,394
7	Karachi Office	HBL (High Court Branch Karachi0606)	0076-79001733-01	366,271
8	Headquarter	HBL (SKAA Centralized)	3034979646100	1,840,533
9	Headquarter	HBL (SKAA Centralized)	205703	65,457,125
Total				73,711,676

Audit is of the view that retention of funds in the bank accounts instead of surrendering the same to the finance section of the authorities head quarter at Karachi for the preparation of next budget. It reflects the absence of systematic control and financial indiscipline prevalent within authority.

The matter was reported to the management in month of July 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit requires justification regarding retention of funds into accounts of sub-offices instead of surrounding to headquarter for preparation next budget plan.

(AIR#10)

Chapter - 18

Industries & Commerce Department

18.1 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.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	4	1	57.344	-

2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

18.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rs. in Million)

Original Budget/ Grant	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variation Excess/ (Savings)
3,311.003	373.024	609.544	(609.544)	(32.927)	3,651.100	2,112.287	(1,538.813)

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 1,538.813 million was observed which was not surrendered in time.

(Rs. in Million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
270.000	125.000	93.397	-31.603

Revenue estimates were reduced up to 54% in revised estimate. Actual receipts were 75% of revised estimate.

18.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 13.723 million were raised as a result of this audit. This amount also includes recoverable of Rs 0 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement, and misappropriation	-
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	13.723
B	<i>Procurement related irregularities</i>	-
C	<i>Management of Accounts with Commercial Banks</i>	-
4	Value for money and service delivery issues	-
5	Others	-

18.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. The status of discussion on 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.

r. 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	1	1	0	1	-
8	2007-08	0	0	0	0	-
9	2008-09	0	0	0	0	-
1 0	2009-10	0	0	0	0	-
1 1	2010-11	0	0	0	0	-
1 2	2014-15	0	0	0	0	-
1 3	2016-17	0	0	0	0	-
Total		8	1	0	1	-

18.5 Audit Paras

18.5.1 Non-production of auditable record

Section 14 (2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provides 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." And "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, Industries & Commerce, Government of Sindh, Karachi for the financial year 2022-23, it was observed that the management did not produce the following auditable record despite issuing reminder.

1. Cash Book
2. ADP schemes executed by the PAO if any along with complete record
3. List of court cases/call up notices relating to PAO received during the year
4. Service books except Mr. Akhtar Ali (NQ), Muhammad Shafi (Jr. Clerk), Shakeel Ahmed Jr. Clerk

Audit is of the view that due to non-production of above record the audit could not be authenticate that office be performed smooth running the business activity.

The matter was reported to the management in the month of August 2023. DAC meeting was held on 12.01.2024. wherein the management stated that all record is now ready and available for verification, DAC directed to produce record. But no record was produced till the finalization of this report.

Audit requires compliance with DAC directives.

(AIR#01)

18.5.2 Un-justified payment of various allowances - Rs 13.723 million

As per O.M.No:FD (SR-1)1(32)2011-2015, dated: 22th July, 2016, Para 6(i) states, the adhoc relief allowance 2013@10% of the basic pay scale 2011 to the employees in BPS 16 and above shall cease to exist with effect from 01-07-2016. As per Government of Sindh S & GAD Notification No. PA-DS (G)/41133/76 dated: 27-07-77 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 office of the Secretary, Industries & Commerce, Government of Sindh, Karachi for the financial year 2022-23, it was observed that various allowances amounting to Rs 13.723 million were paid to the officials/Officers who were not eligible. The details are given at Annex-1 of Chapters-18.

Audit is of the view that government sustained loss due to payment of various allowances without having their admissibility which indicates prevalence of weak internal controls within the department.

The matter was reported to the management during the month of August-2023. DAC meeting was held on 12.01.2024, wherein the management replied that allowances were paid as per Finance Department orders. DAC directed to produce record for verification and expedite the recovery but no record was produced till the finalization of this report.

Audit requires compliance with DAC directives.

(AIR#07)

Chapter - 19
Information & Archives Department

19.1 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.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	3	2	11,425.648	-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

19.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rs. in Million)

Original Budget/ Grant	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variation Excess/

							(Savings)
9, 308.000	3, 088.000	4 00.444	(4 00.444)	(2 45.390)	12, 150.610	12, 027.036	(1 23.574)

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 123.574 million was observed which was not surrendered in time.

19.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 2,139.904 million were raised as a result of this audit. This amount also includes recoverable of Rs 1.356 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement, and misappropriation	-
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	-
B	<i>Procurement related irregularities</i>	418.030
C	<i>Management of Accounts with Commercial Banks</i>	-
4	Value for money and service delivery issues	-
5	Others	1,721.874

19.4 Comments on the Status of Compliance with 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 33.3%.

r. 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		-
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	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	-
11	2010-11	0	0	0	0	-
12	2014-15	0	0	0	0	-
13	2016-17	0	0	0	0	-
Total		6	3	1	2	33.3

19.5 AUDIT PARAS

19.5.1 Unnecessary agency commission payments without performance – Rs 1,649.079 million

As per Section(I) of Appendix 18-A of SFR Vol-I, 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 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 the Secretary Information Department Government of Sindh, Karachi for the financial year 2022-23, it was observed that 15% payment of Rs 1,649.079 million as agency commission was made to various advertising agencies without providing any services / Job. However, 85% payment directly made to TV Channels and Print media for publishing Ads, hence, 15% payment was unnecessary and unjustified.

(Rs. in Million)

Head of a/c	Payment made to	Amount
Advertisement & Publicity	15% payment made to advertising Agencies	1,649.079

Audit holds the view that the significant expenditure incurred without any job or services provided indicates weak administrative control and undue favoritism towards agencies. The payment of a 15% agency commission, without any corresponding services, suggests a potential misuse of funds. The direct payment of 85% to TV Channels and Print media for ad publishing underlines the unnecessary and unjustified nature of the 15% commission

The matter was reported to the management during August 2023 to November 2023, the management in its reply stated that it is clearly mentioned in policy that 15% of agency's commission shall be made to concerned agency separately for their creative work, smooth execution of advertisement as per Department's directions, thirty party tracking charges etc. Agencies play a vital role and provide all type of necessary services for successful completion of government advertisement campaigns etc. However, the management failed to produce the detail of creative work done by different agencies. Hence, the para could not be concluded. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit requires proper justification besides fixing the responsibility on the person(s) at fault.

(AIR#32)

19.5.2 Unjustified expenditure without making Media plan – Rs 418.03 million

According to Rule-8 para (iii) (a) of Advertisement Policy 2015 “Any Advertisement (TVC)/Documentary/ Ticker(s) Telefilms/ Moving Slides shall be issued to 12 (twelve) TV Channels/Cables/ Cinemas/ Web Sites etc, keeping in view the target area and objective of the client department, after making proper media plan etc. on rotation basis, so that aims objectives of the campaign could be achieved”.

During the audit of the Office of the Secretary, Information Department, Government of Sindh, Karachi, for the financial year 2022-23, it was observed that an expenditure of Rs 418.03 million was incurred for displaying advertisements and a printed campaign without creating any Media Plan, which is a violation of the advertisement policy of the Government of Sindh. Consequently, the audit could not authenticate the expenditure incurred due to this violation of rules. Further details are as follows:

(Rs. in Million)

Sr.#	Name of Campaign	AIR Para #	Amount
01	Effective Solid Waste Management	08	186.015
	Air-Conditioned Peoples Bus Service		182.049
2	Printed Campaign mor than 12 Newspapers	14	49.966
Total			418.03

Audit is of the view that huge expenditure incurred without any proper media plan, which indicates weak administrative control.

The matter was reported to the management during August 2023 to November 2023, the management claimed that ads were approved with all relevant details. However, the media plan lacked campaign objectives, making the response untenable. For Sr#02, the management stated that campaigns were printed in various newspapers as per the Advertisement Policy 2022. Despite producing the minister’s approval and policy copy, they failed to provide Release Orders for each

newspaper, therefore the matter was not concluded. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

19.5.3 Awarding business to advertisement agency under voluntary return with NAB - Rs 36.439 million

As per tender documents issued for prequalification of advertising agencies, it was clearly mentioned in conditions that an ad agency which has entered into VR with NAB cannot apply for prequalification.

During audit of office of the Secretary Information Department Government of Sindh, Karachi for the financial year 2022-23, it was observed that M/s Insync Marketing & Advertising agency, despite a voluntary return with NAB, was not debarred from the prequalification process by the Information Department. Instead, it was allowed to apply for prequalification on the Sindh Government panel. The agency was awarded government campaigns worth Rs 36.439 million during the year.

Audit is of the view that this award of business was favoritism, and the expenditure, without adherence to codal formalities, was unjustified and irregular.

The matter was reported to the management from August 2023 to November 2023. The management replied that the business was awarded to the agency in question on the grounds that the agency's management had changed. The campaigns were awarded to the new management. The department's reply was not tenable, as they did not seek from SPPRA to determine whether a firm involved in VR (whose management has changed) may apply for pre-qualification or otherwise. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit requires investigation of the matter, besides recommends fixing of responsibility on the person(s) at fault.

(AIR#04)

19.5.4 Un-justified payment of Grant in Aid to Press Clubs – Rs 35.000 million

Following are the Guidelines issued by Finance Department vide No. FD/B&E-1/2(407)/2018-19, dt: 18th April, 2019 pertaining to the Grants-in-aid provided to non-Government entities and Government entities (Autonomous Bodies), by the Govt. of Sindh:

The non-government entities are required to furnish Utilization Report of earlier release funds before demanding further funds during a financial year; as well as Certified Audited statement of account of previous financial year by a reputable / certified Audit Firms.

Similarly, Govt. Entities (Autonomous Bodies) which are self-accounting entities are required to provide a copy of the Budget approved by their respective Boards, Utilization Report (Duly countersigned by the PAO) and Audit Reports. Furthermore, unless otherwise expressly authorized by the Govt. of Sindh, every grant for a specific object is subject to fulfillment of the following conditions: that the grant will be utilized upon the object within a reasonable time, if no time limit has been fixed by the sanctioning authority; and that any portion of the amount which is not ultimately required for expenditure upon that object should be surrendered to Govt. in all respect, as per pre-defined deadlines in Budget Call Circular. Administrative Departments will also ensure that the non-government entities are registered from the competent forum.

Administrative Departments being PAO(s) are also advised to further strengthen / develop transparent and flow less monitoring mechanism, at their level, in respect of Grants-in- aid disbursed through them.

During audit of office of the Secretary Information Department Government of Sindh, Karachi for the financial year 2022-23, it was observed that an amount of Rs 35.000 million was paid to various Press Clubs without following the required guidelines. Funds were released without obtaining Certified Audited Statements from a reputable audit firm. Despite being non-government entities, no registration certificates for the Press Clubs were produced. Furthermore, details regarding the grant period were not communicated to the audit.

The audit is of the views that significant payment to various Press Clubs as without required rules and procedures stands irregular. The lack of Certified Audited Statements, absence of registration certificates for the Press Clubs, and non-disclosure of grant periods raise serious concerns about transparency, accountability, and adherence to financial guidelines.

The matter was reported to the management from August 2023 to November 2023. The management responded that Grant-in-Aid funds were allocated to Press Clubs for journalists' needs and were approved by the competent authority. The reply is untenable as without a Utilization Report of the previously released funds, the expenditure could not be justified. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit requires clarification besides fixing the responsibility.

(AIR#02)

19.5.5 Non-recovery of taxes – Rs 1.356 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 13% on services provided or rendered by persons engaged in contractual execution of work or furnishing supplies.

During the audit of the following offices of Information Department Sindh, Karachi for the financial year 2022-23, it was observed that taxes amounting to Rs 1.356, were not collected as details below

(Rs. in Million)

Sr. #	Name of Office	Detail of record	AIR Para #	Amount
1	Secretary Information Department, Government of Sindh	Less deduction of income tax – “Unforeseen Expenditure”	34	1.253
2	Director Publication, Information Department	Non- recovery of stamp duty	15	0.063
		Less deduction of Income Tax	16	0.040
Total				1.356

Audit is of the view that taxes should be collected at the required rate. The improper collection of taxes under various heads raises significant concerns about financial management and accountability.

The matter was reported to the management from August 2023 to November 2023, the office at Sr#01 replied that they collected tax @ 8% as per schedule. The reply is untenable as they

provided irrelevant schedule. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends recovery of the taxes at required rate.

Chapter - 20

Inter-Provincial Coordination Department

20.1 Introduction

The Inter Provincial Coordination Department was created on 1st July 2003 to act as vehicle for transportation of needs, wishes and fears of people of Sindh to the federation and other provinces at an official level.

The Benefits of the Provincial Coordination Department

1. To serve as a communication medium for internal band external corners.
2. It can help to resolve anomalies within the province and with the other provinces.
3. It can establish one window for the awareness to communicate between the province and center.
4. Function as the eyes and the ears of the government.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	1	1	62.069	-
2	Assignment Accounts (excluding FAP)	-	-	-	-

3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

20.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rs. in Million)

Original Budget/ Grant	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variation Excess/ (Savings)
9 7.717	0 .000	8 .717	(8. 717)	(31 .934)	6 5.783	62 .069	(3. 714)

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 3.714 million was observed which was not surrendered in time.

20.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 2.190 million were raised as a result of this audit. This amount also includes recoverable of Rs 0.000 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
<i>A</i>	<i>HR/Employees related irregularities</i>	2.190
<i>B</i>	<i>Procurement related irregularities</i>	-
<i>C</i>	<i>Management of Accounts with Commercial Banks</i>	-
4	Value for money and service delivery issues	-
5	Others	-

20.4 Comments on the Status of Compliance with PAC Directives

This department has been included in the Audit Report 2019-20 first time.

20.5 AUDIT PARAS

20.5.1 Irregular drawl of salary without sanctioned posts - Rs 2.190 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 on the accounts of Secretary, Inter-Provincial Coordination Department, Government of Sindh, Karachi for the financial year 2022-23, it was observed that an amount of Rs 2.190 million was drawn by Officer from payroll against the post of Senior Private Secretary, which was not sanctioned in approved budget of respective offices.

Audit is of the view that payment of pay and allowances to employee without approved sanctioned posts was stand as irregular.

The matter was reported to the management in the month of September 2023. DAC meeting was held on 08-01-2024. DAC decided that the department will seek clarification from Finance Department. Management replied that SGA&CD hasn't created a post for Senior Private Secretary. The officer draws salary after the up-gradation of the post to BPS-19. Reply is not tenable as the management could not justify the matter accordingly. The clarification from Finance Department has not produced. Hence, para stands.

Audit recommends corrective action be taken for sanctioned posts besides fixing responsibility on the person(s) at fault.

(AIR#04)

Chapter - 21

Investment Department

21.1 Introduction

Investment Department Sindh is established with broad-based responsibility of promotion of investment in all sectors of the economy of the province.

Sindh Board of Investment (SBI) was established in March 2009 with broad based responsibility of promotion of investment in all sectors of economy; facilitation of local and foreign investors for speedy materialization of their projects and to enhance Sindh's international competitiveness and contribute to economic and social development.

SBI assists companies and investors who intend to invest in Sindh as well as facilitates the implementation and operation of their projects. The wide range of services provided by SBI includes providing information on the opportunities for investment and facilitating companies that are looking for joint venture partners. SBI acts as a focal point of contact for prospective investors, both domestic and foreign to provide all necessary information and assistance in coordinating with other Government Departments/Agencies.

(Rs. in Million)

Sr.#	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	1	1	4,024.451	-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

21.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rs. in Million)

Original Budget/ Grant	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variation Excess/ (Savings)
4,624.868	205.313	101.140	(101.140)	(390.979)	4,439.202	4,117.955	(321.247)

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 321.247 million was observed which was not surrendered in time.

21.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 1,446.430 million were raised as a result of this audit. This amount also includes recoverable of Rs 0.000 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-production of record	1,420.000
2	Reported cases of fraud, embezzlement, and misappropriation	-
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	-
B	<i>Procurement related irregularities</i>	26.430
C	<i>Management of Accounts with Commercial Banks</i>	-
4	Value for money and service delivery issues	-

5	Others	-
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21.4 Comments on the Status of Compliance with PAC Directives

This department has been included in the Audit Report 2020-21 first time.

21.5 AUDIT PARAS

21.5.1 Non-production of record - Rs 1420.000 million

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 audit of office of the Secretary, Investment Department, Government of Sindh, Karachi for the financial year 2022-23, the auditable record of Rs 1420.000 million was not produced to Audit.

(Amount in Rupees)

Cost Center	Chq#	Date	Head of A/C	Vendor Name	Description	Amount
KQ2720	4684649	19.01.2023	A03970- Others	Sindh Enterprises Development	Digital skills training program for youth in collaboration with global tech players	100,000,000
	4684648	19.01.2023	A03970- Others	Sindh Enterprises Development	Establishment of sector specific incubators & accelerators	100,000,000
	4990185	15.06.2023	A03970- Others	Special Economic Zone Authority	Seed Money	100,000,000
	4990184	15.06.2023	A05270 To Others		Grant	20,000,000
	4990459	16.06.2023	A03970- Others	Sindh Enterprises Development	Equity Investment and	1,000,000,000

					technology park through SEDF	
	4990644	20.06.2023	A03970- Others	Karachi Council on Foreign Relation	Investment promotions, events etc.	100,000,000
Total						1,420,000,000

Audit is of the view that nonproduction of record for audit is a serious lapse on the part of management. In this way, management does not extend cooperation with Audit. This non-cooperative attitude results in waste of precious time and later on workload of Audit department is also accumulated.

The matter was reported to the management during August 2023. Management replied that the expenditure was booked in June 2023 and no expenditure was made from the said funds the funds were drawn to avoid lapse of funds. DAC meeting was held on 11-01-2024 where in DAC directed for verification of bank accounts along with approval of the Finance Deptt. for opening of bank accounts. The same were not produced till finalization of this report.

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

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21 & 2021-22 vide para number 18.5.1 & 17.5.1 respectively having financial impact of Rs 548.557 million. Recurrence of same irregularity is a matter of serious concern.

(AIR#01&10)

21.5.2 Non-invitation of open tender - Rs 26.430 million

Rule 17 (1) & (2) of Sindh Public Procurement Rules, 2010 states that procurement over three 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 the Secretary, Investment Department, Government of Sindh, Karachi for the financial year 2022-23, it was observed that an expenditure of Rs 26.430 million was incurred without inviting open tenders.

(Amount in Rupees)

Sr.#	Head of Account	Amount
01	A06301- Entertainments & Gifts	732,675
02	A13201- Furniture & Fixture	428,825
03	A13101- Machinery & Equipment	645,955
04	A03970- Others	1,686,706
05	A03402- Rent for Office Buildings	21,123,840
06	A03901- Stationery	478,229
07	A131101-Transport	1,334,106
Total		26,430,336

Audit if of the view that the tenders were not invited for procurement of goods & repair services as result competitive rates were not obtained. In the absence of competitive rates, chances of compromise on quality & payment of higher rates cannot be ruled out.

The matter was reported to the management during August 2023. DAC meeting was held on 11-01-2024 wherein management stated that expenditure under the said heads were made on different dates as and when required and all the procurement were made on competitive rates. DAC directed for verification of record as identified by audit. The same was not produced till finalization of this report.

Audit requires compliance with DAC directives.

Note: The issue was reported earlier also in the Audit Reports for the Audit Year 2022-23 vide para number 22.5.7 having financial impact of Rs 6.122 million. Recurrence of same irregularity is a matter of serious concern

(AIR#06)

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.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	4	1	97.828	-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

22.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure, and receipt of the department:

(Rs. in Million)

Original Budget/ Grant	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variation Excess/ (Savings)
1,574.104	0.000	695.119	(695.119)	(553.039)	1,021.066	841.649	(179.416)

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 179.416 million was observed which was not surrendered in time.

(Rs. in Million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
15.000	8.000	49.848	41.848

Revenue estimates were reduced upto 47% in revised estimate. Actual receipts were 63% of revised estimate.

22.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 1.933 million were raised as a result of this audit. This amount also includes recoverable of Rs 0.885 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr.	Classification	Amount
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No.		
1	Non production of record	-
2	Reported cases of fraud, embezzlement, and misappropriation	-
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	-
B	<i>Procurement related irregularities</i>	1.048
C	<i>Management of Accounts with Commercial Banks</i>	-
4	Value for money and service delivery issues	-
5	Others	0.885

22.4 Comments on the Status of Compliance with 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 25%.

r. 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	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	-
11	2010-11	0	0	0	0	-
12	2014-15	0	0	0	0	-
13	2016-17	3	3	1	2	25
Total		11	4	1	3	25

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

22.5 AUDIT PARAS

22.5.1 Non-maintenance of essential record

Director Labour, Hyderabad is the Head Quarter Office of attached offices of the department having jurisdiction at provincial level except Karachi, he undertakes and supervises overall working of the department i.e. Registration of Factories, Shops, Commercial and Industrial Establishment and enforcement of Labour Laws relating to Factories, Shops, Commercial and Industrial Establishment and Compilation of Statistical data on labour matters etc. 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 the audit of office of Director Labour, Hyderabad for the financial year 2017-18 to 2021-22, it was observed that Director Labour, Hyderabad is a Head Quarter Office at provincial level except Karachi and having various offices at division and district level. Audit is of view that Director Labour, Hyderabad being a Head Quarter / Controlling Office at Provincial level should maintain a well-defined set of record with regards to overall working of the department but, following record was not maintained.

- i. Up-to-date record of Factories, Shops, Commercial and Industrial Establishment under jurisdiction.
- ii. Factories, Shops, Commercial and Industrial Establishment registered during FY 2017-18 to 2021-22.
- iii. Factories, Shops, Commercial and Industrial Establishment windup during FY 2017-18.
- iv. Registration cancelled during FY 2017-18 to 2021-22.
- v. Compilation of Statistical data on labour matters pertaining to Factories, Shops, Commercial and Industrial Establishment against the respective financial year.

The lapse on part of management indicates prevalence of weak internal controls within the department.

Audit is of the view that it could not be ascertained that the office concerned is functioning at its optimum level and effectively deliver for the purpose it was established.

The matter was reported to the management in the month of February 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends maintenance of essential information/ records regarding industries, labour and establishment and compilation of statistical data on labour matters so that effective and efficient working of the department be ensured.

(AIR#3)

22.5.2 Non-inviting open tender - Rs 1.048 million

Rule 17(1) & (2) of Sindh Public Procurement Rules, 2010 as amended in March 2019 states that procurement over three hundred thousand 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. And Rule 12(1) of SPPR 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 office of Secretary, Labour and Human Resource Department, Karachi for the financial year 2022-23, it was observed that an expenditure of Rs 1.048 million was incurred on procurement of Refreshment items, Water & Cold Drink under the head of account A03903-Conference/ Seminar. Thus, resulted that expenditure was incurred without inviting open tenders. The details are as under:

(Amount in Rupees)

Name of Vendor	Particulars	Sanction Date	Cheque No	Cheque Date	Amount
M.Y Enterprises	Refreshment items, Water & Cold Drink	13-02-2023	4761765	17.02.2023	239,100
		13-02-2023	4761765	17.02.2023	239,100
		13-02-2023	4761762	17.02.2023	285,000
		13-02-2023	4813375	16.03.2023	284,520
Total					1,047,720

Audit is of the view that there was failure of the management to follow SPPRA rules which deprived the Government of competitive rates.

The matter was reported to the management in the month of February 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends compliance with prescribed rules & inquiry into the matter besides fixing of responsibility on the person(s) at fault.

(AIR#01)

22.5.3 Non-recovery of stamp duty - Rs 0.885 million

According to 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 0.25 paisa per hundred rupees of the value of the agreement or against tender cost.”

During audit of office of Assistant Commissioner, Mines Labor Welfare Organization, Karachi for the financial years 2019-20 to 2021-22, it was observed that the agreement of Rs 353.827 million was neither executed with the contractors nor recovery on account of stamp duty @0.25% was obtained. Thus, Govt. sustained a loss of Rs 0.885 million which may be recovered from the persons at fault under intimation to audit.

(Amount in Rupees)

Sr. #	Name of contractor	Location	Year	Amount
1	Mumtaz Ali Rajper	Jamshoro, Dadu, Hyderabad	2020-21	80,000,000
2	Bakhtullah Khuhro	Jamshoro, Dadu, Hyderabad	2021-22	80,060,000
3	Hafeez Jan Sarhandi	Thatta	2020-21	60,050,000
4	Omer Khalil Jan Sarhandi	Thatta	2021-22	65,000,000
5	Ahsan Enterprises – Ahsanullah Dharejo	Khairpur	2021-22	23,800,000
7	Ali Muhammad Shaikh	Khairpur	2020-21	21,216,800
8	Jalal Din Lakho	Khairpur	2019-20	23,700,000
Total				353,826,800

0.25% Stamp duty	884,567
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Audit is of view that due to non-deduction of stamp duty, the government has sustained financial loss.

The matter was reported to the management in the month of February 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends recovery besides fixing of responsibility against the persons at fault.

(AIR#6)

Chapter - 23
Law, Parliamentary Affairs Department

23.1 Introduction

The Law Department is an advisory department for all the Departments of Government of Sindh. The main functions of the Law Department are to defend Government functionaries of the Province of Sindh in the cases filed for and against them before the Lower as well as Superior Courts.

Ministry of Law is the oldest limb of the Government of Pakistan dating back to 1833 when the Charter Act 1833 enacted by the British Parliament. The said Act vested for the first-time legislative power in a single authority, namely the Governor General in Council. By virtue of this authority and the authority vested under him under section 22 of the Pakistan Councils Act 1861 the Governor General in Council enacted laws for the country from 1834 to 1920.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	8	3	1,869.916	-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

23.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rs. in Million)

Original Budget/ Grant	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variation Excess/ (Savings)
22,062.708	70.001	9,631.486	(9,634.381)	(2,464.509)	19,665.305	17,927.226	(1,738.078)

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 1,738.078 million was observed which was not surrendered in time.

(Rs. in Million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
400.000	175.000	75.091	-99.909

Revenue estimates were reduced upto 56% in revised estimate. Actual receipts were 43% of revised estimate.

23.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 47.564 million were raised as a result of this audit. This amount also includes recoverable of Rs 2.860 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement, and misappropriation	-
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	-
B	<i>Procurement related irregularities</i>	-
C	<i>Management of Accounts with Commercial Banks</i>	-
4	Value for money and service delivery issues	-
5	Others	47.564

23.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. The status of discussion on 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 14.28%.

S r. N o	Audit Report	Total Paras discuss ed	No. of Paras requirin g Complia nce	Complia nce of PAC directive s made	Complia nce of PAC directive s not made	Percenta ge of Complia nce
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	0	0	0	0	-
1 0	2009-10	0	0	0	0	-
1 1	2010-11	0	0	0	0	-
1 2	2014-15	0	0	0	0	-
1 3	2016-17	13	07	1	06	14.28

S r. N o	Audit Report	Total Paras discuss ed	No. of Paras requirin g Complia nce	Complia nce of PAC directive s made	Complia nce of PAC directive s not made	Percenta ge of Complia nce
	Total	28	16	1	14	14.28

23.5 AUDIT PARAS

23.5.1 Un-justified hiring & payment of law charges – Rs 44.704 million

As per directions of Honorable Supreme Court of Pakistan in civil appeal No. 1216 of 2015 out of civil petition No. 3054 of 2015 vide letter dated 11.2.2017 for stoppage of engaging the private advocates / counsel.

During audit of following offices of Law, Parliamentary Affairs & Criminal Prosecution Department, Government of Sindh, for the financial year 2022-23, it was observed that the payment of Rs 44.704 million was made to private advocates/ counsel on account of law charges by engaging private advocates/counsel occurred in violation of Supreme Court standing orders and by hiring contractual employees/legal prosecutors with undisclosed selection criteria, without keeping their appointment orders on record, and without terms of reference. The absence of criteria for legal fees/charges made it challenging to verify payment authenticity. Information on lawyers' performance, including case presentations and court decisions, was unavailable. Despite yearly payments to advocates/counsels, details of total outstanding dues were not provided. The details are given as under.

(Rs. in Million)

Sr.#	Name of Formation	Financial Year	AIR Para #	Particulars	Amount
01	Prosecutor General Sindh, Karachi	2021-22 to 2022-23	02	Payment was made to private advocates/ counsel on account of law charges	36.810
02	Advocate General, Sindh, Karachi	2022-23	06	Payment was made to private advocates / counsel on account of law charges	7.894
Total					44.704

The matter was reported to the management in the month of August-2023 to November-2023. DAC meeting was held on 10-01-2024 wherein the management at Sr.#1, stated that contractual employees/legal prosecutors were appointed by the Home Department with the approval of CM Sindh. Budget transfers in 2016 for special prosecutors for Pakistan Rangers and private advocates were approved by CM Sindh. Payments were made based on salary certificates and notifications. Formation at sr.#02 replied that the services of private advocates, specifically "Advocates on record", primarily for administrative tasks in handling case paperwork. Supreme Court enrolled Law Officers managed court appearances. Private counsel was chosen based on cost

effectiveness. DAC directed to produce relevant record for verification. In both cases, the managements did not produce the requisite record for verification till finalization of this report.

Audit recommends compliance of DAC directives.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23, vide para number 25.6.19 having financial impact of Rs 10.300 million. Recurrence of same irregularity is a matter of serious concern.

23.5.2 Non-deduction of Govt. taxes – Rs 2.860 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) which states that the accounting office responsible for making payment shall deduct and withhold the tax amount and shall transfer the same amount to Sindh Government's head of account "B-02384"---Sindh Sales Tax on Services".

During audit of following offices of Law & Parliamentary Affairs, Department, Government of Sindh, for the financial years 2017-18 to 2022-23, it was observed that income tax & sales tax amounting to Rs 2.860 million was not deducted from bills of suppliers/contractors at applicable rates. The details are given as under.

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
01	Advocate General, Sindh, Karachi	2021-22	21	Non-deduction of Sindh sales tax on services	1.622
		2022-23	24	Non-deduction of Sindh sales tax on services	1.026
02	District & Session Judge Larkano	2017-18- to 2021-22	02	Less deduction of Income Tax	0.212
Total					2.860

Audit is of view that due to non-deduction of due taxes government sustained financial loss, it is further noted that management is not fully sensitized about importance of implementation of tax regime of the Sindh Government.

The matter was reported to the management in the month of January, May & August-2023. The management did not reply against AIR para # 21 and AIR para#2. The DAC meeting was held on 10-01-2024 wherein the management replied against AIR Para# 24 that this office has taken corrective action by sending a letter to advocates, reminding them to ensure the deduction and payment of the due sales tax on services. The DAC directed to produce deduction of SST for verification. The managements did not produce the requisite record for verification till finalization of this report.

Audit recommends compliance of DAC directives.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-22 & 2022-23, vide para number 19.5.19 & 25.6.9 respectively having financial impact of Rs3.794 million. Recurrence of same irregularity is a matter of serious concern.

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.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	21	9	2,556.030	3.737
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

24.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	V
7	1,140.337	6,545.167	(6,545.167)	(1,447.281)	10,775.273	9,358.121	

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 1,417.152 million was observed which was not surrendered in time.

(Rs. in Million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
75.000	22.000	44.892	22.892

Revenue estimates were reduced up to 71% in revised estimate. Actual receipts were 204% of revised estimate.

24.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 2,606.862 million were raised as a result of this audit. This amount also includes recoverable of Rs 35.886 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-production of record	132.761
2	Reported cases of fraud, embezzlement, and misappropriation	15.517
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	9.109
B	<i>Procurement related irregularities</i>	1,075.386
C	<i>Management of Accounts with Commercial Banks</i>	4.600
4	Value for money and service delivery issues	-

5	Others	1,369.489
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24.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. 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 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	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	2	0	2	
11	2010-11	8	1	0	1	

S r. N o	A udit R eport	T otal Paras discuss ed	N o. of Paras requirin g C omplianc e	C omplianc e of PAC directiv e s made	C omplianc e of PAC directiv e s not made	P ercentag e of Complia nce
1 2	2014-15	14	6	0	6	-
1 3	2016-17	0	0	0	0	
Total		77	30	2	28	6.67

24.5 AUDIT PARAS

24.5.1 Non-production of auditable record – Rs 132.761 million

Section 14 (2) and (3) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provides 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.” And “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 the Livestock & Fisheries Department, Government of Sindh for the financial years 2017-18 to 2021-22, it was observed that the various offices did not produce auditable record worth Rs 132.761 million for scrutiny. The details are given at Annex-1 of Chapter-24.

Audit is of the view that non-production of record for audit is a serious lapse on the part of management. In this way management does not extend cooperation with audit. This non-cooperative attitude results in wastage of precious time and later on workload of Audit department is also accumulated.

The matter was reported to the management during February to April 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends production of auditable record, besides initiating disciplinary proceedings against the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2022-23, 2021-22 and 2020-21 vide para number 25.5.1, 20.5.1 and 22.5.1 respectively having financial impact of Rs 296.801 million. Recurrence of same irregularity is a matter of serious concern.

24.5.2 Doubtful expenditure on various procurements - Rs 15.517 million

Rule 10 (i) and (iv) of General Financial Rules, Volume-I, states that, “every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as

a person of ordinary prudence would exercise in respect of expenditure of his own money. Public moneys should not be utilized for the benefit of a particular person or section of the community”.

During audit of following offices of the Livestock & Fisheries Department, Government of Sindh for the financial year 2022-23, it was observed that, an expenditure of Rs 15.517 million was incurred on various procurements without availability of installation/work completion reports of UPS, inventory of unused vaccines, name & designation of recipients of vaccines, office orders, details of events and constitution of event organizing committee. Furthermore, diet menu and consumption account of diet items was neither maintained nor was produced to audit.

(Rs. in million)

Sr .#	Name of office	Financial Year	AIR Para #	Particulars	Amount
1	Director General, Sindh Institute of Animal Health (SIAH), Karachi	2022-23	09	Purchase of UPS	9.700
2	Additional Director, Poultry Production & Research, Hyderabad	2022-23	05	Poultry Vaccines	4.853
3	Director, Animal Husbandry, Hyderabad	2022-23	22	Food items	0.964
Total					15.517

The lapse on part of management indicates prevalence of weak internal controls in the department.

Due to non-observance of the above codal formalities audit could not exercise his check over the incurrence of the expenditure therefore chances of misuse of funds cannot be ruled out.

The matter was reported to the management during August-2023 but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

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

24.5.3 Un-authorized payment of various inadmissible allowances – Rs 8.089 million

As per notification issued from Finance Department, Government of Sindh, vide No.FD(SR-I)-1(32)/2008/2011-2015 dated 22nd July, 2016, the Adhoc Relief Allowance-2013, 2014 and 2015 shall cease to exist with effect from 01.07.2016.

During audit of various offices of the Livestock & Fisheries Department, Government of Sindh for the financial years 2017-18 to 2022-23, it was observed that various inadmissible allowances amounting to Rs 8.089 million were paid to various officers/officials who were otherwise ineligible for the same. The details are given at Annex-2 of Chapter-24.

Audit is of the view that due to payment of inadmissible allowances, public exchequer sustained financial loss, which indicates weak financial & administrative control in the department.

The matter was pointed to the management during July, 2022 to November, 2023. However, no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends stoppage and recovery of inadmissible allowances besides fixing responsibility on the person(s) at fault for negligence.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2022-23, 2021-22 and 2020-21 vide para number 25.5.2, 20.5.2 and 22.5.4 respectively having financial impact of Rs 15.528 million. Recurrence of same irregularity is a matter of serious concern.

24.5.4 Non-recovery of conveyance allowance – Rs 1.020 million

As per Government of Sindh S & GAD Notification No. PA-DS (G)/41133/76 dated: 27-07-77 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 of the Livestock & Fisheries Department Government of Sindh for the financial year 2027-18 to 2022-23, it was observed that conveyance allowance of Rs 1.020 million was not deducted from the pay of officers/officials to whom facility of government vehicle was provided. This resulted into loss to government amounting to Rs 1.020 million.

(Rs. in Million)

Sr. #	Name of entity	Financial Year	AIR Para #	Amount
1	Deputy Director, Animal Husbandry/ Livestock, Shaheed Benazirabad	2019-20 to 2021-22	02	0.360
2	Deputy Director, Poultry Production, Badin	2017-18 to 2021-22	10	0.300
3	Deputy Director, Animal Husbandry/ Livestock, Umerkot	2020-21 to 2021-22	14	0.120
4	Additional Director, Animal Husbandry & Veterinary Science, Ghotki	2019-20 to 2021-22	04	0.120
5	Director Fisheries Sindh (Inland), Hyderabad	2022-23	14	0.120
Total				1.020

Audit is of the opinion that government sustained loss due to payment of inadmissible conveyance allowance, which indicates prevalence of weak internal controls within the department.

The matter was reported to the management during May 2022 to November 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

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

24.5.5 Irregular payments without execution of agreement and recovery of stamp duty – Rs 241.346 million

Rule-159 (a) of Sindh Financial Rules, Volume-I, “the work or supply costing not less than Rs 100 a contract should be made on a written agreement, duly stamped and registered, so that it can be maintained in a court of law in the event of dispute”.

During audit of various offices of the Livestock & Fisheries Department, Government of Sindh for the financial years 2014-15 to 2022-23, it was observed that an expenditure of Rs 241.346 million was incurred on account of purchase of medicines and other items. However, the payment was made to the vendors without execution of contract agreement by the competent authority. Furthermore, stamp duty of Rs 0.845 million was also not collected. The details are placed at Annex-3 of Chapter-24.

Audit is of the view that due to non-execution of agreement with contractor, the government sustained loss on account of stamp duty.

The matter was pointed out to department during May 2022 to August 2023 but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

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

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 25.5.52 having financial impact of Rs 19.352 million. Recurrence of same irregularity is a matter of serious concern.

24.5.6 Irregular expenditure on account of purchase of veterinary medicines and vaccines - Rs 239.579 million

As per administrative department vide notification NoSO(G)/L&F/2(26)2015 dated 12-9-22 the various districts of the province of Sindh declared as "Calamity Affected Area" due to monsoon rain an flood whereby masses have suffered loss of lives, livestock and properties.

Rule 17 of Sindh Public Procurement Rules 2010, Notification-Amendment dated 15-03-2019 In sub-rule (I), for the words "one hundred thousand rupees and up-to one million rupees", the words "three hundred thousand rupees and up-to two million rupees" shall be substituted;provides that "Procurements over three hundred thousand rupees and up to two million rupee 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, Animal Husbandry Sindh Hyderabad for the financial year 2022-23, it was noticed that medicines and vaccines worth Rs 239.579 million were procured from SPVC for Rain Flood Emergency 2022 for effected livestock from regular budget without calling open tender and obtaining permission from higher authority. The supply orders were issued and huge quantity of vaccines was delivered on same day without joint inspection, lab test reports and mentioning source of transportation. Furthermore, Formal contract agreement was not

executed with the supplier which resulted in loss of revenue on account of stamp duty and consumption account and utilization reports were also neither maintained nor were provided.

Audit is of the view that the whole process of procurement and utilization of vaccine was irregular without releasing separate budget by Finance Division and also doubtful in absence of above mention record.

The matter was reported to the management during August-2023 but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit requires justification into the matter, besides fixing responsibility on the person at fault.

(AIR#01&05)

24.5.7 Irregular payment on procurements without joint inspection – Rs 237.418 million

According to Rules 57 (1) of Sindh Public Procurement 2010, “Except for defect liability or maintenance by supplier, consultant for contractor, as specified in the conditions of contract, performance of the contract shall be deemed close on the issue of overall delivery certificate, certificate of completion of deliverables, or taking over certificate which shall be issued within thirty days of final taking over of goods or receiving the deliverables or 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 and auditors to do substantial audit”.

During audit of various offices of the Livestock & Fisheries Department Government of Sindh, for the financial years 2015-16 to 2022-23, an amount of Rs 237.418 million was paid to the vendors for purchase of medicines, furniture and machinery but the joint inspection by the procuring committee was not made. The details are placed at Annex-4 of Chapter-24.

Audit is of the view that procurement without joint inspection report is serious lapse which indicates poor financial and administrative management.

The matter was reported to the management during February to May 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

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

24.5.8 Irregular purchase of miscellaneous items without open tender – Rs 103.145 million

As per Rule 7 of the SPPRA Rules, 2010, the procuring agency shall, with the approval of its Head of the Department/ competent authority, shall constitute a procurement committee comprising odd number of persons and headed by gazette officer not below the rank of BS-18, and shall ensure that at least one third of the members of a procurement committee are from the agencies or departments other than the procuring agency.

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 various offices of the Livestock & Fisheries Department, Government of Sindh for the financial years 2017-18 to 2022-23, it was observed that an expenditure of Rs 103.145 million was incurred on purchase of various articles of varying nature without open tender, procurement plan, quotation and consumption account. In some offices where quotations were called but comparative statement was not attached with the bills. The details are placed at Annex-5 of Chapter-24.

The audit is of the view that due to non-inviting of tenders / quotations; the Government was deprived of the most economical and competitive rates.

The matter was reported to the management during December 2021 to October 2022, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

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

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2022-23, 2021-22 and 2020-21 vide para number 25.5.7, 20.5.5 and 22.5.3 respectively having financial impact of Rs 66.595 million. Recurrence of same irregularity is a matter of serious concern.

24.5.9 Irregular expenditure on development of modern sheds & procurement of plant & machinery – Rs 98.752 million

As per PC-1 of Scheme No.1660 namely “Switching Traditional Conventional Livestock Farming to Contemporary” that Department has frequent in and outs to the livestock farmers, through its core staff around the year. The departmental staff visit the beneficiary farmer during execution and after completion of the Project. Collect reports and data. Timely assistance to livestock farmers/beneficiary etc. As per modified PC-I of Scheme “Switching Traditional/Conventional Livestock Farming To contemporary” various policies Sr.No.1 to 4 regarding model sheds, but as per Sr. 3- Policy/criteria for model farms of 40 smalls ruminants Sheds (Package-3) that:

- i. The farmers must have 25-35 small animals i.e. Sheep /Goat.
- ii. The farmer must have 1-5 acres of land (at least plot area under Development of farm) on record of rights in person.
- iii. The applicant farmer must have CNIC and having domicile / PRC of Project district.
- iv. Non-defaulter for Dhall and Aabyana taxes (verifiable through current receipts).
- v. The farmer / applicant must not be defaulter in any bank (verifiable through state bank).
- vi. The applicant/ farmer must have livestock farming experience of more than 3 years (which is certified by concerned Deputy Director Livestock / Animals Husbandry).
- vii. The applicant/ farmer must have mobile phone.
- viii. The applicant / farmer must have source of Electricity / Generator etc.
- ix. Literate farmer will be given preference
- x. Woman farmer will be given preference.
- xi. Widow farmer will be given preference.

During audit of office of the Director, Animal Husbandry Sindh Hyderabad for the financial year 2022-23, it was observed that expenditure of Rs 98.752 million incurred on development of modern sheds for small ruminants/Dairy animals and procurement of plant & machinery for livestock farmers under the project without observing monitoring mechanism and policy/criteria for model farms as per PC-I. The material was procured without forming inspection committee. Furthermore, the detail of beneficiary of the modern shed, utilization/distribution details were not available on record.

Audit is of the view that the expenditure on development of modern shed and procurement of plant & machinery without fulfilling above conditions/criteria seems to be doubtful.

The matter was reported to the management during August-2023 but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends producing the detail of beneficiary of the modern shed along with the policy/criteria for model farms is strictly followed in the selection of beneficiaries.

(AIR#02&06)

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2022-23 vide para number 25.5.33 having financial impact of Rs 17.356 million. Recurrence of same irregularity is a matter of serious concern.

24.5.10 Irregular invitation of tender process - Rs 57.252 million

As per Rule-17 (1) of SPPR 2010 amended time to time provides that “Procurements over three hundred thousand rupees and upto 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 the rules”. (2) The advertisement in the newspapers shall appear in at least three widely circulated leading dailies of English, Urdu and Sindhi languages.

(3) The notice inviting tender shall contain the following information:

(a) name, postal address, telephone number(s), fax number, e-mail address (if available) of the procuring agency; (b) purpose and scope of the project; (c) schedule of availability of bidding documents, submission and opening of bids, mentioning place from where bidding documents would be issued, submitted and would be opened; (d) amount and manner of payment of tender fee and bid security; Sindh Public Procurement Rules 2010 (e) any other information that the procuring agency may deem appropriate to disseminate at this stage

During audit of following offices of the Livestock & Fisheries Department, Government of Sindh, for the financial years 2013-14 to 2021-22, it was observed that an expenditure of Rs 57.252 million was incurred on purchase of Drugs & medicine through tender process, but the tender was called by the other offices. However, as per rule-17(3)(a) the tender shall contain name, postal address, telephone number(s), fax number, e-mail address (if available) of the procuring agency which indicates that tender is compulsorily required to be called by the procuring agency. Hence the tender called by the Secretary livestock & Fisheries department and other controlling officers remains improper & unjustified.

(Rs. in Million)

Sr. #	Name of office	Financial Year	AIR Para#	Particulars	Amount
1	Deputy Director, Livestock/ Animal Husbandry, Karachi	2020-21 to 2021-22	9	Tender was called by Director Animal Husbandry Hyderabad instead of procuring agency	27.004
2	Deputy Director, Livestock/ Animal Husbandry, Hyderabad	2021-22	15	Tender was called by other office Director Animal Husbandry Hyderabad	20.767
3	Additional Director, Animal Husbandry & Veterinary Science, Ghotki	2019-20 to 2021-22	3	Tender was called by other office Secretary Livestock & Fisheries Department	6.122
4	Deputy Director, Poultry Production, Shaheed Benazirabad	2013-14 to 2021-22	08	Tender was called by Director, Poultry Production & Research Karachi	3.359
Total					57.252

Audit is of the view that management failed to observe the relevant rules and procedures, which reflects weak internal controls and financial indiscipline prevalent in the department.

The matter was reported to the management in the month of Feb and March 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends taking remedial measures and conduct in inquiries into the matter and fixing responsibility on persons at the fault.

24.5.11 Irregular acceptance of single bid – Rs 48.676 million

As Per SPPRA Rule No 48” Acceptance of Bids - Even when only one bid is submitted, the bidding process may be considered valid, if the bid was advertised in accordance with rules, and prices are comparable to the prices or rates of the last awarded contract or the market prices.”

During audit of office of the Director, Animal Husbandry Sindh, Hyderabad for the financial year 2022-23, it was observed that an expenditure of Rs 48.676 million was incurred on development of Sheds. However, rates of those supplies were quoted by only one vendor, but no market rate analysis was carried out/produced. Hence, rates were accepted without following above SPPRA rule. The details are given as under;

(Amount in Rupees)

Cost Center	Vendor Name	Invoice	Description	QTY	Rate	Amount
HB5092	Ansari & Co.	9001	Installation of Shed for 10 Dairy animals	12	648,000	7,776,000
HB5092	Ansari & Co.	NA	Installation of Shed for 20 Dairy animals	12	1,299,040	15,588,480
HB5092	Ansari & Co.	9005	Installation of Shed for 20 Dairy animals	1	1,299,040	1,299,040
HB5092	Ansari & Co.	1001	Installation of Shed for 10 Dairy animals	13	648,000	8,424,000
HB5092	Ansari & Co.	1004	Installation of Shed for 20 Dairy animals	12	1,299,040	15,588,480
Total						48,676,000

Audit is of the view that the lapse was occurred due to weak internal control and financial indiscipline in the formation.

Due to not comparing the prices of single bid with previous awarded contract and without market rate analysis supplier was given undue favor.

The matter was reported to the management during August-2023 but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit requires the management to enquire the matter besides fixing of responsibility on persons at fault.

(AIR#10)

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 25.5.11 having financial impact of Rs 47.411 million. Recurrence of same irregularity is a matter of serious concern.

24.5.12 Undue favor granted to ineligible contractor by awarding various tenders – Rs 34.366 million

As per bidding document, mandatory requirements for bidding as per clause (5) Experience in the relevant field of similar item / assignment/ supply of similar goods and ancillary services for (evidence must be provided), clause-(6) GST return of last three years/SRB return of last three years which may be applicable is required and as per clause-8 provides that, (i) Bank turnover of at least last three years from 1st July to 30th June of every year 2018-19, 2020-21 (not less than bid cost), (ii) The Firms/Companies/Sole distributor must have at least 50% amount as a closing balance at least three months older in the firm's/company's/ sole distributor's bank account corresponding to the offered bid subject to number tenders at date of submission of tender.

During audit of office of the Director Fisheries Sindh, Hatcheries & Training Hyderabad for the financial year 2021-22, it was observed that an expenditure of Rs 34.366 million was incurred by awarding tenders totaling Rs 44.069 million to an ineligible contractor, namely M/s Rana & Sons. The key irregularities included the contractor's net assets of Rs 12.183 million according to the tax return for the tax year 2021, significantly lower than the awarded work orders. The bid document required a closing balance of at least 50% in the contractor's bank account, but the provided bank statement showed a closing balance of only Rs 43556/- as of June 30, 2020, without verification for the subsequent period. Additionally, the contractor submitted NIL monthly sales tax returns to the tax authority for the last three years despite being awarded various work orders. Notably, the work order for Bioflac Aquaculture was issued based on work experience by Director H&T without any specified number or date.

Audit is of the view that undue favor was extended to the ineligible contractor which reflects weak internal control within the department.

The matter was reported to the management in February 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

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

(AIR#02)

24.5.13 Irregular expenditure on purchase of livestock (Male Young Stock) – Rs 8.024 million

As per Instruction to Bidder, Section-II Schedule of Requirement: **Red Sindhi Male Young Stock** Age 1.5-24 months

- (1) Red Sindhi cattle breed bull shall be of high quality 100% pure blood from fast growing line certified by the Red Sindhi Cattle Breed Association.
- (6) The contractor/firm shall make the delivery of males/bulls/animals at Semen Production Unit Karachi on their own expenses.

The Payment will be made after examining and approval of offered bull by technical committee constituted by the Director of Animal Breeding Sindh Hyderabad.

During audit of accounts record of Director, Animal Breeding Hyderabad for the financial year 2022-23, it was observed that livestock (Male Young Stock) amounting to Rs 8.024 million was purchased from different suppliers without obtaining certificate from Red Sindhi Cattle Breed Association as required in bidding document and without examining and approval of technical committee constituted by the Director of Animal Breeding Sindh Hyderabad. Furthermore, the acknowledgement of recipient of bulls/animals i.e. Semen Production Unit Karachi was not available on the record.

The lapse on part of management indicates prevalence of weak internal controls in the department.

This resulted into irregular expenditure on purchase of livestock (Male Young Stock) for Rs 8.024 million

The matter was reported to the management during August-2023 but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends justification besides fixing of responsibility against the persons at fault.

(AIR#05)

24.5.14 Non-recovery of various taxes at applicable rates – Rs 6.828 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.

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.

During audit of various offices of the Livestock & Fisheries Department, Government of Sindh, for the financial years 2017-18 to 2022-23, it was observed that an amount of Rs 6.828 million was not deducted at applicable rates on account of income tax, Sindh sales tax and general sales tax while making payments to the vendors. The details are given at Annex-6 of Chapter-24.

Audit is of the view that non-recovery of taxes resulted in a financial loss to the government exchequer, which indicates weak financial management within the formations.

The matter was reported to the management during February to August 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

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

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2022-23 and 2021-22 vide para number 25.5.53 and 20.5.13 respectively having financial impact of Rs 29.425 million. Recurrence of same irregularity is a matter of serious concern.

24.5.15 Irregular payment through DDO account – Rs 4.600 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 drawl and disbursement of cash."

During the audit of the office of Deputy Director, Animal Husbandry/Livestock, Shaheed Benazirabad for the financial years 2019-20 to 2021-22, it was observed that an expenditure of Rs 4.600 million was incurred through DDO account instead of direct payment to relevant payee.

Audit is of the view that making payment through DDO account is a violation of rules and regulations that should be avoided at any cost because this practice results in misappropriation of funds and misuse of authority.

The matter was reported to the management in March 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends stoppage of such payments through DDO account with immediate effect, besides, fixing responsibility upon person(s) at fault.

(AIR#09)

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2022-23, 2021-22 and 2020-21 vide para number 25.5.6, 20.5.14 and 22.5.8 respectively having financial impact of Rs 76.813 million. Recurrence of same irregularity is a matter of serious concern.

24.5.16 Time over-run of the development schemes due to inefficient execution - Rs 636.688 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 subordinate disbursing officer.”

During audit of the office of the Secretary, Livestock and Fisheries Department Government of Sindh Karachi, for the financial years 2022-23, it was observed that following development schemes were executed. The schemes were approved 13-16 years back and were expected to be completed in June 2023/2025 (after revision in 2010-2012); however, the same remained incomplete i.e., after lapse of 13-16 years from the date of approval. Further the progress on few schemes was very slow and could not exceed 22%-25% as detailed below:

Sr. #	Development Scheme	AIR Para #	Date of Approval	Target date of completion	Financial Status on June 2023	Estimated cost	Exp: upto June-23
01	Establishment of cattle colonies with District & Private participation	04	20-02-07	June 2023	Incomplete 93%		
02	Expansion of poultry hatcheries & backyard farming in Sindh including Poultry controlled atmosphere shed		23-01-10	June 2025	Incomplete 97%		
03	Model village for Fishermen at Hawksbay, zero-point Badin, Mancher lake & Keenjher lake Thatta		19-01-07	June 2025	Incomplete 97%		
04	Establishment of Bhambhore daily village and processing zone for meat animals with Public Private Partnership at District Thatta	05	30-03-12	June 2025	Incomplete 22%	2,800.83	621.634
05	Introduction of high yielding Boer goat breed in Sindh		04-05-15	June 2025	Incomplete 25%	59.500	15.054
Total							636.688

The lapse on the part of management indicates improper watch, weak administrative and financial indiscipline in the department.

Audit is of the view that due to such a delay in completion of scheme, the benefits of the scheme to its stakeholders delayed and could not be extended for sixteen years.

The matter was reported to the management during September 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit requires justification, besides fixing of responsibility against the persons at fault.

(AIR#04&05)

24.5.17 Mismanagement in execution of development scheme – Rs 621.634 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 the office of the Secretary, Livestock and Fisheries Department Government of Sindh Karachi, for the financial year 2022-23, it was observed that the development scheme “Establishment of Bhambhore daily village and processing zone for meat animals with Public Private Partnership at District Thatta” was approved on 30-03-2012. The development scheme consisted of two components involving 1300 acres of land and nine packages with total cost of Rs 2,800.830 million. The major contractor of the development scheme (5 packages) was M/s Muhammad Ayoub & Brothers. During execution of scheme, various irregularities/deficiencies were reported by the Monitoring & Evaluation Cell, P&D department including misappropriations. However, no concrete efforts were made to make good the losses which the govt. exchequer suffered. Due to the mismanagement in this development scheme, the scheme could not be completed and is still being shown as “in process”.

Sr. #	Name of Scheme	Date of approval	Target date of completion	Estimated Cost	Est. Exp: up to June 2023	Fin. Prog. Up to June 23
01	Establishment of Bhambhore daily village and processing zone for meat animals with Public Private Partnership at District Thatta	30-03-2012	June 2025	2,800.83	621.634	Incomplete 22%

The lapse on the part of management indicates improper watch, weak administrative and financial indiscipline in the department.

The lapse was occurred due to weak internal control and financial indiscipline in the formation.

Audit is of the view that the management could not exercise due care and control over execution of the development scheme due to which despite of lapse of 11 years, the scheme remained incomplete and suffered losses.

The matter was reported to the management during September 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends to update the progress of the case besides fixing responsibility on the person(s) at fault.

(AIR#03)

24.5.18 Irregular payment without supporting vouchers – Rs 56.580 million

According to Rule-23 of Sindh Financial Rules, Volume-I, “as a general rule every payment including repayment of money previously logged with Government for whatever purpose must be supported by the voucher setting forth full and clear particular of claim.”

During audit of various offices of the Livestock & Fisheries Department Government of Sindh, for the financial years 2015-16 to 2022-23, it was observed that an expenditure of Rs 56.580 million was incurred on various head of accounts. However, payment was made without supporting vouchers/record. The details are provided at Annex-7 of Chapter-24.

Audit is of the opinions that the expenditure incurred without supporting details and documents was doubtful, which indicates prevalence of financial indiscipline within the formation.

The irregularity was pointed out to the management during February to August 2023, The matter was pointed out to department during May 2022 to November 2023 the management at serial #03 of Annex (AIR Para-09 FY 2021-22) replied that supporting documents are available. In support of reply copies of cheques & acknowledgement receipts were provided, but the remaining documents i.e vouchers/bills, tour programme, field visit report/progress report were not

provided to conclude the authenticity of expenditure incurred. However other offices did not reply. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends production of supporting documents besides fixing of responsibility against the persons at fault.

24.5.19 Loss to government due to non-registration of 29 unauthorized jetties – Rs 20.735 million

According to Rule # 03, Registration of Jetty (1) of Sindh Registration and Regulation of fishing jetties Rules 2022, all jetties operating along the Sindh coast shall be registered, documented and notified by the department. As per Rule 3(3), any jetty operating without registration under the above rule shall be seized by the inspector of Fisheries along with all equipment and fish and para (7) states that the form of application for registration shall be made available to the applicant online or at designated offices of the department and the same shall be submitted along with the documents and fee of rupees ten thousand.

During audit on the accounts record of Director Fisheries Sindh (Marine), Karachi for the financial year 2022-23, it was observed that 29 number private jetties were operating illegally in various coastal regions without registration with the government in violation of the above rules which was unauthorized. Due to non-registration of jetties, there are chances of using illegal and prohibited means of fishing by fishers and boats. The management failed to get these jetties registered resultantly government was deprived of its revenue of Rs 20.735 million annually.

Sr. #	Region	No. of Unregistered Jetties	Annual Fee Per Jetty	Total Amount
1	Karachi West/Keamari	05	715,000	3,575,000
2	Ibrahim Hydri, District Malir	08		5,720,000
3	Rehri Goth, District Malir	15		10,725,000
4	Karachi, Malir	01		715,000
Total		29		20,735,000

Audit is of the view that the above position testifies lack of internal control as well as oblivious attitude of management from their core function of the entity.

Due to non-registration of jetties, the government was being deprived of its revenue and illegal operators were extended undue favor by not including them in registration net.

The matter was reported to the management during November 2023 but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit requires fixing of responsibility on the person(s) at fault, besides recover losses from concerned and taking appropriate measures to get the illegal jetties registered under relevant rules.

(AIR#17)

24.5.20 Non-recovery of outstanding government dues – Rs 19.949 million

Rule-28 of General Financial Rules, Volume-I, states that, “no amount due to Government should be left outstanding without sufficient reasons and where any dues appear to be irrecoverable, the orders of competent authority for their adjustment must be sought.”

During audit of following offices of the Livestock & Fisheries Department, Government of Sindh for the financial years 2019-20 to 2022-23, it was observed that an amount of Rs 19.949 million was outstanding on account of various receipts since long. The management did not make any serious efforts to recover the same resulting in loss of revenue to the government.

(Rs. in Million)

Sr. #	Name of office	Financial Year	AIR Para#	Particulars	Amount
1	Director General, Sindh Institute of Animal Health (SIAH), Karachi	2022-23	01	Non-recovery of sale of vaccines	14.407
2	Director Fisheries Sindh (Inland) Hyderabad	2020-21 to 2021-22	17	Outstanding dues of motor cycle instalments	2.389
		2022-23	05	Outstanding dues of motorcycle installment	1.428
			10	Short recovery of license fee	0.559

(Rs. in Million)

Sr. #	Name of office	Financial Year	AIR Para#	Particulars	Amount
3	Deputy Director, Livestock/Animal Husbandry, Dadu	2020-21 to 2021-22	03	Recovery of instalments of motorcycle loan from employees	0.832
4	Officer-In-Charge, Livestock Experiment Station, Karachi	2020-21	01	Receipt on account of sale of milk	0.221
5	Deputy Director, Animal Husbandry/ livestock, Tando Mohammad Khan	2020-21 to 2022-23	04	Tender fee not deposited	0.113
6	Additional Director, Animal Husbandry & Veterinary Science, Ghotki	2019-20 to 2021-22	09	Animal Treatment/vaccination fee	0
Total					19.949

Audit is of the view that due to non-recovery of outstanding dues, government was deprived of its share of revenue, which reflects weak internal controls within the formations.

The matter was reported to the management during May 2022 to November 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends expeditious recovery besides taking remedial measures.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 25.5.46 having financial impact of Rs 7.174 million. Recurrence of same irregularity is a matter of serious concern.

24.5.21 Non-adherence of government directives - Rs 13.903 million

The Directorate General Livestock Sindh Hyderabad vide its letter No. DGL/AC/2022-23/5960-6004 dated 14-10-2022 issued Financial and General Policy directives to be adhered to

for strict compliance to cater the emergency situation in the concerned districts which states in its few general clauses that: -

13. The vaccines, medicines, hormones and semen doses shall be disbursed to only authorized veterinary and para vet staff and no unauthorized person be allowed to dispense treatment/vaccination & All Services.
14. All the stocks released from stores shall be issued with proper requisition, signature from store in charge and countersign signature of officer in charge (double signature).
15. After use/application of medicines /vaccines / hormones/semen doses especially those having retail price more than Rs. 1000/, the empty bottles and their packaging shall be returned to the stores/Issuing authority.
16. Keep all the inventory and stock register updated all the time. Each Deputy Director/ authorized officer should display the type of obtained vaccines and quality medicines, hormones & semen doses their sources on the board/chart and sum of the all essential vaccines and medicines.
17. No veterinary and or A.I services shall be halted or denied to the livestock farmers at any cost, preference should be given to small and medium farmers and women widow having livestock and households using livestock as livelihood.
18. The total number of empty /used bottles and filled/ unused bottles/vials/straws shall be equal to the total number of bottles obtained from various sources at any given time of the year and verifiable before the supervising officer/monitoring committee/authorized officer.
19. The empty bottles must contain the label along with relevant batch numbers and expiry. All the sub offices shall observe good order, hierarchy and service discipline.

During audit of the office of Deputy Director Animal Husbandry / Livestock Tando Mohammad Khan for the financial years 2020-21 to 2022-23, it was observed that an expenditure of Rs 13.903 million was incurred on procurement of medicines without adherence to the directives issued by the head of the department. The medicines were procured without maintaining disbursement record, requisitions of stores, updating inventory & stock position and consumption account. Furthermore, empty bottles along with their packaging having batch number & expiry were not returned to the stores.

Audit is of the view that the management neglected the departmental directives which shows lack of internal propriety controls prevalent within the department.

Due to the above discrepancies, the authenticity of the expenditure cannot be ascertained and chances of misuse of government funds cannot be ruled out.

The matter was reported to the management during November 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends justification besides fixing responsibility on the persons at fault.

(AIR#06)

Chapter - 25

Mines & Minerals Development 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.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	2	1	57.515	-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

25.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rs. in Million)

Original Budget/ Grant	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variation Excess/ (Savings)
4 16.014	0 .001	1 94.952	(19 4.952)	(6 4.159)	3 51.856	2 72.597	(7 9.259)

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 79.259 million was observed which was not surrendered in time.

(Rs. in Million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
2,545.000	2,355.000	1,844.500	-510.500

Revenue estimates were reduced upto 7% in revised estimate. Actual receipts were 78% of revised estimate.

25.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 223.194 million were raised as a result of this audit. This amount also includes recoverable of Rs 15.576 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	207.618

C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	15.576

25.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. 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 7.69%.

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	0
2	1998-99	0	0	0	0	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	0	0	0	0	0
7	2006-07	0	0	0	0	0
8	2007-08	0	0	0	0	0
9	2008-09	0	0	0	0	0
10	2009-10	0	0	0	0	0
11	2010-11	3	2	0	2	0

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
12	2014-15	0	0	0	0	0
13	2016-17	12	11	1	10	9
Total		15	13	1	12	7.69

25.5 AUDIT PARAS

25.5.1 Loss of revenue due to non-materializing of mining contracts worth – Rs 207.618 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. Further, Rule-28 of General Financial Rules, Volume-I, states that, “no amount due to Government should be left outstanding without sufficient reasons and where any dues appear to be irrecoverable, the orders of competent authority for their adjustment must be sought.”

During audit of the office of Secretary, Mines & Mineral Development Department, Karachi for the financial year 2022-23, it was observed that various mining contracts worth Rs 207.618 million were advertised, but the same could not be materialized of mining contracts. The detail is as under:

(Amount in Rupees)

Sr. #	District	Reserved Price
1	West & Kemari of Karachi	52,800,000
2	Sukkur	154,818,000
Total		207,618,000

Loss of revenue due to non-materializing of mining contracts was due to prevalence of weak administration and internal controls in the department.

Audit is of the view that due to non-materialization of potential mining contracts; the government was deprived of the revenue.

The matter was reported to the management in September 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault, besides taking appropriate measures to materialize the potential contracts to enhance government revenue.

(AIR#01)

25.5.2 Less-recovery of royalty from defaulting contractor - Rs 15.576 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. Further, Rule-28 of General Financial Rules, Volume-I, states that, “no amount due to Government should be left outstanding without sufficient reasons and where any dues appear to be irrecoverable, the orders of competent authority for their adjustment must be sought.”

During audit of the office of Secretary, Mines & Mineral Development Department, Karachi for the financial year 2022-23, it was observed that an amount of Rs 15.576 million was short recovered/realized from defaulting contractor M/s Anwar Ali Wassan on account of contract awarded in district Khairpur. Thus, resulted that government sustained loss of revenue.

Audit is of the view that government sustained loss due to short recovery of revenue (royalty) was due to prevalence of weak internal controls within the department.

The matter was reported to the management in September 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit requires complete recovery of government revenue, besides fixing responsibility on the person(s) at fault.

(AIR#02)

Chapter - 26 Organs of State

26.1 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.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	6	5	3,978.916	-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

26.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rs.

	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	V
0.167	994.900	997.179	(997.179)	(777.522)	4,827.545	4,224.400	(S

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 603.145 million was observed which was not surrendered in time.

(Rs. in Million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
1,344.276	285.000	340.034	55.034

Revenue estimates were reduced upto 79% in revised estimate. Actual receipts were 119% of revised estimate.

26.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 771.670 million were raised as a result of this audit. This amount also includes recoverable of Rs 24.122 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-production of record	30.000
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	158.430
B	<i>Procurement related irregularities</i>	6.772
C	<i>Management of Accounts with Commercial Banks</i>	-

4	Value for money and service delivery issues	-
5	Others	576.468

26.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. 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	0
2	1998-99	0	0	0	0	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	0	0	0	0	0
7	2006-07	0	0	0	0	0
8	2007-08	0	0	0	0	0
9	2008-09	0	0	0	0	0
10	2009-10	0	0	0	0	0
11	2010-11	3	2	0	2	0

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
12	2014-15	0	0	0	0	0
13	2016-17	1	2	1	2	33.33
Total		4	4	1	4	33.33

26.5 AUDIT PARAS

Military Secretary to Governor

26.5.1 Non-production of record – Rs 30.000 million

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 audit of office of the Military Secretary to Governor, Governor House Karachi, for the financial year 2022-23, the auditable record of Rs 30.000 million was not produced to Audit.

Audit is of the view that nonproduction of record for audit is a serious lapse on the part of management. In this way, management does not extend cooperation with Audit. This non-cooperative attitude results in waste of precious time and later on workload of Audit department is also accumulated.

The matter was reported to the management during August, 2023. The DAC meeting was held on 04-01-2024. Management stated that the amount is discretionary grant of Honorable Governor Sindh. The grant fully utilizes as per finance department notification dated 06-04-2012. The DAC directed to provide record for verification. However, no progress was reported till the finalization of this reports.

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

(AIR# 01)

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23, vide para number 28.5.1, having financial impact of Rs 30.000 million. Recurrence of same irregularity is a matter of serious concern.

26.5.2 Un-authorized payment of inadmissible allowances – Rs 3.448 million

According to the office memorandum of Ministry of Housing and Works vide No. F2 (3) / 2003- policy dated 31-07-2004, no house rent allowance will be admissible to such employees who are availing house hiring facility. Read with Para-8 of Government of Sindh, Finance Department notification No.FD(SR-IV)1(12)/77 dated 13-5-1977, Similarly Government of Sindh S&GAD Notification No. PA-DS (G)/41133/76 dated 27-07-1977 and No. S.O (INSP) S&GAD /VI (3) /79 dated 20-07-1979, the Conveyance Allowance is not required to be paid to those officers, who have been provided with Government transport facilities. Read with office memorandum of Government of Sindh Finance Department No. FD(SR-I) I I(32)201 1-15 dated 22" July 2016 read with pay scale notification 2017, various Adhoc Relief allowances were discontinued. According to Para-5 (i) of Government of Sindh, Finance Department letter No.FD(B&E-III)3(01)(Coop.) B.E /2021-22 dated 08-07-2021 "Austerity and economy shall be the fundamental principles of the Government spending".

During audit of office of the Military Secretary to Governor, Governor House Karachi, for the financial year 2022-23, it was observed that an amount of Rs 3.448 million was paid to officer of office on account of allowances for which they were not entitled. The details are given as under;

(Rs. in Million)

Sr. #	Description	Irregularity	Amount
1	Conveyance Allowance	Allowed conveyance allowance of officials who proceed on leave during the period under audit.	0.106
2	House Rent Allowance	Incumbents were availing house hiring facility.	3.223
3	Health Risk Allowance	Allowance was admissible to faculty members working in HDU/ICUS instead of working in basic health unit (dispensary).	0.119
Total			3.448

Audit is of the view that payment of inadmissible allowances indicates prevalence of poor financial management within the department, which caused financial loss to government.

The matter was reported to the management during August, 2023. The DAC meeting was held on 4th January, 2024. Management stated that FO-II forms were submitted to AG Sindh office for recovery. However, other record is also available for verification. The DAC directed to provide record for verification. However, no progress was reported till the finalization of this reports.

Audit recommends that recovery may be affected. Management is directed to take up the issue of inadmissible allowance with AG Sindh to permanently discontinue these allowances to the ineligible employees.

(AIR#02)

Principal Secretary to Governor

26.5.3 Irregular expenditure on account of procurement – Rs 6.772 million

According to Rule-48 of SPPRA rules 2013 amended from time to time that even when only one bid is submitted, the bidding process may be considered valid, if the bid was advertised in accordance with rules, and prices are comparable to last awarded contract or the market price. As per Rule 113 of Sindh Financial Rules, "All materials received should be examined, counted, measured or weighed, as the case may be, when delivery is taken and they 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 the appropriate stock registers".

During audit of office of the Principal Secretary to Governor, Karachi for the financial year 2022-23, it was observed that an expenditure of Rs 6.772 million was incurred on account of procurement of machinery & equipment without observing codal formalities. Detailed observations are as under;

(Rs. in Million)

Sr.#	Particulars	AIR Para #	Observations	Amount
1	Machinery & Equipment	10	i. Copy of technical and financial bid not attached. ii. Invoices did not contain Sales Tax Registration number.	6.169
2	Misc. Items	11	i. The vendors have same address, contact number and almost same logo/design on invoices which reflected collusive practices. ii. Purchases were split up to avoid the sanction of higher authority and tendering. iii. The STR number was not mentioned on invoices. iv. Comparative statement was not provided. v. The acknowledgement of end users was not obtained.	3.471
3	Others	08	i. The purchases were carried out by way of splitting up and the comparative statement was also not attached. ii. Mostly purchases were made from single supplier Ms. Owais Enterprises without justification. iii. The consumption account was not maintained.	0.603

Total	6.772
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Audit is of the view that absence of basic record showed deviation from prescribed rules and procedure resulted prevalence of poor management practices within the department.

The matter was reported to the management during August, 2023. The DAC meeting was held on 4th January, 2024. Management stated that expenditure was incurred after fulfilling all codal formalities. It was further informed that Machinery and Equipment was procured after process of tender. The two different companies are operating by the different person copies of FBR registration were shown to DAC and the stock / consumption register being maintained time to time and available for verification. The DAC directed verification of relevant record. However, no progress was reported till the finalization of this reports.

Audit requires compliance with DAC directives.

Provincial Assembly of Sindh

26.5.4 Un-justified payment of allowances – Rs 148.876 million

According to Finance Department, Government of Sindh notification vide # U.O.NO.FD (SR-III) 5-139/2011 dated 22 April, 2015, 100% Sessional Allowance is allowed for each Assembly session w.e.f. 26 March, 2015 payable to the staff of Sindh Assembly secretariat during Assembly Session. According to the Act of Provincial Assembly of Sindh, 2021 under section 3(a) sumptuary allowance, “a parliamentary Secretary shall be entitled to receive sumptuary allowance at the rate of Rs 10,000 per month”.

During audit of office of the Secretary Provincial Assembly of Sindh, Karachi for the financial year 2022-23, it was observed that an amount of Rs 148.876 million was incurred on account of allowance without documentary evidence and entitlement. The details are given as under;

(Rs. in Million)

Sr. #	Heading	AIR Para #	Observations	Amount
1	Sessional Allowance	02	i. Documentary evidence for sessional were not available. ii. Mechanism showing attended sessional by the members were not attached.	131.236
2	Sumptuary Allowance	05	Paid to Members of Assembly instead parliamentary Secretaries allowed as per Act.	17.280
		08	Excess payment of allowance was made	0.360
Total				148.876

Audit is of the view that payment of unjustified allowances indicates prevalence of poor financial management within the department, which caused financial loss to government.

The matter was pointed out to the management in the month of August 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends that recovery may be affected besides taking remedial measures.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide para number 28.5.28, having financial impact of Rs 152.526 million. Recurrence of same irregularity is a matter of serious concern.

26.5.5 Irregular expenditure on building works – Rs 36.193 million

As per Construction and operation of Engineering Works By-Laws of Pakistan Engineering Council (PEC) 1987, the Contractor must be registered and possess valid license of relevant Category, also according to PEC it is the responsibility of the employer to ensure that no professional engineering work shall be executed without employing adequate number of engineers duly registered with PEC. Further, according to Rule 159 (a) of S.F.R V-I, in the case of work or supply costing not less than Rs.100/- a contract should be made on written agreement, duly stamped and registered, so on that it can be maintained in the Court of Law in the event of dispute. Rule 17 “Methods of Notification and Advertisement” of Sindh Public Procurement Rules, 2010 (1) Procurements over three hundred thousand 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 office of the Secretary Provincial Assembly of Sindh, Karachi for the financial year 2022-23, it was observed that an expenditure of Rs 36.193 million was incurred without invitation of tender. Moreover, the requisition of the work required for repairs were not attached. Satisfactory work completion certificates were not obtained. Relevant documents / PEC registration of contractors were not obtained. Contract agreements were not executed with the contractors.

The details are given as under;

(Rs. in Million)

Sr. #	Name of office	AIR Para #	Amount
1	M & R works of building	19	28.496
2	Maintenance of Garden	27	7.697
Total			36.193

Audit is of the view that the expenditure on repair and maintenance was incurred without fulfilling codal formalities. Therefore, expenditure on works could not be authenticated. Non-observance of rules shows weak internal controls in the department.

The matter was reported to the management in the month of August 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends compliance of rules and regulations besides taking remedial measures.

26.5.6 Irregular payment of salaries through DDO account – Rs 6.988 million

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 office of the Secretary Provincial Assembly of Sindh, Karachi for the financial year 2022-23, it was observed that payment on account of salaries amounting to Rs 6.988 million was incurred through DDO account instead of direct payment to relevant payees. The details are given as under;

(Amount in Rupees)

Sr. #	Name of Employee	Designation	Salary per month	Total Payments
1	Mr. Azam Rasheed Siddiqui	Project Director	293,773	3,525,276
2	Mr. Ozair Muhammad Khan	Assistant Project Engineer	180,340	2,164,080
3	Mr. Mohiuddin Ashraf	Sub-Engineer	108,239	1,298,868
Total				6,988,224

Audit is of the view that by making payment through DDO account is a violation of rules and regulations that should be avoided at any cost.

The payment of salaries through DDO account shows weak financial controls prevailing in department.

The matter was reported to the management in the month of August 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends stoppage of such payments through DDO account with immediate effect, besides taking remedial measures.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 28.5.33, having financial impact of Rs 6.070 million. Recurrence of same irregularity is a matter of serious concern.

(AIR#29)

26.5.7 Non-recovery of government dues – Rs 519.075 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". 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". As per Rule 159 (a) of Sindh Financial Rules Volume-I, "in the case of work or supply not less than Rs100/- a contract agreement should be made on written agreement, duly stamped and registered, so on that it can be maintained in the Court of Law in the event of dispute." Further, 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 @ 0.35 paisa per hundred rupees of the value of the agreement or against tender cost". According to the office memorandum of Ministry of Housing and Works vide No. F2 (3) / 2003- policy dated 31-07-2004, no house rent allowance will be admissible to such employees who are availing house hiring facility.

During audit of office of the Secretary Provincial Assembly of Sindh, Karachi for the financial year 2022-23, it was observed that an amount of Rs 519.075 million was not recovered from the various on account of penalty, stamp duty, tender fee and house maintenance charges. Thus, the management extended undue favor to the contractors/employees and put loss to government. The details are given at **Annex-1** of Chapter-26.

Audit is of the view that non-recovery of Government dues is a serious lapse on the part of management to give benefits to their favorites. Such an attitude creates disappointment among the farmer community at large.

The matter was reported to the management in the month of August 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

Note#1: The AIR#09 pertains to House maintenance charges was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 28.5.28, having financial impact of Rs 0.071 million. Recurrence of same irregularity is a matter of serious concern.

Note#2: The AIR#37 pertains to stamp duty was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 28.5.31, having financial impact of Rs 0.156 million. Recurrence of same irregularity is a matter of serious concern.

(AIR#09,11,36&37)

26.5.8 Non-deduction of income tax from contractor – Rs 14.568 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, Section 153 & 233 of Income Tax Ordinance 2001, as amended 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 contact with government or local authorities, etc., shall deduct advance tax at the time of making payments.

During audit of office of the Secretary Provincial Assembly of Sindh, Karachi for the financial year 2022-23, it was observed that an amount of Rs 14.568 million was not deducted from contractor's bill on account of income tax. The details are given as under;

(Amount in Rupees)

Chq # & Date	Contractor	Name of Work	Amount
4999566 16-06-23	K. Khan & Co.	Water proofing and allied works in old and new building	194,242,444
7.5% Income Tax			14,568,183

Audit is of the view that due to non-recovery of taxes government sustained loss.

The non-deduction of income tax indicates weak internal controls prevailing in the department.

The matter was reported to the management in the month of August 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2020-21 vide para number 24.5.9, having financial impact of Rs 0.806 million Recurrence of same irregularity is a matter of serious concern.

(AIR#23)

26.5.9 Unjustified payment of inadmissible allowances – Rs 6.106 million

As per Finance Division Notification No. FD(SR-III)5-670/2021 dated 18th April 2022 para#(v).“Cadre officers drawing special incentive allowance/Incentive allowance/Special allowance/Special education allowance/Project allowance shall be entitled to draw one of these allowances or Executive allowance, whichever is higher”. As per Government of Sindh S&GAD Notification No. PA-DS (G)/41133/76 dated 27-07-1977 and No. S.O (INSP) S&GAD /VI (3) /79 dated 20-07-1979, the Conveyance Allowance is not required to be paid to those officers, who have been provided with Government transport facilities.

During audit of office of the Provincial Ombudsman (Mohtasib), Sindh for the financial year 2022-23, it was observed that an amount of Rs 6.106 million was paid to officers/officials of office on account of allowances for which they were not entitled. The details are given as under;

(Rs in million)

Sr. #	Particulars	AIR Para #	Particulars	Amount
1	Executive and Special Allowance	02	Allowances were allowed simultaneously against rule.	6.106
Total				6.106

Audit is of the view that payment of inadmissible allowances indicates prevalence of poor financial management within the department, which caused financial loss to government.

The matter was reported to the management during August, 2023. The DAC meeting was held on 9th January, 2024. The management stated that these officers were entitled to only one allowance whichever being higher as per notification of Finance Department. The recovery has already been initiated which can be verified from the LPCs issued by the AG Sindh. The DAC directed that the record may be produced to audit for verification of recovery. However, no progress was reported till the finalization of this report.

Audit requires compliance with DAC directives.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21 and 2021-22 vide para number 24.5.11, and 23.5.7 respectively having financial impact of Rs 0.438 million, and Rs 2.753 million. Recurrence of same irregularity is a matter of serious concern.

Chapter - 27

Planning and Development Department

27.1 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.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	4	3	1,227.836	-
2	Assignment Accounts (excluding FAP)	-	-	-	-

3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	2	2	7,806.770	-

27.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure
20,073.829	1,419.408	(13,187.624)	(1,139.336)	69,707.037	34,711.400

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 34,995.636 million was observed which was not surrendered in time.

(Rs. in Million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
12.000	10.000	13.854	3.854

Revenue estimates were reduced upto 17% in revised estimate. Actual receipts were 139% of revised estimate.

27.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 14,202.780 million were raised as a result of this audit. This amount also includes recoverable of Rs 187.226 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non production of record	26.791
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	31.091
B	Procurement related irregularities	6,823.938
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	7,320.960

27.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. 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 19%.

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	8	0	8	-
5	2004-05	2	2	1	1	50
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	-
11	2010-11	0	0	0	0	-
12	2014-15	0	0	0	0	-
13	2016-17	12	12	5	7	41.67
Total		55	31	6	25	19

27.5 AUDIT PARAS

27.5.1 Non-production of auditable record - Rs 26.791 million

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 audit of the accounts of various offices of Planning & Development Department, Government of Sindh, Karachi for the financial years 2021-22 & 2022-23, it was observed that expenditure of Rs 26.791 million incurred of the various head of accounts, however relevant record was not produced to audit. Due to non-production of auditable record the audit opinion on the accounts record of the office could not be framed. The details are given at Annex-1 of Chapter-27.

Audit is of the view that due to non-production of contingency vouchers; the authenticity of the expenditure could not be verified.

This non-cooperative attitude results in waste of precious time and later on workload of Audit department is also accumulated.

The matter was reported to the management during the month of August-2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit requires production of auditable record, besides fixing of responsibility against the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23 vide para number 25.5.1, 24.5.1 and 29.5.1 respectively having financial impact of Rs 3,215.184 million. Recurrence of same irregularity is a matter of serious concern.

27.5.2 Irregular payment on execution of excessive items of work – Rs 201.242 million

According to clause 38 of the Standard Contract Agreement, Quantities exceeding up to a limit of 30 % or less are permissible to be executed. When an item of work is likely to be exceeded by more than 30%, in such cases, revision must be submitted containing facts and justification for approval of competent authority.

During audit on the accounts of following offices of Planning & Development Department, for the financial years 2021-22 & 2022-23, it was observed that an excess payment of Rs 201.242 million was made to the contractors on account of excess execution of items of work against approved quantity in violation to above rules and procedures. The excess payment made to the contractors without any justification and approval of competent authority which resulted into increase in cost of the work. This indicates either that estimate was not based upon the factual requirement or the contractors were extended financial benefit by execution of excess items of work. The details are given as under.

(Rs. in Million)

Sr. #	Name of office	Financial Year	AIR Para #	Amount
01	Project Director, Karachi Neighborhood Improvement Project	2022-23	13	171.914
02	Program Director, Municipal Services Delivery Program, Karachi	2021-22	11	29.328
Total				201.242

Audit is of the view that due to excess execution of quantity of item of work seemed weak internal controls prevails in the formation.

The matter was reported to the management in the month of January, February 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends justification besides fixing of responsibility against the persons at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23 vide para number 25.5.19, 24.5.12 and 29.5.24 respectively having financial impact of Rs 1,360.527 million. Recurrence of same irregularity is a matter of serious concern.

27.5.3 Irregular expenditure without revision of estimate – Rs 257.617 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 office of the Program Director, Municipal Services Delivery Program, Karachi for the financial year 2021-22, it was observed that the payments of Rs 257.617 million were made to the contractor M/s M. Iqbal Shaikh & Co. for the work “Rehab./Upgrad. of water treatment plant” found without revision of estimates, revision of PC-I and approval by the Donor agency.

Moreover, the recovery of stamp duty over excess amount for Rs 194,652 (Rs 55.615 million x 0.35%) was not evidenced along with revised contract agreement.

Audit is of the view that the excess execution of works necessitated revision of estimates, which were not done.

The matter was reported to the management in the month of February 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends justification besides fixing of responsibility against the persons at fault.

(AIR#4.4.1)

27.5.4 Non-achievement of project objectives – Rs 3,616.903 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 not in order.

During audit of office of the Program Director, Municipal Services Delivery Program, Karachi for the financial year 2021-22, it was observed that the management had to select specific areas/towns for upgradation as per criteria defined in the PC-I (extract transpired below) but the overall scope of the project was not defined before start of execution. The management only

focused a single area (Jacobabad) and funds of Rs 3,616.903 million (Project cost was Rs 6,668.55 million). In addition to this the project execution was to be completed till 2016. However, the same is still in execution which indicates that the management has failed to complete work within stipulated time. Moreover, the undue provision was made in the PC-I for selection of town/city, etc. as mutually agreed by the GoS and USAID. This fails the planning phase as the target areas were not selected.

Audit is of the view that the management has failed to achieve and meet desired targets and objectives in time which indicates weak planning mechanism in the organization.

The matter was reported to the management in the month of February 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends justification besides fixing of responsibility against the person(s) at fault.

(AIR#4.1.1)

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2021-22 vide para number 24.5.36 having financial impact of Rs 1,035.280 million. Recurrence of same irregularity is a matter of serious concern.

27.5.5 Doubtful/factious payment to M/s Computer Marketing - Rs 14.480 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 the Director General Monitoring & Evaluation Cell, Planning & Development Department, Government of Sindh, Karachi for the financial year 2022-23, it was observed that an expenditure of Rs 14.480 million was incurred on account of rendering service for repair and replacement of Data Center and DR sites. But Bid Security was not obtained entered in bid security register, single firm was participated, and work was awarded, results of bid not hoisted on SPPRA website, stamp duty @ 0.35% was not affixed, further Extension allowed vide

letter No.AD(A&A)/052/MEC/P&D/2023/677 dated 05-05-2023 (from 02-05-2023 to 01-05-2024) on the agreement dt 9-2-22, bid security Rs750,000/- was not deposit in government treasury.

Audit is of the view that payment made to vendor is doubtful as the evidence of repair/installation and replacement were not available on record.

This reflects weak Administrative and financial controls over expenditure for fulfilment of codal formalities.

The matter was reported to the management during the month of August-2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends enquiry into the matter, besides fixing of responsibility against the person(s) at fault.

(AIR#25)

27.5.6 Unjustified award / acceptance of 30% lower bid against work – Rs 1,173.178 million

According to clause 5.65 of Procurement Guidelines that an abnormally low Bid / proposal is one in which the bid / proposal price, in combination with other elements of the Bid / proposal, appears so low that it raises material concerns with the borrower as to the capability of the Bidder / Proposer to perform the contract for the offered price. As per para 5.66 where the borrower identifies a potentially abnormally low Bid / proposal, the Borrower shall seek written clarification from the Bidder / propose, including detailed price analysis of its Bid price in relation to the subject matter of the contract, scope, proposed methodology, schedule, allocation of risks and responsibilities, and any other requirement of the request for bid/request for proposals document And para 5.67 states that if, after evaluating the price analysis, the Borrower determines that the Bidder / Proposer has failed to demonstrate its capability to deliver the contract for the offered price, the borrower shall reject the bid / proposal.

During audit of office of the Project Director, Karachi Neighborhood Improvement Project for the financial year 2022-23, it was observed that contract “Redevelopment of Neighborhood roads and upgradation of open public spaces including grounds and parks in Malir Cluster was awarded to M/s Umer Jan Company@ Rs 1,173.178 million which is 30% lower bid than engineer’s estimate of Rs 1,673.184 million without any justification. The estimate of engineer is in question that how rate analysis was made.

Audit is of the view that due to award of contract to 30% lower bid either chances of compromising of quality work and / or weaknesses in engineer estimate could not be ruled out.

The matter was reported to the management in the month of September-2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends justification may be made besides fixing of responsibility on the person(s) at fault.

(AIR#16)

27.5.7 Unjustified allowing of extra items without rate analysis - Rs 87.324 million

As per Para 711 of P.W.D Manual Volume-II appendix-8, “The estimate of extra item is required to be sanctioned by the competent authority, who have sanctioned the main estimate of the work”.

During audit of Project Director, Karachi Neighborhood Improvement Project for the financial year 2022-23, it was observed that extra items of Rs 87.324 million were allowed against Malir Cluster work without rate analysis and approval by competent authority.

Audit is of the view that due to prevalence of weak internal and financial indiscipline in the formation undue favor could not be ruled out.

The matter was reported to the management in the month of September-2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

(AIR#09)

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 & 2022-23 vide para number 25.5.22, 24.5.12 & 29.5.42 respectively having financial impact of Rs 434.662 million. Recurrence of the same irregularity is a matter of serious concern.

27.5.8 Non-deduction of retention money from contractor's running bill – Rs 74.548 million

As per para ii of Letter of Acceptance issued to contractors read with clause 46.1 of contract agreement that 10% of amount of interim payment certificate up to a maximum of 5% of contract price retention money shall be deducted from each running bill until it may equivalent to 5% of the contract price should be retained.

During audit of Project Director, Karachi Neighborhood Improvement Project for the financial year 2022-23, it was observed that running bill of Rs 745.484 million was paid to M/s Syed Ameer Brothers vide cheque No 36220316 dated 15.06.2023 but retention money @10% of Rs 74.548 million was not deducted/retained without any justification.

Audit is of the view that due to non-deduction of retention money depicted prevalence of weak internal control and financial indiscipline. Undue favor to the contractor was extended and Govt. interest was not safeguarded.

The matter was reported to the management in the month of September, 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

(AIR#12)

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2020-21 vide para number 25.5.16 having financial impact of Rs 77.200 million. Recurrence of the same irregularity is a matter of serious concern.

27.5.9 Irregular payment of inadmissible allowances – Rs 28.464 million

According to Subject: -8 of Government of Sindh, Finance Department notification No.FD(SR-IV)1(12)/77 dated 13-5-1977, Similarly Government of Sindh S&GAD Notification No. PA-DS (G)/41133/76 dated 27-07-1977 and No. S.O (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. **AND** as per prevailing rules of Government of Sindh, Head of the office was not allowed to draw conveyance allowance while availability of vehicles in his office. Read with office memorandum of Government of Sindh Finance Department No. FD(SR-I) I I(32)201 1-15 dated 22nd July 2016 read with pay scale notification 2017, various Adhoc Relief allowances were discontinued. Government of Sindh, Finance Department has issued Notification No. FD (SR-III)5-79/2017 dated 12-01-2017 in connection with Grant of Incentive Allowance Sindh Civil Service Academy. According to this Notification, with the approval of the Competent Authority (i.e Chief Minister Sindh), the Government of the Sindh has been pleased to allow Incentive Allowance for the Officers and Staff posted in the Sindh Civil Services Academy (SCSA), Karachi. As per Order No. FD (SR-III)5-54/2016 dated. 14th July, 2017 of Finance Department, Government of Sindh “With the approval of the Competent Authority (i.e. Chief Minister Sindh, Finance Department agrees to allow Sindh Secretariat Allowance of the basis pay of respective Basic Pay Scales to Sindh Civil Secretariat employees with effect from 01.07.2017.”

During audit of various offices of Planning & Development, Department, Government of Sindh, Karachi, for the financial years 2021-22 & 2022-23, it was observed that an amount of Rs 28.464 million was paid to various officials on account of inadmissible allowances for which they were not entitled. Hence payment of allowances without entitlement was irregular. The details are given at Annex-2 of Chapter-27.

Audit is of the view that government sustained loss due to payment of inadmissible allowances which indicates prevalence of weak internal controls within the department.

The matter was reported to the management during the month of January, February, August to November-2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends the recovery may be affected besides fixing responsibility on the person(s) at fault. Management is directed to take up the issue of inadmissible allowance with DAO concerned to permanently discontinue these allowances to the ineligible employees.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 & 2022-23 vide para number 25.5.2, 24.5.8 & 29.5.10 respectively having financial impact of Rs 34.738 million. Recurrence of the same irregularity is a matter of serious concern.

27.5.10 Recovery of overpayment of salary - Rs 2.631 million

According to Para-38 & 39 of Note Sheet (File No.SO(Admn-I)/P&D)12(237)/2012) dated 09-02-2022 read with Note Sheet dated 24-05-2022, following market based salary package for contractual appointments against the posts of Centralized Data Repository determined by P&D Department with consultation of Finance Department and approved by Sub-Committee of Cabinet, in its meeting held on 26-01-2022.

Sr.#	Name	Designation	Gross Monthly Salary (Rs.)
1	Mr. Imran Altaf	Director (IT)	600,000
2	Mr. Aniq Naem	Senior Developer (NET)	170,000
3	Mr. Kamran Hassan	Database Administrator	150,000

During audit of office of the Secretary, Planning & Development Department Government of Sindh, Karachi for the financial year 2022-23, it was observed that an amount of Rs 2.631 million was paid in excess of salary package approved by Sub-Committee of cabinet. The details are as under:

(Rs. in Million)

Sr.#	Name	Designation	Monthly Approved	Total Monthly Paid	Overpayment		
					Monthly	Yearly	
1	Mr. Imran Altaf	Director (IT)	600,000	650,510	50,510	0.606	
2	Mr. Aniq Naem	Senior Developer (NET)	170,000	244,360	74,360	0.892	
3	Mr. Kamran Hassan	Database Administrator	150,000	244,360	94,360	1.132	
Total						2.630	

As per Para-08 of Summary for Chief Minister, Sindh, salary package proposed by P&D Department with consultation of Finance Department and approved by Cabinet Sub-Committee were recommended by Selection Committee was submitted for approval of Chief Minister along with names of selected candidates. The SGA&C Department at Para-11 made a query about the mechanism of fixation of above salary with the query whether these appointments were made on management pay scales or otherwise. In reply, P&D department despite justifying determination of above salary package being market based and approved by relevant forums, changed their earlier proposal, and proposed MP-I salary package for candidate at Sr#. 01 and MP-III for rest of 02 candidates without any justification which resulted into overpayment. It added that SGA&CD did not issue any directives to propose MP grade, but just inquired about the mechanism of approval of earlier salary package as the same was not mentioned in Summary.

Audit is of the view that by changing approved salary package into MP Scales without any justification, provincial exchequer sustained a heavy financial loss.

The matter was reported to the management during the month of Augst-2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends stoppage of excess payment and recovery of entire excess amount paid from the date of appointment to the date of discontinuation of excess payment.

(AIR#08)

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 & 2022-23 vide para number 24.5.7 & 29.5.11 respectively having financial impact of Rs 10.381 million. Recurrence of the same irregularity is a matter of serious concern.

27.5.11 Irregular expenditure on hiring of consultancies – Rs 95.808 million

Rule 17 (1) & (2) of Sindh Public Procurement Rules, 2010 states that procurement over three hundred thousand rupees and up to two 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 the Program Director, Municipal Services Delivery Program, Karachi for the financial year 2021-22, it was observed that an amount of Rs 95.808 million was paid to the consultancy firms. The RCC Consultant was awarded consultancy for leftover work of water supply scheme in Jacobabad without observing competitive process. Similarly, Techno-

Consultant International was hired for third party monitoring. The original costs of the consultancy were revised and re-revised but the details of the same were not produced. Moreover, the deliverables against which the payments made were not found duly approved by the project management. In addition to that the available engineering staff was not utilized efficiently for the said purposes.

Audit is of the view that due to non-tendering of consultancy procurement; the government was deprived of the benefit of competitive and economical rates in the process.

The matter was reported to the management in the month of February 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit requires justification besides fixing of responsibility against the person(s) at fault.

(AIR#4.2.2)

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21 & 2021-22 vide para number 25.5.41 & 24.5.19 respectively having financial impact of Rs 58.817 million. Recurrence of the same irregularity is a matter of serious concern.

27.5.12 Non-black listing of contractor due to short supply of material – Rs 2.692 million

According to Rules 57 (1) of Sindh Public Procurement 2010, “Except for defect liability or maintenance by supplier, consultant for contractor, as specified in the conditions of contract, performance of the contract shall be deemed close on the issue of overall delivery certificate, certificate of completion of deliverables, or taking over certificate which shall be issued within thirty days of final taking over of goods or receiving the deliverables or 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 and auditors to do substantial audit”.

During audit of office of the Secretary, Planning & Development, Department, Government of Sindh, Karachi for the financial year 2022-23, it was observed that various stationery items amounting to Rs 2.692 million was not/ less supplied by the supplier which were required to be supplied as per tendered quantity. Hence the supplier was not black listed despite of short delivery of material and management did not take any action against defaulting supplier.

Audit is of view that due to short supply of stationery by successful bidder the local office purchased the stationery from local market which may result into procurement on non-competitive rates.

The matter was reported to the management during the month of Augst-2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends justification of non-delivery of ordered quantity by supplier and non-taking action against them.

(AIR#07)

27.5.13 Unjustified issuance of variation orders against various works – Rs 6,606.206 million

As per Para-11 of General Financial Rules Volume-I, 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 officer.

During audit of office of the Project Director, Karachi Neighborhood Improvement Project for the financial year 2022-23, it was observed that variation orders of Rs 6,606.206 million were issued against various works without approval of the competent forum / bank.

Audit is of the view that due to non-effective utilization / delay in utilization of funds Govt. sustained loss in shape of commitment charges. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

The matter was reported to the management in the month of September-2023, but no reply was received.

Audit recommends justification for delay in project activities / non-withdrawal of funds may be provided.

(AIR#05)

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 29.5.17 having financial impact of Rs 2.729 million. Recurrence of the same irregularity is a matter of serious concern.

27.5.14 Unjustified award of consultancy services without provision in P.C.I – Rs 119.232 million

As per annexure V “Project Work Plan” of revised P.C.I that a listed-contracts / consultancies were to be carried out.

During audit of office of the Project Director, Karachi Neighborhood Improvement Project for the financial year 2022-23, it was observed that consultancy services of Rs 119.232 million were awarded to consulting firms without provision in P.C.I despite the P.C.I was revised. The details are given below.

(Rs. in Million)

Sr. #	Name of Consultant	Nature of consultant	Date of Award	Status	Amount
1	M/s EY JV MDC JV P&DC	Institutional Assessment and Regulatory Review of Katchi Abadis in Khi	26.3.2023	Awarded and under execution	54.257
2	M/s MDC	Socio-economic survey for Katchi Abadis	27.3.2023	Awarded part payment up to 20% made	64.975
Total					119.232

Audit is of the view that due to award of consultancies without provision of P.C.I depicted prevalence of weak internal controls prevails in the formation.

The matter was reported to the management in the month of September-2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit requires justification along with remedial measures may be made besides fixing of responsibility on the person(s) at fault.

(AIR#17)

27.5.15 Less/Non-deduction of Govt. taxes/duties – Rs 158.766 million

According to Section 153 & 233 of Income Tax Ordinance 2001, as amended 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 4.5% for filers & 6.5% for non-filers on supply/purchases and at the rate of 10% for filers & 15% for non-filers on services rendered of gross amount”. As per section 72 read with section 2[5,6,9,13,26] and 75 of the Sindh Sales Tax on Service Act, 2011, goods and services used or consumed in a service are liable to a tax rate not lesser than the 13% of charges or to a specific rate of tax not based on value. And as per Section 3(1) of the Sales Tax Act, 1990, “There shall be charged, levied and paid a tax known as sales tax @ 14% of the value of taxable supplies made 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 @ 3% of the value in addition to the rate specified in Section 3(1). & 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.” And as per Second Schedule of the SST on Services Act, 2011, the effective rate of tax w.e.f 01.07.2020 is 5% on M&R services provided or rendered. As per para ii of Letter of Acceptance issued to contractors read with clause 46.1 of contract agreement that 10% of amount of interim payment certificate up to a maximum of 5% of contract price retention money shall be deducted from each running bill until it may equivalent to 5% of the contract price should be retained.

During audit of various offices of Planning & Development Department, Government of Sindh, Karachi for the financial years 2021-22 & 2022-23, it was observed that the payments were made to various suppliers / contractors, but Govt. taxes/duties i-e income tax, Sindh sales tax, and stamp duty amounting to Rs 158.766 million were not deducted at applicable rates, resulting in loss to the government. The details are given at Annex-3 of Chapter-27.

Audit is of view that due to non-deduction of Govt. taxes/duties government sustained financial loss, it is further noted that management is not fully sensitized about importance of implementation of tax regime of the Government.

The matter was reported to the management during the month of Augst-2023 to November-2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 & 2022-23 vide para number 25.5.17, 24.5.15 & 29.5.19 respectively having financial impact of Rs 342.052 million. Recurrence of the same irregularity is a matter of serious concern.

27.5.16 Un-authorized retention of funds – Rs 13,96.176 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 following offices of Planning & Development Department, Government of Sindh, Karachi, for the financial year 2021-22 & 2022-23, it was observed that an amount of Rs 1,396.176 million was retained in DDO bank account till closing of financial year, which resulted into blockage of government funds. The details are given as under.

(Rs. in Million)

Sr.#	Name of office	Financial Year	AIR Para#	Description	Amount
01	PD, Municipal Services Delivery Program, Karachi	2021-22	4.2.1	Retention of revolving fund account instead of payment by donor agency as reimbursement in violation of prescribed method.	628.411
02	DG Monitoring & Evaluation Cell, Planning & Development Department, Karachi	2021-22	09	Retention of Third Party Monitoring (TPM) Fund in DDO accounts i.e. till the close of the financial year	766.933
03	Secretary, Planning & Development Department Government of Sindh	2022-23	17	Retention of funds at bank account	0.832
Total					1396.176

Audit is of the view that unauthorized retention of funds in DDO account is a financial lapse that deprives many other government departments and entities of using funds effectively which may be in earnest need of funds.

The matter was reported to the management in the month of January & February, 2023, but reply is still awaited. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit requires justification, besides, fixing responsibility upon persons at fault.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 29.5.18 having financial impact of Rs 653.163 million. Recurrence of the same irregularity is a matter of serious concern.

27.5.17 Ineligible excess payment from FPA and Counterpart funds - Rs 340.726 million

As per section 30 (B) of Project Appraisal Document that 87% is eligibility percentage for component 1.1.-Saddar Downtown Area revitalization for FPA funds and accordingly 13% proportionate payment shall be paid from Counterpart / Govt. of Sindh funds. And 10% is eligibility percentage for component 3.1.-Support to Implementation will be met out from Counterpart / Govt. of Sindh funds and accordingly 90% proportionate payment shall be paid from FPA funds.

During audit of office of the Project Director, Karachi Neighborhood Improvement Project for the financial year 2022-23, it was observed that excess ineligible payment from Foreign Account and Govt. of Sindh Account of Rs 340.726 million was made over the proportionate percentage agreed in Project Appraisal Document. The details are given below.

(Rs. in Million)

Sr. #	Name of work	Name of Account	Total Expenditure	Due Payment from GoS 13%	Payment Made from FPA	Ineligible excess amount
1	Redevelopment of Kakri Sports Complex and Neighborhood Including Kharadar Locality at Karachi Sindh, M/s. Fazal and Brothers Component 1.1 Saddar DMC South Karachi PHASE II	Foreign Component Account	825.852	107.361	825.852	107.361

(Rs. in Million)

Sr. #	Name of work	Name of Account	Total Expenditure	Due Payment from GoS 13%	Payment Made from FPA	Ineligible excess amount
2	Rehabilitation & Upgradation of Boat basin to Schon Chowrangi with Pedestrian trail & Gizri Sport ground - Component 1.1 Saddar DMC South Karachi PHASE II M/s. MAC Engg		1,652.893	214.876	1,652.876	214.876
3	Salary (Support to Implementation) as per Head wise details given)	GoS Funds Account	70.066	7.00	25.489	18.489
Total			2,548.811	322.237	2,504.217	340.726

Audit is of the view that due to payment of ineligible excess payment from FPA funds depicted prevalence of weak internal and financial indiscipline in the formation.

The matter was reported to the management in the month of September-2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

(AIR#07&08)

Chapter - 28
Population Welfare Department

28.1 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

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	37	9	2,226.748	-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

28.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rs. in Million)

Original Budget/ Grant	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variation Excess/ (Savings)
6,316.432	1,1.060	3,272.390	(3,272.390)	(1,46.627)	6,180.865	5,651.400	(5,29.465)

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 529.465 million was observed which was not surrendered in time.

28.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 381.619 million were raised as a result of this audit. This amount also includes recoverable of Rs 7.702 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non production of record	20.668
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	-
B	<i>Procurement related irregularities</i>	304.715
C	<i>Management of Accounts with Commercial Banks</i>	-
4	Value for money and service delivery issues	-
5	Others	56.236

28.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. 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 26.67%.

r. 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	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	3	0	0	3	-
11	2010-11	7	7	4	3	-
12	2014-15	2	0	0	0	-
13	2016-17	0	0	0	0	-
Total		47	15	4	14	26.67

28.5 AUDIT PARAS

28.5.1 Irregular expenditure without supporting vouchers - Rs 20.668 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 following offices of Population Welfare Department, Govt. of Sindh, it was observed that an amount of Rs 20.668 million were not produced to audit for verification. Due to non-availability of necessary record, authenticity of the payment cannot be ascertained and chances of misappropriation of funds cannot be ruled out. The details are given as under:

(Rs. in Million)

Sr.#	Name of Office	Observation	Financial Year	AIR Para#	Amount
1	Secretary, Population Welfare Department Govt. of Sindh Karachi	Application form of financial assistance, death certificates issued from hospital, medical report from the doctor, heir ship Certificates / succession certificate	2022-23	23	16.100
		Relevant record was not provided	2022-23	14	1.050
2	District Population Welfare Office District Tando Muhammad Khan	Supporting vouchers/bills were not provided	2021-22	01	1.710
3	District Population Welfare Officer Hyderabad	Supporting vouchers/bills were not provided	2022-23	01	1.100
4	District Population Welfare Office District Malir Karachi	Supporting vouchers/bills were not provided	2022-23	19	0.554
5	District Population Welfare Office	Supporting vouchers/bills were not provided	2022-23	24	0.154

(Rs. in Million)

Sr.#	Name of Office	Observation	Financial Year	AIR Para#	Amount
	District South Karachi				
Total					20.668

Audit is of the opinion that the expenditure incurred without supporting details and documents was irregular and doubtful which indicates prevalence of financial indiscipline within the formation.

The matter was reported to the management during the month of March-2023. DAC in its meeting held on November 02, 2023 decided to produce relevant records for verification of contention of management reply. Management was failed to produce the supporting record as pointed out during audit for verification. Formation at Sr.#01 replied that before processing cases all required documents were gathered and submitted the claims with the approval of competent authority but out of (18) cases documents of only (04) were produced. Hence, no progress was reported till finalization of this report.

Audit recommends compliance of the DAC directives.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2021-22, vide para number 25.5.8 having financial impact of Rs 32.745 million. Recurrence of same irregularity is a matter of serious concern.

28.5.2 Irregularities on purchase of medicine & surgical items – Rs 296.351 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 various offices of Population Welfare Department, Govt. of Sindh, it was observed that an expenditure of Rs 296.351 million was incurred on account of purchase of medicine without fulfilling required codal formalities. The details are given at **Annex-1** of Chapter-28.

Audit is of the view that expenditure without codal formalities is violation of Govt. rules and procedures.

Lapse on the part of management indicates improper watch and weak administrative control and financial management.

The matter was reported to the management during the month of July October 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, and 2021-22, vide para number 26.5.3 and 25.5.5 respectively having financial impact of Rs 174.995 million. Recurrence of same irregularity is a matter of serious concern.

28.5.3 Irregular payment of rent of office building – Rs 51.313 million

According to Rule 5 (1) of Sindh Rented Premises Act 1979, The agreement by which a landlord lets out any premises to a tenant shall be in writing and if such agreement is not compulsorily register able under any law for the time being in force, it shall be attested by, signing by, and sealing with the seal of, the Controller within whose jurisdiction the premises is situate or, any Civil Judge or First-Class Magistrate. (2) Where any agreement by which a landlord lets out any premises to a tenant is compulsorily register able under any law for the time being in force, a certified copy of the registered deed and where the agreement is not so register able, the original deed duly attested under sub-section (i), shall be produced and accepted in proof of the relationship of the landlord and tenant.

During audit of various offices of Population Welfare Department, Govt. of Sindh, it was observed that an amount of Rs 51.313 million was incurred on account of rent of office building without fulfilling codel formalities. The details are given at **Annex-2** of Chapter-28.

Audit is of the view that heavy payment of rent without the process of tendering and proper assessment stands irregular which indicates week internal controls prevailing within the department.

The matter was reported to the management during the month of February to May-2023 DAC in its meeting held on November 02, 2023 decided to produce relevant records for verification of contention of management reply. Management was fail to produce the relevant record i-e rent agreement, rent assessment, lease document and evidence showing recovery of stamp duty. Formation at Sr.#01 replied that all codal formalities were completed accordingly but produced the copies of agreements expired in November, 2022. Hence, no progress was reported till finalization of this report.

Audit recommends compliance of the DAC directives.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 30.5.13 having financial impact of Rs 42.422 million. Recurrence of same irregularity is a matter of serious concern.

28.5.4 Irregular payment though DDO account - Rs 3.18 million

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 following offices of Population Welfare Department, Govt. of Sindh, it was observed that an amount of Rs 3.180 million was paid through DDO account instead of direct crediting in favor of the actual payee / vendor accounts. Detail is given as under:

(Rs. in Million)

Sr. #	Name of Office	Observation	Financial Year	AIR Para#	Amount
1	Secretary, Population Welfare Dept. GOS Karachi	Payment to M/s NICL though DDO account instead of direct payment to vendor	2022-23	19	1.749
		Cash payment was made instead of direct payment to beneficiary.	2022-23	27	1.000
2	District Population Welfare Office, Hyderabad	Fund disbursed through DDO instead of designated suppliers	2022-23	42	0.252

(Rs. in Million)

Sr. #	Name of Office	Observation	Financial Year	AIR Para#	Amount
3	District Population Welfare Office, Tando Allahyar	Cash with drawn from DDO account	2022-23	04	0.116
		Payment was made through DDO account	2022-23	3	0.063
Total					3.180

Audit is of the view that by making payment through DDO account is a violation of rules and regulations that should be avoided at any cost because this practice results in misappropriation of funds and other misuse of authority that Government wants to stop.

It which indicates prevalence of financial indiscipline within the formation.

The matter was reported to the management during the month of July and August 2023. Management at Sr#01 replied that the deceased employee left children from two wives, family was at dispute for pensionary benefits, and they resorted to the honorable Court of 5th Additional District Judge Shikarpur. As per judgment the payment was made in favor of Accountant District & Session Court, Shikarpur. The reply is not tenable as relevant record has not been produced to Audit.

Audit recommends stoppage of such payments through DDO with immediate effect and responsibility may be fixed on the person at fault for previous violations. A policy of zero tolerance should be ensured to stop such violations in future.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-22 and 2022-23 vide para number 25.5.11 and 30.5.18 respectively having financial impact of Rs 348.908 million. Recurrence of same irregularity is a matter of serious concern.

28.5.5 Un-justified hiring of residential building for FWCs from the employee – Rs 1.743 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 following offices of Population Welfare Department, Govt. of Sindh, it was observed that an amount of Rs 1.743 million was paid on account of rent of building to various employees running Family Welfare Centers (FWCs) at their own residential buildings, which is conflict of interest and creates doubt about performance of those employees. Detail is given as under:

(Rs. in Million)				
Sr.#	Name of Office	Financial Year	AIR Para#	Amount
1	District Population Welfare Officer Hyderabad	2022-23	39	1.212
2	District Population Welfare Officer Tando Muhammad Khan	2021-22	15	0.531
Total				1.743

Audit is of the view that hiring of residential building for FWCs from employees indicates weak Administrative and financial controls within the entity. Resultantly performance of the entity is compromised.

The matter was reported to the management during the month of March-2023. DAC in its meeting held on November 02, 2023 decided to produce relevant records for verification of contention of management reply. The reply of management was not tenable as the buildings were hired at inflated rates from the employees of office without rent assessment and without adoption of competitive process. Hence, no progress was reported till finalization of this report.

Audit recommends compliance of the DAC directives.

(AIR#15)

28.5.6 Non/less deduction of various taxes - Rs 7.702 million

According to Para 153(1) (a)(b) & (c) of Division 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.

As per Sindh Sales Tax on services Act 2011, as amended from time to time that any person is responsible for making any payment in full or in part on account of services shall deduct tax at the rate of 14% of gross amount.

During audit of following offices of Population Welfare Department, Govt. of Sindh, it was observed that an amount of Rs 7.702 million was non/less deducted on account of various taxes i.e., General Sales Tax, SST & Income tax. Detail is as under:

(Rs. in Million)

Sr. #	Name of Office	Observation	Financial Year	AIR Para #	Amount
1	Secretary, Population Welfare Department Govt. of Sindh Karachi	Income tax was not deducted as per applicable rates	2022-23	07	4.905
		Sale tax on services was not recovered at source as per rule.		08	0.123
2	District Population Welfare Officer, Shaheed Benazirabad	SST was less deducted from land lard on rent.	2021-22	10	1.145
		Less deduction of Income tax from unregistered supplier	2021-22	14	0.243
3	District Population Welfare Officer, Umerkot (i/c RHS-A centers)	Non/less deduction of GST, SST from various vendors	2021-22	08	0.530
4	District Population Welfare Officer, Tando Allahyar (i/c RHS-A centers)	Less deduction of GST and Income tax	2021-22	08	0.293
5	District Population Welfare Officer, Mithi (i/c RHS-A centers)	Non/Less deduction of GST & SST from various vendors	2021-22	07	0.229
6	District Population Welfare Officer, Hyderabad	Deficiency in deduction of income tax in DPWO	2022-23	32	0.200
7	Regional Directorate Population Welfare Karachi	Less deduction of Income tax	2021-22	08	0.025
		SST was less deducted from vendor	2021-22	07	0.009
Total					7.702

Audit is of the view that due to non/less deduction of GST, SST and Income tax, government sustained loss, which indicate weak financial controls with in the formation.

The matter was reported to the management during the month of February to April-2023. DAC in its meeting held on November 02, 2023 decided to produce relevant records for verification of contention of management reply. The management did not produce the evidences of deduction and deposition of Govt. taxes. Hence, no progress was reported till finalization of this report.

Audit recommends compliance of the DAC directives.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23 vide para number 26.5.4, 25.5.12 and 30.5.16 respectively having financial impact of Rs 38.134 million. Recurrence of same irregularity is a matter of serious concern.

28.5.7 Non-recovery of stamp duty due to non-executing agreement – Rs 0.662 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 @ 0.35 paisa per hundred rupees of the value of the agreement or against tender cost before execution of the agreement.

During audit of following offices of Population Welfare Department, Govt. of Sindh, it was observed that an amount of Rs 0.662 million was not recovered on account of stamp duty. Detail is given as under:

(Rs. in Million)

Sr. #	Name of Office	Observation	Financial Year	AIR Para#	Amount
1	Secretary, Population Welfare Dept. GOS Karachi	Neither contract agreement was not signed by the management nor stamp duty was recovered from the vendors	2022-23	09	0.550

2	District Population Welfare Officer, Hyderabad	Agreement was not executed hence stamp duty had not been affixed.	2022-23	35	0.076
3	District Population Welfare District Central Karachi	Rent agreement was executed for office building, however stamp duty @0.35% was not recovered.	2022-23	06	0.036
Total					0.662

Audit is of the view that non-recovery of stamp duty caused loss to Government exchequer.

Lapse on the part of management indicates improper watch and weak administrative control and financial management.

The matter was reported to the management during the month of July and August 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

Chapter - 29

Services General Administration & Coordination Department

29.1 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.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	44	41	18,466.437	475.989
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	1	1	3,395.360	-

29.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	V
31,586.333	8,313.676	(8,310.781)	(432.011)	49,203.953	20,202.187	

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 29,001.766 million was observed which was not surrendered in time.

(Rs. in Million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
260.000	330.000	884.619	554.619

Revenue estimates were reduced upto 27% in revised estimate. Actual receipts were 268% of revised estimate.

29.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 13,183.641 million were raised as a result of this audit. This amount also includes recoverable of Rs 1,153.673 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non production of record	3,640.004
2	Reported cases of fraud, embezzlement and misappropriation	5,220.813
3	Irregularities	
<i>A</i>	<i>HR/Employees related irregularities</i>	188.064
<i>B</i>	<i>Procurement related irregularities</i>	458.848
<i>C</i>	<i>Management of Accounts with Commercial Banks</i>	1,749.972
4	Value for money and service delivery issues	-
5	Others	1,925.940

29.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. 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	1	0	1	-
9	2008-09	3	0	0	0	-
10	2009-10	0	0	0	0	-
11	2010-11	1	1	0	1	-
12	2014-15	0	0	0	0	-
13	2016-17	0	0	0	0	-
Total		47	12	0	12	-

29.5 AUDIT PARAS

29.5.1 Irregular expenditure without supporting vouchers – Rs 1,964.605 million

“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” according to Rule-23 of Sindh Financial Rules, Volume-I

During audit of following offices of Services, General Administration & Coordination Department, Government of Sindh, for the financial years 2021-22 & 2022-23, it was observed that the payment of Rs 1,964.605 million was made without supporting vouchers. The details are given as under:

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Amount
1	Secretary, Services, General Administration & Coordination Department, Karachi	2022-23	41	1,604.641
2	Project Implementation Unit (Anti-encroachment of Nallah), Karachi	2021-22	12	311.838
3	Chairman, SPSC, Hyderabad	2021-22 & 2022-23	02	24.039
4	Commissioner, Hyderabad	2022-23	03	9.257
5	Deputy Commissioner, Sujawal	2021-22	25	2.231
		2021-22	30	0.508
6	Deputy Commissioner, Mirpurkhas	2022-23	13	2.000
7	Managing Director, SPPRA, Karachi	2022-23	12	1.990
8	Deputy Commissioner, South Karachi	2021-22	20	1.694
		2021-22	26	1.657
9	Deputy Commissioner, Tharparkar @ Mithi	2021-22	13	1.138
10	Deputy Commissioner, Shikarpur	2021-22	18	0.999
		2022-23	01	0.168
11	Deputy Commissioner, Kashmore @ Kandhkot	2021-22	21	0.838
12	Deputy Commissioner, Shaheed Benazirabad	2021-22	24	0.451
13	Deputy Commissioner, Hyderabad	2022-23	08	0.656

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Amount
14	Deputy Commissioner, Keamari, Karachi	2022-23	03	0.500
15	Deputy Commissioner, Umerkot	2022-23	14	0
Total				1,964.605

Audit is of the view that without production of correspondence along with supporting record, chance of misuse of funds could not be ruled out.

The matter was reported to the management during February to December 2023 but reply no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends justification and production of relevant supporting documents besides fixing of responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-22 and 2022-23, vide para number 26.5.9 and 31.5.7 & 31.5.57 respectively having financial impact of Rs 119.371 million. Recurrence of same irregularity is a matter of serious concern.

29.5.2 Non-production of auditable record - Rs 1,675.399 million

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 audit of various offices of Services, General Administration & Coordination Department, Government of Sindh, for the financial years 2011-12 to 2022-23, the auditable record of Rs 1,675.399 million was not produced for audit scrutiny. The details are given at Annex-1 of Chapter-29.

Audit is of the view that non-production of record to audit is a serious lapse on the part of management. In this way management does not extend cooperation with audit. This non-

cooperative attitude results in waste of precious time and later on, work load of Audit department is also accumulated.

The matter was reported to the management during February to December 2023. The management of serial No.18 stated that all codal formalities are fulfilled and produced the detail of all the Guests, office orders and Acknowledgment receipts in support of payments along with List of participant. The reply was not tenable as supporting record was not produced with the reply. The management at serial No.10 (para # 07) submitted that Polio eradication branch is working in Deputy Commissioner Office in accordance with the instruction of Government of Sindh with object Polio free Pakistan and in this regard Finance Department has been released funds at the disposal of Deputy Commissioner office. The reply of the management was not tenable as inappropriate reply was furnished. Moreover, only copy of budget book was attached which has no relevance with audit observations. The management at serial No.10 (para # 10) submitted that in compliance of audit observation details of specification are mentioned in vendor invoice/bills. The reply is not tenable as original invoices and revised invoices were not produced to verify the contention of management.

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

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23, vide para number 27.5.1, 26.5.1 and 31.5.1 respectively having financial impact of Rs 1,171.095 million. Recurrence of same irregularity is a matter of serious concern.

29.5.3 Misappropriation of Government Funds – Rs 5,194.039 million (Motorway Scam)

As per Section(I) of Appendix 18-A of SFR Vol-I, 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 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 Services, General Administration & Coordination Department, Government of Sindh, for the financial year 2022-23, it was observed that an amount of Rs 5,194.039 million was misappropriated by the officers/officials of the department. The National Highway Authority, Jamshoro has allocated funds to the office for M6 Motorway Project in November 2022. Moreover, complete record of Motorway scam highlighted in media including

results of enquiries/ investigation conduct by NAB/ Anti-corruption or any other agency, land acquisition record along with Bank statements / cash book. The details are given as under;

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Amount
1	Deputy Commissioner, N. Feroze	2022-23	05	2,824.039
2	Deputy Commissioner, Matiari	2022-23	02	2,370.000
Total				5,194.039

Audit is of the view that management of local office failed to adopt the proper procedure of Land acquisition and implementation of financial rules regulations in entity.

The matter was reported to the management during August & December 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends high-power committee be constituted for enquiry into the matter strenuous efforts may be taken for recovery of the embezzled amount from persons involved in this misappropriation of government funds.

29.5.4 Fraudulent drawl of Government money on fake bills – Rs 25.359 million

As per Section(I) of Appendix 18-A of SFR Vol-I, 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 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 Deputy Commissioner, Thatta, Services, General Administration & Coordination Department, Government of Sindh, for the financial year 2022-23, it was observed that an amount of Rs 25.359 million was drawn on various account heads. However, concerns have been raised about vendors with similar signatures and logo/design on their invoices. These invoices, which show to be computer-generated and not on proper letterheads, have led to doubts about the authenticity of the procurement due to the repetition of the same type of expenditure details. Furthermore, payments were made to the vendors before the issuance of sanction orders and the invoice date, this suggests the possibility of fake invoicing.

Audit is of the view that due to drawl of funds against fake invoice, the government has sustained a loss.

The matter was reported to the management in October 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends justification besides fixing of responsibility against the person(s) at fault.

(AIR#14,18&19)

29.5.5 Fraudulent procurement made during 2021-22 – Rs 1.415 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 the Chairman, Chief Minister Inspection, Enquiries & Implementation Team Department (CMIE&ITD), Karachi, Services, General Administration & Coordination Department, Government of Sindh, for the Financial Years 2011-12 to 2021-22, it was observed that an amount of Rs 1.415 million was paid for the purchase of fixed assets As per Ex-Secretary Muhammad Iqbal Qureshi, the then DDO Mr. Ali Gul Jalbani has pocketed money from the vendors instead of requiring them to deliver fixed assets for the department. The department wrote letter to Ex-DDO, Mr. Ali Gul Jalbani bearing reference No. E&A/CMIT/1-446/2021540 dated 25.10.2022 to return the said amount.

Audit is of the view that such wrong doing done with impunity will encourage others to follow suit.

The matter was reported to the management in February 2023 but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends inquiry into the matter under intimation to audit.

(AIR#03)

29.5.6 Irregular payment of inadmissible allowances – Rs 188.064 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.” 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 various offices of Services, General Administration & Coordination Department, Government of Sindh, for the financial years 2021-22 & 2022-23, it was observed that various allowances amounting to Rs 188.064 million were paid to the officers & staff without its admissibility. The details are given at Annex-2 of Chapter-29.

Audit is of the view that government has sustained loss due to payment of inadmissible allowances which indicates prevalence of weak internal controls within the department.

The matter was reported to the management during August to December 2023. The management at serial No.20 stated that the allowances paid were backed by Government rules and notification attached for ready reference. The management attached FO2 forms too for recovery / stoppage of inadmissible allowances. The reply was not tenable as no any notification was shared and no any evidence of recovery was effected till date. The management at serial No. 09 (financial year 2021-22) stated that notifications and bills are attached for ready reference. They approached DAO for stoppage and recovery of additional charge allowance. The reply is not tenable as recovery is not yet effected duly supported with relevant evidences. Moreover, notification of SGA&CD was attached for special allowance whereas the notification of Finance Department was not attached; thus allowance drawn required recovery. However, no reply was received from other offices. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23, vide para number 27.5.7, 26.5.18 and 31.5.17 respectively having financial impact of Rs 349.317 million. Recurrence of same irregularity is a matter of serious concern.

29.5.7 Non/less-recovery of various taxes – Rs 278.839 million

According to Section 153 & 233 of Income Tax Ordinance 2001, as amended 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 contact with government or local authorities, etc., shall deduct advance tax at the time of making payments at the rate of 4.5% for filers & 6.5% for non-filers on supply/purchases and at the rate of 10% for filers & 15% for non-filers on services rendered of gross amount”.

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 @ 13%

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 audit of various offices of Services, General Administration & Coordination Department, Government of Sindh, for the financial years 2021-22 & 2022-23 it was observed that an amount of Rs 278.839 million of Income Tax, Sindh Sales Tax & General Sales Tax was not or less deducted while making payments to vendors which results in a loss to the government. The details are given at Annex-3 of Chapter-29.

Audit is of the view that management did not deduct or less deduct various taxes from the contractors which is a loss to the public exchequer. This indicates weak financial and administrative control within the department.

The matter was reported to the management during February to December 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2020-21 vide para number 27.5.16 having financial impact of Rs 13.90 million. Recurrence of same irregularity is a matter of serious concern.

29.5.8 Non-invitation of tenders – Rs 138.707 million

Rule 17(1) & (2) of Sindh Public Procurement Rules, 2010 as amended in March 2019 states that procurement over three hundred thousand 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 following offices of Services, General Administration & Coordination Department, Government of Sindh, for the financial years 2016-17 to 2022-23, it was observed that an expenditure of Rs 138.707 million was incurred without inviting open tenders in violation of SPPRA rules. The details are given at Annex-4 of Chapter-29.

Audit is of the view that due to non-invitation of tenders; the government was deprived of competitive rates & opportunity cost.

The matter was reported to the management during February to December 2023., The management at sr. No. 08, replied that the expenditures were part of operating expenses, incurred based on genuine needs, and released quarterly within petty purchase limits. Management at sr. No. 9 (financial year 2021-22) stated articles were procured transparently, fulfilling codal formalities, and funds were released quarterly, avoiding tendering ceilings. However, tenders were not invited, and no procurement plan was provided, violating SPPRA rules. Other offices did not respond. Despite requests, DAC meeting was not convened by the PAO until the finalization of this report.

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

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23, vide para number 27.5.2 & 27.5.10, 26.5.14 and 31.5.31 respectively having financial impact of Rs 569.229 million. Recurrence of same irregularity is a matter of serious concern.

29.5.9 Irregular expenditure by selecting favourite vendors – Rs 40.253 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.” According to sub clause (ii) of clause (q) of sub rule (1) of Rule 2 of SPP Rules 2010, “Collusive Practice” means any arrangement between two or more parties to the procurement process or contract execution, designed to achieve with or without the knowledge of the procuring agency to establish prices at artificial, noncompetitive levels for any wrongful gain”.

During audit Commissioner, Shaheed Benazirabad, Services, General Administration & Coordination Department, Government of Sindh, for the financial years 2021-22 & 2022-23, it was observed that an expenditure of Rs 40.253 million was incurred on purchase of various articles as well as repair work from couple of vendors i.e., M/s Dastageer Contractor and M/s S.M. Enterprises. The handwriting on invoices of both the vendors was found same which indicates doubtful payments and extension of undue favor for obtaining illegal financial gains. Thus, there were chances of misuse of Government funds by adopting collusive practices.

Audit is of the view that the pattern where a limited number of vendors were consistently chosen for the procurement of various items raises suspicions of collusion & restricts the competitive landscape by excluding potential vendors from participating.

The matter was reported to the management in the month of December 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter besides fixing of responsibility against the persons at fault.

(AIR#05)

29.5.10 Non-recovery of stamp duty – Rs 1.049 million

According to 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 0.35 paisa per hundred rupees of the value of the agreement or against tender cost”.

During audit of following offices of Services, General Administration & Coordination Department, Government of Sindh, for the financial years 2021-22 & 2022-23, it was observed that the stamp duty of Rs 1.049 million was neither affixed on the agreements nor deducted from the bills of vendors. Thus, Government has sustained a loss of Rs 1.049 million. The details are given as under;

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Amount
1	PMU, Anti-encroachment of Nallah, Karachi	2021-22	26	0.350
2	Chairman, SPSC, Hyderabad	2021-22 & 2022-23	10	0.303
3	Commissioner, Shaheed Benazirabad	2021-22 & 2022-23	08	0.146
4	Deputy Commissioner, Jacobabad	2021-22	07	0.084
5	Deputy Commissioner, Kahmore @ Kandhkot	2022-23	07	0.081
6	Commissioner, Sukkur	2021-22	04	0.055
7	Chairman, Enquiries & Anti-corruption Establishment Sindh, Karachi	2022-23	10	0.017
8	Deputy Commissioner, South Karachi	2022-23	10	0.013
Total				1.049

Audit is of the view that Government has sustained a loss due to non-recovery of stamp duty from the vendors.

The matter was reported to the management during February to December 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 31.5.43 having financial impact of Rs 0.426 million. Recurrence of same irregularity is a matter of serious concern.

29.5.11 Irregular payment to DDO instead of actual payee – Rs 901.784 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 drawl and disbursement of cash.”

During audit of following offices of Services, General Administration & Coordination Department, Government of Sindh, for the financial years 2016-17 to 2022-23, it was observed that an expenditure of Rs 901.784 million was incurred but the payments were made through DDO account instead of direct payment to the vendors which renders such payments as non-transparent and unauthentic. The details are given as under;

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Amount
1	Secretary, Services, General Administration & Coordination Department, Karachi	2022-23	55	400.783
2	Deputy Commissioner, Sanghar	2022-23	14	199.154
3	Deputy Commissioner Mirpurkhas	2022-23	07	94.997
4	Deputy Commissioner, Tando Allahyar	2022-23	05	45.422
5	Chairman Enquiries & Anti-corruption Establishment, Karachi	2016-17 to 2021-22	02	61.450
			03	45.747
		2022-23	07	13.271
6	Deputy Commissioner, Dadu	2022-23	02	9.736
7	Deputy Commissioner, South, Karachi	2022-23	09	6.232
8	Deputy Commissioner, Ghotki	2021-22	09	4.000
9	Deputy Commissioner, Khairpur	2021-22	02	4.000
10	Deputy Commissioner, Shikarpur	2021-22	17	4.000
11	Deputy Commissioner Larkano	2022-23	07	3.999
12	Deputy Commissioner, Jamshoro	2022-23	03	3.000
		2021-22	07	0.603

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Amount
13	Commissioner, Hyderabad	2022-23	09	1.398
14	Commissioner Mirpurkhas	2021-22	10	1.000
15	Commissioner, Sukkur	2021-22	14	1.000
16	Commissioner Larkano	2021-22	12	1.000
17	Deputy Commissioner, Tando Muhammad Khan	2022-23	15	0.992
Total				901.784

Audit is of the view that making payment through DDO account is a violation of rules and regulations that should be avoided at any cost because this practice results in misappropriation of funds, rent seeking and other misuse of authority that Government wants to stop.

The matter was reported to the management during February to December 2023. The management at serial No.12 (financial year 2021-22) stated that the crossed cheque was issued on account of Exhibition, Fair and National Celebration etc to concerned parties and acknowledgment receipt along with other relevant documents are obtained and attached with reply. The reply is not tenable as original record was not produced along with approvals. The management at serial No.14 stated that the payments have been made to the concerned payees and the acknowledgment as a token of receipt of those payments was obtained. The reply was not tenable as no supporting documents were produced. However, no reply was received from other offices. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23, vide para number 27.5.21, 26.5.7 and 31.5.5 & 31.5.59 respectively having financial impact of Rs 769.985 million. Recurrence of same irregularity is a matter of serious concern.

29.5.12 Un-authorized retention of government money in DDO account –
467.911 million

Rs

As per Rule 209 of Central Treasury Rules, Volume-I, stated 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”. 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 30th June. Stringent controls should be exercised in the spending of all potential or actual savings.

During audit of following offices of Services, General Administration & Coordination Department, Government of Sindh, for the financial years 2021-22 & 2022-23, it was observed that an amount of Rs 467.911 million was retained in DDO accounts till the close of financial year which resulted in unauthorized retention. The details are given as under;

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Amount
1	Deputy Commissioner, N. Feroze	2022-23	04	266.544
2	Deputy Commissioner, Thatta	2021-22	01	76.937
		2022-23	13	5.906
3	Deputy Commissioner, Shaheed Benazirabad	2022-23	14	50.729
		2021-22	04	5.350
4	Deputy Commissioner, West Karachi	2021-22	18	22.879
5	Deputy Commissioner, East Karachi	2022-23	06	9.115
6	Chairman, SPSC, Hyderabad	2021-22 & 2022-23	11	5.759
7	Deputy Commissioner, Sujawal	2021-22	06	5.478
8	Deputy Commissioner, Tando Allahyar	2022-23	02	5.040
9	Deputy Commissioner, Tando Muhammad Khan	2021-22	07	4.508
10	Deputy Commissioner, Jacobabad	2021-22	12	4.248
11	Deputy Commissioner, Matiari	2022-23	01	2.290
12	Commissioner, Shaheed Benazirabad	2021-22 & 2022-23	16	1.000
13	Deputy Commissioner, Shikarpur	2021-22	06	0.718
14	Deputy Commissioner, Badin	2021-22	15	0.714
15	Commissioner, Sukkur	2021-22	15	0.451

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Amount
16	Commissioner Hyderabad	2022-23	12	0.194
17	Commissioner Mirpurkhas	2022-23	15	0.051
Total				467.911

Audit is of the view that unauthorized retention of funds in DDO account is serious financial lapse that deprives many other government departments and functionaries which are earnestly in need of funds.

The matter was reported to the management February to December 2023 but No reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23, vide para number 27.5.20, 26.5.17 and 31.5.52 respectively having financial impact of Rs 314.148 million. Recurrence of same irregularity is a matter of serious concern.

29.5.13 Doubtful transaction made from DDO bank account – Rs 365.118 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 drawl and disbursement of cash.”

During audit of following offices of Services, General Administration & Coordination Department, Government of Sindh, for the financial year 2022-23, it was observed that the doubtful transactions occurred for Rs 365.118 million from DDO bank account. These transactions included the absence of detailed transaction information with valid justifications and supporting vouchers, a lack of clarity in the presentation of expenditure and receipt details, no explanation for the transfer of funds to an unknown account, the absence of approvals from the finance department/governing body/competent authority for fund transfers, undisclosed recipients of the transferred/disbursed amounts, and no information on the further utilization of the funds. The details are given as under;

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Amount
1	Deputy Commissioner, Shikarpur	2022-23	07	104.199
2	Deputy Commissioner, Thatta	2022-23	12	250.580
3	Deputy Commissioner, South, Karachi	2022-23	08	5.559
4	Deputy Commissioner, East, Karachi	2022-23	15	4.655
5	Secretary, Services General Administration & Coordination Department, Karachi	2022-23	56	0.125
Total				365.118

Audit is of the view that the management withdraw amount received without making expenditure and deposited again in order to equal the balance.

The matter was pointed to the management during August to December 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 31.5.45 having financial impact of Rs 9.079 million. Recurrence of same irregularity is a matter of serious concern.

29.5.14 Irregular cash withdrawal from DDO account – Rs 15.159 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 drawl and disbursement of cash.”

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”.

During audit of following offices of Services, General Administration & Coordination Department, Government of Sindh, for the financial year 2022-23, it was observed that an amount of Rs 15.159 million was drawn from DDO account in cash instead of making payments through crossed cheques in order to ascertain transparency & accuracy. The details are given as under;

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Amount
1	Deputy Commissioner, Ghotki	2022-23	07	13.761
2	Commissioner, Hyderabad	2022-23	09	1.398
Total				15.159

Audit is of the view that by making cash payment through DDO account is a sheer violation of rules and regulations as this practice results in misappropriation of funds, ransacking and misuse of authority against the public interest.

The matter was reported to the management during November & December 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends stoppage of such payments through DDO and responsibility may be fixed on the person at fault besides the policy of zero tolerance should be ensured to stop such violations in future.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 31.5.69 having financial impact of Rs 1.158 million. Recurrence of same irregularity is a matter of serious concern.

29.5.15 Wasteful expenditure on repair of Helicopters – Rs 1,204.263 million

According to Sindh Public Procurement Rules, 2010 Rule 2(x) “Mis-procurement” means public procurement in contravention of any provision of Sindh Public Procurement Rules, 2010, any rule, regulation, order or instruction made there under or any other law in respect thereof, or relating to public procurement. 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 Secretary, Services, General Administration & Coordination Department, Government of Sindh, for the financial year 2022-23, it was observed that management incurred huge expenditure of Rs 1,204.263 million on account of repair of two Helicopters during the financial year 2022-23 by taking imprudent decisions. The management's decisions were deemed imprudent as the helicopters, being around 31 years old, likely surpassed their flying hour life. Rather than opting for new helicopters, the management repeatedly chose repair. Notably, the repair and maintenance work occurred without open tenders, depriving the government of obtaining competitive market rates. Additionally, old unserviceable items were left without disposal efforts, and a substantial amount of Rs 585.094 million was spent on pay and allowances during a 7-month non-operational period due to maintenance work. Moreover, the helicopters' registration remained in violation of the contract, not in the government's name since procurement in 1992.

Audit is view of that due to incurrence of irrational expenditure on repair of old Helicopters; the management extended undue favor as well as put lives on risk of valuable Dignitaries.

The matter was pointed out to the management in the month of August 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit requires justification for wasteful expenditure due to repair of old helicopters again and again instead of dispose of and purchasing new helicopters.

(AIR#19,20,26,52&54)

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-22 and 2022-23, vide para number 26.5.10 and 31.5.53 respectively having financial impact of Rs 113.640 million. Recurrence of same irregularity is a matter of serious concern.

29.5.16 Non-recovery of compensation paid to alleged Khatedars – Rs 553.766 million

According to Section 11 of Land Acquisition Act-1894 “On the day so fixed, or on any other day to which the enquiry has been adjourned, the Collector shall proceed to enquire into the objections (if any) which any person interested and a Department of Government, a local authority, or a Company, as the case may be, has stated pursuant to a notice given under section 9 to the measurements made under section 8, and into the value of the land at the date of the publication of the notification under section 4, sub-section (1)], and into the respective interests of the persons
.....

During audit of Deputy Commissioner, Matiari, Services, General Administration & Coordination Department, Government of Sindh, for the financial year 2022-23, it was observed that an amount of Rs 553.766 million was paid as land compensation to 25 Landowners / alleged Khatedars on account of land acquisition for M6 Motorway project. However, the payment was made prior to announcement of award as required U/S 11 of Act. Moreover, out of 25 Khatedars, 05 Khatedars are apparently not real as per Record of Rights, and who have received an amount of Rs 215.459 million.

Audit is of the view that payments of land compensation prior to announcement of award was gross violation of government prevailing rules and due to this all the payment so made may be treated as doubtful.

The matter was reported to the management in the month of August 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends recovery from alleged Khatedars and inquiry for fixing the responsibility on the person(s) at fault.

(AIR#03)

29.5.17 Non-recovery of Government dues – Rs 131.955 million

Rule-28 of General Financial Rules, Volume-I, states that, “no amount due to Government should be left outstanding without sufficient reasons and where any dues appear to be irrecoverable, the orders of competent authority for their adjustment must be sought.”

During audit of following offices of Services, General Administration & Coordination Department, Government of Sindh, for the financial years 2021-22 & 2022-23, it was observed that the government dues amounting to Rs 131.955 million were not recovered from the parties concerned which has put loss to government. The details are given as under;

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	DC, Badin	2021-22	16	Government land revenue	106.190

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
2	Managing Director, SPPRA, Karachi	2022-23	08	Outstanding revenue	22.675
3	DC, Central, Karachi	2022-23	01	Recovery of HRA	2.118
4	Chairman, SPSC, Hyderabad	2021-22 & 2022-23	08	Penalty not imposed on delayed supplies	0.392
			18	Excess DA	0.182
5	DC, Malir, Karachi	2022-23	07	Taxes not deposited	0.133
6	DC, Kashmore @ Kandhkot	2022-23	08	Excess payment of Executive allowance	0.209
7	DC, Sujawal	2022-23	09	Dual increment paid	0.042
8	Commissioner, Shaheed Benazirabad	2021-22 & 2022-23	01	Income tax paid by department on behalf of vendor	0.014
9	DC, Jacobabad	2022-23	03	Dual increment paid	0
10	Secretary, Services, General Administration & Coordination Department, Karachi	2022-23	47	Panel rent due to non-vacation of govt. residence	0
			49	Rent of residential accommodation facility	0
Total					131.955

Audit is of the view that due to non-taking of efforts for collection of revenue seemed weak internal controls prevails in the formation and undue favor to offices / departments was extended, loss to institution was sustained due to non-recovery of outstanding amount.

The matter was reported to the management during February to December 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit require recovery of the excess amount besides taking remedial action to avoid such recurrence in future.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-22 and 2022-23, vide para number 26.5.16 and 31.5.50 respectively having financial impact of Rs 316.952 million. Recurrence of same irregularity is a matter of serious concern.

29.5.18 Irregular issuance of Weapon Licenses – Rs 31.059 million

As per Rule 3.2 of Sindh Arms Rules 2018 “An eligible person may apply to the Home Department or the Deputy Commissioner of the District where he is domiciled or carries out business, for personal arms license non-prohibited bore (NPB) in Form I. Every application under this Rule shall be accompanied with the following documents:

- a. A copy of National Identity Card duly attested by an officer in BS-17 or above;
- b. Three passport size-colored photographs duly attested in the aforesaid manner;
- c. A copy of the Domicile Certificate or suitable proof of his carrying out business in the district concerned duly attested in the aforesaid manner; and
- d. Duly notarized affidavit on a stamp paper in the value of not less than Rs. 100/- to the effect that he is of a good character; has not been held guilty of any offence mentioned at Rule 2.3; is not suffering from any mental or psychological disease as mentioned in the same clause. Any application which is incomplete in any respect shall be dealt in terms of Rule 3.4. And;

During audit of following offices of Services, General Administration & Coordination Department, Government of Sindh, for the financial years 2021-22 & 2022-23, it was observed that weapon licenses were issued for Rs 31.059 million. The details are given as under;

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Amount
1	Deputy Commissioner, Malir, Karachi	2022-23	05	4.565
2	Deputy Commissioner, Sanghar	2022-23	04	4.500
3	Deputy Commissioner, Badin	2022-23	04	4.410
		2021-22	07	4.330
4	DC, Kamber Shahdadkot	2021-22	03	3.993
5	Deputy Commissioner, Tando Allahyar	2022-23	03	3.590
6	Deputy Commissioner, West Karachi	2022-23	04	2.861
7	DC, Kashmore @ Kandhkot	2021-22	14	2.560

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Amount
8	Deputy Commissioner, Thatta	2022-23	11	0.250
9	Deputy Commissioner, Jamshoro	2021-22	15	0
10	Deputy Commissioner, Thatta	2021-22	08 & 09	0
11	Deputy Commissioner, Sujawal	2022-23	08	0
12	Deputy Commissioner, Matiari	2022-23	10	0
13	Deputy Commissioner, Keamari, Karachi	2022-23	25	0
14	Deputy Commissioner, Sukkur	2022-23	18	0
Total				31.059

The following irregularities were observed;

The details of the individuals to whom licenses were issued, the CNICs of the applicants, copies of the deposited challans were not provided to support the claims. The type of license applied for by the applicant, such as a license for Pistol, Machine Gun, or Repeater Gun, was not specified before issuance of license. The record of the licenses issued each month according to actual quota was not provided, this shows/indicates the issuance of arm licenses beyond the designated quota. The record of license renewals and permits was not properly maintained. The fees collected were not reconciled with the treasury. Furthermore, the income tax or agricultural certificates of the applicants were also not provided.

Audit is of the view that without proper record of licenses, the transparency in issuing of license could not be authenticated.

The matter was reported to the management during February to December 2023. The management at serial No.09 stated that the weapon Licenses were renewed and issued after fulfillments of all codal formalities. The proper records was maintained and properly checked. All the record/attested copies are available on record for ready reference. The reply of the management was not found satisfactory as complete record/case files of weapon issuance was not produced. However, no reply was received from other offices. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

The audit recommends justification besides fixing of responsibility against the person(s) at fault.

29.5.19 Irregular payment of Grants to different institutions – Rs 4.897 million

As per Accounting Policies and Procedure Manual (APPM), Section 4, sub-section-12, clause-1, sub clause-4; “Before approval of 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 grant have been spent for the purpose intended. When approving the grant, the delegated authority must indicate that in audited financial statement was received and the criteria for providing the grant were met (or, for any reason, were exempted from providing an audited financial statement). The purpose of the grant, and any conditions attached to it, must clearly be indicated by the delegating authority in any grant agreements as well as to the Accountant General”. (b) Section 4, sub-section-12, clause-1, sub clause-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 following offices of Services, General Administration & Coordination Department, Government of Sindh, for the financial year 2022-23, it was observed that the Grant-in-aid of Rs 4.897 million was disbursed to various institutions/parties without obtaining the Approved Annual Expenditure Plan. Additionally, the utilization report of the last released funds, along with Certified Audited Statements of Accounts, was unavailable. The absence of supporting vouchers to verify the genuineness and authenticity of the expenditure, along with the lack of an adjustment account for the payments made, raised concerns regarding proper financial management and transparency.. The details are given as under;

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
1	Deputy Commissioner, Shaheed Benazirabad	2022-23	09	Utilization report, supporting vouchers, etc	2.000
2	Deputy Commissioner, Tharparkar @ Mithi	2022-23	19	Adjustment account of grants	1.999
3	Deputy Commissioner, Mirpurkhas	2022-23	08	Stock register, purchase from	0.898

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Particulars	Amount
				general order supplier, etc	
Total					4.897

Audit is of the view that the lapse on part of management indicates prevalence of weak internal controls in the department.

The matter was reported to the management during November & December 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 vide para number 31.5.62 having financial impact of Rs 10.000 million. Recurrence of same irregularity is a matter of serious concern.

Chapter - 30
Social Protection Department

30.1 Introduction

The main role of the Social Protection Department is:

1. To steer the Health and Nutrition CCT (H&N CCT) program
2. To bolster the operational capabilities of The Sindh Social Protection Authority (SSPA)
3. To provide essential administrative support.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	1	1	208.869	-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

30.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variation

4.472	1,348.997	62.760	(62.760)	(15,041.490)	1,741.979	274.082
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The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 1,467.897 million was observed which was not surrendered in time.

30.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 2.122 million were raised as a result of this audit. This amount also includes recoverable of Rs 2.122 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	-
B	<i>Procurement related irregularities</i>	-
C	<i>Management of Accounts with Commercial Banks</i>	-
4	Value for money and service delivery issues	-
5	Others	2.122

30.4 Comments on the Status of Compliance with PAC Directives

This department has been included in the Audit Report 2023-24 first time.

30.5 AUDIT PARAS

30.5.1 Less/ non-deduction of various government taxes – Rs 2.122 million

According to Sub: 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 (Currently 0.35) paisa per hundred rupees of the value of the agreement or against tender cost.

According to Section 153 & 233 of Income Tax Ordinance 2001, as amended 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 contact with Government or local authorities, etc., shall deduct advance tax at the time of making payments at the rate of 4.5% for filers & 9% for non-filers on supply/purchases and at the rate of 10% for filers & 20% for non-filers on services rendered of gross amount”.

During audit office of Project Director, Social Protection Strategy Unit, Social Protection Department, Karachi for the financial year 2022-23, it was observed the payments were made to various suppliers / contractors but, Income Tax/ stamp duty amounting to Rs 2.122 million were less/ not deducted at applicable rates, resulting in loss to the government. The details are given at Annex-1 of Chapters-30.

(Rs. in Million)

Sr. #	Particulars	Government Taxes	AIR Para #	Amount
1	Procurement of consultancy services for Up-gradation support and maintenance of MIS & GRM	Non-deduction of income tax	4	1.414
2	Payment to M/s State Life Corporation of Pakistan on account of rent of office building	Less-deduction of income tax	9	0.103
3	Contract of Rs39.510 million was awarded to M/s Convolair Private Limited for procurement of consultancy services	Non-deduction of Stamp duty	13	0.138
4	Payment to Mr. Ghulam Hussain Shaikh, Deputy Director-Finance, on account of salaries and Honorarium	Less-deduction of income tax	15	0.168
5	Payment of Rs14.420 million was made to M/s State Life Corporation of Pakistan on	Non-deduction of Stamp duty	21	0.050

	account of rent of office building w.e.f February-2021 to December-2023			
6	Payment was made to venders without deduction GST	With-holding tax	16	0.249
Total				2.122

Audit is of view that due to non-deduction of due taxes government sustained financial loss, it is further noted that management is not fully sensitized about importance of implementation of tax regime of the Government.

The matter was reported to the management in the month of August 2023, but no reply was received. The DAC meeting was held on 16-01-2024 where in management stated that the payments are made through SAP system of Accountant General (AG), Sindh. Therefore, AG Sindh withholds/ deducts all the taxes. Moreover, the stamp duty has also been paid by the firm. DAC directed to produced record for verification. However, no progress was made till finalization of this report.

Audit requires compliance with DAC directives.

(AIR#04)

Chapter - 31
Social Welfare Department

31.1 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.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	6	4	2,694.268	-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

31.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variance
579	0.001	2,010.787	(2,010.787)	(645.075)	4,338.505	2,562.647	

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 1,775.858 million was observed which was not surrendered in time.

(Rs. in Million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
79.345	36.008	29.814	(6.194)

Revenue estimate were reduced upto 55% in revised estimate. Actual receipts were 83% of revised estimate.

31.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 786.527 million were raised as a result of this audit. This amount also includes recoverable of Rs 0.000 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non production of record	415.688
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	11.092
B	<i>Procurement related irregularities</i>	19.990
C	<i>Management of Accounts with Commercial Banks</i>	-
4	Value for money and service delivery issues	-
5	Others	339.757

31.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. 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 50%.

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	9	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	-
11	2014-15	5	2	1	1	50
12	2016-17	3	0	0	0	-
Total		14	2	1	1	50

31.5 AUDIT PARA

31.5.1 Non-production of record – Rs 415.688 million

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 audit of the following offices of Social Welfare Department, Karachi, it was observed an expenditure of Rs 415.688 million was disbursed as grant in aid to various NGOs. However, the relevant auditable record was not produced to audit for scrutiny. Details are given as under;

(Rs.in Million)					
Sr#	Name of Office	Detail	Financial Year	AIR Para #	Amount
1	Director General, Social Welfare Department Sindh, Karachi	Various record related to administration of grant in aid to	2021-22	01	20.000
2	Secretary Social Welfare Department	Contingency Bills and relevant record	2022-23	12	5.255
3	Secretary Social Welfare Department	Grant in Aid to various NGOs	2022-23	25	410.433
4	Secretary Social Welfare Department	Utilization report or record of unspent grant in not provided	2022-23	30	973.983
Total					415.688

Audit is of the view that management failed to produce auditable record which is violation to the provision of the constitution of Pakistan. Furthermore, non-production of record is a serious lapse on the part of management. In this way, management does not extend co-operation with the Audit.

The matter was reported to the management during February 2023 and September-2023 but no reply was received. Despite written requests, DAC meeting was not convened till finalization of this report.

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

31.5.2 Unjustified payment of grant to an entity involved in the embezzlement of funds – Rs 200.000 million

As per Accounting and Procedures Manual. 4.12.1.4 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. When approving the grant, the delegated authority must indicate that an audited financial statement was received and the criteria for providing the grant was met (or, for any reason, was exempted from providing an audited financial statement). The purpose of the grant, and any conditions attached to it, must clearly be indicated by the delegating authority in any grant.

During audit of the office of Secretary, Social Welfare Department, Karachi, for the financial years 2022-23, it was observed that an amount of Rs 200.000 million was paid to NGO Darul Sukun Society Karachi despite of the fact that a forensic audit report for the year 2021-22 conducted by AKAZ Consultants (Private Ltd) had revealed an alleged embezzlement of funds amounting to Rs 691.642. In this connection, the audit firm had also obtained legal opinion suggesting taking legal action and recovery of embezzled money. However, no action was taken.

Audit is of the view that the department has released funds for the year 2022-23 of Rs 200.000 million although the fraud was proved with documentary evidence and forensic audit report. Further, no action was taken in the light of the legal opinion, which is undue favour.

The matter was reported to the management during February 2023 and September-2023 but no reply was received. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit recommends high level enquiry besides fixing of responsibility against the person(s) at fault.

(AIR #19&20)

31.5.3 Unauthorized retention of unutilized government funds – Rs 100.284 million

According to para 4 of MOU executed between Social Welfare Department and M/s HANDS Pakistan in July 2021 for ensuring transparency in utilization of grant-in-aid for the people of Sindh, “implementing partner agrees and undertakes that the detail of Services delivered to its number of beneficiaries by spending the sources of the last Grant-in-aid released to HANDS, shall be submitted showing and certified by the HANDS that services equate the amount utilized and the remaining unutilized amount is surrendered.”

During audit of the office of Director General, Social Welfare Department Sindh, Karachi for the financial year 2021-22, it was observed that M/s HANDS is released a huge amount of Rs 250.000 million of grants in aid each year, however, unutilized funds were not surrendered to government on closing of financial year. Resultantly a huge unutilized amount of Rs 100.284 million was found available in HBL MISALI bank account being maintained by HANDS, in violation of conditions of MoU agreed by the above organization. The details are given as under:

(Rs. in Million)

Sr.#	Date	Amount
01	30-06-2021	57.569
02	30-06-2022	42.714
Total		100.284

Audit is of view that due to non-surrendering of retained amount before close of financial year, the government could not use the funds somewhere else for useful purposes.

The matter was reported to the management in February 2023. DAC meeting was held on 06-12-2023 wherein the management stated that delay was made due to late submission of the bill by the vendor. Audit stressed the need for utilization of budgetary grant within the financial year and balance amount needs to be refunded to the government. DAC directed that unutilized amount should be surrendered within the due time. The department may issue directives in this regard, that the instructions of the finance department must be followed. DAC directed the record be provided to audit for verification. However, no progress was made till finalization of this report.

Audit requires compliance with DAC directives.

(AIR#10)

31.5.4 Procurement without inviting open tenders – Rs 19.990 million

According to Rule 11(1) of Sindh Public Procurement (SPP) Rules 2010 of Sindh Public Procurement Regulatory Authority (SPPRA) titled Procurement Plan, "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;"

Rule 12 (1) of SPPR 2010 provides that 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;

Rule 17 (1) *ibid* provides that Procurements over three hundred thousand rupees and upto 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 the rules.

During audit of the following office of Social Welfare Department Sindh, Karachi, it was observed that procurement of Rs 19.990 million on various accounts was made without inviting open tenders to ensure transparency, open competition, and value for money. Moreover, it was also observed that the expenditure was even split up to avoid open tender. The details are given as under;

(Rs. in Million)

Sr.#	Name of Office	Particulars	Financial Year	AIR Para #	Amount
1	Director General, Social Welfare Department Sindh – HANDS	Medicine Expense 4-02-001-0001-00013	2021-22	11	7.196
		Books & Periodicals Expense 4-02-001-0002-00002			6.654
2	Secretary, Social Welfare Department Sindh, Karachi	Expenditure under various heads of account split up to avoid tender	2022-23	15	6.140
Total					19.990

Audit is of the view that due to non-tendering for procurement, the government was deprived of benefit of competitive rates due to non-observance of SPPRA Rules by the management.

The matter was pointed out to the management in February 2023 and September 2023. The DAC meeting was held on 06-12-2023 regarding AIR para #11 wherein the management replied that all codal formalities were fulfilled. The audit pointed out that the matter needs to be thoroughly verified for ascertaining authenticity of the material purchased by the organization out of grant-in-aid. DAC directed a third-party audit of the grant payments. The same audit report should also be produced to audit for verification. The management at Sr.#2, did not reply. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit requires compliance with DAC directives and fixing of responsibility against the person(s) at fault for non-invitation of tender.

31.5.5 Doubtful withdrawal of cash and payments through Open Cheques – Rs 27.452 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 drawl and disbursement of cash.”

During audit of the office of Secretary, Social Welfare Department, Karachi (Grand in aid to Darul Sukun Society), for the financial years 2022-23, it was observed that an amount of Rs 27.452 million was drawn from banks by presenting open cheques instead of payment through crossed cheques. This includes cash payments without acknowledgments, lack of executed agreements with suppliers, missing of purchase orders and delivery challans, unaccounted articles in the stock register, unavailable utilization reports, and unobtained requisitions. The details are as under:

(Rs. in Million)

Sr.#	Name of Office	AIR Para #	Particulars	Amount
1	Dar-ul-Sukum Society	24	Payment of Salaries, Electricity Bills, including Cash withdrawal of Rs 700,000 without documentary evidence i.e. bill	12.282

(Rs. in Million)

Sr.#	Name of Office	AIR Para #	Particulars	Amount
2	Dar-ul-Sukum Society	26	Procurement of Pampers	15.170
Total				27.452

Audit is of the view that the management of the Dar ul Sakon created fake invoices / bills by way of avoiding transparent procedure. Hence misappropriation of public money could not be ruled out.

The matter was reported to the management during September-2023 but no reply was received. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit recommends inquiry of the matter beside fixing of responsibility on person(s) at fault.

31.5.6 Irregular advance payment to contractor by NGO “HANDS” – Rs 12.021 million

According to APPM Section 4.2.15 (4.2.15.1) “Payment must not be made in advance unless it is required by the agreement with the supplier/ payee and supported by a bank guarantee for the value of the advance. As per General Financial Rule-23 (Vol-I) provides that 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 Secretary, Social Welfare, Karachi for the financial year 2022-23, it was observed that an amount of Rs 12.021 million was paid to M/s Creative Contractors for the construction of HANDS’ new office building block. This payment was made in advance, without a bank guarantee. Furthermore, no terms were defined for the interest for the period during which the contractor used the amount as cash flow. This negligence on the part of the management could potentially cause a loss to the government. The detail is given below;

(Rs.in Million)

Cheque No.& date	Name of Firm	WO No. No& date	Contract Cost	Advance Payment
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630000015/9362 24-8-2022	M/s Creative Contractors	Nil	89.408	12.021
Total				12.021

The audit holds the view that the NGO's management has expended public money without due care. Making an advance payment to the contractor without obtaining a bank guarantee is a serious negligence on the part of the NGO.

The matter was reported to the management during September-2023 but no reply was received. Despite written requests, DAC meeting was not convened till finalization of this report.

The audit suggests that bank guarantee, along with interest for the period during which the contractor used the advance amount, should be recovered and verified by the audit beside fixing responsibility on person at fault.

(AIR#31)

31.5.7 Irregular payment of inadmissible pay and allowances – Rs 11.092 million

As per O.M.No:FD (SR-1)1(32)2011-2015, dated: 22th July, 2016, Para 6(i) states, the adhoc relief allowance 2013@10% of the basic pay scale 2011 to the employees in BPS 16 and above shall cease to exist with effect from 01-07-2016. As per Government of Sindh S & GAD Notification No. PA-DS (G)/41133/76 dated: 27-07-77 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 the following offices of Social Welfare Department, Government of Sindh, it was observed from SAP / HR data that various allowances amounting to Rs 11.092 million were drawn in violation of the government rules. The details are given as under;

(Rs. in Million)

Sr.#	Name of Office	Detail	Financial Year	AIR Para #	Amount
01	Secretary Social Welfare Department, Government of Sindh	Various Inadmissible Allowances	2022-23	1,2,36,21	9.443

02	Director General Social Welfare Department	2022-23	6,19	1.649
Total				11.092

Audit is of the view that the provision of various pay and allowances without proper admissibility is irregular which could potentially lead to financial irregularities and mismanagement.

The matter was reported to the management during August 2023 to November 2023, but no reply was received. Despite written requests, DAC meeting was not convened till finalization of this report.

Audit requires fixing of responsibility on the person(s) at fault, besides recovery of the amount involved and taking remedial measures.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022- 23 vide para number 33.5.1 having financial impact of Rs 3.467 million. Recurrence of same irregularity is a matter of serious concern.

Chapter - 32
Sports & Youth Affairs Department

32.1 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

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	4	2	1,340.752	-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

32.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rs. in Million)

Original Budget/ Grant	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variation Excess/ (Savings)

4, 619.797	1 28.785	4 24.310	(4 24.310)	(8 34.332)	3, 914.250	2, 944.104	(9 70.146)
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The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 970.146 million was observed which was not surrendered in time.

32.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 2,335.336 million were raised as a result of this audit. This amount also includes recoverable of Rs 135.243 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	-
B	<i>Procurement related irregularities</i>	2,034.494
C	<i>Management of Accounts with Commercial Banks</i>	78.707
4	Value for money and service delivery issues	-
5	Others	222.135

32.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. 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 62.5%.

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	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	2	2	0	2	-
6	2005-06	0	0	0	0	-
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	-
11	2010-11	0	0	0	0	-
12	2014-15	0	0	0	0	--

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
13	2016-17	10	8	05	03	62.5
Total		17	16	1	15	62.5

32.5 AUDIT PARAS

32.5.1 Irregular payment of grant-in-aid – Rs 1,283.350 million

As per Accounting Policies and Procedure Manual (APPM),(a) Section 4, sub-section-12, clause-1, sub clause-4; “Before approval of 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 grant have been spent for the purpose intended. When approving the grant, the delegated authority must indicate that an audited financial statement was received and the criteria for providing the grant were met (or, for any reason, were exempted from providing an audited financial statement). The purpose of the grant, and any conditions attached to it, must clearly be indicated by the delegating authority in any grant agreements as well as to the Accountant General”.

During audit of various offices of Sports & Youth Affairs Department, Government of Sindh, Karachi for the financial year 2022-23, it was observed that grant in aid of Rs 1,283.350 million was paid to various institution and organization for arranging sports activities. However, the relevant documents could not be produced. The details are given at [Annex-1](#) of Chapter-32.

In absence of relevant record and observance of codal formalities, the incurrence of expenditure could not be authenticated.

The management failed to produce relevant record besides observing codal formalities, which depicts prevalence of weak administrative management.

The matter was reported to the management during August 2023 but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends provision of records besides taking remedial measures.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23, vide para number 34.5.5 having financial impact of Rs 762.174 million. Recurrence of same irregularity is a matter of serious concern.

32.5.2 Irregular expenditure on various works - Rs 490.770 million

Para-527 of Public Works Departmental Manual, Volume-I, States, “no work shall begin unless proper detailed design and estimate have been sanctioned; allotment of funds made and order for its commencement issued by the competent authority.” Para-527 of Public Works Departmental Manual, Volume-I, States, “no work shall begin unless proper detailed design and estimate have been sanctioned; allotment of funds made and order for its commencement issued by the competent authority.” According to Para-209 (d) of C.P.W.A Code, “States that 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. He will also work out and enter in the measurement book the figures for the “Contents or Area” column.

During audit of Executive Engineer, Sports & Youth Affairs Department, Government of Sindh, Karachi for the financial years 2021-22 & 2022-23, it was observed that various works amounting to Rs 490.770 million were awarded to contractors without observing the codal formalities. The details are given at [Annex-2](#) of Chapter-32.

Audit was of the view that non-observance of government instruction resulted in irregular expenditure on various works.

The matter was reported to the management during February 2023 but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends production of auditable records besides taking remedial measures.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2021-22, vide para number 29.05.14 having financial impact of Rs 1.534 million. Recurrence of same irregularity is a matter of serious concern.

32.5.3 Irregular retention of lapsable call/ security deposits - Rs 197.166 million

According to Para-399 (III) Central Publics Works Accounts Code states that “balances unclaimed for more than three complete accounts years should be credited to government as lapsed deposit”.

During audit of Executive Engineer, Sports & Youth Affairs Department, Government of Sindh, Karachi for the financial year 2022-23, it was observed that the security/call deposits of contractors amounting to Rs 197.166 million was lying unclaimed since long in PWD deposit.

However, the same was not credited into government account after expiry of three years' time or as it was received from contractors. The details are given as under;

(Rs. in Million)

Sr. #	Name of Office	AIR Para #	Financial Year	Particulars	Amount
01	Executive Engineer, Sports & Youth Affairs Department, Karachi	07	2022-23	Lying unclaimed since long in PWD deposit	194.201
		26	2022-23	Call deposits not deposited into government account.	2.965
Total					197.166

Audit is of the view that the lapsable unclaimed security/call deposits which were lying for more than three years or received from contractors causes financial indiscipline and administrative mismanagement.

Irregular retention of call/security deposit instead of crediting into government account revealed poor financial controls prevailing in the department.

The matter was reported to the management during August 2023 but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends immediate deposit of retained amount besides fixing of responsibility against the persons at fault.

32.5.4 Irregular payment for non-scheduled items of work - Rs 31.770 million

According to Para 8(4) of Section-Introduction under Schedule of Rates-2012, the schedule of rate may be found inadequate to carry out certain items of work. In such cases, the only competent body to review the position is the Standing Rates Committee. All such cases should, therefore, be referred to the Secretary, Standing Rates Committee, for the decision of the committee. According to Sr # 4 of the Schedule of Rates (Composite) for finished items of works, 2004, the non-scheduled items costing upto Rs 1,000 should be got sanctioned by the concerned Superintending Engineer and the items exceeding Rs 1,000 must be got approved and sanctioned

by the Chief Engineer. Para 128 of CPWA Code provides that the escalation will not be allowed without preparation of rate analysis and got approved by the government.

During audit of Executive Engineer, Sports & Youth Affairs Department, Government of Sindh, Karachi for the financial year 2022-23, it was noticed that an expenditure of Rs 31.770 million was incurred on non-scheduled items. However, the BOQ and rough cost estimate, rate analysis duly sanctioned/approved by competent authority and measurement books were not available on record.

Audit is of the view that execution of non-scheduled items in violation of rules and without approval of competent authority after rate analysis was irregular.

Payment of non-schedule items without fulfilling codal formalities shows weak financial controls in department.

The matter was reported to the management during August 2023 but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends production of relevant records besides taking remedial measures.

(AIR#11)

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2021-22, vide para number 29.05.8 having financial impact of Rs 22.309 million. Recurrence of same irregularity is a matter of serious concern.

32.5.5 Lack of wide publicity against tender of work – Rs 22.877 million

As per Rule 17 “Methods of Notification and Advertisement” of Sindh Public Procurement Rules, 2010, provides that: (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 Executive Engineer, Sports & Youth Affairs (Engineering Wing), Karachi for the financial year 2021-22, it was observed that work of “Improvement & Up-gradation of

Sports Complex, Qasimabad” amounting to Rs 22.877 million was awarded through tender process. However, the same was not advertised in widely circulated leading Newspapers.

Audit is of the view that due to lack of wide publicity of tender, chances of unfair competition cannot be ruled out.

The matter was reported to the management during February 2023 but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends compliance of procurement rules besides fixing of responsibility on the person(s) at fault.

(AIR#11)

32.5.6 Excess consumption of steel – Rs 6.369 million

“No material alteration is sanctioned, still less in standard design may be made by a Divisional Officer in carrying out any work without the approval of the Competent Authority, should any alteration of importance, involving any additional expenses, be considered necessary, a revised or supplementary estimate should be submitted for sanction”, as per Rule-528 of Public Works Department Manual.

During audit of Executive Engineer, Sports & Youth Affairs Department, Government of Sindh, Karachi for the financial year 2022-23 it was observed that an amount of Rs 6.369 million was paid to the contractors on account of excess execution of steel over and above the actual quantity provided in the technical estimates. However, the excess consumption was made without change in design and specification. Hence excess payment of Rs 6.369 million was found irregular.

Audit is of the view that the excess payment was made without justification and provision, thus undue favor was extended towards payment to contractor.

The excess payment without justification shows poor financial as well as administrative controls prevailing in the department.

The matter was reported to the management during August 2023 but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

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

(AIR#17)

32.5.7 Irregular payment of difference of cost - Rs 2.192 million

According to para-6 of Schedule of Rates, Volume-III(Part-II) 5th Edition, if any National Building / Agency want to allow the difference in cost of materials such as cements, steel or brick, they have to refer the matter to the Standing Rates Committee, Sindh for consideration / approval.

During audit of Executive Engineer, Sports & Youth Affairs Department, Government of Sindh, Karachi for the financial year 2022-23, it was observed that difference of cost of material Rs 6.800 million was paid to contractor instead of Rs 4.609 million. Thus, an excess amount of Rs 2.192 million was paid to various contractors. Further the difference was paid without escalation chart, provision in estimate, approval of the competent authority and referring case to Standing Rates Committee Sindh.

Audit is of the view that the management did not exercise due care while preparing original estimates resulting in undue benefit to contractors by allowing difference of cost.

Payment without observing codal formalities indicates the prevalence of weak administrative and internal controls of the management.

The matter was reported to the management during August 2023 but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

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

(AIR#16)

32.5.8 Irregular drawl of funds through DDO account – Rs 41.828 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 DDO 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 drawl and disbursement of cash.” 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 following office of Sports & Youth Affairs Department, Government of Sindh, Karachi for the financial year 2022-23, it was observed that an amount of Rs 41.828 million was disbursed through DDO account instead of direct payment to the payees against government rule.

(Rs. in Million)

Sr. #	Name of Office	AIR Para #	Particulars	Financial Year	Amount
01	Secretary, Sports & Youth Affairs Department, Karachi	20	Disbursed through DDO account for SSB activities	2022-23	25.000
02	Executive Engineer, Sports & Youth Affairs, Karachi	05	Cheque issued in favor of DDO	2022-23	16.828
Total					41.828

Audit is of the view that by making payment through DDO account is a violation of rules and regulations that should be avoided at any cost.

The payment of salaries through DDO account shows weak financial controls prevailing in the department.

The matter was reported to the management during August 2023 but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends stoppage of such payments through DDO account with immediate effect, besides taking remedial measures.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 & 2022-23, vide para number 29.5.3, 29.05.15 & 34.5.16, respectively having financial impact of Rs 618.364 million. Recurrence of same irregularity is a matter of serious concern.

32.5.9 Unjustified retention of government funds into DDO account - Rs 36.879 million

According to Revised Procedure for Operation of Assignment Accounts of Government #3. Budgeting and Reconciliation vi. The balance in the existing Lapsable Assignment Accounts, remaining un-spent on June 30, will not be available without its revival through a fresh budgetary ceiling. 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 30th June. Stringent controls should be exercised in the spending of all potential or actual savings.

During audit of Secretary, Sports & Youth Affairs Department, Government of Sindh, Karachi for the financial year 2022-23, it was observed that government funds of Rs 36.879 million could not be utilized by management. However, the funds were required to be disbursed or surrendered to the government but retained with department in DDO account without justification.

Audit is of the opinion that non-utilization of funds in time reflects poor administrative and financial controls in the department.

However, the government could not use the funds somewhere else for useful purposes, if reported/ surrendered well in time.

The matter was reported to the management during August 2023 but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends compliance of government rules besides fixing responsibility on person(s) at fault.

(AIR#18)

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-22 & 2022-23, vide para number 29.05.17 & 34.5.28, respectively having financial impact of Rs 56.437 million. Recurrence of same irregularity is a matter of serious concern.

32.5.10 Non / less deduction government taxes - Rs 65.493 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/ vendor w-e-f 01-07-2015. 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." And as per Second Schedule of The SST on Services Act, 2011, the rate of tax is 13% on services provided or rendered by persons engaged in contractual execution of work or furnishing supplies. 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. 9% tax shall be deducted from non-filer.

During audit of following offices of Sports & Youth Affairs Department, Government of Sindh, Karachi for the financial years 2021-22 & 2022-23, it was observed that an amount of Rs 367.395 million was paid to vendors, but applicable taxes of Rs 65.493 million was not deducted. The details are given as under;

(Rs. in Million)

r. #	Name of Office	Financial Year	IR Para #	Particulars	Amount
1	Secretary, Sports & Youth Affairs Karachi	2022-23	1	Sindh Sales Tax	7.761
			4	Income Tax	6.533
2	Executive Engineer, Sports & Youth Affairs	2021-22	4	Short deduction of Withholding Tax.	1.199
Total					65.493

Non-deduction and deposit of income tax occurred due to weak internal control and negligence of the management.

Audit is of view that due to non-deduction of government taxes, government sustained financial loss.

The matter was reported to the management during August 2023 but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends that expeditious recovery of taxes be made besides taking remedial measures.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 & 2022-23, vide para number 29.5.5, 29.05.2 & 34.5.22, respectively having financial impact of Rs 9.999 million. Recurrence of same irregularity is a matter of serious concern.

32.5.11 Non-imposition of penalty for delayed works – Rs 42.232 million

According to clause 2 of the agreement, “the quantity of work is to be done within particular time as specified within the proportionate time limit, such as 1 / 4th of the 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 to one percent, or such smaller amount as the Superintending Engineer (whom divisions in writing shall be find) 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 compensations 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 Executive Engineer, Sports & Youth Affairs Department, Government of Sindh, Karachi for the financial years 2021-22 & 2022-23, it was observed that various works awarded to the contractors were required to be completed within stipulated time, but the contractors failed to complete the works within time, therefore contractors were liable to pay penalty up to Rs 42.232 million which was neither imposed nor recovered from them.

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para #	Amount
01	Executive Engineer, Sports & Youth Affairs	2022-23	04	19.435
		2021-22	08	22.797
Total				42.232

Audit is of the view that non-completion of various works on time may result in cost overrun and time overrun which is a loss to government.

The non-imposition of a penalty by the management on the defaulting contractors is a lapse and lack of internal controls on the part of the management.

The matter was reported to the management during February & August 2023 but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends imposing penalty on the contractors for not completing the work on time, besides fixing of responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23, vide para number 34.5.20 having financial impact of Rs 97.36 million. Recurrence of same irregularity is a matter of serious concern.

32.5.12 Non deposit of taxes into government account - Rs 16.432 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 Executive Engineer, Sports & Youth Affairs (Engineering Wing), Karachi for the financial year 2021-22, while reviewing monthly account of June-2022, it was observed that “WHT Part-V” amounting to Rs 16.432 million was lying as closing balance at June-2022 & the same was not deposited into relevant Govt. account, which resulted weak internal controls over timely deposit of Govt. tax.

Audit is of view that due to non-deposition of government taxes timely, the government sustained loss of revenue which reflects weak internal controls within the formation.

The matter was reported to the management during February 2023 but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends immediate deposit of said amount besides remedial measures may be taken to avoid recurrence of such instances in future.

(AIR#01)

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21 & 2021-22, vide para number 29.5.4 & 29.05.16, respectively having financial impact of Rs 188.030 million. Recurrence of same irregularity is a matter of serious concern.

**32.5.13 Unauthorized addition of SST and loss to government due to non-deduction of SST
- Rs 4.686 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) which states that ‘the accounting office responsible for making payment shall deduct and withhold the tax amount and shall transfer the same amount, so deducted at source during a month to Sindh Government’s head of account “B-02384”---Sindh Sales Tax on Services”.

During audit of Executive Engineer, Sports & Youth Affairs (Engineering Wing), Karachi for the financial year 2021-22, it was observed that SRB of Rs 4.686 million was added/included in gross amount of RA Bill, whereas the same was required to be deducted from the gross amount, which was not done by the management, hence due to addition of SRB in gross amount of bill instead of deduction resulted in financial loss to govt.

Audit is of view that due to non-deduction of SST by extending undue favor to the contractor, government sustained loss of revenue, which indicates weak internal controls within the formation.

The matter was reported to the management during February 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

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

(AIR#03)

32.5.14 Non-recovery of utility allowance – Rs 6.400 million

As per order by Finance Department, Government of Sindh vide # FD (SR - III)5 - 145 - 2012 dated 02 - 03 - 2012, Government of Sindh approved grant of utility allowance to the regular employees of Sindh Civil Secretariat and Provincial Assembly Sindh.

During audit of Executive Engineer, Sports & Youth Affairs (Engineering Wing), Karachi for the financial year 2021-22, it was observed that Utility allowance of Rs 6.400 million was drawn by different employees, whereas the same was only allowed to employees working in Sindh Secretariat & Governor House only, hence local office employees were drawing utility allowance without entitlement, which resulted loss to government.

Audit is of the opinion that government sustained loss due to payment of inadmissible allowances which indicates prevalence of weak internal controls within the department.

The matter was reported to the management during February 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends recovery of inadmissible Allowance from the employees under intimation to audit.

(AIR#02)

32.5.15 Un-authorized execution of work without getting revised estimate/technical sanction - Rs 56.092 million

According to Para-56 of CPWD code “expenditure may not be incurred on a work until it is technically sanctioned from the competent authority”. Further a revised technical sanction be obtained when expenditure is expected to be increased more than 5% of original technical sanction.

During audit of Executive Engineer, Sports & Youth Affairs (Engineering Wing), Karachi for the financial year 2021-22, it was observed that an expenditure of Rs 56.092 million was incurred on “Construction of Players Hostel at Ghotki” whereas estimated cost of work was Rs 45.805 million. Hence excess expenditure amounting to Rs 10.287 made by the administration without getting revised sanction from the competent authority.

Audit is of the view that execution of work beyond approved estimates without revision stands unauthorized which indicates weak internal controls within the formation.

The matter was reported to the management during February 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends compliance of rules besides fixing of responsibility on the person(s) at fault.

(AIR#10)

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23, vide para number 34.5.7 having financial impact of Rs 109.778 million. Recurrence of same irregularity is a matter of serious concern.

32.5.16 Irregular investment of government funds – Rs 30.800 million

As per Para-3(b) of OM No.F.4(1)/2002-BR-II dated 2-7-2003 of Finance Division, Government of Pakistan, “the process of selection of bank/(s) should be transparent. Therefore, prior to placing deposits with a bank under this new policy, and in case the total working balances exceed Rs10 million, the selection of the bank/(s) as well as the terms of deposits will be approved by the concerned Board of Directors/Governing Body on the basis of competitive bids from at least three independent banks.”

According to Sr # 01 & 08 of Terms of Reference (TORs) of “Endowment Funds for Sportspersons/Ex-Sportspersons suffering from diseases/family members of deceased sportspersons suffering diseases” notified vide Sports & Youth Affairs Department vide Notification No. SO(Sports)/S&YAD/2017 dated 09-11-2017:

1. The Committee meeting shall preferably be called after every six weeks.
2. The expenditure of the fund shall be governed as under:

- a) 50% of Current year's receipts can be utilized as grant of Sportspersons/Ex-Sportspersons and their families.
- b) The remaining 50% (or whatever higher portion is un-utilized in a financial year) shall form part of the endowment fund and may be invested.
- c) Any amount earned/accumulated as profit by the endowment fund may be used towards the grants of Sportspersons/Ex-Sportspersons and their families.

During audit of Secretary, Sports & Youth Affairs Department, Government of Sindh, Karachi for the financial year 2022-23, it was observed that whole amount of Rs 30.800 million was invested in Sindh Bank. However, half of funds were required to be invested and remaining funds were required to be expended for sportsmen and their families. But management failed to follow the prescribed rules and conditions of endowment funds.

Audit is of the view that management failed to observe terms & conditions of endowment fund, resulting needy sports men and their families were deprived from the financial benefits.

The non-observance of rules and regulations shows weak financial controls in the department.

The matter was reported to the management during August 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends compliance of rules besides the fixing of responsibility against the person(s) responsible.

(AIR#19)

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2020-21, vide para number 29.5.2 having financial impact of Rs 10.00 million. Recurrence of same irregularity is a matter of serious concern.

Chapter - 33
Transport and Mass Transit Department

33.1 Introduction

The Transport and Mass Transit Department is responsible for the overall discipline of the transport and mass transit services of the province. Preparation of annual provincial budget, formulation of plans and maintenance of an effective and efficient transport system are the major assignments of this Department.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	3	1	4,858.940	3,712.435
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	4	4	2,961.960	-

33.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure
7,999.742	1,197.904	(12,671.720)	(1,679.398)	24,637.183	12,001.819

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 12,635.364 million was observed which was not surrendered in time.

(Rs. in Million)

Revenue Estimates	Revised Revenue Estimates	Actual Receipts	Variation
300.000	270.000	172.994	-97.006

Revenue estimates were reduced 10% in revised estimate. Actual receipts were 64% of revised estimate.

33.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 22,816.243 million were raised as a result of this audit. This amount also includes recoverable of Rs 2,672.346 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non production of record	6,328.509
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
<i>A</i>	<i>HR/Employees related irregularities</i>	-
<i>B</i>	<i>Procurement related irregularities</i>	1,686.756
<i>C</i>	<i>Management of Accounts with Commercial Banks</i>	2,973.000
4	Value for money and service delivery issues	-
5	Others	11,827.978

33.4 Comments on the Status of Compliance with PAC Directives

This department was not included in the audit reports (1992-93 to 2010-11 and 2016-17) discussed by the PAC. However, the department has been included in Audit Report 2014-15 and yet to be discussed in PAC.

33.5 AUDIT PARAS

33.5.1 Non-production of record – Rs 6,328.509 million

Section 14 (2) and (3) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provides that “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”. And “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 Secretary Transport & Mass Transit Department, Government of Sindh, Karachi for the financial year 2022-23, it was observed that the record amounting to Rs 6,328.509 million was not produced for audit scrutiny. Specifically, documents related to the transfer of Rs 6311.828 million to the lapsable Assignment Account for the procurement of 250 buses, no record was provided for contingent bills amounting to Rs 16.681 million, and the record for revenue was also absent, raising concerns about transparency and accountability in financial transactions.

Audit is of the view that non-production of record for audit is a serious lapse on the part of management.

The matter was reported to the management during August 2023 but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit requires production of auditable records besides initiation of disciplinary proceedings against person(s) at fault.

(AIR#01)

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23, vide para number 30.5.1, 30.5.1 and 35.5.1, respectively having financial impact of Rs 374.938 million. Recurrence of same irregularity is a matter of serious concern.

33.5.2 Non-invitation of open tender – Rs 1,686.756 million

Rule 17 (1) & (2) of Sindh Public Procurement Rules, 2010 states that procurement over three 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 following offices of Transport and Mass Transit Department, Government of Sindh for the financial year 2022-23, it was observed that an expenditure of Rs 1,686.756 million was incurred on account of execution of work under variation orders (Lot-I & II) without inviting open tenders. The details are given as under:

(Rs.in Million)

Sr. #	Name of entity	AIR Para #	Amount
1	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (ADB)	02	937.087
2	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AIIB)	02	356.093
3	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AFD)	02	393.576
Total			1,686.756

Moreover, following irregularities were also noticed: -

- i. Detail Estimate were not obtained.
- ii. Design & drawing was also not available on the record.

Audit if of the view that the tenders were not invited as result competitive rates were not obtained. In the absence of competitive rates, the chances of compromise on quality & payment of higher rates cannot be ruled out.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends compliance with prescribed rules besides fixing of responsibility against the persons at fault.

33.5.3 Execution of works with expired bank guarantees of mobilization advance – Rs 2973.102 million

According to Rule-39 of SPPRA 2010. Performance Security (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 Karachi Bus Rapid Transit Red Line Project (BRT-ADB), Karachi for the financial year 2022-23, it was observed that an amount of Rs 2973.102 million was paid as mobilization advance to the contractors for below mentioned works. The bank guarantees were obtained from the contractors. However, it was noted that the same expired and not renewed. Therefore, these were not valid after their expiry. The details are given as under:

(Amount in Rupees)

Sr.#	Particular	Date of guarantee	Expiry	Amount
1	Lot-I: : Mali Halt to Mosamiyat	29-11-2021	28-11-2022	1,379,532,708
2	Lot-II: Numaish to Mosamiat, KM 0+000 to 12+850	01-02-2022	06-06-2023	1,593,570,152
Total				2,973,102,860

Audit is of the view that the management extended undue favor to the contractors by not getting these renewed. This irregularity of the management raised the level of risk to the interest of the government.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends renewal of guarantee, besides fixing responsibility on the person(s) at fault.

(AIR#14)

33.5.4 Change of location of Mosmiyat Depot to Aladin Park – Rs 2746.21 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 following offices of Transport and Mass Transit Department, Government of Sindh for the financial year 2022-23, it was observed that the work “Construction of BRT Red line Package-1 Mosamiyat to Malir Halt KM 12+850 to 22+500” was awarded to the contractor M/s Zahir Khan & Brothers vide # TK/BRT-RL/CW01/Lot-1/2021-0001 dated 09-11-2021 for Rs 2,746.21 million. The work included construction of Mosamiyat Depot. However, it was noted that the location of the site was changed from Mosamiyat to Aladin Park. It is pertinent to mention here that matter of the land of Aladin park was disputed in the Honorable Supreme court of Pakistan (case # C.M.A. No.941-K/2020). The details are given as under:

(Rs.in Million)

Sr. #	Name of entity	AIR Para #	Amount
1	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (ADB)	05	525.500
2	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AIIB)	04	2000.00

3	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AFD)	04	220.710
Total			2746.21

Audit is of the view that the selection of the site on disputed land may create a hindrance in the progress of the project.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

The matter is reported for justification besides fixing responsibility on the person(s) at fault.

33.5.5 Non-recovery of mobilization advance – Rs 2478.833 million

Rule-20 of Sindh financial Rules, Volume-I, states “In respect of work above Rs 2.5 million, the contractor may be allowed by the authority competent to accept the tender, a mobilization advance up to 15% of the tendered amount, subject to the following conditions:

- The contractor shall, before obtaining the advance, furnish a guarantee in Form 20-A.
- The contractor shall pay interest at the rate of 10% per annum on the advance”.
- The advance is required to be allowed in case of purchase of heavy machinery from abroad.

During audit of following offices of Transport and Mass Transit Department, Government of Sindh for the financial year 2022-23, it was observed that mobilization advance of Rs 2478.833 million was not recovered till the date of 30th June 2023. Non-recovery of mobilization advance stands unjustified and extension of undue favor to the contractor. The details are given as under:

(Rs.in Million)

Sr. #	Name of entity	AIR Para #	Amount
1	Karachi Bus Rapid Transit	13	1377.130

	Red Line Project (BRT), Karachi (ADB)		
2	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AIIB)	09	523.309
3	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AFD)	10	578.394
Total			2478.833

Audit is of the view that the above irregularity indicates that the undue favor was extended to the contractor.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit requires justification, besides fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21 and 2022-23, vide para number 30.5.7 and 35.5.25, respectively having financial impact of Rs 215.871 million. Recurrence of same irregularity is a matter of serious concern.

33.5.6 Irregular award of work – Rs 1,827.000 million

Para-2 (1)(q) of general provisions of SPPRA Rules, 2010, “Collusive Practice” means any arrangement between two or more parties to the procurement process or contract execution, designed to achieve with or without the knowledge of the procuring agency to establish prices at artificial, noncompetitive levels for any wrongful gain.

During audit of following offices of Transport and Mass Transit Department, Government of Sindh for the financial year 2022-23, it was observed that that Rs 1,827.000 million was spent on plumbing and mechanical works at lumpsum quantity for Malir and Mosamiyat. Notably, the works for Malir (Rs 1,150 million) and Mosamiyat (Rs 880 million) were awarded on a lumpsum basis without the availability of detailed estimates, drawings, designs, or rate analyses. The

contractor's offering of the same rate as in the engineer's estimate raised concerns about the possibility of collusive practices in the procurement process. The details are given as under:

(Rs.in Million)

Sr. #	Name of entity	AIR Para #	Amount
1	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (ADB)	12	1015.00
2	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AIIB)	08	385.700
3	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AFD)	09	426.300
Total			1827.000

Audit is of the view that the works for both s were required to be executed on detail design and estimates instead of lumpsum basis and quoting rates by the contractor same as in engineer's estimate indicates chances of collusive practice.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit requires justification besides fixing responsibility on the person(s) at fault.

33.5.7 Non-start of work of bio-gas plant – Rs 1,620.070 million

As per Article 84 of Audit Code, it is an essential function of the Audit to bring to light not only 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 Karachi Bus Rapid Transit Red Line Project (BRT-ADB), Karachi for the financial year 2022-23, review of the PC-I and relevant documents revealed that provision of Bio-gas plant for waste-to-fuel was made in the PC-I. The funding was to be made by the ADB and the co-financers for Rs 1,620.070 million. However, on the visit of the Secretary, Transport & Mass Transit Department on 21-06-2023, it was pointed out that a cattle market is established on the land allotted for bio-gas plants. Further, despite a lapse of sufficient time, development work has not been started.

Audit is of the view that the management did not prioritize the work of development of bio-gas plant due to which work could not be started on the site.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit requires justification, besides fixing responsibility on the person(s) at fault.

(AIR#15)

33.5.8 Irregular award of work of construction of Malir Depot without possession of land – Rs 1174.534 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 following offices of Transport and Mass Transit Department, Government of Sindh for the financial year 2022-23, it was observed that the work of Construction of Malir Depot was awarded to the contractor M/s Zahir Khan & Brothers at cost of Rs 1174.534 million. However, it was surprising to note that the work was awarded before taking over land. Further, detailed estimate and survey report were also not provided to audit. The details are given as under:

(Rs.in Million)

Sr. #	Name of entity	AIR Para #	Amount
1	Karachi Bus Rapid Transit Red Line Project	07	652.519

	(BRT), Karachi (ADB)		
2	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AIIB)	05	247.957
3	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AFD)	05	274.058
Total			1174.534

Audit is of the view that the above irregularity indicates that the start of the project without taking over land may create significant risk on smooth implementation of the project.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit requires justification besides fixing responsibility on the person(s) at fault.

33.5.9 Wasteful expenditure on design / drawing of BRT – Rs 1153.00 million

As per Article 84 of Audit Code, it is an essential function of the Audit to bring to light not only 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 Karachi Bus Rapid Transit Red Line Project (BRT-ADB) Karachi for the financial year 2022-23, it was observed that funds amounting to Rs 1.187 billion were provided (PDA loan No. 6008-PAK Rs 1.153 billion + GoS Rs 34.414 million) for design of BRT to three consultancy firms. However, it was noted that their work could not be completed and became redundant, as the vital part of the work was not performed. Later, on start of the project of Karachi Bus Rapid Transit Red Line, the consultancy work was again awarded. Thus, wasteful expenditure was incurred initially on design.

Audit is of the view that the wastage of expenditure occurred due to lack of management control on the activities of the project.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

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

(AIR#17)

33.5.10 Excess payment for execution over the progress report – Rs 289.372 million

As per Article 84 of Audit Code, it is an essential function of the Audit to bring to light not only 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 following offices of Transport and Mass Transit Department, Government of Sindh for the financial year 2022-23, it was observed that the consultant intimated progress of 4.3% in the month of June 2023. But, despite low achievement, the consultant was paid more than the actual achievement. Thus, excess expenditure of Rs 289.372 million was incurred. The details are given as under:

(Rs.in Million)

Sr. #	Name of entity	AIR Para #	Amount
1	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (ADB)	23	160.760
2	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AIIB)	15	61.091
3	Karachi Bus Rapid Transit Red Line Project	14	67.521

	(BRT), Karachi (AFD)		
Total			289.372

Audit is of the view that management made excess payment over the actual progress.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

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

33.5.11 Non-recovery of various taxes at applicable rates – Rs 178.549 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.

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%

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”. 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 @ 3% of the value in addition to the rate specified in Section 3(1).

During audit of following offices of Transport and Mass Transit Department, Government of Sindh for the financial year 2022-23, it was observed that an amount of Rs 178.549 million was not deducted at applicable rates on account of income tax, Sindh sales tax, general sales tax & stamp duty while making payments to contractors.

(Rs. in Million)

Sr. #	Name of entity	Financial Year	AIR Para #	Particulars	Amount
1	Secretary Transport & Mass Transit Department, Karachi	2022-23	02	SST	12.320
			23	GST	0.075
			24	SST	1.838
2	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AIIB)	2022-23	14	Stamp Duty	6.559
3	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (ADB)	2022-23	01	Income Tax	140.563
		2022-23	10	GST	7.261
4	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AFD)	2022-23	01	Stamp Duty	9.933
Total					178.549

Audit is of the view that non-recovery of taxes resulted in a financial loss to the government exchequer.

The matter was reported to the management during August 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends recovery may be affected besides fixing responsibility on the person(s) at fault. In addition, special training courses on taxes may be arranged for the management with FBR and SRB.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21 and 2022-23, vide para number 30.5.4 and 35.5.32, respectively having financial impact of Rs 85.059 million. Recurrence of same irregularity is a matter of serious concern.

33.5.12 Irregular payment on account of reinforcement steel – Rs 100.732 million

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 has to be tested and should be up to the standards.

During audit of following offices of Transport and Mass Transit Department, Government of Sindh for the financial year 2022-23, it was observed that an expenditure of Rs 100.732 million was incurred on reinforcement of Steel; however, laboratory test to assess the strength of desired standard was not conducted. Further, consumption of steel was also not available. In the absence of laboratory test results and consumption of steel, the expenditure stands irregular. The details are given as under:

(Rs. in Million)

Sr. #	Name of entity	AIR Para #	Amount
1	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (ADB)	21	55.961
2	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AIIB)	13	21.268
3	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AFD)	12	23.503

Total	100.732
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Audit is of the view that due to above, the authenticity of the expenditure cannot be ensured.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends justification besides fixing of responsibility against the persons at fault.

33.5.13 Undue favour to the consultant – Rs 42.710 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 Karachi Bus Rapid Transit Red Line Project (BRT-ADB), Karachi for the financial year 2022-23, it was observed that an expenditure of Rs 42.710 million was incurred on account of facilities to the Engineer (consultant) for establishing offices under the work “Package-2 Numaish to Mosamiyat KM 0+000 to 12+850” awarded to the contractor CR3-AM Associates JV. Review of the detailed items of work disclosed that various items of work were luxurious and were required to be borne by the consultant.

Audit is of the view that the above irregularity indicates that undue favor was extended to the consultant.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit requires justification, besides fixing responsibility on the person(s) at fault.

(AIR#08)

33.5.14 Irregular expenditure on construction of camp office – Rs 39.349 million

According to Rule-23 of Sindh Financial Rules, Volume-1, “As a general rule every payment including repayment of money previously logged with Government for whatever purpose must be supported by the voucher setting forth full and clear particulars of claim”.

During audit of following offices of Transport and Mass Transit Department, Government of Sindh for the financial year 2022-23, it was observed that an amount of Rs 39.349 million was incurred on account of construction of camp office for employee & engineer. However, details estimate, rate analysis, design & drawing and detail measurement were not available. The details are given as under:

(Rs. in Million)

Sr. #	Name of entity	AIR Para #	Amount
1	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (ADB)	11	21.861
2	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AIIB)	07	8.307
3	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AFD)	08	9.181
Total			39.349

Audit is of the view that the above irregularity indicates weak internal controls in the project.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit requires justification, besides fixing responsibility on the person(s) at fault.

33.5.15 Non-disclosure of removed trees – Rs 38.250 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 Transport and Mass Transit Department, Government of Sindh for the financial year 2022-23, it was observed that an amount of Rs 38.250 million was incurred on account of removing 4664 trees. However, the whereabouts of the removed trees were not disclosed. The details are given as under:

(Rs.in Million)

Sr. #	Name of entity	IR Para #	A mount
1	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (ADB)	9	2 1.250
2	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AIIB)	2	8 .075
3	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AFD)	1	8 .925
Total			3 8.250

Audit is of the view that non-disclosure of utilization of the removed trees indicates weak internal controls in the project.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends that the utilization of trees removed may please be provided, so that the authenticity of the expenditure may be ensured.

33.5.16 Unjustified payment for day work – Rs 29.822 million

As per Article 84 of Audit Code, it is an essential function of the Audit to bring to light not only 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 following offices of Transport and Mass Transit Department, Government of Sindh for the financial year 2022-23, review of the bills of the consultant PMCSC Min Consult SDN BHD JV revealed that an amount of Rs 29.822 million was paid for Day-work. It was observed that the same people were paid for daily work, who had already been working with consultants. There was no need to hire the same people for day work. The details are given as under:

(Rs.in Million)

Sr. #	Name of entity	AIR Para #	Amount
1	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (ADB)	31	16.568
2	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AIIB)	19	6.296
3	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AFD)	20	6.958
Total			29.822

Audit is of the view that the above irregularity indicates undue favor was extended to the consultant in shape of payment for day-work.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends for provision of justification, besides fixing responsibility on the person(s) at fault.

33.5.17 Undue favor to the consultant – Rs 22.500 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 Secretary Transport & Mass Transit Department, Government of Sindh, Karachi for the financial year 2022-23, it was observed that an amount of Rs. 22.5 million was paid as liability to M/s. EY FORD RHODES, M/s HAIDER MOTA & CO. and M/S EXPONENT ENGINEERS (PRIVATE) for Transaction Advisory Services for Sindh Intra District Peoples Bus Service Project for Karachi, Hyderabad, Sukkur, Larkano Mirpurkhas & Shaheed Benazir Abad. The following observation were noticed:

The contract for Transaction Advisory Services for Sindh Intra District Peoples Bus Service was made 27 July 2020 for an amount of Rs 45.000 million. As per Schedule “D” of the agreement all the activities should be completed within four months from the date of execution of the contract. Finance Department, Government of Sindh allocated Rs 45.0 million during the financial year 2020-21. During the financial year 2020-21 a payment of Rs 22.500 million was made to the consultant and the remaining amount of Rs22.500 million was surrendered as the consultant failed to complete the tasks within the stipulated time.

During 2022-23 after laps of almost 2 years the remaining amount was paid to the consultant. The Department letter No.So(G)/SIDPBSP/2020-21 dated 31-01-2023 requested the Finance Department to release the remaining payment of Rs. 22.5 million to the Consultant giving reason of delay as unforeseen events such as lockdown in the world including China. The reason of delay is not justified as lockdown in China has no direct relation with the consultancy services in Pakistan. It is further added that the Lockdown was not unforeseen event as the contract was

made on 27 July 2020, by that time the world was facing the pandemic of Corona virus and lockdowns.

Audit is of the view that undue financial aid was provided to the consultant.

The matter was reported to the management during August 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit requires inquiry and fixing of responsibility upon person(s) at fault.

(AIR#32)

33.5.18 Excess execution of work over the estimates – Rs 50.100 million

As per Clause 38 of the standard Contract Agreement “The quantities shown in the tender are approximate and no claim shall be entertained for quantities of work executed being 30% more or less than those entered in the tender or estimate”.

During audit of Karachi Bus Rapid Transit Red Line Project (BRT-ADB), Karachi for the financial year 2022-23, it was observed that an amount of Rs 50.100 million was paid to the contractor for the item of work “Drilling for bore-holes for cast in place piles using (rotary method”. In different locations under the work “Lot 2: Numaiish to Mosamiat, KM 0+000 to 12+850” executed in excess of the engineer’s estimate. The execution of item of work more than 30% stands irregular.

Audit is of the view that excess execution of item of work more than 30% indicates that the provision for the item was not based accurately.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit requires provision of justification besides fixing responsibility on the person(s) at fault.

(AIR#18)

33.5.19 Abnormal high rates paid for day work – Rs 19.950 million

As per Article 84 of Audit Code, it is an essential function of the Audit to bring to light not only 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 following offices of Transport and Mass Transit Department, Government of Sindh for the financial year 2022-23, it was observed that an expenditure amounting to Rs 19.950 million was incurred on account of day work. However, the payment was made to the consultant for the people already working with consultant. Further, the payment for day work was made at abnormally higher rates. There was no justification for payment at such abnormal rates. The expenditure, therefore, stands unjustified. The details are given as under:

(Rs.in Million)

Sr. #	Name of entity	AIR Para #	Amount
1	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (ADB)	24	11.083
2	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AIIB)	16	4.212
3	Karachi Bus Rapid Transit Red Line Project (BRT), Karachi (AFD)	15	4.655
Total			19.950

Audit is of the view that the payment of day work at such abnormally high rates indicates that undue favor was extended to the consultant.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

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

33.5.20 Recovery due to non-provision of busses by the contractor as per agreement – Rs 14.964 million

In terms of the contract agreement made between Sindh Transport and Mass Transit Department and M/s Deen Muhammad and Sons the contractor was bound to provide busses with the sitting capacity of 60/100 passengers and the model of the bus should be after 2000.

During audit of Secretary Transport & Mass Transit Department, Government of Sindh, Karachi for the financial year 2022-23, it was observed during online verification of vehicles (list of vehicles provided by the department) that six vehicles out of thirty-eight were not busses rather they are four-seater cars. It is a clear violation of the agreement. Thus, amount of six vehicles amounting to Rs14,964,314 (94,773,989x6/38) is recoverable from the contractor.

Sr.	Vehicle	Type of vehicle as per	Type as per online	Model
1	BSA-421	Hino Bus/2009	Toyota (4 Seater Car)	2020
2	P-0623	Bedford Bus/1975	Toyota (4 Seater Car)	1992
3	P-0348	Bedford Bus/1986	Toyota (4 Seater Car)	1976
4	P-1244	Bedford Bus/1978	Toyota (4 Seater Car)	1975
5	BSA-586	Hino Bus/2004	Suzuki Alto (4 Seater Car)	2019
6	P-0024	Dodge/1971	Honda (4 Seater Car)	1985

Audit is of the view that due to non-provision of buses as per agreement government sustained loss of the said amount. It also showed that there was no mechanism of monitoring and physical verification of the vehicles provided by the contractor.

The matter was reported to the management during August 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit requires recovery of amount paid to the contractor and same may be deposit into government treasury account under intimation to audit.

(AIR#04)

33.5.21 Irregular payment to load testing on pillar and beams – Rs 12.500 million

As per Article 84 of Audit Code, it is an essential function of the Audit to bring to light not only 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 Karachi Bus Rapid Transit Red Line Project (BRT-ADB), Karachi for the financial year 2022-23, it was observed that an expenditure amounting to Rs 12.500 million was incurred up to IPC-3 on account of Pillar & Beams. However, load testing reports were not available on record.

(Rs. in Million)

Name of work	Tests	Locations	Amount
Lot 2: Numaish to Mosamiat, KM 0+000 to 12+850	Load Testing Reports	New town flyover	2.500
		Askari park flyover	2.500
		Bait-ul-Mukarram flyover # 1	2.500
		Bait-ul-Mukarram flyover # 2	2.500
		KU elevated U-turn	2.500
Total			12.500

Audit is of the view that due to above, the authenticity of the expenditure cannot be ensured.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit recommends provision of justification besides fixing of responsibility against the persons at fault.

(AIR#22)

33.5.22 Suspicious double payment to consultant – Rs 8.378 million

As per Article 84 of Audit Code, it is an essential function of the Audit to bring to light not only 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 Karachi Bus Rapid Transit Red Line Project (BRT-AFD), Karachi for the financial year 2022-23, on review of consultant M/s Min Consult SDN BHD JV and the contractor CR3-AM Associates JV, it was revealed that payment of Rs 1.990 million was made to the contractor under various heads for consultant (Engineer) while payment for various purposes was made to the consultant directly for Rs 8.378 million. The payments made to the contractor for the consultant's engineer create suspicion for double payment, as the payments have also been made to the consultant for the same purposes. The details are given as under:

(Amount in Rupees)

Name of work	Contractor	IPC / Inv.	Cheque # & Date	Amount (M)	Expenditure / Provision	Amount
Lot 2: Numaish to Mosamiat, KM 0+000 to 12+850	CR3-AM Associates JV	03	366531 06-03-2023	20.098	Fixed cost	1,000,000
					Running Cost	550,000
					Office Boy	440,000
					Total	1,990,000
Consultancy charges	Min Consult SDN BHD JV	18	February 2023	--	Cost of office equip. rentals for IT related & Furniture office/residency & other expenses etc.	8,378,288

Audit is of the view that the payments made to the consultant directly and to the contractor for consultant's engineer creates suspicion for double which requires justification.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

The matter is reported for justification besides fixing responsibility on the person(s) at fault.

(AIR#19)

33.5.23 Late payment for escalation charges – Rs 8.180 million

As per Article 84 of Audit Code, it is an essential function of the Audit to bring to light not only 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 Karachi Bus Rapid Transit Red Line Project (BRT-ADB), Karachi for the financial year 2022-23, it was observed that an amount of Rs 8.180 million was paid to the consultant Min Consult SDN BHD JV and contractor CR3-AM Associates JV for financial charges on delayed payments. There is no justification for payment of financial charges as sufficient funds were available for the project.

(Rs. in Million)

Delayed Payment of Contractor	Claim of Consultant	Claim of Contractor	Total
343.808	3.768	4.412	8.180

Audit is of the view that the payment financial charges indicate weak financial controls in the project.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

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

(AIR#25)

33.5.24 Undue favor to the contractor – Rs 2.975 million

According to Appendix 18-A of Sindh Financial Rules, 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 Karachi Bus Rapid Transit Red Line Project (BRT-AFD), Karachi for the financial year 2022-23, it was observed that various works of Rs 2.975 million were awarded to the single contractor. Moreover, the quotation was obtained only single contractor/ vendor instead of competitive contractors which shows resulted undue favor to contractor. The details are given as under:

(Rs.in Million)

Sr. #	BPV- No	Cheque No & Date	Head of Account	Name of Supplier	Amount
1	75	91247528 dt 06.10.22	Printing & Stationery	M/s Awanti Traders Karachi	1,003,534
2	307	32358536 dt 14.04.23	Printing & Stationery	M/s Awanti Traders Karachi	794,434
3	322	32358550 dt 14.04.23	Printing & Stationery	M/s Awanti Traders Karachi	1,177,650
Total					2,975,618

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

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

(AIR#21)

33.5.25 Non-achievement of targets of the project

As per PC-I, Implementation Plan, the following activities were required to be started & completed as per given schedule below.

Activity ID	Activity Name	Implementation Plan
5	Preparation of Detailed Engineering Design, Detailed Operations Plan and Financial Model, and other preparatory works	From 1-03- 2020 to 21-03-2021
6	Bid Process for Selection of Contractor	From 1-03- 2021 to 29-07-2021
7	Private BRT Operator	From 30-12-2021 to 30-06-2023
9	Construction Contract Award	14-06-2021 to 29-07-2021
10	Construction Phase	From 30-07-2021 to 30-01-2025

During audit of Project Director, Karachi Mobility Project for the financial year 2022-23, it was observed that management did not perform well to achieve the assigned targets. The status of activities in respect of the project is listed below.

Activity ID	Activity Name	Implementation Plan	Current Status upto F.Y2022-23
5	Preparation of Detailed Engineering Design, Detailed Operations Plan and Financial Model, and other preparatory works	From 1-03-2020 to 21-03-2021	No such design, plan & model were prepared
6	Bid Process for Selection of Contractor	From 1-03-2021 to 29-07-2021	Bidding process has not yet started upto June 2023
7	Private BRT Operator	From 30-12-2021 to 30-06-2023	No private BRT operator was hired
9	Construction Contract Award	14-06-2021 to 29-07-2021	No construction work was awarded

Activity ID	Activity Name	Implementation Plan	Current Status upto F.Y2022-23
10	Construction Phase	From 30-07-2021 to 30-01-2025	No such phase was started

The targets of the project were not achieved due to weak internal controls. Hence due to non-implementation of assigned activities, there is a high chance of cost over run.

The matter was reported to the management during August 2023, the management replied that PC-I prepared based on detailed design does not suffer in terms of target achievement. However, in the case of preliminary design based on PC-I have variations in the achievements of targets mentioned in PC-I. Reply of the management was not tenable as the target was not achieved on time. Despite written requests DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends to speedup project activities as planned.

(AIR#01)

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23, vide para number 35.5.16, having no financial impact. Recurrence of same irregularity is a matter of serious concern.

33.5.26 Compromised quality of work due to failed laboratory test report

As per Article 84 of Audit Code, it is an essential function of the Audit to bring to light not only 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 Karachi Bus Rapid Transit Red Line Project (BRT-ADB), Karachi for the financial year 2022-23, review of the quarterly test reports 07, issued from the consultant PMCSA dated 02-08-2023 disclosed that the results of following tests were failed. These results of the tests indicate that during execution of the work, due care was not taken. It creates a question mark on the quality of the work.

Sr. #	Tests	Result
1	Concrete Test Result 7-days for all type	Fail - 02
2	Field Density Test	Fail – 32

Audit is of the view that the test results create doubts about the quality of the work.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests no DAC meeting was convened by the PAO till the finalization of this report.

Audit requires justification and evidence to ensure the achievement of desired quality of the work.

(AIR#06)

Chapter - 34
Universities & Boards

34.1 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).

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	25	4	8,652.716	3,712.435
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

34.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rs. in Million)

Original Budget/ Grant	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variation Excess/ (Savings)
14,877.149	0.001	2,991.301	(2,991.301)	(4,922.446)	9,954.704	7,326.503	(2,628.201)

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 2,628.201 million was observed which was not surrendered in time.

34.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 11,492.138 million were raised as a result of this audit. This amount also includes recoverable of Rs 3,810.956 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-production of record	748.592
2	Reported cases of fraud, embezzlement, and misappropriation	-
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	1,120.975
B	<i>Procurement related irregularities</i>	907.105
C	<i>Management of Accounts with Commercial Banks</i>	1,596.961
4	Value for money and service delivery issues	-
5	Others	7,118.505

34.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. 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 9%.

Sl. 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	11	8	3	72.72
3	1999-2000	40	0	0	0	-
4	2001-02*	12	5	0	5	-
5	2004-05*	33	27	0	27	-
6	2005-06	23	6	0	6	-
7	2006-07	16	14	0	14	-
8	2007-08	18	8	0	8	-
9	2008-09	19	14	0	14	-
10	2009-10	27	2	0	2	-
11	2010-11	15	15	0	15	-
12	2014-15	0	0	0	0	-
13	2016-17	09	6	3	6	33.33
Total		263	118	11	110	9

34.5 AUDIT PARAS

A- Boards

34.5.1 Non-production of auditable record – Rs 36.000 million

Section 14 (2) and (3) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provides 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.” And “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 Universities & Boards Department, Government of Sindh, for the financial years 2021-22 to 2022-23, it was observed that the management did not produce the auditable record despite repeated requisitions. Due to non-production of record, the accounts amounting to Rs 36.000 million remained unaudited. The details are given as under:

(Rs. in Million)

Sr. #	Name of Formation	Financial Year	AIR Para #	Description	Amount
01	Chairman Board of Intermediate and Secondary Education, Hyderabad	2021-22	1	Non-production of various auditable record	0
02	Managing Director, Sindh Technical Education & Vocational Training Authority, Karachi	2021-22	1	Non-production of various auditable record	36.000
		2022-23	1	Non-production of various auditable record	0
03	Secretary Boards & Universities Department Government of Sindh, Karachi	2022-23	1	Non-production of various auditable record	0
Total					36.000

Audit is of the view that non-production of record is a serious lapse on the part of management. In this way management does not extend cooperation with audit. This non-cooperative attitude resulted in waste of precious time and resources.

The matter was reported to management during the period January to November, 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends production of auditable record, besides initiating disciplinary proceedings against the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23, vide para number 31.5.1, 31.5.1 and 36.5.1, respectively having financial impact of Rs 12,927.180 million. Recurrence of same irregularity is a matter of serious concern.

34.5.2 Unauthorized payment of inadmissible allowances – Rs 645.818 million

As laid down in Rule-28 of General Financial Rules, Volume-I states that, “No amount due to Government should be left outstanding without sufficient reasons and where any dues appear to be irrecoverable, the orders for their adjustment must be brought. According to Finance Division (Regulation Wing) office Memorandum # F.4(2)R-S/05 dated 13-08-2005 state that “the scheme of revised Basic Pay Scale as well as revised pension/commutation scheme will also be applicable as package to employees of autonomous/semi-autonomous bodies and corporation which have adopted the Federal Government Basic Pay Scale/Pension scheme tactility” according to revised basic pay scale only conveyance allowance at the Prescribed rate is admissible to employees in BPS-1 to 16 (Non-Gazetted) for late sitting after office hours.

During audit of various offices of Universities & Boards Department, Government of Sindh, for the financial years 2021-22 to 2022-23, it was observed that various allowances of Rs 645.818 million were paid to the officers/officials which were not admissible to them. These unauthorized payments resulted extra burden on the exchequer of the boards. The details are given at Annex-1 of Chapter-34.

Audit is of the view that institutions sustained loss due to payment of inadmissible allowances which indicates prevalence of weak administrative and financial management.

The matter was reported to the management during the period from January to November, 2023. The management replied for Para 02 That the efforts has been made for recovery of non-

practicing, non-teaching, conveyance and administrative allowances but the documentary evidence was not produced. Management further replied that the authority allowance was allowed with the approval of BOG but the supporting documents were not furnished.

Audit recommends stoppage of inadmissible allowances forthwith and recovery of previous payments besides fixing responsibility at person(s) on fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23, vide para number 31.5.7, 31.5.5 and 36.5.13, respectively having financial impact of Rs 1917.73 million. Recurrence of same irregularity is a matter of serious concern.

34.5.3 Non adjustment of advances to employees - Rs 42.829 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. "According to Para-28 of General Financial Rules Volume-I states, "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 offices of Universities & Boards Department, Government of Sindh, for the financial years 2021-22 to 2022-23, it was observed that management granted advances totaling Rs 42.829 million to employees for various works and personal reasons. However, these advances were not adjusted even after a significant period, some cases extending beyond a year. Furthermore, an advance of Rs 2,000,000 was drawn to prevent fund lapses, and employees failed to complete assignments on time, negatively affecting day-to-day operations. The prolonged retention of funds without adjustment raised concerns about potential misuse for personal gains. Additionally, the irregular practice of allowing advances in cash instead of a crossed cheque and making payments directly to employees instead of vendors violated government rules. . The details are given as under:

(Rs.in Million)

Sr. #	Name of Formation	Financial Year	AIR Para #	Description	Amount
01	Chairman, BISE, Hyderabad	2021-22	12	Non-adjustment of advances	24.352

(Rs.in Million)

Sr. #	Name of Formation	Financial Year	AIR Para #	Description	Amount
02	Chairman, BISE Larkano	2021-22	11	Un-authorized payment of GP fund 2 nd advance	0.187
			12	Non-adjustment of advances	3.280
			19	Non-adjustment of advances	3.275
03	Managing Director, Sindh Technical Education & Vocational Training Authority, Karachi	2021-22	16	Cheque issued to employees instead of vendor	2.005
04	Secretary, Benazir Bhutto Shaheed Human Resource Research & Development Board, Karachi	2022-23	13	Irregular Advances.	5.127
			24	Withdrawal of funds in advance to avoid lapse	2.000
05	Chairman, Sindh Board of Technical Education Karachi	2018-19 to 2022-23	19	Non adjustment of advances paid to employees.	2.603
Total					42.829

Audit is of the view that advances to the employees was an undue favor and loss to the board's exchequer.

The matter was pointed out to the management in the months of January to November, 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends an early stoppage of such practice besides fixing of responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-22 and 2022-23, vide para number 31.5.65 and 36.5.69, respectively having financial impact of Rs 913.360 million. Recurrence of same irregularity is a matter of serious concern.

34.5.4 Irregular hiring and payment to consultants - Rs 14.294 million

As per “Rule 61; Selection of Consultancy Services” of SPPR 2010, 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 following offices of Universities & Boards Department, Government of Sindh, for the financial year 2022-23, it was observed that an amount of Rs 14.294 million was paid to various consultants without competitive process, and sanctioned posts. Furthermore, legal and tax consultant was hired instead of availing government platform i-e Advocate General and imparting training to own employees in taxation matters. The details are as under:

(Rs. in Million)

S.#	Name of office	Financial Year	AIR Para #	Description	Amount
01	Managing Director, Sindh Technical Education & Vocational Training Authority, Karachi	2021-22	10	Legal Consultants were hired irregularly.	3.403
		2022-23	12	Legal Consultants were hired without sanctioned post.	9.376
02	Chairman, Sindh Board of Technical Education, Karachi	2022-23	22	Hiring of IT Consultant.	1.400
			32	Expenditure on tax consultation services.	0.115
Total					14.294

Audit is of the view that the consultants have been extended undue favor without adopting proper procedure of hiring. Hence, audit could not authenticate the expenditure on the procurement of the services of consultants.

The matter was reported to management during the period from to January to November, 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit requires the justification regarding the hiring of consultants, besides fixing the responsibility on the persons at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-22 and 2022-23, vide para number 31.5.9 and 36.5.20, respectively having financial impact of Rs 26.830 million. Recurrence of same irregularity is a matter of serious concern.

34.5.5 Irregular procurements of various items - Rs 267.873 million

Rule 12 (1) of SPPR 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 the audit of various offices of Universities & Boards Department, Government of Sindh, for the financial years 2021-22 to 2022-23, it was observed that the payment of Rs 267.873 million was made on account of various procurements without observing SPPRA rules. The details are given at Annex-2 of Chapter-34.

Audit is of the view that management incurred expenditure without observing SPPRA rules which indicate poor financial management and weak internal control.

The matter was reported to the management during January to January to November 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit requires strict compliance of government rules besides fixing the responsibility on the persons at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23, vide para number 31.5.12, 31.5.24 and 36.5.35, respectively having financial impact of Rs 1,564.320 million. Recurrence of same irregularity is a matter of serious concern.

34.5.6 Non-imposition of penalty on contractors – Rs 22.277 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 Managing Director, Sindh Technical Education & Vocational Training Authority, Karachi, for the financial year 2021-22, it was observed that various works were awarded to the contractors who failed to complete the same within stipulated time. Audit observed that penalty amounting to Rs 22.277 million was not imposed against the contractors.

(Rs.in million)

Sr . #	Voucher #. & Date	Name of Work	Contractor	A.D.S	S.D.C	Estimated Cost	Penalty
1	5/ 2-11- 2021	Establishment of GVTC Umerkot	M/S M. Bux Kumbhar & Co.	15-02-2018	15-02-2020	25,008,660	2,500,866
2	17/ 04-11- 2021	Repair & Renovation Work of GMI Pano Aqil	M/S S.K Company	15-02-2018	15-02-2021	40,329,675	4,032,968
3	31/ 15-11- 2021	Repair & Renovation of GIBCE, Azizabad, Karachi	M/S Kamdi Co, 5th RA	15-02-2018	15-02-2019	22,702,268	2,270,227
4	50/ 11-2021	Establishment of GVTC @ Imamabad Siyal, Naushahro Feroze	M/S R.K Construction & Co. 6th RA	15-02-2018	30-06-2021	25,048,611	2,504,861
5	58/ 11-2021	Re-Construction of Building GVI, Thatta	M/S Mascon 4th RA	28-10-2014	27-10-2017	35,453,381	3,545,338
6	60/ 12-2021	Modernization of GCT SITE Karachi	M/S Jiya Enterprises	2/2/2018	1/2/2020	66,104,025	6,610,403
7	62/ 12-2021	Reconstruction of Compound Wall and Guard room at GIBCE	M/S Wasif Ghafoor Engineering & Contractors	15-02-2018	15-02-2020	8,130,706	813,071
Total						222,777,326	22,277,734

Audit was of the view that non imposition of penalty was an undue favor to the contractors which reflects weak financial and administrative controls within board offices.

The matter was reported to the management in May-2023, but no reply was received. Despite written requests DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends justification into the matter besides taking remedial measures.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-22 and 2022-23, vide para number 31.5.66 and 36.5.77, respectively having financial impact of Rs 272.160 million. Recurrence of same irregularity is a matter of serious concern.

34.5.7 Irregular expenditure on repair of buildings – Rs 212.734 million

According to Para-146 of General Financial Rules Volume-I, Purchase/work orders should not be split up to avoid the necessity for obtaining the sanction of higher authority required with reference to the total amount of the orders.

During audit of various offices of Universities & Boards Department, Government of Sindh, for the financial years 2018-19 to 2022-23, it was observed that an expenditure of Rs 212.734 million was incurred on execution of civil works/ repair of buildings through splitting to avoid tender. Furthermore, basic formalities were not observed i-e NOC from Works & Services Department, purchases were made from general order supplier by not following scheduled rates, the contractor's ledger, security deposit register, repair register, T&P account, monthly accounts, etc were not prepared. The details are given at Annex-3 of Chapter-34.

Audit is of the view that the management deliberately avoided the services of Works & Services Department for the repair & maintenance of buildings. The repair work was given to general contractors without having required experience in the fields of civil works.

The matter was reported to the management during July to January to November, 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends compliance with prescribed rules & inquiry into the matter besides fixing of responsibility on the person(s) at fault for the negligence.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-22 and 2022-23, vide para number 31.5.123 and 36.5.105, respectively having financial impact of Rs 19.340 million. Recurrence of same irregularity is a matter of serious concern.

34.5.8 Non-adjustment of various advances paid to contractors - Rs 12.410 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 Universities & Boards Department, Government of Sindh for the financial year 2021-22, it was observed that an amount of Rs 12.410 million was paid to various contractors in advance but the same was not adjusted till the end of financial year for preparation of final account. The approval by the competent authority for the advance payments paid was also not provided. The details are as under:

(Rs.in million)

Sr. #	Name of Formation	Financial Year	AIR Para #	Particulars	Amount
01	Chairman Board of Intermediate and Secondary Education, Hyderabad	2021-22	13	Advance payments to contractors	2.490
02	Managing Director, Sindh Technical Education & Vocational Training Authority, Karachi	2021-22	27	Advance payments to contractors	9.920
Total					12.410

Audit is of the view that non adjustment of advances to the contractors till the close of financial year depicts weak internal control prevailing within organization.

The matter was reported to the management during the period from January to June 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23, vide para number 31.5.23, 31.5.5 and 36.5.69, respectively having financial impact of Rs 1,222.780 million. Recurrence of same irregularity is a matter of serious concern.

34.5.9 Loss of revenue due to non-recovery / deposit of taxes – Rs 141.060 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. 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. 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 audit of various offices of Universities & Boards Department, Government of Sindh, for the financial year 2018-19 to 2022-23, it was observed that an amount Rs 141.060 million of revenue against the various taxes either not deducted or not deposited into government treasuries/departments. The details are given at Annex-4 of Chapter-34.

Audit is of the opinion that due to non-deduction and deposit of taxes Government sustained loss of revenue.

The matter was reported to the management during the period from July to to December, 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends recovery of the Govt dues and credit of the same into Govt account besides fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-21, 2021-22 and 2022-23, vide para number 31.5.14, 31.5.42 and 36.5.74, respectively having financial impact of Rs 312.250 million. Recurrence of same irregularity is a matter of serious concern.

34.5.10 Irregular investments of Boards funds – Rs 930.515 million

According to 3 (b) of OM No. F.4(1)/2002-BR-II dated 2-7-2003 of Finance Division, Govt. of Pakistan that the process of selection of bank/(s) should be transparent. In case the total working balances exceed Rs.10 million, the selection of the bank/(s) as well as the terms of deposits will be approved by the concerned Board of Directors/Governing Body on the basis of competitive bids from at least three independent banks. Also read with para 06 stating that public sector entities would need to have an Investment Committees (IC) with defined investment approval authority. Transactions above the approval authority of the IC will be subject to approval of the Board of Directors or equivalent forum.”

During audit of following offices of Universities & Boards Department, Government of Sindh for the financial year 2018-19 to 2022-23, that management of the boards invested funds of Rs 930.515 million in different banks without competitive process and applying financial management tools i-e Rate of Return, earnings per share, return on equity, and total liabilities in comparison to total assets, etc. Furthermore, neither investment committee was formed nor was approval from senate / syndicate obtained. The details are given as under:

(Rs.in million)

Sr. #	Name of Formation	Financial Year	AIR Para #	Particulars	Amount
01	Chairman Board of Intermediate and Secondary Education, Hyderabad	2021-22	05	Investment in National Saving Certificates	47.769
02	Managing Director, Sindh Technical Education & Vocational Training Authority, Karachi	2022-23	23	Irregular investment of government funds	556.320
03	Chairman, Sindh Board of Technical Education, Karachi	2018-19 to 2022-23	3	Irregular investment of Board funds	162.957
			4	Non-disclosure of investment	162.957
			26	Investment of funds on lower offered rates	0.512
Total					930.515

Audit is of the view that management has violated the prescribed procedure of investment of funds in the banks. Only limited bank branches were approached via emails instead of head offices of the banks as to obtain wide range of offers for better rate of return.

The matter was pointed out to the management during January to November 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends the management to ensure compliance with government directives on investment of funds.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-21, 2021-22 and 2022-23, vide para number 31.5.18, 31.5.54 and 36.5.135, respectively having financial impact of Rs 6,137.710 million. Recurrence of same irregularity is a matter of serious concern.

34.5.11 Mishandling of dues/fees – Rs 267.764 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 Universities & Boards Department, Government of Sindh, for the financial year 2021-22, it was observed that an amount of Rs 267.764 million on account of various fees collected was mishandled. The details are as under:

(Rs.in million)

Sr. #	Name of Formation	Financial Year	AIR Para#	Particulars	Amount
1	Chairman, Board of Intermediate & Secondary Education, Hyderabad	2021-22	7	Unlawful collection of documentation charges in lieu of examination fee exempted by controlling office	206.426
		2021-22	8	Non collection of withheld fees	4.957

(Rs.in million)

Sr. #	Name of Formation	Financial Year	AIR Para#	Particulars	Amount
		2021-22	9	Irregular cash withdrawal instead of issuance of payee's cheques	1.868
		2021-22	14	Irregular deposit of various receipts into expenditure account	39.301
2	Chairman, Board of Intermediate & Secondary Education, Larkano	2021-22	07	Unjustified less fees collection of fees as compared to previous year	15.212
Total					267.764

Audit is of the view that management has mishandled the revenue /fees account which shows weak internal controls and lack of due diligence adopted by the officials concerned.

The matter was reported to the management during the period from January to June 2023, but no reply was received. Despite written requests DAC meeting was not convened by PAO till the finalization of this report.

Audit recommends corrective measures besides fixing responsibility against the persons at fault for their negligence and laxity.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-21, 2021-22 and 2022-23, vide para number 31.5.19, 31.5.59 and 36.5.50, respectively having financial impact of Rs 1,596.230 million. Recurrence of same irregularity is a matter of serious concern

34.5.12 Unjustified payment of Grant to Boards and Other institutions – Rs 2,066.853 million

The Guidelines issued by Finance Department vide No. FD/B&E-1/2(407)/ 2018-19, dt:18th April, 2019 pertaining to the Grants-in-aid provided to non-government entities and Government entities (Autonomous Bodies), states that:

Similarly, Govt. Entities (Autonomous Bodies) which are self-accounting entities are required to provide a copy of the Budget approved by their respective Boards, Utilization Report (Duly countersigned by the PAO) and Audit Reports. & APPM Rule 4.12.1.4 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.

During the audit of Secretary Boards & Universities, Govt. of Sindh, Karachi for the financial year 2022-23, it was observed that payment of Rs 2066.853 million was made to different boards as Grant without reconciliation of claims. Furthermore, appearance of 100% students in exams seems doubtful, moreover grant was made without observing the criteria for the payments of grants to the institutions. The details are as under:

(Rs. in Million)

Sr.#	Name of Formation	Financial Year	AIR Para #	Particulars	Amount
1	Secretary, Boards & Universities	2022-23	02	Payment of grant to Boards	2000.000
			03	Payment of grant to institutions	66.853
Total					2066.853

Audit is of the opinion that payment of grant without observing the government rules and payment of grant to private institutions indicate weak internal control and misuse of resources.

The matter was reported to the management in the month of September, 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends that grants be released to Boards as per directives of Finance Department, besides taking remedial measures.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022- 23, vide para number 36.5.93, having financial impact of Rs 46.470 million. Recurrence of same irregularity is a matter of serious concern

B- Sindh Higher Education Commission (SHEC)

34.5.13 Non-production of auditable record – Rs 712.592 million

Section 14 (2) and (3) of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provides 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.” And “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 universities falling under the administrative control of Sindh Higher Education Commission (SHEC), for the financial year 2021-22, it was observed that the management did not produce the auditable record despite repeated requisitions. Due to non-production of record, the accounts amounting to Rs 712.592 million remained unaudited. The details are given as under:

(Rs. in Million)

Sr.#	Name of office	Financial Year	AIR Para #	Particulars	Amount
1	Sukkur IBA University (SIBAU), Sukkur	2021-22	1	General Provident Fund (GPF)	425.933
2	Quaid-e-Awam University of Engineering, Sciences & Technology, Shaheed Benazirabad	2021-22	05	Record pertaining to appointment & promotion	254.553
3	Dow University of Health Sciences (DUHS), Karachi	2021-22	78	Record pertaining to Qarz-e-Hasna	25.543
			73	transportation of goods/boarding & lodging	1.685
			70	Record pertaining to Hazardous material	1.493

			72	training & development	1.051
4	Jinnah Sindh Medical University, Karachi	2021-22	21	Complete Record pertaining to Rent of Buildings/shops	2.334
5	DUET, Karachi	2021-22	01	Various record	0.00
Total					712.592

Non-production of record was violation of rules which rendered the expenditure unaudited.

The matter was reported to the management during the period from January to June 2023. The DAC meeting of Sukkur IBA was held on 03-01-2024 wherein the management replied that audited GPF record up to financial year 2021-22 is available. DAC directed to provide relevant record for verification but they provided partial record. The DAC meeting of DUHS, Karachi was held on 19-01-2024 wherein the management replied that record was produced at the time of audit which might has been mixed with other record / vouchers. However, same is being produced. DAC directed the management to provide relevant record to audit for verification. However, no progress was reported till finalization of this report.

Audit recommends that complete record of the expenditure be produced to audit in addition to initiation of disciplinary action against the persons responsible.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23, vide para number 31.5.1, 31.5.1 and 36.5.1, respectively having financial impact of Rs 12,927.180 million. Recurrence of same irregularity is a matter of serious concern.

34.5.14 Non-adjustment/recovery of advances paid to employees – Rs 334.791 million

As per Para 668 of 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”.

According to Para-28 of General Financial Rules Volume-I states, “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 various universities falling under the administrative control of Sindh Higher Education Commission (SHEC), for the financial years 2020-21 to 2022-23, it was observed that

advance payment amounting to Rs 334.791 million was made to various employees but the same was not adjusted/ recovered from the concerned. The details are given at Annex-5 of Chapter-34.

Audit is of the view that management has not adjusted advances which indicate weak internal controls. Further, chances of favoritism / misappropriation cannot be ruled out.

The matter was reported to the management during the period from January to June 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends discontinuation of practice of advances besides early adjustment or recovery of advances.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-22 and 2022-23, vide para number 31.5.65 and 36.5.69, respectively having financial impact of Rs 913.360 million. Recurrence of same irregularity is a matter of serious concern.

34.5.15 Un-justified excess payment of pay and allowances – Rs 80.874 million

Paragraph-3 of Higher Education Commission Islamabad, Letter No.1-11/HEC/A&C/2011/1006, Dated: December 19, 2011. State that “Moreover, HEC has been receiving queries from various provincial department /stakeholders on VC Salary Package. It is important to elucidate following aspects of VCs Salary Package.

- The Basic Salary of Vice Chancellor under the package has been equated with the professor on tenure track system. This salary package is ‘**all inclusive**’ and the incumbent will not be entitled to any no other allowances such as house rent allowance, conveyance allowance, utility allowance, Ph.D allowance etc. as admissible under BPS and MP scales except the Vice Chancellor Allowance @ 20% of the basic salary, transport and medical facility as per entitlement of BPS-22.
- The Basic salary of the Vice Chancellor appointed through search committee may be fixed at the level; he /she was drawing salary under BPS/MP Scale/TTS prior to the appointment as VC or at initial stage of TTS professor (whichever is higher). However, fresh appointment of the VCs previously working in the private sector may be made at the initial pay of the TTS.
- The VC will be eligible for annual increment on completion of one-year service from the date of his / her appointment as VC.

- The VCs salary package provides admissibility of Any Other Perk and privilege granted by the chancellor as deemed necessary under peculiar circumstances. The perks commonly refer to compensations in addition to normal salary that are offered economic security. The Factors considered under “Peculiar Circumstances” might be, (i) Remoteness of University, (ii) Compensation for bringing a person of international repute back to country, (iii) Incentive for setting milestones in strengthening management and academic standard of university etc.”

According to Higher Education Commission Islamabad, Letter No.1-11/Coord/2019/HEC/928/, Dated: October 22, 2021. Revised Tenure Track Pay Package is as under.

Category	Revised Tenure Track Pay Package w.e.f. 20-09-2021						Stages
	Existing TTS Salary Package			Revised TTS Salary Package			
	Minimum	Increment	Maximum	Minimum	Increment	Maximum	
Professor	292,500	14,300	507,000	394,875	19,305	684,450	15

During the audit of the Vice Chancellor, Shaheed Zulfiqar Ali Bhutto University of Law, Karachi for the financial year 2022-23, it was observed that Justice (Retired) Dr. Rana Muhammad Shamim was appointed as Vice Chancellor, Shaheed Zulfiqar Ali Bhutto University of Law for the period of 4 years vide Notification No. SO(U)/U&B/SZABUL/18-19/2019/1281 dated. 2nd September, 2019.

However, contrary to above mentioned Higher Education Commission, Islamabad order/notification for fixing pay of Vice Chancellor, The basic pay was fixed of Rs1,320,331 that was total emoluments as per Pension Roll Data Sheet available on record against/in support of fixation of basic pay instead of last drawn basic pay as per LPC (which was neither produced to audit nor the same was found available on record) the last drawn basic was workout based on prevailing basic pay of judges during FY2018-19. In addition, various allowances were also allowed which were not admissible as per above mentioned Higher Education Commission, Islamabad order/notification. As a result, excess payment of Rs 80,874 million was made to the concerned during the span (from 3rd September, 2019 to 2nd September, 2023) of his service in SZABUL due to wrong fixation of pay. Detail of pay and allowance paid during July 2023 to 2nd September, 2023, therefore Due and drawn difference of the same period was not included in above mentioned amount of excess payment.

The lapse on part of management indicates prevalence of weak internal controls within the department.

Audit is of the opinion that university sustained loss due to excess payment of inadmissible pay & allowances.

The matter was pointed out to the management in the month of December 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends the recovery of the amount involved besides strengthening internal control to ensure compliance of government orders.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23, vide para number 36.5.17, respectively having financial impact of Rs 193.828 million. Recurrence of same irregularity is a matter of serious concern.

(AIR#51)

34.5.16 Unjustified expenditure on account of Hajj of employees – Rs 2.369 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 Vice Chancellor, Jinnah Sindh Medical University, Karachi for the financial year 2022-23, it was observed that an expenditure of Rs 2.369 million was incurred on account of payment of Hajj of employees. The expenditure was irregular on a ground that university funds are not meant the property of the employees, it is actually the money which is obtained from the students and should be spent on the educational objectives. The details are given as under:

(Rs. in Million)

Payment Date	PV. No.	Description	Amount
30-Mar-2023	BPV - 276	Advance for release of Hajj 2023 funds in r/o Ms. Benazir and her mehram	2.330
12-Jun-2023	BPV - 91	Payment to internee for the months of April and May 2023 in r/o Mr. Shajee Naveed deputed in SIOHS for Six months	0.039

Total	2.369
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Audit is of the view that undue favor was extended to the employees in shape of allowing extra benefit of performance of Hajj, which resulted into financial burden on university exchequer.

The matter was pointed out to the management in the month of November, 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit requires justification of expenditure, besides fixing of responsibility on the person(s) at fault and other remedial measures.

(AIR#20)

34.5.17 Irregular expenditure without inviting tender – Rs 404.221 million

As per Rule 11(1) of SPPRA Rules 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”.

As per Rule 17(1) of SPPRA Rules 2010 “Procurements over three 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 universities falling under the administrative control of Sindh Higher Education Commission (SHEC), for the financial year 2020-21 & 2021-22, it was observed an expenditure of Rs 404.221 million was incurred on account of various procurement without inviting tender in violation of SPPRA rules. The details are given at Annex-6 of Chapter-34.

Audit is of the view that due to non-invitation of tender the competitive and economical rate could not be obtained which indicates prevalence of administrative and financial indiscipline within formations.

The matter was reported to the management during the period from January to June 2023. The DAC meeting was held on 3rd January 2024. Management at sr.# 2 (AIR#20), replied that the work was awarded to the second lowest bidder due to the first lowest bidder's refusal to commence work. DAC directed further clarification, and in support, management provided copies of work

orders and email correspondence but did not produce tender documents, technical and financial evaluation reports, and earnest money evidence. For Sr. 2 (AIR#10), management claimed adherence to prescribed procurement procedures, producing procurement plan copies, inspection reports, and tender documents, but lacked evidence of sales tax deduction and stock position. For Sr. 2 (AIR#13), management stated compliance with SPPRA guidelines, producing tender documents and inspection reports, but did not provide evidence of NIT hoisting and approved estimates. DAC directed to provide complete records for verification in both cases.

Audit recommends compliance of the DAC directives along with fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-22 and 2022-23, vide para number 31.5.26 and 36.5.31, respectively having financial impact of Rs 1228.857 million. Recurrence of same irregularity is a matter of serious concern.

34.5.18 Unauthorized transfer of money from assignment account to DDO accounts – Rs 1,143.512 million

According to Para 2 (VI) of revised procedure for operation of Assignment accounts circulated by Controller General of Accounts, Islamabad vide letter No.AC-11/1-39/08 Vol-V/632 dated 24-09-2014, "the officers holding Assignment Accounts will ensure that no money is drawn from these accounts unless it is required for immediate disbursement. Moneys will not be drawn for deposit into chest or any bank account. A certificate to this effect will be recorded on the Schedule of Payment mentioned in Para 2 (i) above. According to Rule 170-B (8) of Treasury Rules of the Federal Government, "It shall not be permissible to draw the whole amount authorized or part thereof and to place it in a separate account at the treasury or in a commercial bank."

During audit of Dow University of Health Sciences (DUHS), Karachi for the financial year 2021-22, it was observed that University authorities transferred an amount of Rs 1,143.512 million from NBP GoS Assignment Account No. A-52(250246) to DDO Accounts of UBL & Sindh Bank in violation of above rule that cheques for payment on account of purchase/supplies were not drawn in the name of contractors / suppliers. The details are given at Annex-7 of Chapter-34.

Moreover, as per Controller General of Accounts general policy, assignment accounts will be the part of Consolidated Fund. Amounts remaining unspent at the close of financial year will appear as savings under the respective budget grant surrendered in time. Unspent ceiling/balance in assignment accounts will not be carried forward in the next financial year. But the management of the university ignored the rules and general policy, transferred the amount into private banks for the next financial year without recording certificate and maintaining account as per above rule.

Audit is of the view that management of the University violated the rules of assignment account which may result in misappropriation/misuse of government funds. It indicates weak financial discipline and administrative controls of the management.

The matter was reported to the management in the month of February 2023, but no reply was received. The DAC meeting of DUHS, Karachi was held on 19-01-2024 wherein the management replied that Dow University of Health Sciences got recurring grant from Sindh Government through Health Department Government of Sindh during F.Y. 2021-22. University paid salaries of employees, Stipend of PG's through this grants which are essential for running University. DAC directed the management to provide relevant record to audit for verification. However, no progress was reported till finalization of this report.

Audit requires compliance with DAC directive.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21 and 2021-22, vide para number 31.5.17 and 31.5.34, respectively having financial impact of Rs 343.480 million. Recurrence of same irregularity is a matter of serious concern.

(AIR#36)

34.5.19 Concealment / misstatement of expenditure and balances – Rs 438.962 million

According to Appendix 18-A of Sindh Financial Rules, “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 Benazir Bhutto Shaheed University, Lyari for the financial year 2021-22, on scrutiny of utilization report, Bank statements and opening/closing balances of 16 bank accounts (provided by Finance wing), it was observed that accounts do not reflect true and fair financial position as total payment made as per Bank Accounts were Rs 1,146.000 million whereas total expenditure incurred as per utilization report and investment was Rs 707.038 million resulting into concealment of expenditure of Rs 438.962 million. Details are given as under:

(Rs. in Million)

Sr.#	Bank Account No.	Bank Name	Financial Year	Amount
01	09 number of accounts (list attached)	NBP	2021-22	601.866

02	07 number of accounts (list attached)	Sindh Bank		544.134
Total payment made as per Bank Accounts				1,146.000
Less Total expenditure incurred as per utilization report				(422.038)
Less Investments made				(285.00)
Total Payments made				707.038
Difference i.e. amount concealed or over stated expenditure				438.962

Due to concealment and misstatement of huge amount of revenue, expenditure and balances, the chances of its misuse and misappropriation may not be ruled out.

The matter was reported to the management in the month of April 2022 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit requires that the matter may be thoroughly investigated besides fixing the responsibility on the person(s) at fault.

(AIR #09)

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2021- 22, vide para number 31.5.35 having financial impact of Rs 127.508 million. Recurrence of same irregularity is a matter of serious concern.

34.5.20 Irregular cash withdrawals from bank account – Rs 12.205 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 drawl and disbursement of cash.”

During audit of Dow University of Health Sciences (DUHS), Karachi for the financial year 2021-22, it was observed that the management of the University incurred expenditure Rs 12.205 million under the head of account “Petty Cash” for various work i.e. Fuel of vehicles, R&M of Computer Hardware & Software, vehicles, Building, Other, Office Equipment, Furniture & Fixture, Generators (fuel for generators), Books Periodicals & Journals, Internet Charges, Laundry Expenses, Postage & Couriers, Plantation & Gardening and office supplies etc. The entire

expenditure was made in violation of government rules which states that payments may be directly credited to the payee/vendor against services rendered/goods supplied.

Moreover, cash/open cheques were drawn from bank to expense into the above-mentioned heads despite huge allocation of budget in all heads. Similarly, expenditure without specific object head was misclassification of expenditure in violation of rules, which resulted misappropriation of public money from one head to another to get the maximum benefit by extending undue favour to the staff/employees/suppliers.

Audit is of the view that management of the University violated the rule in making payments under various heads of accounts through issuance of open cheques as Petty Cash to allow undue benefit to staff/employees. It indicates poor financial management prevailing in the University.

The matter was reported to the management in the month of February 2023 but no reply was received. The DAC meeting of DUHS, Karachi was held on 19-01-2024 wherein the management replied that due to wide network of extending health care services and it has several collection points across Sindh. Their utility and electricity bills payments have to be paid in cash due to short deadlines of payments; then we have our operational units in different areas therefore their and Head office petty cash impress payments have to be made in cash. DAC directed the management to provide relevant record to audit for verification. However, no progress was reported till finalization of this report.

Audit requires compliance with DAC directive.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23, vide para number 31.5.25, 31.5.45 and 36.5.52, respectively having financial impact of Rs 143.391 million. Recurrence of same irregularity is a matter of serious concern.

(AIR#35)

34.5.21 Loss due to withholding of income tax against profit realized on various Bank Accounts – Rs 2.282 million

According to Income Tax Ordinance, 2001, Section-49. Federal [Government,] Provincial Government, and [Local Government] income. (1) The income of the Federal Government shall be exempt from tax under this Ordinance. (2) The income of a Provincial Government or a [Local Government] in Pakistan shall be exempt from tax under this Ordinance, other than income

chargeable under the head “Income from Business” derived by a Provincial Government or [Local Government] from a business carried on outside its jurisdictional area.

During the audit of the Vice Chancellor, Shaheed Zulfiqar Ali Bhutto University of Law, Karachi for the financial year 2022-23, it was observed that profit amounting to Rs 2.282 million was withheld from by various Banks. While being a provincial government organization not involved in trading or generation of income chargeable under the head “Income from Business”, SZABUL was exempted from the tax as per Income Tax Ordinance, 2001. As a result, University sustained financial loss.

The lapse on part of management indicates prevalence of weak internal controls within the department.

Audit is of the opinion that university sustained financial loss due to negligence on part of management.

The matter was pointed out to the management in the month of December 2023 but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends strengthening internal control besides taken up matter with FBR authorities to obtain exemption certificate for deduction of tax on profit earned on the funds available in bank accounts.

(AIR#08)

34.5.22 Excess payment over and above the due amount – Rs 2,078.047 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 various universities falling under the administrative control of Sindh Higher Education Commission (SHEC), for the financial year 2021-22 to 2022-23, it was observed that an amount of Rs 2078.047 million was paid in excess of due amount. The details are given at Annex-8 of Chapter-34.

Audit is of the view that Govt. sustained loss due to excess payment which reflects weak internal controls within the formations

The matter was reported to the management during the period from January to December 2023. The DAC meeting was held on 3rd January 2024 regarding office at Sr. #2. (AIR#25) management replied that the campus boundary wall tender was within its allocated provision. DAC directed for revision of PC-1. In support of reply, management produced the copy of PC-1, master plan, tender documents and final evaluation report. Management issued work order of boundary wall of Rs70.049 million and the provision of boundary wall in PC-1 is only Rs 0.600 million. Reply was not tenable as management failed to clarify the matter. (AIR#33) management replied that detailed rate analysis for each approved item by the competent authority is enclosed for review. DAC directed for revision of PC-1. Reply of management is not tenable as the extra items of work were not justified by the management. Documentary evidence regarding sanction/approval were not produced. (AIR#40) management replied that the payment was made as per the provision of PC-1 and the management decided to pay the excess amount of Rs.13.651 million from Sukkur IBA's own sources. DAC directed for revision of PC-1. Reply of management was not tenable as management accepted the observation but did not justify the matter of excess expenditure incurred beyond the PC-1 provision and recovery was also not made. Payment of development expenditure from recurring account was made without due care and approval of competent authority.

Audit recommends compliance of the DAC directives along with fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022- 23, vide para number 36.5.111 having financial impact of Rs 10.694 million. Recurrence of same irregularity is a matter of serious concern.

34.5.23 Mishandling of dues/fees – Rs 1,058.566 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 of audit of following Universities falling under the administrative control of Sindh Higher Education Commission (SHEC), for the financial years 2021-22 it was observed that fees collection of Rs 1,058.566 million was mishandled by way of cash withdrawals, improper revenue generation through sale of prospectus/form, non-reconciliation of receipts and non-collection of withheld fees The details are given as under:

(Rs. in Million)

Sr.#	Name of office	Financial Year	AIR Para #	Amount
1	Shah Abdul Latif University, Khairpur	2021-22	6	10.304
2	Jinnah Sindh Medical University, Karachi		21	974.08
			29	74.271
Total				1058.655

Audit is of the view that management has mishandled the revenue /fees account which indicated weak internal controls within the formations

The matter was reported to the management during the period from January to June 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends corrective measures besides fixing responsibility against the persons at fault for negligence and laxity.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-21, 2021-22 and 2022-23, vide para number 31.5.19, 31.5.59 and 36.5.50, respectively having financial impact of Rs 1,596.230 million. Recurrence of same irregularity is a matter of serious concern

34.5.24 Non-recovery of government dues – Rs 230.100 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 various Universities falling under the administrative control of Sindh Higher Education Commission (SHEC), for the financial years 2020-21 & 2021-22, it was observed that an amount of Rs 230.100 million on account of various government dues was not recovered/collected. As a result, government sustained financial loss. The details are given at Annex-9 of Chapter-34.

Audit is of the view that non-recovery of government dues by management indicates prevalence of weak internal controls and poor financial management practices in the department.

The matter was reported to the management during the period from January to June 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends recovery of the Govt. dues and credit of the same into Govt. account besides fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022- 23, vide para number 36.5.64 having financial impact of Rs 1045.630 million. Recurrence of same irregularity is a matter of serious concern.

34.5.25 Non-recovery of various taxes – Rs 139.127 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. 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 audit of various universities falling under the administrative control of Sindh Higher Education Commission (SHEC), for the financial years 2020-21 & 2021-22, it was observed that various taxes amounting to Rs 139.127 million were not/less deducted on account of procurement of various goods and services. The details are given at Annex-10 of Chapter-34.

Audit is of the view that due to non-recovery of taxes; the government was deprived of its revenue.

The matter was reported to the management during the period from January to June 2023, The DAC meeting was held on 3rd January 2024 regarding office at Sr. #7 (AIR#69) management replied that taxes were deducted as per rule DAC directed to provide record for verification. In support of reply, management produced the exemption notification of Sindh Sales Tax No. SRB-3-4/16/2016 dated 29-08-2016. However, as per notification of 01-09-2016, 13% tax rate was effective on construction services. Further, a certificate from the secretary of respective department

should be obtained for exemption benefits. (AIR#52) management replied that the auditor noted that the contractor's capital work was taxed, and the tax amount was covered from the project's revenue. DAC directed to provide record for verification. In support of reply, management produced the computerized payment receipt of tax. However, they did not produce the approval for payment of tax of capital component from revenue component.

Audit recommends compliance of the DAC directives along with fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2021-21, 2021-22 and 2022-23, vide para number 31.5.14, 31.5.42 and 36.5.74, respectively having financial impact of Rs 312.250 million. Recurrence of same irregularity is a matter of serious concern.

34.5.26 Non-adjustment of various advances paid to contractors – Rs 138.862 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 universities falling under the administrative control of Sindh Higher Education Commission (SHEC), for the financial year 2021-22, it was observed that an amount of Rs 138.862 million was paid to various contractors in advance but the same was not adjusted till the end of financial year for preparation of final account. The approval by the syndicate / senate for the advance payments paid was also not provided. The details are given as under;

(Rs. in Million)

Sr.#	Name of office	Financial Year	AIR Para #	Amount
1	Sukkur IBA University (SIBAU), Sukkur	2021-22	43	24.568
			35	21.409
			34	4.753
2	NED University of Engineering & Technology, Karachi		30	3.698
			32	14.790
3	Peoples University of Medical & Health Sciences, Shaheed Benazirabad		11	59.644

(Rs. in Million)

Sr.#	Name of office	Financial Year	AIR Para #	Amount
4	Shaheed Benazir Bhutto University Shaheed Benazir Abad		5	10.00
Total				138.862

Audit is of the view that amount paid to various contractors as advance was not adjusted till the end of financial year for preparation of final account which indicates poor internal controls within formations.

The matter was reported to the management during the period from January to June 2023. The DAC meeting was held on 3rd January. Management at sr. #1 (AIR#43) replied that complete recovery of advance from M/s RailCop through running bills, has been made. However, the reply was deemed not tenable as mobilization advance was paid before the contract agreement and without obtaining a bank guarantee. The payment vouchers, contractor bills, and adjustment details were not provided.

For AIR#35, management asserted that advance payments to vendors were reconciled upon goods delivery and properly accounted for, attaching vouchers and supporting documents. The DAC directed the management to provide records for verification. The response was considered not tenable as agreements were not constituted with four remaining suppliers, and verified bank guarantees were not produced.

Regarding AIR#34, management stated that funds were provided to the contractor with a bank guarantee, which was fully recuperated from ongoing invoices. The DAC directed to stand the Para, emphasizing fixing responsibility and taking disciplinary action. The reply was found not tenable as the mobilization advance exceeded the permissible limit, and responsibility was not fixed.

In the DAC meeting on 1st January 2024 for Sr. #3, management replied that all pointed-out dues were recovered from students, except for outstanding dues due to various reasons. The DAC directed dropping the Para subject to verification of advances. The remaining outstanding amount against students and shop rent was provided by the management, leading to the continuation of the Para until recovery.

Audit recommends compliance of the DAC directives along with fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23, vide para number 31.5.23, 31.5.5 and 36.5.69, respectively having financial impact of Rs 1,222.780 million. Recurrence of same irregularity is a matter of serious concern.

34.5.27 Undue delay and blockage of funds of HEC development scheme – Rs 55.201 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 appear to involve improper expenditure or waste of public money or stores, even though the accounts may be in order.

During audit on the accounts of Jinnah Sindh Medical University, Karachi, for the financial year 2022-23, it was observed that HEC funds amounting to Rs55.201 million have been blocked from the last two years, till the end of the current financial year 2022-23. A significant portion was utilized for the purchase of transport (3 Hino Buses and 3 Hiace Vans) for Rs 41.885 million by neglecting other essential components of the PC-I, such as civil work, laboratory equipment, ICT networking, teaching aids, furniture, air conditioners, and library resources. Furthermore, bank statement shows withdrawal of Rs 44.829 million hence excess withdrawal of Rs 2.979 million needs explanation or supporting documentation for its utilization. Moreover, in the financial year 2022-23, no work has been initiated on any component of the project. Despite the bank statement showing a withdrawal of Rs 2.690 million and credit of Rs 3.325 million which needs justification and proper documentation.

In addition, various changes seen in project management despite project have shown no progress, resulting in additional staff and expenses burdening the funds of scheme.

Audit is of the view that the lack of implementation and mismanagement of the scheme needs prompt action from HEC, leading to the closure of the scheme, and the funds might be reclaimed due to insufficient planning and execution. This situation represents a significant loss of university funds and reflects weaknesses in internal control.

The matter was pointed out to the management in the month of November 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends that the necessary corrections and additional documentation be provided to address these issues, along with justification for the non-implementation of the scheme, investigation of the reasons for the lack of progress, and identification of the individuals responsible for this lapse.

(AIR#07)

Chapter - 35
Women Development Department

35.1 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.

(Rs. in Million)

Sr No.	Description	Total Nos	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
1	Formations	2	1	99.597	-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

35.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rs. in Million)

Original Budget/ Grant	Suppl. Grant	Re-appro: (+)	Re-appro: (-)	Surrender	Final Grant	Departmental Expenditure	Variation Excess/ (Savings)
9 49.615	0 .001	2 70.561	(27 0.561)	(31 2.457)	6 37.160	4 42.154	(19 5.006)

The department was unable to spend the allocated budget in time. As a result, savings of an amount Rs 195.006 million was observed which was not surrendered in time.

35.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 20.919 million were raised as a result of this audit. This amount also includes recoverable of Rs 0.000 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	<i>HR/Employees related irregularities</i>	-
B	<i>Procurement related irregularities</i>	-
C	<i>Management of Accounts with Commercial Banks</i>	-
4	Value for money and service delivery issues	-
5	Others	20.919

35.4 Comments on the Status of Compliance with PAC Directives

The following Audit Reports have been discussed by PAC. 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.

Sl. 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	-
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	-
11	2010-11					
12	2014-15	0	0	0	0	-
13	2016-17					
Total		0	0	0	0	-

35.5 AUDIT PARAS

35.5.1 Irregular expenditure on account of Conference/workshops – Rs 9.999 million

According to Rule-23 of Sindh Financial Rules, Volume-1, “As a general rule every payment including repayment of money previously logged with Government for whatever purpose must be supported by the voucher setting forth full and clear particulars of claim”.

During audit of office of the Secretary Women Development Department Government of Sindh, Karachi for the financial year 2022-23, it was observed that, an expenditure of Rs 9.999 million was incurred on account of Conference/seminar/ workshops without approved plan, details of events, invitation cards, venue of event, purpose of event/seminar, activity reports showing details of activity and mostly invoices were without invoice numbers and without description of items. The details are given at Annex-1 of Chapters-35.

Audit is of the view that management of the entity failed to compliance of the above formalities. The lapse on the part of management for non-observing the above formalities is a sheer violation of rules & administrative controls within the department.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends compliance of the above procedures and policies while incurring the expenditure and fixing of the responsibility on person(s) at fault for negligence.

(AIR#14)

35.5.2 Irregular expenditure on repair work on various head of accounts – Rs 5.670 million

According to Rule-23 of Sindh Financial Rules, Volume-1, “As a general rule every payment including repayment of money previously logged with Government for whatever purpose must be supported by the voucher setting forth full and clear particulars of claim”.

During audit of office of the Secretary Women Development Department Government of Sindh, Karachi for the financial year 2022-23, it was observed that an expenditure of Rs 5.670 million was incurred on account repair work of

furniture & fixture, machinery & equipment & transport without having requisitions from concerned sections, assets register showing details of total assets, repair register, old spares parts register and work completion certificate were also not obtained, also acknowledgment from concerned workshop was not obtained. The details are given at Annex-2 of Chapters-35.

(Rs in Million)

Sr.#	AIR Para #	Head of Accounts	Amount
1	20	Repair work of furniture & fixture, machinery & equipment	3.267
2	27	2.3.4.2 Repair of Transport	1.670
3	17	Repair of vehicles	0.733
Total			5.670

Audit is of the view that the expenditure was incurred as repair work on account of furniture & fixture, machinery & equipment and maintenance without complete the essential documentary record to verify the genuineness of expenditure that depicts weak financial and internal controls of the management.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends justification of the expenditure besides taking remedial measures under intimation to audit.

35.5.3 Irregular expenditure on account of exhibition fair - Rs 5.250 million

According to Rule 1 Appendix 18-A of Sindh Financial Rule Volume-I, “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 the Secretary Women Development Department Government of Sindh, Karachi for the financial year 2022-23, it was observed that, an expenditure of Rs 5.250 million was incurred on account of Exhibitions fairs and other national celebrations to arrange various exhibitions without having office order of exhibition, details of events, location/dates of event, invitation cards, evidence of event and in few cases expenditure was made without following quotation process. The details are given at Annex-3 of Chapters-35.

Audit is of the view that huge expenditure was incurred to arrange the exhibitions, fairs, and other national celebrations without fulfilling the above procedure laid down by the government. The lapse indicates poor administrative and financial discipline within the department.

The matter was reported to the management in the month of September 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends justification of the expenditure besides fixing the responsibility on person(s) at fault for negligence.

(AIR#22)

Chapter - 36

Audit of Donor Assistance for Flood Relief-2022

36.1 Introduction

Pakistan particularly Sindh province got inundated during monsoon season in 2022. This season brought one of the heaviest rains in Sindh causing overflows and inundations in 24 of 30 districts. The massive devastation necessitated immediate need for relief activities including shelter, food, water and provision of health facilities for flood affectees and livestock. In this connection, Government of Pakistan and Donor Agencies released funds to mitigate the sufferings.

Details of financial assistance

Donor Assistance Funds were released through Finance Department, Government of Sindh to: Agriculture, Supply & Prices Department, Health Department, Livestock & Fisheries Department and Services General Administration & Coordination Department. Some of the funds were directly released to the FAP Projects as detailed below:

(Rs. in Million)

Sr. #	Name of department	Name of office	Released amount
1	Agriculture, Supply & Prices Department	Directly transferred to Federal Government to be further distributed by BISP, to farmers / growers.	8,390.000
2	Livestock & Fisheries Department	Secretary, Livestock & Fisheries Department	1,000.000
3	Health Department	Secretary, Health Department	985.405
4	SGA&CD Department	Secretary, Services General Administration & Coordination Department	2,990.353
Total			13,365.758

(Rs. in Million)

Sr. #	Name of department	Name FAP Projects	Released amount
1	Agriculture, Supply & Prices Department	Sindh Water & Agriculture Transformation Project - received funds directly from IDA	1,361.56 0
		Sindh Irrigated Agriculture Productivity Enhancement Project - received funds directly from IDA	1,768.48 0
Total			3,130.04 0

36.2 Audit Objectives and Scope of Audit

Audit Objectives

The audit objective is to carry-out an assessment and scrutiny of donor assistance / aid provided in both funds and goods and received by the Federal Government and its further distribution to Government of Sindh and other agencies and authorities.

Scope of Audit

The scope of audit is limited to the aid (cash and in-kind) received from donor agencies by the Government of Sindh up to 30th June, 2023 for floods affectees 2022. The scope also extends to an assessment on test check basis of fairness of distribution of relief items against benchmarks in the selected districts by Provincial Government and projects.

36.3 Terms of Reference

- a) Determine the total amount of aid (cash and in-kind) received from donor agencies up to 30th June, 2023 in connection with flood 2022 and expenditure incurred out of such financial aid up to the cut-off date.
- b) Whether the third-party audit from a chartered accountancy firm was carried out by the implementation agencies as required by the Prime Minister's office.
- c) To examine the need assessment carried out by the responsible agencies for ascertaining the volume of relief and rehabilitation activities.

- d) To scrutinize the procurement of relief items during the disaster and receipt of such items by the respective agencies up to the cut-off date. The scrutiny will be made on a test check basis through sampling of transactions.

36.4 Major Finding

- Third party audit was not conducted by the PAOs except Livestock & Fisheries Department and FAP projects
- Non-utilization of flood relief funds
- Non recovery of stamp duty
- Unauthorized retention of government funds into DDO account
- Non-imposition of penalty due to late delivery/less delivery of items
- Unjustified purchase of medicines not specific to emergency
- Missing relief items and medicines
- Award of Contract without prior Rate Analysis / Market Survey
- Un-justified distribution/utilization of fodder of livestock
- Irregular payment without inspection
- Unjustified payment of service charges on relief items

36.5 Recommendations

- Provision of requisite information and third-party audit report.
- Funds for specific purpose be used for intended purpose.
- Recovery of stamp duty besides taking remedial measures.
- Deposit unspent funds into Govt. account besides fixing of the responsibility on person(s) at fault.
- Affecting recovery of penalty besides fixing responsibility on the person at fault.
- Provision of physical verification report besides fixing responsibility on the person(s) at fault.
- Ensure transparency in procurement process besides fixing of responsibility on the persons at fault.
- Management to clarify the position of holding / retaining huge stocks of medicines which were procured for flood-affected areas.

Name of Department: Agriculture, Supply & Prices

36.5.1 Excess payment due to purchase of tents at higher rates – Rs 56.300 million

According to Appendix 18-A of SFR, Vol-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 Irrigated Agriculture Productivity Enhancement Project (SIAPPEP) Hyderabad for the financial year 2022-23, it was observed that purchase order for 27,100 tents was issued to M/S. UNSOP. The offered rate of the supplier was Rs 13,648 & Rs 15,900 each respectively for same item. However, UNOPS supplied a quantity of 27,100 tents of the same specification (4x3) for the flood affectees of October & November 2022 with total cost of Rs 426.160 million. Due to payment of higher rate paid for the work order issued in October as compare to rates offered in the month of November resulted into loss to government and excess payment of Rs 56.300 million was made @ Rs 2,252 per tent to contractor.

(Amount in Rupees)

Sr.#	Work Order/Date	Delivery Date	Quantity	Rate	Amount
1	3170281/26.10.2022	09.11.2022	25,000	15,900	397,500,000
2	3171552/17.11.2022	25.11.2022	2,100	13,648	28,660,800
Total					426,160,800

The audit is of the view that undue favour was extended to contractor at the cost of public exchequer and resultantly the government sustained financial loss which indicates prevalence of poor financial management practices within the department.

The matter was reported to the management in November 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends recovery of excess payment be made besides fixing responsibility at the person(s) at fault.

(AIR#02)

36.5.2 Unauthentic distribution of relief items - Rs 1,673.414 million

According to Rule 114 of Sindh Financial Rules, when materials are issued from stock, the Government servant in charge of the stores should see that an indent has been made by a properly authorized person. When materials are issued, a written acknowledgement should be obtained from the person to whom they are ordered to be delivered or dispatched, or from a duly authorized agent.

During audit of Sindh Irrigated Agriculture Productivity Enhancement Project (SIAPEP) Hyderabad for the financial year 2022-23, it was observed that an amount of Rs 1,673.414 million was incurred on account of purchase of relief items including tents and mosquito nets to the flood affectees from M/S. UNOPS. However, the distribution details showing Name, CNIC, Address, acknowledgment receipts of recipients were not obtained. Furthermore 248,100 mosquito nets were shown directly delivered to various districts instead of delivery at HRF warehouses as per agreement and without showing details, address and location of delivery, also tents were distributed to various districts but neither need assessment nor demand from the concerned districts was carried out and the invoices showed that 27,100 tents were distributed during the month of November, 2022 when the disaster time was almost over despite of that the distribution record with complete particulars was not available.

(Rs. in Million)

Sr. #	Particular	Work Order/Date	Delivery Date	Qty	Rate	Amount
1	Mosquito Nets	3170205/31.10.2022	15.11.2022	2,000,000	567.45	1,134.900
2	Tents	3170281/26.10.2022	09.11.2022	25,000	15,900	397.500
3	Mosquito Nets	3171447/23.11.2022	25 & 26/11.2022	20,000	561.77	112.354
4	Tents	3171552/17.11.2022	25.11.2022	2,100	13,648	28.661
Total						1,673.415

Audit is of the view that in absence of proper record of distribution, the expenditure incurred cannot be authenticated.

The matter was reported to the management in November 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

(AIR#03)

36.5.3 Unjustified payment of service charges on relief items – Rs 95.065 million

According to Appendix 18-A of Sindh Financial Rules, “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 Irrigated Agriculture Productivity Enhancement Project (SIAPEP) Hyderabad for the financial year 2022-23, it was observed that an expenditure of Rs 1,768.480 million was incurred on account of purchase of relief items from UNSOP instead of direct procurement from concerned vendor. However, Rs 95.065 million was paid in head of service charges to M/S. UNSOP against relief items in absence of any clause & agreement between both parties. Moreover, service charges approval on email instead of contract. The details are as under:

(Amount in Rupees)

Sr. #	Particular	Work Order/Date	Delivery Date	Quantity	Rate	Amount
1	Mosquito Nets	3170205/31.10.2022	15.11.2022	2,000,000	567.45	1,134,900,000
2	Tents	3170281/26.10.2022	09.11.2022	25,000	15,900	397,500,000
3	Mosquito Nets	3171447/23.11.2022	25, 26/11.2022	20,000	561.77	112,354,000
4	Tents	3171552/17.11.2022	25.11.2022	2,100	13,648	28,660,800
Total						1,673,414,800
Service Charges						95,065,209
Total Amount Paid to UNSOP						1,768,480,009

Audit is of the opinion that government sustained loss due to undue favor was extended. The lapse on part of management indicates prevalence of weak internal controls within the department.

The matter was reported to the management in November 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends provision of justification besides fixing of responsibility on the person(s) at fault.

(AIR#06)

Name of Department: Health

36.5.4 Non-production of record – Rs 38.146 million

According to Article 170 (2) of the Constitution of Islamic Republic of Pakistan read with Para 14-1 of the Auditor-General's Ordinance, 2001, "The audit of the accounts of Federal and of the Provincial Governments and accounts of any authority or body established by, under the control of, the Federal or Provincial Government shall be conducted by the Auditor-General, who shall determine the extent and nature of such audit and Shall, have authority to require that any account, books, papers and other documents which deal with, or form, the basis of or otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may direct for his inspection. 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 all 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 relevant Efficiency and Discipline Rules, applicable to such person."

During audit of the following offices of Health Department, Government of Sindh incurred an expenditure of Rs 38.146 million during financial year 2022-23, on the Flood Relief activities, but no record was produced for audit despite written requests and reminders to concerned PAO for provision of record.

(Rs. in Million)

Sr.#	Name of office	AIR Para #	Particulars	Amount
01	District Health Officer, Tando Allahyar	21	Medicine & Other Miscellaneous	17.604
02	District Health Officer, TM Khan	39	Medicine, POL & Other Miscellaneous	20.542
Total				38.146

Non-production of record was a violation of above-mentioned rule and rendered the expenditure un-audited.

The matter was reported to the management during November and December 2023, but no reply was received. The DAC meeting was held on 15-01-2024 wherein the management replied that all record is available. DAC directed the management to produce record to audit. However, no progress was made till finalization of this report.

Audit requires compliance with DAC directives.

36.5.5 Irregular expenditure on purchase of medicines – Rs 191.675 million

As per instructions of Government, “Drug Testing Laboratory report of each item / medicine is required to be obtained.” As per notification issued by Health Department, Government of Sindh vide # S.O (PM&I) 2-1/2011 (Main) dated 21st April 2012, “a representative from PM&I Cell, Health Department must be included as a member of Joint Inspection Committee for physical verification / joint inspection of receipt of stores before forwarding the bills to the accounts office for payment.

During audit of the following offices of Health Department, Government of Sindh, for the financial year 2022-23, it was observed that an amount of Rs 191.675 million was incurred on account of procurement of medicines for flood / rain affectees without joint inspection reports and medicines were not entered in stock registers. Furthermore, the details of distribution of medicines, details of paramedical staff posted at relief camps were not available on record and invoices /delivery challans lacked basic information, therefore, the shelf life of the medicines could not be ascertained.

(Rs. in Million)			
Sr. #	Name of office	AIR Para #	Amount
1	District Health Officer, Kambar	31 & 33	58.663
2	District Health Officer, Mithi	27	18.030
3	District Health Officer, Khairpur	28 & 29	36.890
4	District Health Officer, South Karachi	21	6.225
5	District Health Officer, Ghotki	19	12.290
6	District Health Officer, Badin	18 & 20	22.382
7	District Health Officer, Central Karachi	31 & 32	4.460
8	District Health Officer, Sanghar	21	31.300
9	District Health Officer, Larkano	21	1.435
Total			191.675

Audit is of the view that in the absence of the above noted irregularities, the expenditure incurred is treated as irregular.

The matter was reported to the management during August to November 2023. The DAC meeting was held on 15-01-2024 wherein the management at Sr.# 4,6,7,8 & 9 stated that the medicines were purchased after fulfillment of all codal formalities. The management at Sr.# 3, stated that medicines were procured in emergency situation however, offices at Sr.# 1,2 & 5 did not reply. DAC directed the management to get record verified from audit. Further, the DAC directed the management at Sr.#1,2 & 5 to submit their reply along with record. However, no progress was made till finalization of this report.

Audit requires compliance with DAC directives.

**36.5.6 Irregular purchase of medicines without drug testing laboratory – Rs
142.582 million**

According to letter No.DGHSS/G-1 (57)/1707/65 dated 10-02-2006, DG (Health) Services Sindh Hyderabad: “Payment on account of Purchase of medicines could not be released without drug testing laboratory report”.

During audit of the following offices of the Health Department, for the financial year 2022-23 it was observed that an expenditure of Rs 142.582 million was incurred on account of purchase of medicine without obtaining drug testing laboratory report.

(Rs. in Million)

Sr. #	Name of office	AIR Para #	Amount
1	Director General, Health Services Sindh, Hyderabad	17	120.297
2	District Health Officer, Ghotki	20	12.291
3	District Health Officer, Sukkur	30	6.256
4	District Health Officer, Larkano	27	3.738
Total			142.582

Due to weak financial and administrative management, medicines issued without drug testing laboratory reports.

Audit was of the view that medicines purchased without drug testing laboratory report, chances of sub-standard medicines could not be ruled out

The matter was reported to the management during August to November 2023. The DAC meeting was held on 15-01-2024 wherein the management at Sr.# 1 & 4 stated that medicines were procured after getting drug testing laboratory certificates. The management at Sr.# 2 & 3 did not reply. DAC directed the management at Sr.# 1 & 4 to get record verified from audit. Further, the DAC directed the management at Sr.#2 & 3 to submit their reply along with record. However, no progress was made till finalization of this report.

Audit requires compliance with DAC directives.

36.5.7 Irregular expenditure from flood relief funds – Rs 28.617 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 the following offices of Health Department, Government of Sindh, for the financial year 2022-23, it was observed that an expenditure of Rs 28.617 million was incurred from the funds specifically received for flood relief activities covering the heads of account POL, medicines and miscellaneous articles, however the ToRs were not specifically communicated with the release orders only head of accounts were disclosed, the flood survey was not conducted in order to find out actual requirement, specific requirements of articles/medicines related to flood activities were not worked out, the record of competitive process and evidence of camps was not produced. Moreover, the drug test laboratory report, joint inspection and acknowledgements of medicines were not maintained.

(Rs. in Million)

Sr. #	Name of office	AIR Para #	Particulars	Amount
1	District Health Officer, Shikarpur	24	Purchase of medicines, POL and miscellaneous items	27.417
2	District Health Officer, Khairpur	30	Purchase of thermal fumigation machine	1.200
Total				28.617

Audit is of the view that due to improper planning regarding flood relief activities; there were chances that the public service delivery was not effective enough to provide relief to the sufferings.

The matter was reported to the management during August to November 2023. The DAC meeting was held on 15-01-2024 wherein the management stated that the expenditure was incurred after fulfilment of all codal formalities. DAC directed the management to get record verified from Audit.

Audit requires compliance with DAC directives.

36.5.8 Unjustified expenditure on medicines on previous year tender – Rs 25.565 million

According to Health Department letter vide No.SO (PM&I) 3-1/2022-23/PC (1-Qtr) dated:01.09.2022 on the subject “Permission to Utilize 1st Quarter 2022-23 to procure drugs/ medicines/surgical items from central rate contract list 2021-22 and allocate additional funds to ensure uninterrupted medical coverage” the permission to procure drugs/medicines from 1st Quarter of budget of current financial year 2022-23 at the items rate fixed by the Central Contract Rate list of the 2021-22 was granted.

During audit of the following offices of Health Department, Government of Sindh, for the financial year 2022-23, it was observed that an expenditure of Rs 25.565 million was incurred purchase of medicine on previous year tenders in excess & above the permission granted for purchase of medicines on previous tenders by competent authority. Furthermore, inspection report, stock entry and indent from concerned were also not available on the record. This resulted into unauthorized purchase of medicines on previous year tender.

(Amount in Rupees)

Sr. #	Name of office	AIR Para #	Amount
1	District Health Officer, Sukkur	29	13,647,480
2	District Health Officer, Matiari	32	11,918,410
Total			25,565,890

Audit is of the view that expenditure on purchase of medicines through previous year tender in excess & above the permissions resulted in violation of government instructions due to that chances of misuse of funds could not be ruled out.

The matter was reported to the management in August 2023. The DAC meeting was held on 15-01-2024 wherein the management stated that the purchases were made in emergency due to flood. DAC directed the management to submit revised reply along with proper justification. However, no progress was made till finalization of this report.

Audit requires compliance with DAC directives.

36.5.9 Irregular local purchase of medicines – Rs 5.996 million

Instructions of Director General, Health Services, Sindh Hyderabad vide letter No. DGHS/AC-Audit/(Misc)/69/2049 dated 28-05-1992, provides that “at least 10 % discount should be allowed to government hospitals and other institutions on purchase of medicines from the suppliers”. As per instructions of Government, “Drug Testing Laboratory report of each item / medicine is required to be obtained.” As per notification issued by Health Department, Government of Sindh vide # S.O (PM&I) 2-1/2011 (Main) dated 21st April 2012, “a representative from PM&I Cell, Health Department must be included as a member of Joint Inspection Committee for physical verification / joint inspection of receipt of stores before forwarding the bills to the accounts office for payment. All the payments will be made on production of Joint Inspection report duly signed.”

During audit of the following offices of Health Department, Government of Sindh, for the financial year 2022-23, it was observed that an amount of Rs 5.9961 million was incurred on account of local purchase of medicines when there was permission for purchase from Central tenders, quotations were called instead of invitation of tenders, the compromised quotations were obtained with same pattern/writing style, 10% discount was not obtained on local purchases. Furthermore, the most of the medicines covered under CRC were procured from local purchase this was done to extend favor to the favorite vendors and joint inspection was executed without dated signature.

(Amount in Rupees)

Sr. #	Name of office	AIR Para #	Amount
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1	District Health Officer, Matiari	20	4,801,000
2	District Health Officer, Sukkur	33	763,659
3	District Health Officer, Kambar	28	432,000
Total			5,996,659

Audit is of the view that there was failure of the management to follow SPPRA Rules resulted in non-achievement of competitive rates and thus bringing about loss to government exchequer.

The matter was reported to the management in August 2023. The DAC meeting was held on 15-01-2024 wherein DAC directed the management to submit reply along with supporting record. However, no progress was made till finalization of this report.

Audit requires compliance with DAC directives.

36.5.10 Irregular purchase of medicine by compromised bidding – Rs 5.858 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 District Health Officer, Sukkur, for the financial year 2022-23, it was observed that an expenditure of Rs 5.858 million was incurred on purchase of medicines from M/s Sagar Medicos and M/s Lavish Enterprises through centralized tenders. The both vendors have same address of Sukkur and proprietor of the both vendors are brothers to each other. Moreover, the Parras Enterprises and M/s Huzaifa has same contact numbers on the invoices; thus, compromised bidding process was made. This indicates that the bidding process adopted by the CPC was compromised and indicates extension of undue financial favor to favorite vendors.

(Amount in Rupees)

C. Center	Document #	Vendor Name	Cheque #	Date	Amount
SY0149	5100201012	M/S Sagar Medicos	4474308	21.12.2022	1,100,000
SY0149	1900255708	M/S Parras Enterprises	4404979	10.11.2022	944,500
SY0149	1900185634	M/S. Huzaiifa Enterprises	4403909	17.10.2022	745,000
SY0149	1900358321	M/S Sagar Medicos	4474304	21.12.2022	735,000
SY0149	1900358028	M/S Parras Enterprises	4474303	21.12.2022	695,000
SY0149	1900659685	M/S Sagar Medicos	4709327	03.04.2023	668,000
SY0149	1900358325	M/S Sagar Medicos	4474305	21.12.2022	558,480
SY0149	1900358317	M/S Parras Enterprises	4474303	21.12.2022	235,100
SY0149	1900185661	M/S Parras Enterprises	4403908	17.10.2022	130,000
SY0149	1900255659	M/S Parras Enterprises	4404980	10.11.2022	47,150
Total					5,858,230

Audit is of the view that there was failure of the management to follow SPPRA Rules resulted undue favor was extended to the vendors in non-achievement of competitive rates.

The matter was reported to the management in August 2023. The DAC meeting was held on 15-01-2024 wherein the management informed that the relation of vendors is not known by this office. The DAC directed the director health Sukkur to conduct inquiry and submit report within seven days. However, no progress was made till finalization of this report.

Audit requires compliance with DAC directives.

(AIR#31)

36.5.11 Doubtful procurement of ARV & ASV injections on account of flood relief – Rs 2.543 million

As per instructions of Government, “Drug Testing Laboratory report of each item / medicine is required to be obtained.” As per notification issued by Health Department, Government of Sindh vide # S.O (PM&I) 2-1/2011 (Main) dated 21st April 2012, “a representative from PM&I Cell, Health Department must be included as a member of Joint Inspection Committee for physical verification / joint inspection of receipt of stores before forwarding the bills to the accounts office for payment.

During audit of District Health Officer, Mirpurkhas for the financial year 2022-23, it was observed that an expenditure of Rs 2.543 million was incurred on account of procurement of ARV and ASV injections for flood / Rain affectees but the drug test/Joint Inspection was not carried out by the management, Injections procured were not entered into relevant stock register and the details of total number of cases reported on account of Dog bite and Snake bite during flood period was not provided. Moreover, the procurement was made without knowing shelf life of the injections i.e. mfg, expiry and batch numbers mentioned on invoices.

Audit is of view that the procurement of ARV & ASV in the absence of the above noted irregularities, the expenditure incurred is treated as irregular.

The matter was pointed to the management in November 2023. The DAC meeting was held on 15-01-2024 wherein the management informed that the expenditure was incurred after fulfilment of all codal formalities and record is available for verification. The DAC directed the management to get record verified from audit. However, no progress was made till finalization of this report.

Audit requires compliance with DAC directives.

(AIR#28)

36.5.12 Non-utilization of funds – Rs 14.282 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 the following offices of Health Department, Government of Sindh, for the financial year 2022-23, it was observed that an amount of Rs 14.282 million not only remained un-

utilized but also the funds were not surrendered timely where needed. This reflects weak internal control.

(Amount in Rupees)

Sr. #	Name of office	AIR Para #	Release	Expenditure	Un-utilized
1	District Health Officer, Larkano	20	26,692,980	13,352,062	13,340,918
2	Dir, Health Services Sindh, Hyderabad	09	2,000,000	1,058,371	941,629
Total			28,692,980	14,410,433	14,282,547

Audit is of the view that unauthorized retention of funds is a serious financial lapse that govt deprives to utilize in other government departments.

The matter was reported to the management in November 2023. The DAC meeting was held on 15-01-2024 wherein the management stated that the required funds were utilized and savings were surrendered well in time. The DAC directed the management to produce record to audit for verification. However, no progress was made till finalization of this report.

Audit requires compliance with DAC directives.

36.5.13 Unjustified purchase of medicine not specific to emergency – Rs 10.810 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 District Health Office, Tharparkar @ Mithi for the financial year 2022-23, it was observed that the management procured various medicines amounting to Rs 10.810 million from various pharmaceutical companies for flood affectees but the medicine were not specific to flood/rain emergency.

Lapse in the part of management indicated prevalence of weak internal control

Audit is of the view that procurement of medicine other than the medicine instructed in above instruction is sheer violation of Govt. orders which may create difficulty to tackle rain/flood emergency.

The matter was reported to the management in November 2023. The DAC meeting was held on 15-01-2024 wherein the DAC directed the management to clear their position for non-submission of replies and submit replies along with supporting documents. However, no progress was made till finalization of this report.

Audit requires compliance with DAC directives.

(AIR#19)

36.5.14 Late supply of medicines in an emergency situation – Rs 10.290 million

As per No. SO(PM&I)2-1/2021-22/CPC(Main dated 11th November 2021 regarding Central procurement (10 SPECIAL INSTRUCTION: **10.2 Time schedule/ Delivery period** 100% quantity should be supplied within one month of from the date of supply orders. The liquidated/ damages in the event of completion beyond the government schedule shall be 0.1% for each day of delay from targeted period.

During audit of the following offices of Health Department, Government of Sindh, for the financial year 2022-23, it was observed that an expenditure of Rs 10.290 million was incurred on purchase of medicines/drugs in an emergency situation during flood, but the same were not delivered within stipulated time period as required under purchase order and the management did not take any action against the suppliers. The details are given as under;

(Rs. in Million)

Sr. #	Name of office	AIR Para #	Amount
1	District Health Officer, Mithi	21	3.774
		22	3.620
		27	0.557
2	District Health Officer, Dadu	21	2.339
Total			10.290

Audit is of the view that undue favor was extended to supplier by not taking any action on late supply of medicine in an emergency situation.

The matter was reported to the management during August to November 2023. The DAC meeting was held on 15-01-2024 wherein the management at Sr.# 2 stated that due to blockage/ damage of roads the medicines were supplied late. The DAC directed the management at Sr. #2 to get record verified from audit. DAC directed the management at Sr.#1 to clear their position for non-submission of replies and submit replies along with supporting documents. However, no progress was made till finalization of this report.

Audit requires compliance with DAC directives.

36.5.15 Blockage of public money due to non-utilization of medicines during flood emergency – Rs 4.555 million

“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” according to rule-290 of Central Treasury Rules, Volume-I.

During audit of the following offices of Health Department, Government of Sindh, for the financial year 2022-23, it was observed that medicines of Rs 4.555 million were procured out of the funds allocated for Rain Flood emergency but the same remained unutilized and huge stock was retained as closing balance on 30th June 2023. Hence, medicines were not distributed timely in the affected areas. The details are given as under;

(Rs in Million)

Sr. #	Name of office	AIR Para #	Amount
1	District Health Officer, Sanghar	22	3.595
2	District Health Officer, Larkano	28	0.875
3	District Health Officer, Kambar	27	0.085
Total			4.555

Audit is of view that due to non-utilization of medicines which were procured for flood affected areas, the poor people remained deprived of timely assistance.

The matter was reported to the management during August to November 2023. The DAC meeting was held on 15-01-2024 wherein the management stated that in the month of June, medicines were in stores which were utilized in next months in medical camps for flood relief activities. The DAC directed the management to get the record verified by audit. However, no progress was made till finalization of this report.

Audit requires compliance with DAC directives.

36.5.16 Non-conduct of third-party audit from reputed CA firm – Rs 720.236 million

As per Prime Minister office letter No. 3(i)/ds(cab)/2022 (559) dated 08.09.2022 “directed the Secretary EAD, Finance Division and Provincial / Regional Chief Secretaries to arrange third party audit by reputed chartered Accountancy firms of federal and Provincial implementation agencies to ensure full transparency and accountability of donor assistance received for flood relief and rehabilitation 2022.....”.

During audit of the various offices of Health Department, Government for the financial year 2022-23, it was observed that an expenditure of Rs 720.236 million was donated / allocated to PAO, Secretary, Health department to be utilized for flood affectees. Subsequently, the amount was disbursed to (33) DHOs. The management did not provide information regarding conduct / non-conduct of third-party audit by reputed chartered accountancy firms despite repeated letters and reminders to PAOs in violation of PM’s directives. The details are given at Annex-1 of Chapter-36.

Non-conduct of third-party audit is a violation of PM’s directives.

Audit is of the view that due to non-compliance of PM’s directives; the transparency on flood related activities cannot be ruled out.

The matter was reported to the management during August to November 2023. The DAC meeting was held on 15-01-2024 wherein the DAC directed the management to submit the note to the secretary for conducting audit of flood relief funds from CA firm. However, no progress was made till finalization of this report.

Audit requires compliance with DAC directives.

36.5.17 Missing medicine received from DGHS Hyderabad – Rs 0.904 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 District Health Officer, Kambar @ Shahdadkot for the financial year 2022-23, it was observed that various medicines of Rs 904,320 were received from Director General Health Services Hyderabad further utilization to flood affectess but the medicines Tab: Myrine-P was neither available in the record nor information regarding distribution/utilization was available.

(Amount in Rupees)

Sr. #	Name of items	Quantity	Price	Amount
01	Tab: Myrine-P Fort	72000	12.56	904,320

Audit is of the view that management failed to observe the Govt. rules and procedures, which reflects the absence of systematic control and financial indiscipline prevalent in the department.

The matter was reported to the management during August to November 2023. The DAC meeting was held on 15-01-2024 wherein the DAC directed the management to clear their position for non-submission of reply and submit reply along with supporting record. However, no progress was made till finalization of this report.

Audit requires compliance with DAC directives.

(AIR#32)

Name of Department: Livestock and Fisheries

36.5.18 Irregular purchase of Rhodes Grass without joint inspection – Rs 136.000 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 Director General, Livestock Sindh, Hyderabad for the financial year 2022-23, it was observed that an amount of Rs 136.000 million was paid to supplier on account of purchase of Rhodes Grass for relief works in flood affected areas/districts from M/S. Business Wire. In this regard joint inspection reports of inspection committee were not provided.

(Amount in Rupees)

Sr. No .	Cheque # & Date	Particulars	Quantity	Rate	Amount
01	<u>4693407</u> – 27-10-2022	Purchase of Rhodes Grass Delivery upto 16-10-2022	749047 Kilogram	68 per Kilogram	50,935,196
02	<u>4693991</u> – 02-11-2022	Purchase of Rhodes Grass Delivery wef 17-10-2022 to 31-10-2022	1250953 Kilogram	68 per Kilogram	85,064,804
Total					136,000,000

. Audit is of the view that in absence of joint inspection reports the quality, quantity and authenticity of purchases could not be determined.

The matter was reported to the management in October 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends provision of justification besides fixing of responsibility against the person(s) at fault.

(AIR#16)

36.5.19 Un-justified distribution/utilization of fodder of livestock – Rs 915.996 million

Rule 113 of Sindh Financial Rules Volume-I states: “All materials received should be examined, counted, measured as the case may be when delivery is taken and they 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 the appropriate Stock Register”.

During audit of Director General, Livestock Sindh, Hyderabad for the financial year 2022-23, it was observed that an expenditure of Rs 915.996 million was incurred for relief works in flood affected areas/districts on account of distribution of fodder of livestock (Wheat Chaff and Rhodes Grass). However, the management of the entity failed to affectively oversee the utilization of fodder of livestock. The administrative office did not deploy any team to supervise the activities carries out by its subordinate offices. Further, no standard operating procedures (SOPs) were established for the distribution of fodder, and there were no progress reports submitted by the respective districts.

Audit is of the view that due to the absence of proper monitoring of distribution of fodder, the authenticity of expenditure could not be verified.

The matter was reported to the management in October 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends provision of justification besides fixing of responsibility against the person(s) at fault.

(AIR#15)

36.5.20 Irregular expenditure on account of payment to others for services rendered – Rs 53.000 million

As per Government of Sindh, Finance Department, Karachi letter No:FD/B&E-I/Appointment/2(363)/2013-14 dated 25th September 2013. Appointment of staff on contingency basis (3) No appointment are made against unsanctioned post and against sanctioned posts on contingency basis, without specific approval of Finance Department for each post.

During audit of Director, Animal Breeding Hyderabad for the financial year 2022-23, it was observed that an amount of Rs 53.000 million was paid to M/S The Rising Foundation on account of services rendered in (23) districts for one month during monsoon rain flood calamity hit areas of Sindh but the details of services to be provided, number of persons/volunteers/staff engaged, list of registered beneficiaries, activity plan were not provided to justify the authenticity of expenditure incurred. Moreover, Performance security @ 1% of contract amount as per agreement was not obtained.

Audit is of the view that the lapse was occurred due to weak internal control.

This resulted into that authenticity of expenditure for Rs 53.000 million incurred by the management on service rendered could not be verified in absence of information/record.

The matter was reported to the management in August 2023, but no reply was received. Despite written requests, DAC meeting was not 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#22)

Name of Department: Services General Administration and Coordination

36.5.21 Non-production of Records – Rs 237.779 million

According to Article 170 (2) of the Constitution of Islamic Republic of Pakistan read with Para 14-1 of the Auditor-General's Ordinance, 2001, "The audit of the accounts of Federal and of the Provincial Governments and accounts of any authority or body established by, under the control of, the Federal or Provincial Government shall be conducted by the Auditor-General, who shall determine the extent and nature of such audit and Shall, have authority to require that any account, books, papers and other documents which deal with, or form, the basis of or otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may direct for his inspection. 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 all 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 relevant Efficiency and Discipline Rules, applicable to such person."

During audit of various offices of Services General Administration and Coordination Department, Government of Sindh for the financial year 2022-23, the management did not produce the auditable record of flood relief funds. Due to non-production, the record involving financial impact of Rs 237.779 million remained unaudited. The details are given at Annex-2 of Chapter-36.

The matter was reported to the management during November to December 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

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

36.5.22 Non-conduct of audit due to non-availability of record – Rs 255.674 million

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 audit of following offices of Services General Administration and Coordination Department, Government of Sindh for the financial year 2022-23. The management did not produce record on the ground that the requisite record was taken over by NAB for their necessary action. So, the expenditure relating to flood relief remained un-audited. The details given are as under;

(Rs. in Million)

S r. #	Name of office	Details of record	AI R Par a #	Financi al Year	Amou nt
1	Deputy Commissioner, Kambar @ Shahdadkot	Unforeseen expenditure for Disaster preparedness & Relief	01	2022-23	184.16 2
2	Deputy Commissioner, Kashmore @ Kandhkot	Unforeseen expenditure for Disaster preparedness & Relief	01	2022-23	71.512
3	Deputy Commissioner, Shikarpur	Flood relief Fund	21	2022-23	00.000
Total					255.67 4

Non-availability of record was a violation of above-mentioned rule and rendered the expenditure un-audited.

The matter was reported to the management during November to December 2023, but no reply was received. Despite written requests DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends that complete record of the expenditure be produced to audit.

36.5.23 Irregular expenditure by violating SPPRA rules – Rs 412.627 million

Rule 17 (1) & (2) of Sindh Public Procurement Rules, 2010 states that procurement over three 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 following offices of Services General Administration and Coordination Department, Government of Sindh for the financial year 2022-23, it was observed that an expenditure of Rs 412.627 million was incurred on various purchases without following procurement rules as detailed below;

(Rs. in Million)

r. #	Name of office	Description	AI R Pa ra #	A mount
	Deputy Commissioner, Khairpur	Procurement of various items without constitution of procurement committee	38	2 98.448
	Deputy Commissioner, Hyderabad	Failed to prepare procurement plan for carrying out the relief operations.	18	6 9.000
	Sindh Flood Emergency Housing Reconstruction Project, Karachi	Procurement of Hardware & IT equipment s without calling tender	07	1 8.842
	Deputy Commissioner, Hyderabad	Award of work for 110 Nos. of De-watering machines without signing Integrity pact	24	1 7.988
	Deputy Commissioner, Thatta	Procurement without constitution of procurement committee	74	8. 349
Total				4 12.627

It depicted that procurement rules violated due to weak internal controls prevail in the formation.

Audit is of the view that award of various works to the vendors without observing SPPRA Rules, leading to mis-procurement.

The matter was reported to the management during September to December 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends adherence to the prescribed rules, besides fixing of responsibility on the person(s) at fault.

**36.5.24 Irregular expenditure and distribution of relief items /ration bags – Rs
391.733 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 not in order.

During audit of various offices of Services General Administration and Coordination Department, Government of Sindh for the financial year 2022-23, it was observed that an expenditure of Rs 391.733 million was incurred on procurement and distribution of relief items to be distributed to flood affectee from the head of account “A03921- Unforeseen expenditure for disaster”. The details are given at Annex-3 of Chapter-36.

Expenditure without any mechanism/criteria/policy shows improper watch and weakness of the internal controls on the part of the management.

Audit is of the view that expenditure so incurred seemed doubtful and chances of misuse of funds could not be ruled out.

The matter was reported to the management during August to December 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

36.5.25 Irregular hiring of dewatering machines – Rs 324.901 million

Rule 10 (i) and (iv) of General Financial Rules, Volume-I, states that, “every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money. Public moneys should not be utilized for the benefit of a particular person or section of the community”.

During audit of various offices of Services General Administration and Coordination Department, Government of Sindh for the financial year 2022-23, it was observed that an expenditure of Rs 324.901 million was incurred for hiring dewatering machinery to alleviate rain/floodwater and garbage material but various irregularities were noticed which are mentioned against each entity. The details are given at Annex-4 of Chapter-36.

The lapse on the part of management is a clear violation of rules and shows poor financial and administrative controls.

Audit is of the view that management incurred huge expenditure on hiring excavation by violating rules and regulations.

The matter was reported to the management during August to December 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends provision requisite information / record along with proper justification besides fixing of the responsibility on person(s) at fault.

36.5.26 Unjustified expenditure on de-watering of rain/flood water – Rs 217.618 million

According to SGA&CD Notification No.PA/DS(B&A)SGA&CD/ Notification/ 2022 dated 5th October,2022, Committee consisting of five officers were constituted with regard to draining out the flood/rain water from the District.

The ToRs of committee:

- a. The committee shall assess the quantum of the water and furnish time lines for its disposal after every three days.
- b. The committee shall coordinate with concerned stakeholders for monitoring and deployment of requisite resources for immediate evacuation of water
- c. The progress report shall be submitted by the Convener after every three days on the Proforma attached herewith.

During audit of various offices of Services General Administration and Coordination Department, Government of Sindh for the financial year 2022-23, it was observed that an expenditure of Rs 217.618 million was incurred on account of dewatering of rain/flood water wherein various irregularities like (DDO payment, distribution & installed locations were not mentioned etc.) were noticed. The details are given at Annex-5 of Chapter-36.

It indicates lack of internal controls and financial indiscipline prevail in the formation.

Audit is of the view that due to non-fulfilling codal requirements before start of work & during execution of dewatering work, undue financial favor was extended to contractors/suppliers.

The matter was reported to the management during August to December 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit requires clarification in the matter besides fixing of responsibility on the person(s) at fault.

36.5.27 Irregular expenditure on construction of surface drains – Rs 123.450 million

Definition of Emergency (SPPRA-2010), “Means natural calamities, disasters, accidents, war and breakdown of operational equipment, plant, machinery or engineering infrastructures, which may give rise to abnormal situation requiring prompt and immediate action to limit or avoid damage to person(s), property or the environment”.

During audit of Deputy Commissioner Ghotki for the financial year 2022-23, it was observed that, an expenditure of Rs 123.450 million was incurred on “Construction of Surface Drains & allied works at different locations to drain out the stagnant water. The work was awarded on emergent basis through direct contracting by invoking “emergency clause”, however as per

Procurement committee decision 80% rain was already drained out and for permanent solution construction of surface drains was decided which was a routine work and did not involve any abnormal or urgent situations that required immediate action hence award of work on emergent basis which stands irregular. Furthermore, work execution was beyond the scope/jurisdiction of local office and falls under the jurisdiction of Irrigation department for which NOC was also not obtained and the earth work was executed on market rates instead of schedule rates without contract agreement.

It indicates prevalence of weak internal controls and financial indiscipline in the formation.

The matter was reported to the management in December 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit is of the view that due to award of work on direct contracting method without having actual emergency and other violations, resulted in non-transparent procurement and undue favor to the contractor was extended.

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

(AIR#15)

36.5.28 Non/less deduction of various taxes – Rs 123.152 million

According to Section 153 & 233 of Income Tax Ordinance 2001, as amended 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 contact with government or local authorities, etc., shall deduct advance tax at the time of making payments at the rate of 4.5% for filers & 6.5% for non-filers on supply/purchases and at the rate of 10% for filers & 15% for non-filers on services rendered of gross amount”.

Under section (8) (1) of Sindh Sales Tax on services Act, 2011, there shall be charged, levied and collected a tax known as sales tax @ 13% on the value of a taxable service at the rate specified in the Schedule in which the taxable service is listed”.

During audit of various offices of Services General Administration and Coordination Department, Government of Sindh for the financial year 2022-23, it was observed that an amount of Rs 123.152 million on account of income tax and Sindh Sales Tax were not/less deducted from the payments to various suppliers. The details are given at Annex-6 of Chapter-36.

Non-deduction of taxes was made due to prevalence of weak internal controls and financial indiscipline in the formation. It is further noted that management is not fully sensitized about importance of implementation of tax regime of the Sindh Government.

Audit is of view that due to non/less-deduction of due taxes government sustained financial loss and undue favor to the contractors / suppliers was extended.

The matter was reported to the management during August to December 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

36.5.29 Irregular expenditure under the head Un-foreseen – Rs 105.709 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”. Read with 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 drawl and disbursement of cash”.

During audit of various offices of Services General Administration and Coordination Department, Government of Sindh for the financial year 2022-23, it was observed that an expenditure of Rs 105.709 million was incurred on head of account “A03921-Unforeseen expenditure for disaster preparedness & relief” wherein various irregularities were noticed mentioned against each office. The details are given at Annex-7 of Chapter-36.

It indicates lack of internal controls and financial indiscipline prevail in the formation.

Audit is of the view that violation of rules and regulations made by the management.

The matter was pointed out to the management during the month of August & November 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit requires justification into the matter besides fixing of responsibilities on person(s) at fault.

36.5.30 Unjustified execution of civil works – Rs 68.965 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 Deputy Commissioner, Dadu for the financial year 2022-23, it was observed that an expenditure of Rs 68.965 million was incurred on account of construction of Ring Bunds/protection Buds and Repair of MNV Drain but the works were awarded without preparation of Survey report identifying vulnerable/breaches points of bunds, without technical evaluation of contractors. Furthermore, Construction of Ring Bund amounting to Rs 39.800 million was executed by Highways Department beyond the jurisdiction of department and M&R of MNV drain was executed by DC office instead of Irrigation Department. The Payments were made without recording measurement & without work completion certificate which stands doubtful. Moreover, machinery, boats & staff was not obtained from Irrigation, PHE, TMO Agriculture departments etc. as discussed in meeting for precautionary measures for monsoons which can squeeze expenditure.

(Rs. in Million)

Sr.#	Description	AIR Para #	Amount
01.	Construction of Ring /protection Bund	06	39.800
02.	Repair &Maintenance of MNV Drain	13	29.165
Total			68.965

Incurrence of such expenditure indicates negligence of management and prevalence of weak internal controls & financial indiscipline in the formation.

Audit is on the view that due to non-adherence to rules and regulations chances of low-quality work, misuse of funds and undue favor to the contractors could not be ruled out.

The matter was reported to the management during November & December 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends inquiry into the matter may be conducted and results thereof may be provided to audit.

36.5.31 Loss due to excess payment on excavators using non-schedule item – Rs 16.671 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 Deputy Commissioner, Dadu for the financial year 2022-23, it was observed that an expenditure Rs 16.671 million was incurred on “hiring of excavator’s machine for “Construction of Ring Bund/Protection Bund & Repair/Maintenance of MNV Drain” but payment was made to the contractor on non-schedule item instead of composite schedule of Rates 2012, resulted into an excess payment of Rs 16.671 million due to preferring non schedule item over the schedule item. Details are given as under;

(Rs in million)

Sr.#	Description	Item of work	Excess
1	Construction of Ring Bund/Protection Bund	Hiring of Excavator	10.817
2	Repair/maintenance of MNV Drain		5.854
Total			16.671

Audit is of the view that the execution of non-schedule items resulted in unjustified excess payment.

The matter was reported to the management in November 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit requires responsibility may be fixed on person(s) at fault, besides strengthening internal controls.

(AIR#10)

36.5.32 Unjustified deduction of GST instead of SST - Rs 5.775 million

Under section (8) (1) of Sindh Sales Tax on services Act, 2011, there shall be charged, levied and collected a tax known as sales tax @13% on the value of a taxable service at the rate specified in the Schedule in which the taxable service is listed”.

During audit of Deputy Commissioner, Khairpur for the financial year 2022-23, it was observed that GST amounting Rs 5.775 million was deducted on certain services i.e. Hiring of Dewatering Machine etc. instead of Sindh Sales Tax on services.

Deduction of due tax was not made due to prevalence of weak internal controls in the formation.

Audit is of the view that due to non-deduction of SST, Govt. of Sindh was deprived from its revenue.

The matter was reported to the management in November 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

(AIR#25)

36.5.33 Loss to Govt. due to non-recovery of stamp duty – Rs 2.218 million

As per Para-159 (a) of 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.” READ WITH Para-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 @ 0.35 paisa per hundred rupees of the value of the agreement or against tender cost”.

During audit of following offices of Services General Administration and Coordination Department, Government of Sindh for the financial year 2022-23, it was observed that various work for de-watering the rain/flood water from different areas were executed by the contractors without execution of contract agreement, due to this stamp duty amounting to Rs 2.218 million was not recovered from the contractors. The details are as under:

(Rs. in Million)

Sr.#	Name of office	AIR Para #	Amount
1	Deputy Commissioner, Dadu	09	0.877
2	Deputy Commissioner, Khairpur Mir’s	36	0.725
3	Deputy Commissioner, Shaheed Benazirabad	31	0.379
4	Sindh Flood Emergency Housing Reconstruction Project. Karachi	17	0.143
5	Deputy Commissioner, Naushahro Feroze	49	0.094
Total			2.218

Payments without recovery of stamp charges indicates negligence of management and prevalence of weak internal controls & financial indiscipline in the formation.

Audit is of the view that in absence of agreements, the interest of Govt. was not safe guarded. Moreover, Govt. sustained loss due to non-deduction of stamp duty.

The matter was reported to the management during November to December 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

36.5.34 Unauthorized retention of unspent funds into DDO account – Rs 26.415 million

As per rule-96 of General Financial Rule Volume-I states “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 lapse of a grant could be avoided. In the public interest, grants that cannot be profitably utilized should be surrendered. The existence of likely savings should not be seized as an opportunity for introducing fresh items expenditure, which might wait till next year. A rush of expenditure particularly in the closing months of the financial year will ordinarily be regarded as a breach of financial regularity.”

During audit of following offices of Services General Administration and Coordination Department, Government of Sindh for the financial year 2022-23, it was observed that as per DDO’s account bank statements that an amount of Rs 26.415 million was lying unspent on the closing of financial year. However, the funds lying unspent in Sindh Bank accounts were required to be surrendered to Finance Department, Government of Sindh / deposited into Government account, but the same were retained unauthorizedly. The details are given as under:

(Rs. in Million)

Sr. #	Name of office	AIR Para #	Amount
1	Deputy Commissioner, Umarkot	26	19.050
2	Deputy Commissioner, Sukkur	29	2.474
3	Deputy Commissioner, Khairpur	29	3.947
4	Deputy Commissioner, Jacobabad	24	0.944
Total			26.415

Holding of public money in bank account at the close of financial year is a serious lapse of internal controls.

Audit is of the view that the blockage of money and its lying with the DDO are violation of relevant rules and regulations and funds could have been placed at the demanded offices.

The matter was reported to the management during August to November 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends deposit of unspent funds into Govt. account besides fixing of the responsibility on person(s) at fault.

36.5.35 Non-surrendering of savings – Rs 50.400 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. **Read with** According to Para 95 of General Financial Rules, Volume-I; “all anticipated savings should be surrendered to Government immediately they are foreseen without waiting till the end of the year, unless they are required to meet excesses under some other unit or units which are definitely foreseen at the time and no savings should be held in reserve for possible future excess.”

During audit of following offices of Services General Administration and Coordination Department, Government of Sindh for the financial year 2022-23, it was observed that a sum of Rs 329.500 million was allocated / released and placed at the disposal of departmental authorities. However, the funds of Rs 279.329 million were drawn on pre-receipt bills but remaining funds Rs 50.400 million were remain unutilized and not surrendered to Govt. well in time till the close of financial year. The details are given as under:

(Rupees in million)

Sr. #	Name of office	AIR Par a #	Funds released	Utilized	Savings
1	Deputy Commissioner, Naushahro Feroze	54	233.00	183.330	49.900
2	Deputy Commissioner, Umarkot	28	96.500	95.999	0.500
Total			329.5	279.329	50.400

Non-surrendering of funds depicted prevalence of weak internal controls prevail in the formation.

Audit is of the view that non-surrendering of funds well in time, chances of non-effective utilization of funds to other offices could not be ruled out.

The matter was reported to the management during August to December 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends responsibility may be fixed on the person(s) at fault.

36.5.36 Non-conduct of third-party audit from reputed CA firm – Rs 187.254 million

As per Prime Minister office letter No. 3(i)/ds(cab)/2022 (559) dated 08.09.2022 directed the Secretary EAD, Finance Division and Provincial / Regional Chief Secretaries to arrange third party audit by reputed chartered Accountancy firms of federal and Provincial implementation agencies to ensure full transparency and accountability of donor assistance received for flood relief and rehabilitation 2022.

During audit of following offices of Services General Administration and Coordination Department, Government of Sindh for the financial year 2022-23, it was observed that an expenditure of Rs 187.254 million was donated / allocated to PAO, Secretary, SGA&CD department to be utilized for flood affectees. Subsequently, the amount was disbursed to (36) DDOs. The management did not provide information regarding conduct / non-conduct of third-party audit by reputed chartered accountancy firms despite repeated letters and reminders to PAOs in violation of PM's directives. The details are given below;

(Rs. in Million)

Sr. #	Name of office	AIR Para #	Amount
1.	Deputy Commissioner, Jamshoro	30	176.500
2	Commissioner, Mirpurkhas	18	7.493
3	Deputy Commissioner, Sukkur	20	3.261

4	Deputy Commissioner, Jacobabd	28	0.000
5	Deputy Commissioner, Hyderabad	25	0.000
6	Deputy Commissioner, Mirpurkhas	24	0.000
7	Commissioner, Larkano	09	0.000
8	Commissioner, Shaheed Benazirabad	36	0.000
9	DC, Shaheed Benazirabad	33	0.000
10	Deputy Commissioner, Dadu	34	0.000
11	Deputy Commissioner, Larkano	26	0.000
12	Deputy Commissioner, Ghotki	12	0.000
Total			187.254

Non-conduct of third-party audit is a violation of PM's directives.

Audit is of the view that due to non-compliance of PM's directives; the transparency on flood related activities cannot be ruled out.

The matter was reported to the management during November to December 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends provision of requisite information and third-party audit report.

36.5.37 Non-utilization of flood relief funds – Rs 157.122 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 Services General Administration and Coordination Department, Government of Sindh for the financial year 2022-23, it was observed that funds of Rs 1154.085 million was released on account of purchase of ration bags & other rescue/relief activities out of which Rs 996.961 million was spent only, remaining funds of Rs 157.122 million were not utilized for rescue & relief activities of flood affectees despite acute shortage of food / ration and funds retained in bank accounts. The details are given as under:

(Rs. in Million)

Sr. #	Nam of office	AIR Para #	Budget releases	Utilized Amount	Amount of Non-Utilization
01.	Deputy Commissioner, Khairpur	35	370.050	298.448	71.601
02.	DC, Tharparkar @ Mithi	05	82.500	44.009	38.491
03.	DC, Tando Allahyar	07	83.346	62.563	20.783
04.	DC, Shaheed Benazirabad	35	12.000	1.645	10.355
05.	Commissioner, Shaheed Benazirabad	33	7.500	1.645	5.855
06.	Deputy Commissioner, Ghotki	19	128.753	123.450	5.302
07.	Commissioner, Karachi	06	3.750	0.000	3.750
08.	Deputy Commissioner, Dadu	32	466.186	465.201	0.985
Total			1154.085	996.961	157.122

Hence due to non-utilization of funds resulted weak financial management controls prevail in the formation.

Audit is of view that the management failed in taking remedial measures for flood relief to IDPs despite acute shortage of food/ ration and tents. Funds if not needed could have been surrendered to authorities to be used somewhere else.

The matter was reported to the management during August to December 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

36.5.38 Non-adjustment of funds issued to ACs / Mukhtiarkar – Rs 10.995 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 Services General Administration and Coordination Department, Government of Sindh for the financial year 2022-23, it was observed that an amount of Rs 10.995 million was transferred to various Assistant Commissioners and Mukhtiarkas on account of flood relief activities for purchase of ration bags and other materials for rescue of flood affectees, but adjustment account supported by documentary evidence along-with tax deduction not submitted to Deputy Commissioner offices till the close of financial year. The details are given as under:

(Rs. in Million)

Sr.#	Name of office	AIR#	Amount
01.	Deputy Commissioner, Naushahro Feroze	02	8.595
02.	Deputy Commissioner, Tharparkar @ Mithi	08	2.400
Total			10.995

Non-adjustment of funds depicted prevalence of weak internal controls and financial indiscipline in the formation.

Audit is of the opinion that due to non-submission of adjustment of funds along with supporting vouchers, chances of misuse of funds could not be ruled out and expenditure so incurred could not be authenticated.

The matter was reported to the management in December 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

Audit recommends production of adjustment accounts along with requisite record besides fixing of responsibility on the person(s) at fault.

36.5.39 Missing relief items received from PDMA

As per Rule-113 and 114 of Sindh Financial Rules, “All materials received should be examined, counted, measured or weighed, as the case may be, when delivery is taken and when materials are issued from stock, the incharge of the store should see that proper indent were made by authorized person and recorded under his dated initial the description and quantity of material issued.”

During audit of following offices of Services General Administration and Coordination Department, Government of Sindh for the financial year 2022-23, it was observed that various relief articles involving financial impact of millions of rupees were received from PDMA, Sindh for relief measures, but the stock positions of the local offices shown variance in quantities received from the PDMA, Sindh.

Sr.#	Name of entity	AIR Para #	Particulars
01.	DC, Jacobabad	27	Tents, Ration bags, Tarpaulin, Blankets, RO Plants etc.
02.	DC, Benazirabad	30	Tents, Ration bags, Tarpaulin, Blankets, RO Plants etc.
03.	DC, Dadu	04	Variance of relief items Nos 303,361
		28	492 items of dewatering were not accounted for
04	DC, Naushahro Feroze	57	02 machine as per acknowledgement by local office and (33/48 machines returned to PDMA but status of remaining 15 machines not known.

It indicates weak internal controls prevail in the formation.

Audit is of the view that due to variation in record, there were chances of misuse of articles provided by PDMA.

The matter was reported to the management during November to December 2023, but no reply was received. Despite written requests, DAC meeting was not convened by the PAO till finalization of this report.

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

Chapter - 37

Thematic Audit

Attainment of affordable and clean Energy - Sindh Solar Energy Project

2.3.4.3 1. Introduction

Achieving affordable and clean energy is a critical global imperative that not only addresses the pressing issue of climate change but also ensures access to the sustainable and reliable energy sources for all. As the world grapples with the challenge of an expanding population and increasing energy demands, the pursuit of affordable and clean energy has emerged as a key driver for fostering environmental stewardship economic development and social equity.

Affordable and clean energy compasses transformative shift from traditional fossil fuel-dependent energy sources towards renewable and efficient alternatives. This transition is not only essential for mitigating the detrimental impacts of climate change but also for creating a more resilient and sustainable energy infrastructure. The attainment of affordable and clean energy aligns with the United Nation's Sustainable Development Goals 7, which aims to ensure access to affordable, reliable, sustainable and modern energy for all by 2030. By promoting cleaner and more accessible energy solution, we not only safeguard the planet but also uplift communities and empower individuals worldwide. The transition to affordable and green energy requires a holistic approach that considers the economic, social and environmental dimensions of sustainability.

The province of Sindh provides an ideal location for installation of solar energy projects as the province is exposed to massive sunlight during all the seasons. Sindh has been actively involved in the development of solar parks at Jamshoro and Karachi. These initiatives aim to tap into the solar potential of the region and contribute to the overall renewable energy capacity of Pakistan. While primarily known for wind energy, Sindh has also explored solar energy options. The Jhampir Wind Corridor in Sindh is one of the regions where both wind and solar projects have been considered, demonstrating the province's commitment to a diversified and sustainable energy mix.

The Sindh Solar Energy Project is an initiative of Energy Department Government of Sindh. Its objective is to support and scale-up solar power in Sindh province, besides increasing access to clean energy. This project will lead to introduction of new technologies and business models to Pakistan, including state of the art solar power and plant control systems under Components 1 and 2, and solar home systems that meet the needs of populations in remote areas under Component 3.

This World Bank financed project included four components, with the following targets.

1. Utility-Scale Solar: Development of at least 400 MW of utility-scale solar by establishing solar parks in different parts of the province.
2. Distributed Solar: Installation of at least 50 MW of distributed solar on and around public, Semi Govt, autonomous bodies, humanitarian and social sector buildings and facilities in Sindh, with provisions made for long-term operation & maintenance.
3. Solar Home Systems: Provision of 200,000 off-grid solar home systems to the people having no access to electricity.
4. Technical Assistance & Capacity Building: Provision of technical assistance and capacity building within the Sindh Solar Energy Project and Energy Department Government of Sindh.

Thematic audit of Sindh Solar Energy project was planned with the view to assess the access to affordable, reliable, sustainable and modern energy for all citizens of Sindh. The goal of attainment of affordable and clean energy was to ensure that the principles of economy, efficiency and effectiveness were adhered to so that public money could be saved and used for better service delivery and economic development. This report highlights material issues and weaknesses of the project identified during the execution of audit. Audit assessed the overall strategy of the project in respect of the power generation through solar systems.

1.1 Background:

The use of energy has increased significantly due to various inventions and innovations of common use made in last century. Thus, almost all human activities have become more dependent on energy. For developing countries in particular, there is dire need for reliable and affordable energy. In this connection, energy demand has increased due to expansion in industry, modernized agriculture, increased trade and improved transportation. Pakistan is dependent on energy imports because there is lack of investment in indigenous resources of hydro, natural gas and alternative source of energy such as solar and wind power. Since Biomass is the largest energy source; however, the government has decided to stop building new coal-fired power plants because of environmental issues like rising temperature because of burning fossil fuels. Therefore, renewable sources such as solar power and wind energy are very much relevant, affordable and sustainable source of clean and green energy which will save the Government from relying on expensive sources of electricity from the distribution companies, the IPPCs.

Current Energy Scenario in Pakistan

Over the last century, the demand for energy has increased tremendously all over the world and certainly Pakistan is no exception. All human activities require energy for proper functioning. Huge energy crises are prevalent in Pakistan currently, which not only hinders the progress of country but also affects the daily life of people. All major sectors of Pakistan i.e., agriculture, transport, industry and domestic need a continuous supply of energy. Due to the continuous demand for energy, the gap between electricity demand and supply has widened significantly, resulting in double jeopardy - dependence on fossil fuel and depletion of foreign exchange.

The country's total installed electricity capacity stands at 46,754 MW; the percentage share of hydel, thermal, nuclear, renewable and import of power is 28.50%, 55.36%, 7.55%, 6.01% and 2.58% respectively. The share of thermal as a dominant source of electricity supply has declined over the past few years, showing the increased reliance on indigenous sources.

Table 1⁵

Technology	Gross Capacity (MW)	% Share
Wind	1,842.18	3.94%
Solar	680.00	1.45%
Bagasse	291.83	0.62%
RFO/HSD/Gas/RLNG	17,989.30	38.48%
Coal	7,890.00	16.88%
Nuclear	3,530.00	7.55%
Hydel	13,326.22	28.50%
Import of Power	1,204.00	2.58%
Total	46,753.53	

Fast Track Solar Initiatives 2022

Considering the shortfall highlighted above, for promotion and development of indigenous renewable energy resources in the country on the least cost principle and in the realization of the need to reduce the impact of prevailing high prices of imported fossil fuels in international markets resulting in high electricity tariffs and drain of precious foreign exchange, the Federal Cabinet (GoP) in its meeting held on 18th October 2022, approved the Framework Guidelines for Fast Track Solar Initiatives 2022. This framework is based on the following three key pillars.

Under the initiative, Solar Photovoltaic based power generation capacity shall be solicited to substitute expensive imported fossil fuels used for power generation that will lower the average basket cost of generation for the system. The government plans to add approximately 6,000 MW of solar Photovoltaic capacity under this initiative. In the first phase, for a solar Photovoltaic project of 600 MW capacity at Kot Addu, District Muzaffargarh.

⁵ CPPA-G Annual Report 2002-23

Decentralized, medium-scale Solar Photovoltaic power can contribute cost-efficiency to alleviate some of these problems by feeding directly into the medium-voltage (MV) network, thereby improving the local losses, power outages, and voltage situation. Furthermore, the injection of Solar Photovoltaic power into the MV network would provide cheap electricity to the national grid without any augmentation or significant upgradation of the grid infrastructure.

Solarization of public buildings will help meet a specific portion of the electricity load through clean energy technology, reduce electricity bills of public offices, and relieve electricity utilities/distribution companies from long-term dues. Under this initiative, building-specific Solar Photovoltaic net-metering-based systems will be installed through bidding on Lease.

Alternative Renewable Energy Policy 2019

Objectives:

The main objectives of the Alternate Renewable Energy Policy 2019 are:

- Protect the environment by increasing the share of green energy in the overall energy mix
- Least cost on-grid power generation
- Fast track and transparent procurement of AREPs through auctions
- Develop and open up the power market
- Develop ARET local manufacturing, skilled human resource and technology transfer
- Enable private sector investment and participation in on-grid and off-grid AREPs and innovative supply solutions, and
- Ease pressure on the public purse for investments in power system expansion.

1.2 Establishing the Audit Theme:

1.2.1 Reasons of selection

In the context of Pakistan, the pursuit of affordable and clean energy is of paramount importance, given the country's unique set of challenges and opportunities. Pakistan faces a growing population, rapid urbanization and increasing energy demands all against a backdrop of environmental concerns and economic development aspirations. Achieving affordable and clean energy is crucial for addressing these challenges and building a sustainable future for the nation. Pakistan has recognized the importance of renewable energy, including solar power, to address its growing energy needs and reduce reliance on conventional fossil fuels. The country has

implemented various policy initiatives and frameworks to encourage the development of renewable energy sources. The Alternative and Renewable Energy Policy of Pakistan has set ambitious targets for increasing the share of renewable energy in the country's energy mix. This policy provides guidelines, incentives, and a regulatory framework to attract investment in the renewable energy sector, including solar power. In addition, the attainment of affordable and clean energy aligns with the United Nation's Sustainable Development Goals 7, which aims to ensure access to affordable, reliable, sustainable and modern energy for all by 2030.

The criteria for selection in addition to above are as follows;

- a. Functional jurisdiction of the Director General Audit, Sindh;
- b. Priority area of the Government of Sindh;
- c. Issues of public importance;
- d. Currency;
- e. Audit Impact;
- f. Issues related to Sustainable Development Goals (SDGs) (directly linked); and
- g. Various targets and achievements of SDGs.

The audit theme has a strong profiling criterion with essential indicators of sustainable development goals as illustrated below:

Theme: Attainment of affordable and clean Energy							
Sr · #	Indicators						
	Functional Jurisdiction		Related to SDGs	Government Priorities	Public Importance	Currency	Audit Impact
	Full	Partial					
1	<input checked="" type="checkbox"/>		Goal 7	Mid-Term Prioritized National Goals	High	Yes	Attainment of affordable and clean Energy due to Utility-Scale Solar, Distributed Solar, Solar Home Systems & Technical Assistance & Capacity Building

1.2.2 Purpose/Objectives

The public of the province suffers a great deal from a lack of reliable electricity for grid-connected consumers, rising bills, and a lack of access to electricity, especially in the rural areas. Due to development of 400 MW of solar parks, distributed solar system and provision of electricity to 200,000 households in rural areas will improve socio-economic activities, living standards, literacy rate in the rural areas and will also save cost of grid construction in those rural villages. Access to green energy will mitigate the climate change effects and will also reduce reliance on expensive sources of energy.

The purpose of the audit was to add value in national resources & increase energy efficiency as per fourteen core areas of National Conservation Strategy, 1992. The objective of the project was to increase solar power generation and access green energy in Sindh Province. The program development objective was to support the scale up of solar power in the Province and increase access to clean and affordable energy. The audit findings would be helpful for the management in terms of strengthening internal controls and ultimately in better decision making.

The main objectives of the audit were as follow:

1. To determine the effectiveness of public policies & steps taken towards provision of Alternative Sources of Energy in Power generation.
2. To assure whether the alternative sources of energy are viable and sustainable.
3. To assure whether the provision of alternative sources is made on transparent basis.
4. To analyze whether implementation phase has been executed properly in line with approved documents.
5. To determine and achievements of project against the goals.
6. To assess the efficiency of the management in term of development of solar parks, distributed solar and Solar Home system.
7. To assess the professional development of the staff /HR.
8. To assess the implementation of net metering policy set by the NEPRA.
9. To assess transparency in operations.
10. Whether the monitoring & evaluation mechanism was adopted according to the project management unit and World Bank guidelines and procedures.
11. To assure whether the program provided the effective service delivery.

1.2.3 Scope

The scope of thematic audit is confined to assessment of strategies and tools adopted by the Sindh Solar Energy Project through the Secretary, Energy Department Government of Sindh. To cover the thematic audit scope, the audit would evaluate:

1. Execution process of component I, II & III that whether these were carried out as per WB guidelines and GoS regulations issued from time to time;
2. The amount paid by the management is reflected correctly in the accounts.

3. To check that the justification document prepared by the contractor is reviewed and signed off/stamped by the supervising team.
4. The payment details and checked that the dollar rate / exchange rate used for payment to contractors is justified (on sample basis) by comparing it with the actual rate at the time of payment.
5. The exchange rate working, checked if appropriate rate has been used and calculations to determine the amount Payable / Recoverable to / from contractor is justified.
6. The process deployed by SSEP management and Supervision consultant for verification of energy generation data.
7. Application of the ToRs of the Project.
8. Monitoring and implementation of Project.
9. Deliverables and outcomes of implementation.
10. Cost-benefit analysis of the Project.
11. Sustainability of the system.

2.3.4.4 2. Legal framework governing the Theme

The legal framework governing the theme are as follows:

- a. Articles 169 and 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;
- b. SSEP PAD
- c. PC-I
- d. Revise PC-I
- e. Project Agreement
- f. Financial Statement
- g. NEPRA Regulations
- h. World Bank directives
- i. Accounting Policies and Procedures Manual.
- j. Central Public Works Account Code.

2.3.4.5 3. Stakeholders and governmental organizations identified as directly/indirectly involved

1. Sindh Solar Energy Project (PMU)
2. Economic Affairs Division

3. Planning and development department.
4. Composition of Central Development Working Party (CDWP)
5. Executive Committee of Nation Economic Council (ECNEC)
6. Energy Department, Govt. of Sindh
7. Government of Sindh
8. World Bank
9. NEPRA
10. Distribution company
11. Steering Committee
12. Public of the Province
13. District Administration
14. Management of public Buildings
15. Civil Society and its representative

2.3.4.6 4. Role of important organizations

The Sindh Solar Energy Project is the executing agency to accomplish the desired goals of the project.

Secretary, Energy Department, GoS is the head of the Department working across the province as Principal Accounting officer and supervise the project execution.

World Bank share is US\$100 million soft loan (IDA credit) while the estimated cost of the project is US\$102 million, Out of which US\$ 22 million has been released by WB till to date. Government of Sindh allocated the 2% funds (PKR 554.01) for the project which is equal to US\$ 2 million.

NEPRA is playing crucial role for the development of solar-wind hybrid sites and projects in the existing wind corridors or any other suitable location in the province through IPP mode under prevailing NEPRA framework to cover up minimum 80 MW solar.

After getting agreement with the Distribution companies the Project would initially target sites where no export of electricity is required but could be expanded to larger sites of the Sindh.

Organization's Financials

Estimated cost of the project is US\$102 million, of which the World Bank share is US\$100 million soft loan (IDA credit), Out of which US\$ 22 million has been released by WB till to date. The share of the Government of Sindh is PKR 554.01 million (Equivalent to US\$2 million).

5. Field Audit Activity:

5.1 Methodology:

Both qualitative and quantitative methodologies were adopted to conduct the thematic audit.

Qualitative Methodology included sample-based approach to evaluate transparency, financial management, contract management and supervision over the project. The audit assured compliance with Terms of Reference (ToRs), guidelines issued by the World Bank from time to time. The audit adopted standards and guidelines of office of the Auditor-General of Pakistan and general auditing standards of substantive procedures and analytical procedures through scrutiny of Interim Financial reporting, contract agreements, bank statements etc. Apart from this, Audit entrusted with planning, execution, supervision, compilation and analyzing the audit results.

Quantitative Methodology involved collection of Quantitative Data, books of accounts IFR, Financial Statement, Budget forecasting, Finance accounts, statements of expenditure / budget from the entity etc.

5.2 Audit Analysis:

5.2.1 Review & Internal Controls

Numerous internal control flaws were found by the audit, and these are covered in detail in key audit observations. However, brief review identifying weak internal controls is being reproduced below:

That the project implementation unit of the World Bank awarded low to moderately unsatisfactory environmental & social rating to the project due to its low capacity and inability of project management to undertake timely and quality environment and social actions. Besides, the management was not reconciling the out-put (electric unit) with the electricity distribution agency which is serious flaw in internal controls resulting into loss to public exchequer. The management also executed various activities under component-III without baseline survey which indicates weak internal controls. Moreover, project implementation unit of the World Bank pointed out weak

internal controls pertaining to different areas. The unit of the World Bank pointed out that there is a risk of equipment theft or damage in certain sites where physical security controls are weak. Subsequently, consultations were made with the contractors, and contract changes were proposed and have since been enacted. Moreover, there is dire need of strengthening of internal controls for better performance of the project.

5.2.2 Critical Review

Article 157 of the Constitution of Pakistan allows the provinces to develop their own power generation projects, lay transmission lines, distribute electricity, and even set their own tariffs, if the power generated is for the use within the boundary of the relevant Province. Recognizing these constitutional rights, the provinces are free to institute their own policies for projects regarding power generation.

Sindh, being a region with abundant sunlight, has a significant potential for solar energy projects. The province experiences high solar irradiance throughout the year, making it an ideal location for solar power generation. Keeping in view the above facts Sindh Energy Department initiated the Sindh Solar Energy Project to generate 450 MW solar energy along with providing solar systems to 200,000 households in far flung areas where people do not have access to electricity. The project was divided into four components.

Component-I is Utility Scale Solar which refers to solar power facilities that generate electricity and supply it to the Grid for utilities. Under this component the project was required to generate 400 MW electricity through establishing solar parks in different areas of the Sindh within 05 years starting from 2018-2023. In phase-1 of the component, 50 MW solar park was to be established. Similarly, in phase 2 and 3 of the component, 150 and 200 MW solar parks planned to be established respectively. However, so far, the project has only acquired land at three different sites i.e; Manjhand for 50 MW, District Malir for 150 MW and District West for 120 MW. However, the project has not witnessed any potential progress despite lapse of considerable time and massive expenditure of Rs 190.924 million under this component. Resultantly, the project was delayed and the management got approval of extension till July 2025. As per the management the delay in the project was because of Pandemic Covid 19 and catastrophic floods of 2022. Consequently, the project failed to contribute electricity to national grid. Thus, the targets of the projects remained unachieved.

The Component-II of the project is based on Distributed Solar systems where Photovoltaic are typically installed on roof tops. Under this component the project was required to solarize public buildings. As per initial base line target during 2018-19 the project aimed at generating 1 MW and in subsequent years; 3MW, 6MW and 10MW electricity at the cost of Rs 3,163.790 million. The project management did not achieve the preceding targets. During 2021-22, the project

management solarised 32 Hospitals with the capacity of generating 21MW units. Similarly, the production of energy of the solar Photovoltaic was not being reconciled with the distribution companies to ascertain the power generation and its utilization. Furthermore, 10 solar sites at different locations in the province were still not commissioned due to which electric units were being wasted. Moreover, installed solar systems are connected with the grid through net metering, however; these on-grid systems are without battery therefore they are not able to function or generate electricity during a black out. Given the massive load shedding prevalent in the province of Sindh, such on grid solar systems are not so beneficial.

Third component of this project aims at providing a small household solar systems to those people who lack access to electricity. Solar system include solar panel, battery bank, a charge controller and a set of LED lights, along with a fan; which will be provided to the needy people on 40% subsidy. Under this component the project management has baseline target to provide set of 3000 solar systems to poor households in first year of the project and subsequently, 200,000 solar home systems till completion of the project. While reviewing the performance of this component, it was noticed that only 322 household were given solar system upto June, 2023 which reflects poor management. Furthermore, execution of this component was made without baseline survey report which is prime requirement of Project appraisal document. Baseline survey was required to be conducted before and after completion of the project which could help the management to determine the focus of the project and outline priority areas.

Similarly, the 40% subsidy could not get public acceptance in rural areas due to widespread poverty as paying capacity of the public has been reduced after 2022 floods. For the success of this component, it is imperative to increase subsidy so that the people may be able to buy solar home systems on subsidized rates.

Component 4 consists of a range of capacity building and technical assistance activities to support the design and implementation of the Project. Through this component technical assistance and support will be provided to the project management, Energy Department, and other relevant entities in Government of Sindh for introducing state of the art Solar Photovoltaic based technologies available in developed countries. Under this component an expenditure amounting to Rs 40.685 million was incurred since inception of the project. Different trainings have been imparted pertaining to various components of the project; however, while reviewing the overall output of component, so far, the massive expenditure did not yield in terms of value for money. Further the Donor agency has proposed an action plan for training on renewable energy development for the relevant employees of the Energy department and of the project. However, the project management has not yet submitted any proposal regarding trainings.

Moreover, it is the cause of great concerns that Project Implementation Unit of the World Bank has awarded moderately unsatisfactory rating to the project due to lack of implementation initiatives in all the components of the project. In order to gain upgraded and satisfactory rating,

the project management needs to ensure improved project management and compliance with environmental and social requirements along with early completion of all the components of the projects.

2.3.4.7 6.

Significant Audit Observations

2.3.4.8 6.1 Unjustified expenditure against the principles of economy, efficiency and effectiveness of the project – Rs 3,982.670 million

As per Para-45 of project Appraisal Documents (PAD) of Solar Energy Project (FAP) “Subject to the recommended mitigation measures and action plan being implemented by SED, as per agreed timeframe, the Project has a residual risk rating of Substantial and has met the minimum Financial Management (FM) requirements in accordance with World Bank’s Investment Project Financing Policy. The FM arrangements provide reasonable assurance that the financing proceeds will be used for the intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability, to support implementation and achieve the desired results. Further, this objective will be sustained by ensuring that strong financial management systems are maintained for the Project throughout its duration. Detailed Financial Management reviews will also be carried out regularly, either within the regular proposed supervision plan or a more frequent schedule if needed, to ensure that expenditures incurred by the Project remain eligible”.

During thematic audit of Project Director Sindh Solar Energy Program for the financial year 2022-23, it was observed that Sindh solar energy project did not complete the project within stipulated time frame despite incurring huge expenditure amounting to Rs 3,982.670 million. The component wise details given below:

- Under Component-I 400MW was to be generated through establishment of solar parks however, after lapse of five years only land was acquired.
- The component-II aimed at generating 50MW electricity through solarisation of public buildings however, 21MW was installed.
- The component-III was based on provision of 200,000 Solar household systems to population having access to electricity. Whereas only 322 Solar household systems which is 0.161% achievement of target.

The time period of the project ended on September, 2023 which is extended up to July, 2025. Thus, it indicates that expenditure was made without observing the principle of economy, efficiency and effectiveness for the intended purposes.

Audit is of the view that there was lack of economy, efficiency and effectiveness observed during execution of the project which reflects poor project management.

The matter was reported to the management was reported to management during October 2023, but no reply was received.

Audit needs proper justification into the matter besides taking remedial measures to accomplish the project within time line.

2.3.4.9 6.2 Loss to public money without net-metering of solarized hospitals from NEPRA

As per NPPRA Rule-3.7 “The debate whether net-metering is on or off-grid is sterile. Net-metering is a special case, and there is no need to pigeon hole it in either category, given that a specific regulatory framework is applicable to net-metering that has functioned well since its introduction in September 2015 leading to approximately 33 MW net-metering capacity connected so far. Net metering is not meant to be a business purpose. The current 1.5x load limitation with 1 MW ceiling is considered adequate for the time being. AEDB has and will continue to play its proactive role in net-metering, by its net-metering approved installers certification and rating services. AEDB is working towards enabling on-line net-metering application processing, integrating NEPRA and the host DISCO clearance processes”.

During thematic audit of Project Director Sindh Solar Energy Program for the financial year 2022-23, it was observed that 32 were solarized out of which 29 were commissioning but yet 22 systems are not connected to grid through net metering till the close of 5th financial year of the project. Without net-metering the total production/generation of excess energy units from solar were not adjusted with the actual consumption of units

Audit is of the view that non connecting of solar systems with the grid reflects poor internal controls within the management.

The matter was reported to the management was reported to management during October 2023, but no reply was received.

Audit require recommends immediate Net-metering of solarized hospitals besides fixing responsibility on person(s) at fault.

2.3.4.10 6.3 Non generation of Units by solar systems installed in Hospitals

As per NPPRA Rule-3.7 “The debate whether net-metering is on or off-grid is sterile. Net-metering is a special case, and there is no need to pigeon hole it in either category, given that a

During thematic audit of Project Director Sindh Solar Energy Program for the financial year 2022-23, It was observed that the project secured lowered to moderately environmental and social rating from the World Bank due to project managements inefficiency and poor planning.

Audit is of the view that the due to low rating of environmental and social of the project reflects poor management system needs to be addressed.

The matter was reported to the management was reported to management during October 2023, but no reply was received.

Audit needs justification into the matter besides bolster their capacity and ability of environmental and social of the project

2.3.4.12 baseline survey

6.5 Unjustified operation of project activities without

According to Para B-34 of Project appraisal document states that “A household energy survey will be commissioned to provide baseline values for M&E, as well as to fill information gap on the market size for SHS in Pakistan, including gender-specific data. The survey will be carried out at the start and end of the project, and will conform to the multi-tier framework approach for assessing access to electricity including gender disaggregation throughout the preparation, and implementation of the project, robust citizen management mechanisms will be designed and carried out where needed.”

During thematic audit of Project Director Sindh Solar Energy Program for the financial year 2022-23, it was observed that project activities of Component-III was to be initiated without base line survey but the same was not conducted.

Audit is of the opinion that in absence of baseline survey, objectives achievements in true sprit could not be ruled out.

The matter was reported to the management was reported to management during October 2023, but no reply was received.

Audit requires justification into the matter besides fixing of responsibility on the person(s) at fault.

2.3.4.13 6.6 Loss to public money due to frequently amendments to the contracts reflect poor management system

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 thematic audit of Project Director Sindh Solar Energy Program for the financial year 2022-23, it was observed that various works were awarded to contractors through agreements from 2020 in purpose of installation of “on grid solar systems” in public buildings but while checking the record following observations were noticed:

- Frequently amendments were made into some contracts.
- Initially contract made into PKR later on amended into USD.
- Most of the contract agreements were found without any penalty clause which allows the contractor to complete the contract as per their own benefit and loss to government exchequer.

Audit is of the view that due to frequently amendments to the contracts reflects poor management system and lack of proper strategies for the upcoming activities of the project.

The matter was reported to the management was reported to management during October 2023, but no reply was received.

Audit needs justification into the matter besides taking remedial measure.

2.3.4.14 6.7 Downgraded rating of overall progress of the project due to slow performance

According to Para-B (1)(a) of project Agreement: “The project management entity shall not later than thirty (30) months after the effective date, of the such other date as may be agreed with

Following observations were noticed:

1. Payment provision given into USD and PKR which is undue favour to contractor
2. Assessment of amount regarding the technical studies were not compared in term of value for money.
3. No provision of professional fees mentioned into the contract agreement and including assessment of amount

Audit is of the view that huge payment in absence of above is treated as unjustified needs to addressed.

The matter was reported to the management was reported to management during October 2023, but no reply was received.

Audit needs justification into matter besides taking remedial measures in improving management practices.

2.3.4.16 components

6.9 Unjustified delay in completion of the solar project

As per revise PC-I “c” states that “It is mentioned in the revised PC-1 that date of commencement of the project was 20th May 2019 and original date of completion was 30th September 2023.”

During thematic audit of Project Director Sindh Solar Energy Program for the financial year 2022-23, it was observed that Sindh solar energy project did not complete the project within stipulated time i.e. September, 2023 after the lapse of 05 years. No potential progress was seen in any component of the project. Breakup of the performance of components given below:

Component-I only land of three sites were acquired.

Component-II only 21 MW was installed out of 50MW

Component-III only 322 solar systems were given out of planned 200,000

Due to non-completion of the components within time the government was deprived from reaping benefits of viable and reliable sources of energy.

Audit is of the view that mismanagement and poor performance of the project management resulted in non-completion of the project which reflects poor internal controls within the formation.

The matter was reported to the management was reported to management during October 2023, but no reply was received.

Audit recommends inquiry into the matter and fixing of responsibility against persons at fault.

2.3.4.17

7. Departmental Responses: -

The management in its reply stated that the Sindh Solar Energy Project (SSEP) was fully launched at the end of 2019. The delays in establishment of the project management unit and pandemic Covid-19 were the main causes of non-achievement of the project targets. The Utility Scale Solar under component-1 was delayed due to land allotment and the RFP approval process by NEPRA which is still awaited.

Component-2 was designed to solarize public sector buildings to reduce the electricity cost borne by the government, however, due to the onset of the pandemic, Round-1 of this component was executed as a Covid Emergency activity and the decision was made to solarize public sector hospitals dealing with Covid emergencies. The PSC approved hospitals for solarization, and work was commenced in late 2020. Installation is complete on all sites; however, commissioning is awaited to due issues with the supervision firm, however, the sites are generating, which led to reduced usage of electricity supplied from the grid. Further, only 26 hospitals are eligible for net-metering, for which the process has been initiated, however, delayed response is being received from the distribution companies.

Component-3 of the project was not successful in implementation due to a variety of factors, some of which include, high cost, low subsidy, floods of 2022, import and LC restrictions and so on. Hence, the component has now been restructured based on a revised feasibility study and has been formally adopted through the approval of the revised PC-1. The restructuring aims for a “bulk procurement” approach for sourcing and importing SHS at scale, through international competitive procurement to achieve economies of scale and aims to provide these goods to the end-user for a lower cost. Implementation for the same is in process, whereas the bids bulk procurement is being evaluated and the downstream process model has been approved by the World Bank for implementation.

Component-4 of the project pertains to technical assistance and capacity building. The World Bank has approved the request for establishment of solar laboratories for NED and Mehran universities who will also provide solar related training for relevant government staff. Further trainings are in discussion with the World Bank and will be implemented in due course to ensure that maximum benefits are extracted for the people of Sindh.

Furthermore, the rating of the project has been upgraded as moderately satisfactory by the World Bank.

2.3.4.18

8. Recommendations:

- To speed up the process of establishing solar parks at Manjhand and Karachi.
- The sites from other parts of Sindh where energy crisis is severe may also be included, so that the benefits of the government investment may also reach to the most deserving masses.
- Solarized hospitals may be connected with the grid through net-metering.

- Proper policies and procedures may be devised to monitor generation of electricity unit-wise.
- The public buildings which could not be connected with grid as yet must be connected at the earliest, so that intended objectives of the project may be materialized.
- Portfolio of the public buildings may be enhanced, so that other sectors of public domain may also obtain benefits of the project.
- A mechanism and criteria may be developed to target the intended buyers of solar home system. It will help to reach the buyers/stakeholder of the project for which this component was designed.
- Changes in the contracts may not be made without prior approval from the Law Department GoS.
- Efforts may be made to achieve the set targets within time and cost.

2.3.4.19

9. Conclusion: -

Ensuring universal access to affordable electricity by 2030 means investing in clean energy sources such as solar, wind and thermal and Goal 7 of SDGs, also emphasizes upon access to affordable and clean energy. To pursue this target, the GoS initiated Sindh Solar Energy Project under the auspices of Energy Department Government of Sindh. The objective of the project was to increase solar power generation, ensure access to clean energy and help fulfil Pakistan's international commitments on climate change. The project was multi-dimensional targeting reduction in fossil fuel dependency which in turn reduce environmental impacts and reduction in cost of energy mix.

As already discussed, intended targets of the project were generation of 400MW of electricity through establishment of solar parks and 50MW by installation of photovoltaic on the rooftop of the public buildings along with provision of 200,000 small off-grid solar home systems to low-income families living in the remote areas.

The project, however, could not achieve its stated targets despite spending huge expenditure amounting to Rs 3,982.670 million due to various reasons: mismanagement, poor performance and inefficiency. Statedly, natural calamities, i.e., 2022 floods and pandemic Covid-19 were the major constraint in its successful completion. However, the project obtained extension till July, 2025. Therefore, the project management may expedite the operational activities to achieve the desired targets within the timelines as the land for three sites of the project was already acquired.

The project management stated that they intend to establish the solar parks as the public is facing perpetual loading shedding of electricity. Similarly, efforts will be launched to distribute small solar systems among the poor masses besides installation of 29 MW additional solar system in public building. Moreover, audit has already proposed in its recommendation in the preceding

pages, if followed, the project will soon start contributing cost effective electricity to grids. Consequently, the people will have sigh of relief by availing reliable, affordable, clean and green source of electricity.

2.3.4.20

10. References: -

1. PC-I/Revised PC-I of the project
2. SSEP Project Appraisal Document
3. Project Agreement
4. Financial Agreement
5. CPPA-G Annual Report 2022-23
6. World Bank data for Pakistan
7. Fast Track Solar Initiatives 2022
8. Alternative Renewable Energy 2019
9. Report on National Action Plan Sustainable Energy for All, January 2018 by UNDP and Ministry of Planning Development & Reform, Govt. of Pakistan.

Chapter - 38

Impact Audit

Karachi Neighborhood Improvement Project

2.3.4.21 1 Introduction:

Karachi is one of the largest metropolises of the world. It is a financial and industrial hub of the country which contributes 15% of the national GDPⁱ. It plays pivotal role in economy of Pakistan. However, during the last few decades, there has been a significant decline in access to basic services i.e., water supply, drainage and easy commutation, particularly in poor neighborhoods of Karachi. Due to encroachment and land grabbing, Karachi also lacks accessible, safe and good quality public urban spaces essential to make a highly dense city livable.

Thus, it was inevitable and imperative to invest in development of the infrastructure of the city to extend support to trade and business. In this backdrop, the Government of Sindh has initiated the Karachi Neighborhood Improvement Project (KNIP) of worth Rs 14,367.710 millionⁱⁱ funded by World Bank to improve public spaces in the city's selected Neighborhoods. Impact audit was undertaken to assess whether the project produced results that created impacts to the masses.

i Background:

Impact audits have been started from the audit year 2023-24, by the office of the Auditor General of Pakistan which aim at determining the impact of initiative or programs with special focus on determining the outcome results attributable to an initiative, new program or recent change to an existing program by separating other contributing factors or variables. The impact audit reports shall benefit the stakeholders in understanding the net results of the programs and initiatives in a more systematic manner and if timely addressed, shall lead to improving service delivery, financial management and better governance.

To improve the poor living condition of the masses of the area, the Government of Sindh has initiated the Karachi Neighborhood Improvement Project (KNIP) in collaboration with World Bank to improve public spaces in the city's selected neighborhoods. The focus of audit remained to determine the impact of a completed component of KNIP i.e., 1.2 Malir Area Road and Public Spaces Enhancement. Further it was aimed to measure whether the initiative did achieve sustainable economic and social growth of targeted downtrodden section of the society who were deprived of fundamental facilities: education, health and mobility infrastructure. Hence, this audit report chiefly focused on Phase-I of component 1.2 “**Rehabilitation & Improvement of Road of 5KM Saudabad Chowrangi to Thadda Nallah Bridge**” worth Rs 1,202.180 million^{iv}.

ii Role of Project/Program 1.2 Malir Area Road and Public Spaces Enhancement

The area of Malir is densely populated predominantly mixed land-use: residential as well as commercial with low-income communities. Infrastructure of public places and roads is deteriorated. The selected neighborhood includes sub-projects for upgrading the main road, sidewalks pedestrian crossings, reorganizing vehicular travel lanes to provide adequate space to pedestrians, rehabilitating/enhancing existing open spaces, constructing trash collection facilities, installing street furniture: bus shelters, safety barriers, shade features, and lighting and rehabilitating underground infrastructure and storm water drainage beneath upgraded roads. The project has given boost to businesses and ongoing housing schemes which resulted in urbanizing the people of Malir. The project also uplifts moral of the people by giving them improved environment through rehabilitation of drainage lines, widened pavement/walkways. By providing them roads, the cost and time of transportation has been reduced significantly; and mobility has become much easier than before.

2.3.4.22 2 Overview:

A feasibility, “Detailed Karachi City Diagnostic” by the World Bank was conducted over a period of one year to provide a multi-sector assessment of the infrastructure, service delivery and institutional gaps of the city. The Diagnostic, based on the framework of improving prosperity livability and social inclusion, found that the complex political economy and institutional fragmentation within the agglomeration of Karachi, have resulted in poor livability indicators for all segments of the population. For instance, The Diagnostic showed that to close its urban infrastructure gaps, Karachi requires large investments (estimated at about US\$10 billion over the next ten years) along with substantial institutional development and policy reforms. It also suggested that large investment and policy reforms, both would be benefitted from an inclusive and incremental approach. These findings were reaffirmed by a diverse group of stakeholders, who also highlighted the issues of citizen inclusion as areas that need to be addressed^{vi}. Henceforth, the World Bank was approached by Government for assistance to cope up need of development that Karachi had been awaiting since long. Thus, in order to lay the stone of development especially: the Phase I: The Road of distance 5KM from Saudabad Choarangi to Thaddo Nallah Bridge connecting Soomar Kundrani village was undertaken by awarding contract to M/S Naseeb Khan & Brothers and M/S MAC Engineering & Contractor (JV). The work on the project commenced in July 2019; and it was handed over to District Municipal Corporation in November 2021^{vii}.

Program Deliverables & Objectives:

The Phase-I of component 1.2 **Rehabilitation & Improvement of Road Saudabad Chowrangi to Thaddo Nallah Bridge** aims at improving mobility and quality of life for local residents:

- KNIP supports Pakistan vision 2025, which aims at transforming Pakistan’s urban area into creative, eco-friendly sustainable cities through improved city governance, effective urban planning, efficient local mobility infrastructure, and better security to make urbanization an important drive for growth^{viii}. In this connection, **phase I component “Saudabad Chorangi to Thaddo Nallah Bridge Road”** was constructed for local mobility and to facilitate public transport besides enhancing the spaces of footpath and walkways, connecting village areas with district Malir.
- Providing better service delivery to support economic activity and to provide decent standard of living for the Malir.
- This initiative will benefit approximately 140,000 people^{ix} of the locality by providing them swift mobility and enhanced public spaces for economic and social well-being.
- Easy access to nearby schools, hospitals and public offices to all the locals
- Rehabilitation of sewerage lines in order to ensure sanitization.
- Development of effective drainage system especially in the season of monsoon for drainage of storm and rainwater.

2.3.4.23 3 Scope and Methodology

i Scope:

The audit's focus is confined to the completed Component of Phase-I “**Rehabilitation & Improvement of Road Saudabad Chowrangi to Thaddo Nallah Bridge**”, i.e. component 1.2 Malir Area Road and Public Spaces Enhancement. The audit aimed at evaluating the tangible outcomes of the initiative. Further, it seeks public opinion about the initiative to ascertain whether the government's actions were aligned with the intended objectives or otherwise. In case of apparent deviation or gap, the audit will highlight remedies and possible suggestions in recommendations portion. The audit also tried to find out what difference the project has made in real terms besides exploring the rival causes and their contributions.

Audit measured the level of performance achieved with the initiative is as under;

Condition with:

The project significantly provided benefits to the deprived masses living in the suburb of Malir, especially the ones who are residing in near about vicinity of Saudabad Chowrangi to Somaar Kundrani Village. The road linked the village with the city by providing easy access and it enabled people of villages for exploring urban opportunities. Further, the intervention resulted in

swift transportation of goods and public. Value of property and rate of rent of the market shops have increased significantly because of intervention and resultantly businesses of the people have flourished. Owing to intervention, drainage and sewerage system have also improved. That is why the area witnessed no untoward incidents, traffic jams, flooding or flashflood even in catastrophic rain in 2022 monsoon season in Karachi. Consequently, the intervention has marked positive impact on lives of the people of the area.



Further pictorial details are given at Annex-1 of Chapter-38.

Audit estimated the level of performance that would likely exist in the absence of the initiative is as under;

Condition without:

As per Audit Survey, the area is inhabited by large number of people comprising various communities who were facing conditions of reduced mobility, degraded environment and associated issues regarding Public Health that was substantially affecting the livability of this area. Practical options for recreation and social gatherings in public spaces did not exist. Had the intervention not taken place, there would have been continuation of miseries for the people of Malir due to damaged portions of this road.



Further pictorial details are given at Annex-2 of Chapter-38.

Before the intervention, the condition of the road was dilapidated, resulted into congestion, traffic jam, less mobility and environmental/health issues. The audit team was told during the survey that only single road was functioning for transportation which created enormous problems for the public. Owing to single road, there use to be congestion.

Before the intervention, the drainage system was in a miserable state. This could have meted out severe problems to people especially in monsoon season. The drainage system may have failed during torrential rains in 2022 if the intervention was not launched.

Identification of rival causes:

The rival causes are KMC (Karachi Metropolitan Corporation), KW&SB (Karachi Water & Sewerage Board) and DMC Malir. The findings suggested that their contribution in construction

of roads, maintenance of sewerage lines, street lights, linear plantation, walk ways and sitting places was negligible as discussed below:

- I. Due to various financial and administrative issues **KMC** could not adhere to their primary function and duties of planning, developing and continuing maintenance of inter-district roads, therefore, the road from Saudabad Chorangi to Thoddo Nalah was found in deteriorating condition with lack of upkeep and maintenance as revealed during public survey.
- II. **KW&SB**: During survey, most of the interviewed people confirmed miserable conditions of drainage system in the area before intervention which showed that KW&SB did not perform their primary function of maintenance of sewerage system and water supply pipelines. Additionally, the audit team held a discussion with Chief Engineer KW&SB at their head office. He told the audit team that sewerage and water lines had been functioning since 1980. He also stated, “KW&SB only undertakes repair & maintenance of water and sewerage lines; however, the KW&SB does not undertake development and construction work of the lines”. He further informed that development work is usually assigned to KWSSIP (Karachi Water & Sewerage Service Improvement Project) funded by World Bank.
- III. **DMC Malir** did not perform their duties. As per audit survey, there were no streetlights, parks, greenery, and open spaces. This proved that DMCs ignored its essential functions in the area.

ii Methodology

For data collection mixed methods i.e. qualitative and quantitative approaches were adopted.

- Assessed and identified the rival causes in order to estimate their effect.
- Comparative analysis i.e., “before and after” the intervention was carried out to assess the impact of the intervention.
- For better understanding, visited main office of KNIP and site where the development has taken place.
- Conducted interviews from KNIP Official/Officers and getting information over the phone.
- Conducted interviews of officials of DMC Malir, KW&SB and KMC.
- Conducted survey of local residents, businessman and other stakeholders to know the factual position of before & after the intervention through questionnaire. The details are given at Annex-3 of Chapter-38.

Technique employed:

Comparative analysis: Before and after launching of this initiative

Rival causes: KMC, KW&SB and DMC

2.3.4.24 4 Findings:

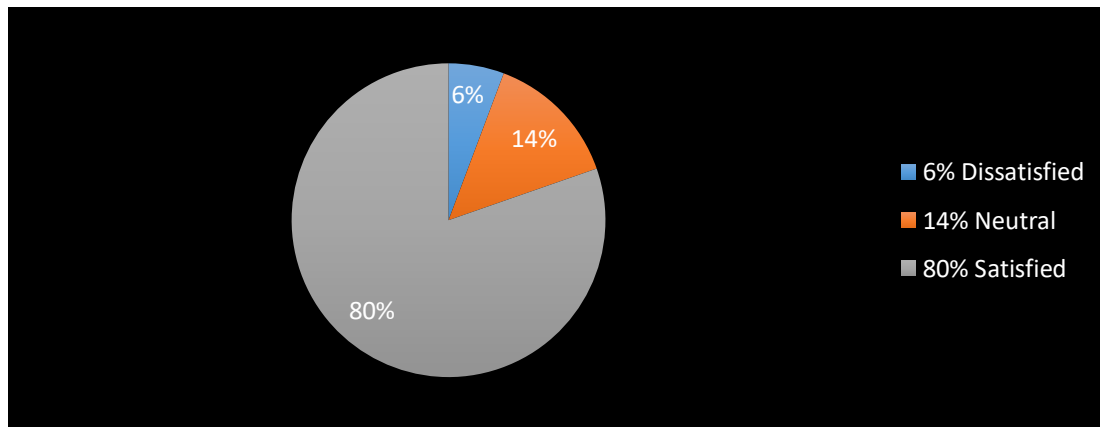
Malir neighborhood is a densely populated area with low-income communities. Due to limited infrastructure, people of the area were deprived of robust commercial activity despite being hub of livestock and dairy farms. The construction of 5 KM road from Saudabad Chowrangi to Thaddo Nallah Bridge linking nearby villages have positively impacted on the social, economic and environmental aspect of the area.

To assess the impact of the project, the audit team designed a survey form/questionnaire comprising 40 brief questions and conducted interviews to ascertain whether the project achieved its desired goals.

Overall impact:

The initiative achieved almost all its deliverables and the overall impact of the project was determined excluding the effects of rival causes.

As per interviews/survey, 80% of respondents showed their satisfaction with the provided infrastructure which reflected satisfaction of their needs. 14% remained neutral and 6% of the respondent were dissatisfied with the intervention.



Easy accessibility of villagers to urban centers

The project has ensured comfortable urban access to people of nearby villages. As the village Somaar Kundrani has been linked with Saudabad with the construction of this 5 km road of worth Rs 1,202.180 million. The road has significantly reduced the travelling time and cost. People can easily move from village to the city by using this road. Further, dual carriage way has been constructed to facilitate transportation of goods and public.

Social impact

As per data obtained through survey, 6% of the respondents (residents of the area) showed dissatisfaction with the intervention. They maintained that there had been no issue of accessibility or mobility for the inhabitants of the area 16% of respondents said that there had not been any significant decrease in crime ratio after the intervention.

The audit survey report showed that 75% people expressed their satisfaction with this initiative. The respondents maintained that the construction of the road has ensured easy access to fundamental and basic amenities of life i.e. health, education, water etc.

As per the survey data, the respondents maintained that this project intervention has ensured easy access to schools and colleges to local teachers and students. The audit team interacted with the patients at hospitals in suburb of the road. The patients and visitors of the hospital showed satisfaction with the intervention. Now, the patients can also reach hospitals with ease for their treatment. Further, the survey revealed that due to effective drainage system, rain and sewerage water is easily drained now. Improved and enhanced footpath and public spaces have been constructed for pedestrians for their easy movement. Benches, shades and porches were affixed all along the road for the use of public besides streetlights found functioning in the area. For disposal of garbage, the dustbins have been placed. 56% of people stated that the crime ratio has gone down because of easy mobility of the transport and lighting system. Lastly, the audit team felt that these benefits have raised the self-esteem of the local people.

Economic impact

As per survey conducted during the audit, 7% of respondents revealed that intervention had no notable economic impact.

The majority of respondents disclosed that the intervention has brought positive impact in lives of people. The survey further revealed that the masses also harness economic benefits from this initiative. The construction of the road has allowed locals' easy access to markets. People from

villages i.e., Memon Goth and Soomar Kundrani have been linked to the urban centers, district Malir and rest of the city. The people of these villages, mostly depend on dairy farming and livestock for their livelihood, they bring milk, vegetables, meat and other edibles to the city at reduced cost and time. Moreover, the construction of the road has given rise to various development schemes. Due to ease of doing business people have started settling their new business by opening shops along the road. Furthermore, Housing Schemes have also been launched after this initiative. Development in the area has given rise to rental income of people. There is also significant increase in property value. Moreover, improved condition of the road has also reduced the cost of maintenance of vehicles. Lastly, both sides of road have thrived with shops and various services. As a result, employment opportunities have been created for the people.

Environmental impact

As per survey conducted by the audit team, it was noticed that 27% of respondents were dissatisfied with the intervention. In opinion of these people, the project does not have any positive environmental impact because of lack of maintenance of the greenery along the road and pathways.

Most of the respondents stated that the construction of the road has also contributed to environmental well-being. Due to poor condition of the road it used to be dusty and stinky with stagnant water. Traffic jams caused noise, fumes and smoke in the area. Now, the road is neat and clean, the air quality has significantly improved after the initiative. Besides, there is a system of solid waste disposal as dustbins are placed all along the road. There is an arrangement of greenery, plantation of various types of trees all along the road which beautifies it. Resultantly, health condition of the locals has improved.

Below is a summary of key audit observations:

- i. Overall progress and implementation of initiative was slow.
- ii. Maintenance of road and alongside greenery and streetlights is not up to the mark.
- iii. People have launched businesses on the pavements of the road.
- iv. The grills, wires, lights and other tools have been stolen all along the road.
- v. The road has been encroached by street vendors, shopkeepers and by other businesses.
- vi. Hotels and cooking centres (Pakwan centres) are disposing of the litter and garbage on the road. Moreover, hotels are disposing solid waste substances into storm water drainage system.
- vii. There was no maintenance of plantation and greenery.
- viii. The pedestrian bridge over the road is not constructed for crossing.

Summary of discussion with management:

The management agreed with the preceding findings of the audit; however, for slow progress, the management replied that COVID-19 pandemic caused delay in execution of work. They further told that after completion of the project, it was handed over to DMC Malir. Therefore, it is their responsibility to maintain road, streetlights and secure the grills, wires, streetlights etc. from theft. The project engineer told that the World Bank restricted the executor of the project from removing the people's businesses around the road therefore, there is encroachments by small business owners and vendors. Lastly, the management maintained that it is aesthetically unpleasant to construct the bridge at the site. However, the public were demanding construction of pedestrian bridge to facilitate the crossing from one side to the other side of the road.

2.3.4.25 5 Conclusion

To recapitulate the findings of this report, the people of the area showed satisfaction with the completion of the project. Our survey showed that 80% of respondents were satisfied with the intervention. Its positive impact was apparent on all spheres of lives of the people of the area, whether it was social, economic, or environmental. The findings proved that the project intervention has brought ease of transportation. Water supply and drainage system have been improved; the business opportunities are flourishing on either side of the road. The aim of connecting the villages to urban areas has been achieved. However, the people were deeply concerned about the maintenance of the road and drainage system. Since the road has been handed over to local Government, therefore it is their responsibility to maintain the road, streetlights, greenery and to upkeep the drainage system in order to delay the decadence and wear and tear.

Recommendations:

- i. Replicate development of such infrastructure in other parts where economic and social activities are restricted due to damaged infrastructure of roads and sewerage / water supply line to ease the lives and uplift the livelihood of the general public and business community.
- ii. Maintain the road, streetlights and greenery in order to delay the decadence and wear and tear.
- iii. Discourage encroachment of the road to avoid damage and congestion.
- iv. Discourage homeless and drug addicts along the pavement of the road in order to avoid theft of public property.
- v. Upkeep the drainage and sewerage lines by imposing fine on careless hotels and cooking centres who throw garbage.
- vi. Construct a pedestrian bridge for crossing the road to avoid any road accident.



**AUDIT REPORT
ON
THE ACCOUNTS OF
PROVINCIAL ZAKAT FUND
AND
DISTRICT ZAKAT COMMITTEES
SINDH**

AUDIT YEAR 2023-24

AUDITOR-GENERAL OF PAKISTAN

PROVINCIAL ZAKAT FUND AND DISTRICT ZAKAT COMMITTEES SINDH

CHAPTER- 1 PROVINCIAL ZAKAT FUND

1.1 Introduction

A. Poverty Alleviation and Social Safety Division releases Zakat fund to Provincial Zakat Councils as per provincial share on population basis, after making direct lump sum releases to Gilgit Baltistan Zakat Fund (GBZF), Islamabad Capital Territory (ICT), natural calamities/emergency relief and others administrative/non-administrative, special Eid grants out of total budget. In addition to regular Zakat disbursement programmes, funds are also allocated on account of Educational Stipends.

Provincial Zakat Administration (PZA), Sindh releases funds to DZCs and the Provincial Level Health Institutions/hospitals in Sindh Province for onward disbursement amongst *Mustahiqeen* through Local Zakat Committees, *Deeni Madaris* and Educational Institutions (General and Technical Education) with the approval of PZC. The summary of auditable formations alongwith expenditure audited is as follows:

B. Comments on Budget & Accounts

Statement of accounts of the Provincial Zakat Fund Sindh for the financial year 2021-22 was as under:

(Rs. in millions)

Particulars	Amount
Opening Balance	3,124.253
Total Collections / Receipts	1,510.441
Total Available Funds	4,634.695
Disbursements/Releases Made	859.172
Closing Balance	3,775.522

A sum of Rs. 4,634.695 million was available with the Provincial Zakat Council, Sindh during the year 2021-22, out of which Rs. 859.172 million (18.5% of total) was released to the 29 DZCs and 44 PLHIs in the Sindh Province.

C. Audit profile of Provincial Zakat Administration, Sindh

(Rs. in millions)

Sr. No.	Description	Total Nos	Audited	Expenditure audited FYs 2016-23
1	Formations	73	08	505.975

1.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 2,437.589 million were raised as a result of audit. Summary of audit observations classified by nature is as under:

(Rs. in millions)

Sr. No.	Classification	Amount
1	Irregularities	2,339.066
A	HR/ Employees related irregularities	-
B	Procurement related irregularities	-
C	Financial Management	2,339.066
2	Others (Weak Internal Controls)	98.523

1.3 Brief Comments on the Status of Compliance with PAC Directives

No PAC meeting has ever been held on the Audit Reports of Provincial/District Zakat Funds. Audit recommends that Audit Reports of Provincial/District Zakat Fund may be placed before the respective PACs regularly.

1.4 AUDIT PARAS

1.4.1 Non-utilization of Zakat Fund by Provincial Zakat Administration – Rs. 2,195.976 million

Section 9 (1) of Sindh Zakat and Ushr Act 2011, states that the Council may from the Sindh Zakat Fund make disbursement and transfer funds to the Personal Ledger Accounts to the District Zakat Fund on the basis of population in such form and manner as may be prescribed and as would help in ensuring satisfaction of the needs of the needy and the poor throughout its jurisdiction as far as possible, on a uniform basis.

Provincial Zakat Council, Sindh allocated Zakat Fund amounting to Rs. 2,640.00 million for disbursement among Mustahiqeen-e-Zakat during the financial year 2021-22.

Audit observed that the Provincial Zakat Administration (PZA), Sindh, Karachi had not utilized Zakat Fund amounting to Rs. 2,195.976 million during the financial year 2021-22. Details are as under:

(Rs. in millions)

Sr. No.	Name of Head	Amount Allocated	Funds Released	Unutilized Amount
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1.	Guzara Allowance	1,320.00	0.00	1,320.00
2.	Educational Stipend	100.00	97.12	2.88
3.	Health Institute	600.00	346.90	253.10
4.	Calamity	400.00	0.00	400.00
5.	Eid Package Guzara Allowance	220.00	0.00	220.00
	Total	2,640.00	444.02	2,195.98

Audit held that non-utilization of funds was not justified as the poor beneficiaries of the Province were deprived from Zakat. This also indicates that institutions responsible for disbursement of Zakat were not working optimally as per the requirements of *Sindh Zakat and Ushr Act, 2011*.

The initial audit observation was issued on 27.03.2023. The management replied that funds were not utilized due to delay in receiving Zakat Budget from Federal Government, closure of educational institutions including deeni madaris and non-constitution of committees. Moreover, most of the districts all over Sindh were severely affected due to floods.

The reply of the management was not tenable as the delay in constitution of committees was a failure at their part which resulted in depriving Mustahiqeen e Zakat of their due right.

The matter was discussed in DAC meeting held on 26.01.2024. Management informed the DAC that the funds could not be disbursed due to Court Case and delay in process of issuance of new cards. DAC directed the management to conduct a fact finding on the matter and submit report.

Audit recommends to conduct inquiry and fix the responsibility against the person(s) at fault besides adopting remedial measures and proper mechanism for disbursement of Zakat funds among the eligible beneficiaries in a timely manner.

{Para No.2 of AIR of PZF Sindh for the Audit Year 2022-23}

1.4.2 Non-disbursement of Zakat funds by District Zakat Committees - Rs. 143.090 million

Section 14(2)(a) of Sindh Zakat and Ushr Act 2011, states that the District Committee shall oversee, generally, the functioning of administrative organization of Zakat and, more particularly, the assessment of Ushr and *atiyyat* and the disbursement and utilization of the moneys in the District Zakat Fund and the Local Zakat Fund.

Provincial Zakat Administration (PZA), Sindh released a sum of Rs. 222.800 million to 29 District Zakat Committees during the financial year 2021-22 for onward disbursement to *Mustahiqeen* under different heads.

Audit observed that the managements of the Districts Zakat Committees were unable to disburse Zakat Funds under different heads during the financial year 2021-22. Out of total Zakat Fund received by DZCs, only an amount of Rs. 79.710 million was further disbursed by the managements of District Zakat Committees which was 36% of total fund released by PZA.

Audit held that non-utilization of funds was not justified as the poor beneficiaries of the province were deprived from Zakat. This also indicates that institutions responsible for disbursement of Zakat were not working optimally as per the requirements of *Sindh* Zakat and Ushr Act, 2011.

The initial audit observation was issued on 27.03.2023. The management replied that the Honorable High Court of Sindh in C.P.No. S-2116 of 2018, dated 04.05.2021 ordered that Guzara Allowance cards with pin codes be blocked immediately. The procedural and legal requirements for preparation of 110,000 (new cards) had consumed minimum 10 to 12 months, which resulted in non-disbursement of Zakat Funds.

The reply of the management was not tenable as there was an abnormal delay in preparation of new cards which deprived the Mustahiqeen-e-Zakat of their due right.

The matter was discussed in DAC meeting held on 26.01.2024. Management informed the DAC that the District Zakat Committees did not disburse Zakat Fund due to flood and some other reasons. DAC directed the management to conduct a fact finding on the matter and submit report.

Audit recommends to fix the responsibility against the person(s) at fault. Moreover, adopt remedial measures and proper mechanism for disbursement of Zakat funds among the eligible beneficiaries in a timely manner.

{Para No.1 of AIR of PZF Sindh for the Audit Year 2022-23}

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2021-22 vide para no. 2.4.1 having financial impact of Rs. 37.310 million. Recurrence of same irregularity is a matter of serious concern.

1.4.3 Allocation of Zakat fund to universities without obtaining enrollment ratio from Higher Education Department - Rs. 98.523 million

Sindh Zakat Council in its 31st meeting held on 25.08.2021 vide agenda item no. 3 decided that Zakat fund allocated under the head Educational Stipend shall be directly disbursed to colleges, Government/Public Sector Universities instead of District Zakat Committees. University-wise ratio will be worked out based on university wise details of students enrolled during 2021-22. University-wise details of enrollment will be obtained from the Secretary, Higher Education Department, Government of Sindh, Karachi.

Provincial Zakat Administration (PZA) Sindh released Zakat Fund amounting to Rs. 98.523 million to 21 universities during the financial year 2021-22. Details are at **Annexure-II**.

Audit observed that Provincial Zakat Administration, Sindh allocated and released Zakat fund to universities without obtaining university-wise details of the enrollment from the Higher Education Commission. Furthermore, no details of students and their particulars were maintained by the Provincial Zakat Administration.

Audit held that allocation and release of Zakat funds to universities without obtaining details of enrollment was a violation of the decision of Sindh Zakat Council.

The initial audit observation was issued on 27.03.2023. The management replied that disbursement of Zakat funds under the head of Educational Stipends to Government / Public Sector

Universities were made on the basis of enrollment provided by the Higher Education Commission (HEC).

The reply of management was not tenable as Zakat funds for the financial year 2021-22 were released without obtaining enrollment ratio from HEC.

The matter was discussed in DAC meeting held on 26.01.2024. Management informed the DAC that Zakat Funds were released on the basis of enrollment for the Financial Year 2019-20 and the enrollment for the year 2021-22 was not received. DAC directed to place the matter before Provincial Zakat Council.

Audit recommends that the matter be inquired for fixation of responsibility against the person(s) at fault. Moreover, allocation of Zakat funds to the universities may be made after obtaining details of university-wise ratio of enrollment from Higher Education Department.

{Para No.7 of AIR of PZF Sindh for the Audit Year 2022-23}

1.4.4 Non-constitution of District Zakat & Ushr Committees

Section 14 (1) of Sindh Zakat and Ushr Act 2011, states that the Council shall constitute a District and Ushr Committee in each district provided that in the event of delay of in the constitution of the new committee, the committee may ask the District Committee to continue to function for a period not exceeding six months after the expiry of the term of its office.

Provincial Zakat Administration (PZA) Sindh released Zakat Fund amounting to Rs. 222.800 million to different District Zakat Committees during the financial year 2021-22.

Audit observed that Provincial Zakat Administration, Sindh, Karachi released Zakat funds to the following five districts without constitution of District Zakat Committees in the respective districts. Details are as under:

Sr. No.	District Name	Expiry of term	Current Status
1	Hyderabad	09.10.2021	Committees not constituted
2	Ghotki	26.09.2021	
3	Kamber	04.05.2021	
4	Tando Muhammad Khan	21.02.2022	
5	Naushahro Feroz	08.10.2021	

Audit held that non-constitution of District Zakat resulted in non-distribution of Zakat and depriving the *Mustahiqeen* from getting assistance out of Zakat Fund.

The initial audit observation was issued on 27.03.2023. The management replied that Sindh Province was struck with flood which led to massive losses of lives, livelihoods and infrastructure. The crops were destroyed and the cattle perished. The ensuing floods were the main reason of non-constitutions of the District Zakat & Ushr Committees.

The reply of the management was not acceptable as the tenure of previous District Zakat Committees was expired prior to flood and non-constitution of District Zakat Committees deprived the Mustahiqeen-e-Zakat of their due right.

The matter was discussed in DAC meeting held on 26.01.2024. DAC directed the management to conduct a fact finding on the matter and submit report.

Audit recommends that matter may be inquired for fixation of responsibility besides early constitution of District Zakat Committees.

{Para No.5 of AIR of PZF Sindh for the financial year 2021-22}

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2021-22 vide para no. 2.4.3. Recurrence of same irregularity is a matter of serious concern.

CHAPTER – 2 DISTRICT ZAKAT COMMITTEES

2.1 Introduction

A. Provincial Zakat Council / Administration, Sindh releases lump sum amount directly to 29 District Zakat Committees constituted in each District of Sindh on population basis. The DZC provides Zakat Funds to LZCs and various institutions for disbursement to *Mustahiqeen* under various regular and special Zakat programmes, like *Guzara* Allowance, Educational Stipend, *Deeni Madaris*, Health Care, Social Welfare/Rehabilitation and Marriage Assistance to unmarried *mustahiq* women.

B. Comments on Budget & Accounts

A total amount of Rs. 500.034 million was released by Provincial Zakat Council Sindh to following 08 Districts during the years 2016-23. Out of total available budget of Rs. 562.907 million, an amount of Rs. 505.975 million was disbursed by such DZCs, which was 90% of total available amount.

(Rs. in millions)

Sr. No.	Name of District Zakat Committee	Financial Years	Opening Balance	Receipts	Total Available	Disbursement	Closing Balance
1	Badin	2016-23	4.169	123.005	127.174	125.940	1.235
2	Ghotki	2017-23	43.837	78.236	122.074	114.227	7.846
3	Jamshoro	2017-23	6.299	45.074	51.373	49.683	1.690
4	Khairpur	2016-22	2.302	53.757	56.059	37.394	18.665
5	Shaheed Benazirabad	2017-22	4.183	75.172	79.355	76.294	3.060
6	Sukkur	2019-22	1.301	38.098	39.400	36.288	3.112
7	Korangi Karachi	2019-22	0.000	39.735	39.735	30.066	9.669
8	Hyderabad	2019-22	0.780	46.957	47.737	36.083	11.653

C. Audit profile of District Zakat Committees, Sindh

(Rs. in millions)

Sr. No.	Description	Total Nos	Audited	Expenditure audited FYs 2016-23
1	Formations	29	08	505.975

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 14.881 million were raised as a result of audit. Summary of audit observations classified by nature is as under:

(Rs. in millions)

Sr. No.	Classification	Amount
1	Irregularities	4.796
A	HR/ Employees related irregularities	-
B	Procurement related irregularities	-
C	Financial Management	4.796
2	Others (Weak Internal Controls)	10.085

2.3 Brief comments on the status of compliance with PAC Directives

No PAC meeting has ever been held on the audit reports of District Zakat Committees. Audit recommends that audit reports of District Zakat Committees may be placed before the respective PAC regularly.

2.4 AUDIT PARAS

2.4.1 Disbursement of Zakat Fund to Local Zakat Committees on unequal basis – Rs. 10.085 million

Para 9(1) of Sindh Zakat & Ushr Act 2011, states that the Council (Sindh Zakat Council) may from the Sindh Zakat Fund make disbursement and transfer funds to the Personal Ledger Accounts to the District Zakat Fund on the basis of population in such form and manner as may be prescribed and as would help in ensuring satisfaction of the needs of the needy and the poor throughout its jurisdiction as far as possible, on a uniform basis.

The managements of District Zakat Committee (DZC) Badin, Korangi and Shaheed Benzirabad had total available funds of Rs. 26.163 million for Social Welfare/Rehabilitation and Marriage Assistance to un-married women during the financial years 2019-23.

Audit observed that out of total available funds, the managements disbursed a sum of Rs.10.085 million to only 30 Local Zakat Committees (LZCs) out of many LZCs from the funds of Social Welfare/Rehabilitation and Marriage Assistance to un-married women.

Details are as follows:

(Rs. in millions)

Name of DZC	Area of AIR	No. of LZCs	Financial Year(s)	No. of Marriage Assistance Beneficiaries	Amount	No. of Social Rehab, Beneficiaries	Amount
Badin		2	2021-23	82	2.460	86	0.500

Korangi Karachi			2019-20 and 2021-22	196	3.390	439	2.195
Shaheed Benazirabad			2020-22	51	1.300	48	0.240
Total		0		329	7.150	573	2.935

Audit held that Zakat funds were not disbursed by DZCs on equal/just basis which resulted in depriving other deserving beneficiaries of their due right.

The Initial audit observation was issued to the management of DZC Badin, Korangi and Shaheed Benazirabad on 03.11.2023, 14.03.2023 and 20.02.2023 respectively. Management of DZC Badin replied that due to dormancy of majority accounts, the accounts of these LZCs were operated for disbursement of funds to mustaheqeen-e-Zakat of concerned Taluka. Management of DZC Korangi Karachi replied that the accounts of the Local Zakat Committees were closed due to non-utilization of funds for a long time. Besides, the beneficiaries were also facing difficulties in opening the accounts. For the reason, most of the Local Zakat Committees expressed their disinterest in receiving dowry and rehabilitation funds. However, few Local Zakat Committees, despite of all these difficulties, collected the applications from deserving and send these applications to the District Office. Management of DZC Shaheed Benazirabad replied that they arranged joint marriage ceremony of the beneficiaries in collaboration with NGOs, those beneficiaries were resident/inhabitants of the Local Zakat Committees, on the other hand due to rush of applications of the applicants the DZC approved more & more cases of 'Permanent Rehabilitation' during two Financial years.

The replies of the managements were not tenable as the Zakat fund was disbursed amongst beneficiaries of few Local Zakat Committees which deprived the Mustahiqeen of other LZCs.

The matter was discussed in DAC meeting held on 26.01.2024. DAC directed the management to conduct a fact finding on the matter and submit report.

Audit recommends to refer the matter to the Zakat authorities for necessary inquiry and action against the person(s) at fault. Moreover, funds to the LZCs may be released by respective DZCs on equal/just basis.

2.4.2 Blockage of Zakat Fund in Dormant Bank Accounts of LZCs – Rs.4.796 million

Section 9(2) of Sindh Zakat and Ushr Act 2011, states that a District Committee may make disbursements and transfer funds through Cross Cheques from District Zakat Fund to a Local Zakat Fund or to an institution or incur other administrative expenditure subject to such conditions as may be prescribed and may, whenever directed by the Council transfer any funds surplus to its needs to the Sindh Zakat Fund.

The managements of DZC Hyderabad and Shaheed Benazirabad had 244 and 347 Local Zakat Committees respectively under their jurisdiction. Most of the accounts of LZCs were dormant.

Audit observed that Zakat funds amounting to Rs. 4.796 million were blocked in the dormant bank accounts of 447 Local Zakat Committees of the following District Zakat Committees. Details are as follows:

(Rs. in millions)

Sr. No.	Name of DZC	No. of LZC's accounts	Para No. of AIR	Amount
1	Hyderabad	153	4	1.844
2	Shaheed Benazirabad	294	3	2.952
	Total	447		4.796

Audit held that the managements of above DZCs had not made efforts for refund of Zakat Fund from the dormant accounts of Local Zakat Committees.

The initial audit observation was issued to the management of DZC Hyderabad and DZC Shaheed Benazirabad on 27.03.2023 and 20.02.2023 respectively. Management of DZC Hyderabad replied that the letters were dispatched to concerned banks and State Banks as well, but the problem of dormant accounts was not resolved. Management of DZC Shaheed Benazirabad replied that the matter had been taken up with the Department for pursuing various banks through SBP for restoration of these joint accounts of LZCs.

The matter was discussed in DAC meeting held on 26.01.2024. The forum directed the management that the matter be taken up with banks for activation of accounts and refund of amount. Compliance thereof be got verified from audit.

Audit recommends that the dormant accounts may be activated so that the Zakat funds should be refunded for further disbursement amongst the *mustahiqeen* Zakat.

2.4.3 Non-pursuance for assessment and collection of Ushr

Section 14(2) of Sindh Zakat and Ushr Act 2011, states that the District Committee shall, subject to such guidelines as may be given by the Council oversee, generally, the functioning of administrative organization of Zakat and, more particularly, the assessment of Ushr and *atiyyat* and the disbursement and utilization of the moneys in the District Zakat Fund and the Local Zakat Fund;

Managements of the following eight District Zakat Committees (DZCs) were requested for record of assessment/collection and deposit of Ushr but the same was not available with them as detailed below:

S. No.	Name of DZC	FYs	Para No. of AIR	Date of Reporting
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1	DZC Shaheed Benazirabad	2017-22	2	20.03.2023
2	DZC Sukkur	2019-22	4	22.03.2023
3	DZC Hyderabad	2019-22	5	27.03.2023
4	DZC Khairpur	2016-22	7	30.03.2023
5	DZC Korangi	2019-22	6	14.03.2023
6	DZC Badin	2016-23	3	03.11.2023
7	DZC Ghotki	2017-23	3	01.11.2023
8	DZC Jamshoro	2017-23	3	01.11.2023

Audit observed that no Ushr was deposited in respective DZFs of the above DZCs.

Audit held that non-deposit of Ushr was violation of provisions of Sindh Zakat and Ushr Act, 2011 which resulted in deprivation of Zakat Fund and disbursement of Zakat to deserving persons.

The management of DZCs replied that as per Sindh Zakat & Ushr Act 2011, the responsibility for collection of Ushr was of the Revenue department and the matter was in process after which the record of assessment, collection and deposit of Ushr will be provided accordingly.

The reply was not tenable as the matter was not pursued vigorously and Ushr was not being assessed / collected and deposited.

The matter was discussed in DAC meeting held on 26.01.2024. The forum directed the management that the matter be taken up with Revenue Department for assessment and recovery of Ushr.

Audit recommends that Ushr may be collected and deposited in respective DZFs as stipulated in Sindh Zakat and Ushr Act 2011 besides fixing responsibility for non-compliance and devising transparent mechanism for assessment, collection and deposit of the same in respective DZFs.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2021-22 vide para no. 1.4.1. Recurrence of same irregularity is a matter of serious concern.



**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**

**IRRIGATION, WORKS & SERVICES, PUBLIC HEALTH ENGINEERING
& RURAL DEVELOPMENT DEPARTMENTS, EDUCATION WORKS
DIVISIONS AND DEVELOPMENT AUTHORITIES**

CHAPTER-1

SECTORAL ANALYSIS

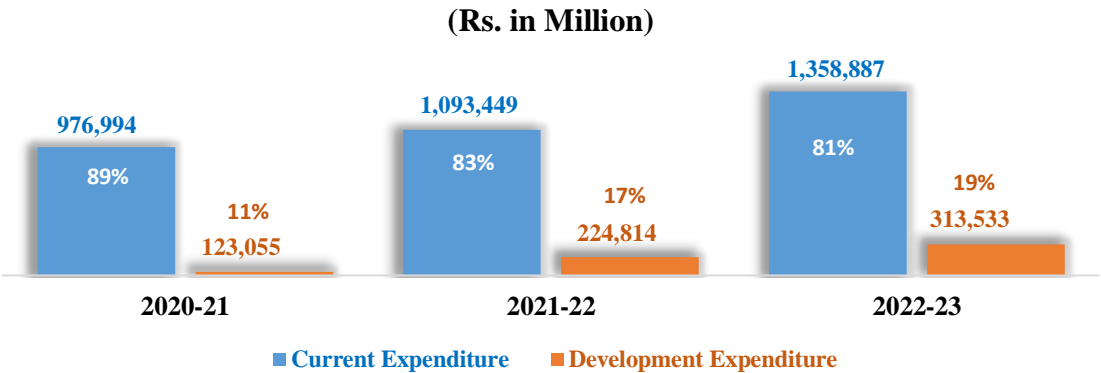
1.1 Introduction

The development works in Sindh are being executed by specialized public works departments like Works & Services, Irrigation, Education Works Divisions and Public Health Engineering & Rural Development Department. These departments are allocated funds by the government through development grants. They also carry out the work of other provincial departments like Health, Law and Home departments etc. in the shape of Deposit Works.

Besides, there are development authorities which have been established to carry out development works in their specified geographical jurisdiction. The development authorities execute development projects from their own resources as well as funds received from Government of Sindh. Development authorities which include Karachi Development Authority (KDA), Malir Development Authority (MDA), Hyderabad Development Authority (HDA), Sehwan Development Authority (SDA), Zulfikarabad Development Authority (ZDA), Gorakh Hills Development Authority (GDA) and Lyari Development Authority (LDA) are entrusted with urban development works in their respective areas of jurisdiction.

1.2 Total Expenditure of Sindh

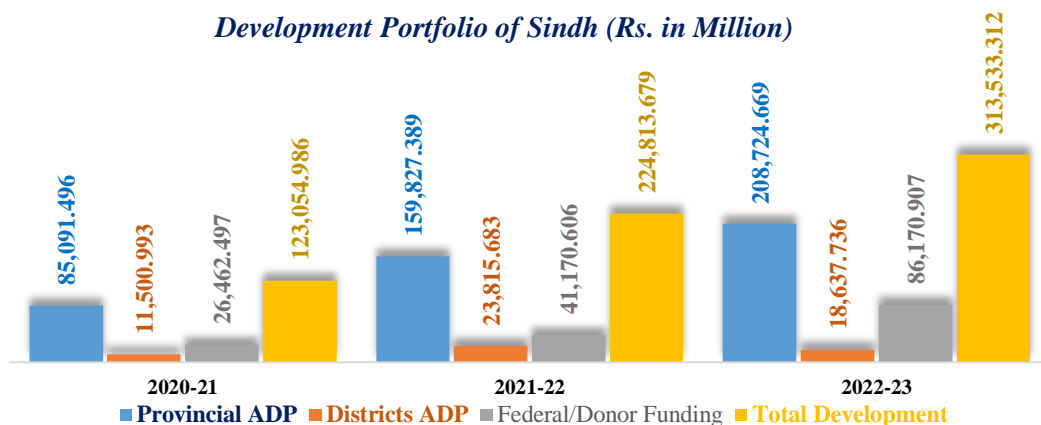
Total expenditure of Sindh for the last three years is depicted in the following graph:



The figures in the above graphical representation depict an overall upward trend w.r.t. expenditure in the specified period. However, the threshold of current expenditure in contrast to the total expenditure has declined from 89% in 2020-21 to 81% in 2022-23. Whereas, the volume of development expenditure in contrast to the overall expenditure has increased from 11% in 2020-21 to 19% in 2022-23.

1.3 Total Development Expenditure of Sindh

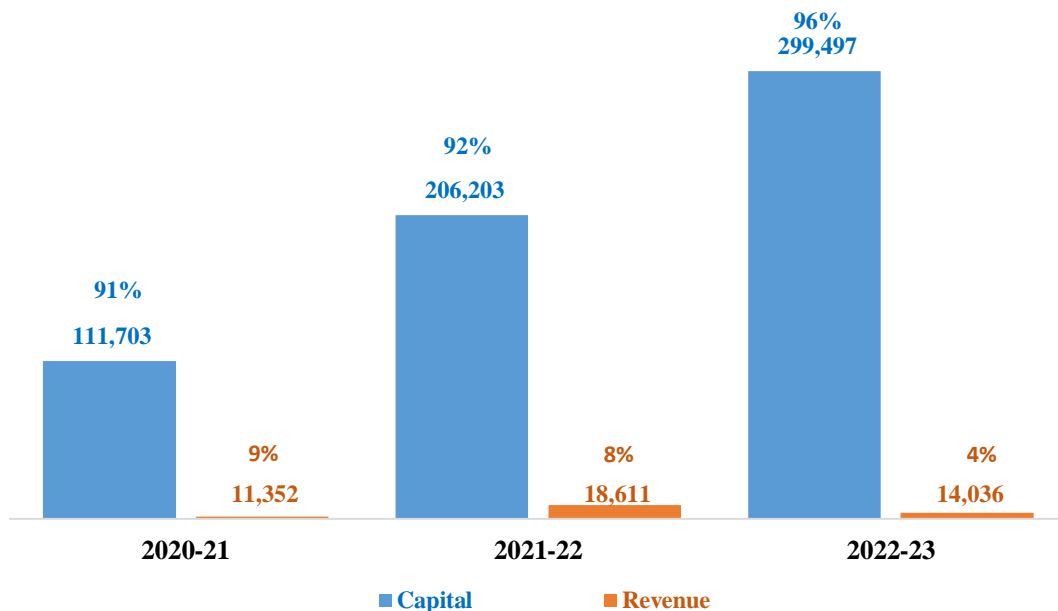
The total development expenditure of Sindh for the last three years is depicted in the following graph:



The figure reflects a considerable increase in the overall development expenditure from FY 2020-21 to FY 2021-22 – rising from Rs. 123 billion to Rs. 224 billion (an increase of 83%). Similar trend was also observed in all the individual figures of Provincial ADP, District ADP and Federal/Donor Fundings. The major rate of increase was observed in District ADP which rose from Rs. 11 billion to Rs. 23 billion (an increase of 107%). This upward trend also continued in the following year i.e., 2022-23 wherein, an increase from Rs. 224 billion to Rs. 313 billion was seen. The major reason behind the hike in the development expenditure during the specified period was due to the government focus on building infrastructures in the aftermath of the devastating impact of floods. The same reason was also behind the exponential increase in the Federal / Donor Funding as major international organizations provided funds for investment in the infrastructure and rehabilitation of the flood affectees.

1.4 Total Development Expenditure (Component-wise) of Sindh

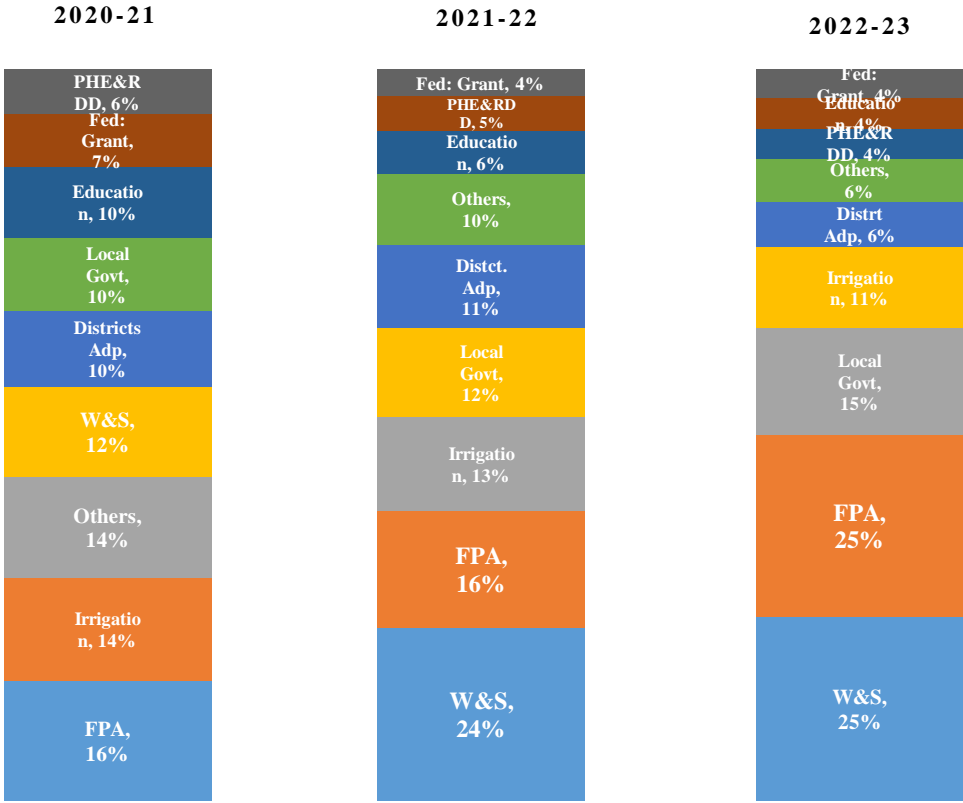
The component-wise total development expenditure of Sindh for the last three years is depicted in the following graph:



The figures in the above graphical representation depict an overall upward trend in the development expenditure in the specified period. However, revenue component in the total development expenditure has declined from 09% in FY 2020-21 to 04% in FY 2022-23. Whereas, capital component has increased from 91% in 2020-21 to 96% in 2022-23.

1.4.1 Total Capital Development Expenditure (Grant-wise) of Sindh

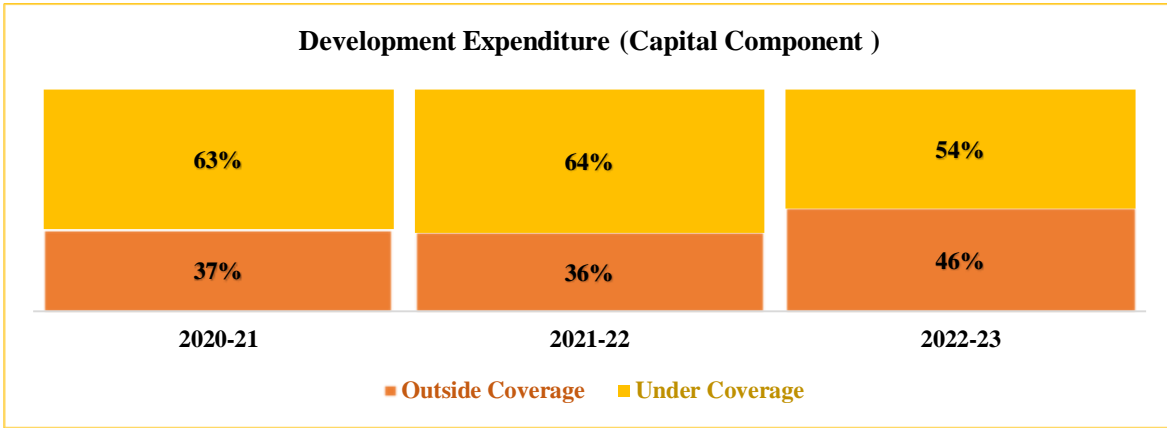
The grant-wise priority of the government with respect to the capital development expenditure for the last three years is depicted below:



The above graphical representation depicts the prioritized grants allowed in terms of capital component of development expenditure. On an average eight grants received 90% of the total capital development expenditure share of the whole province.

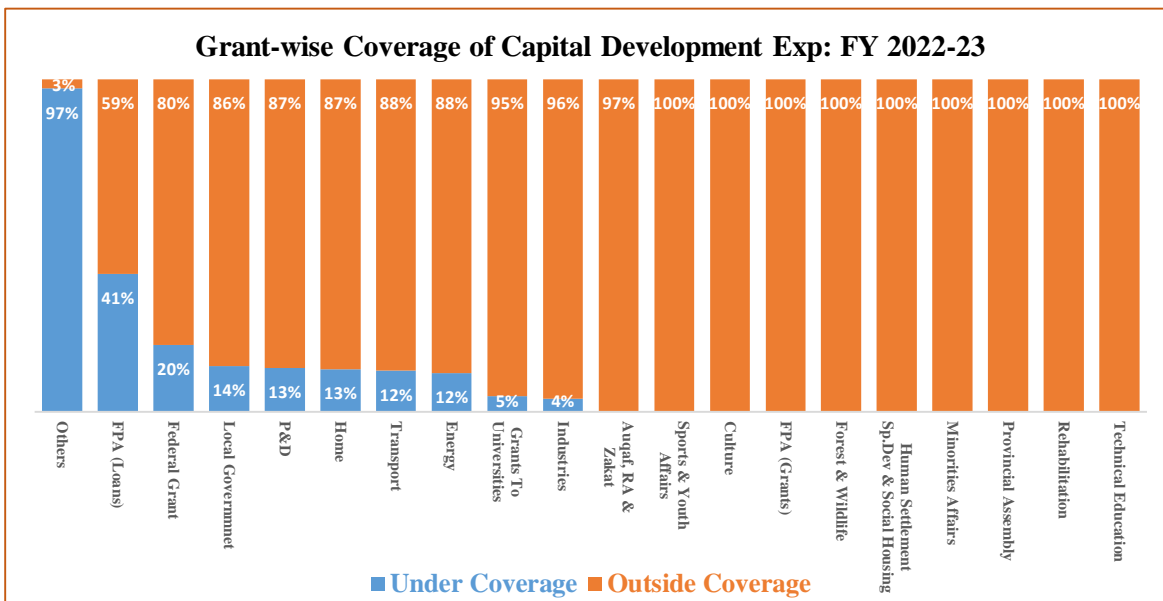
1.4.2 Development Expenditure under purview of Audit

The following graph represents the % coverage of total development expenditure (Capital Component) under the audit jurisdiction of this office. Coverage has increased from FY 2020-21 to FY 2021-22 from 63% to 64%. Whereas, the same reflected a declining trend in FY 2022-23 i.e., 54%.



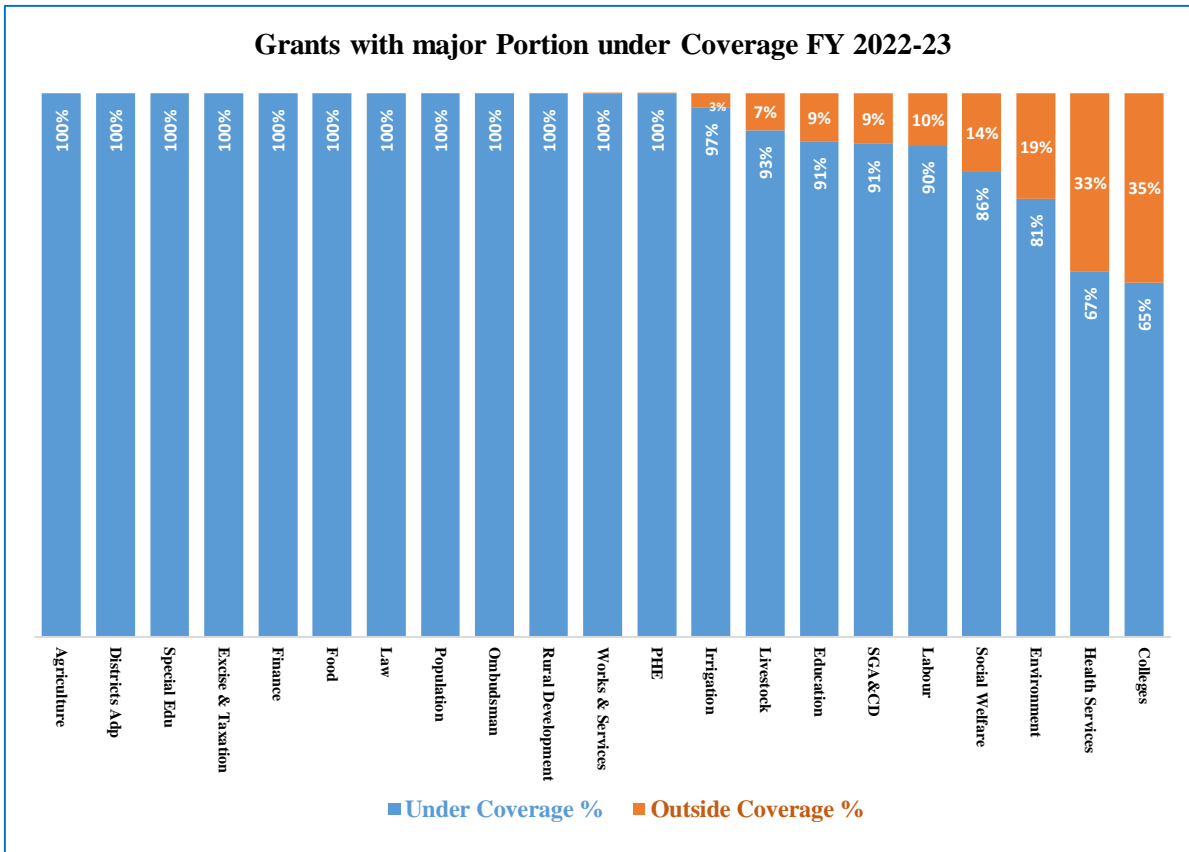
1.4.3 Total Development Expenditure under purview of this office (Grant-wise)

The grant-wise analysis of development expenditure (capital) under the purview of this office for the last three years is reflected in the following graphs:



In FY 2022-23 there were 40 grants through which development expenditure (capital) was executed by the government. It is evident from the above graph that out of these 40 grants, 09 grants are completely outside the ambit of this office and more than 80% expenditure of the other 09 grants is also

outside the coverage of this office. Whereas, the remaining 22 grants, represented as 'Others', having an expenditure outlay of 97% came under the audit jurisdiction of this office.

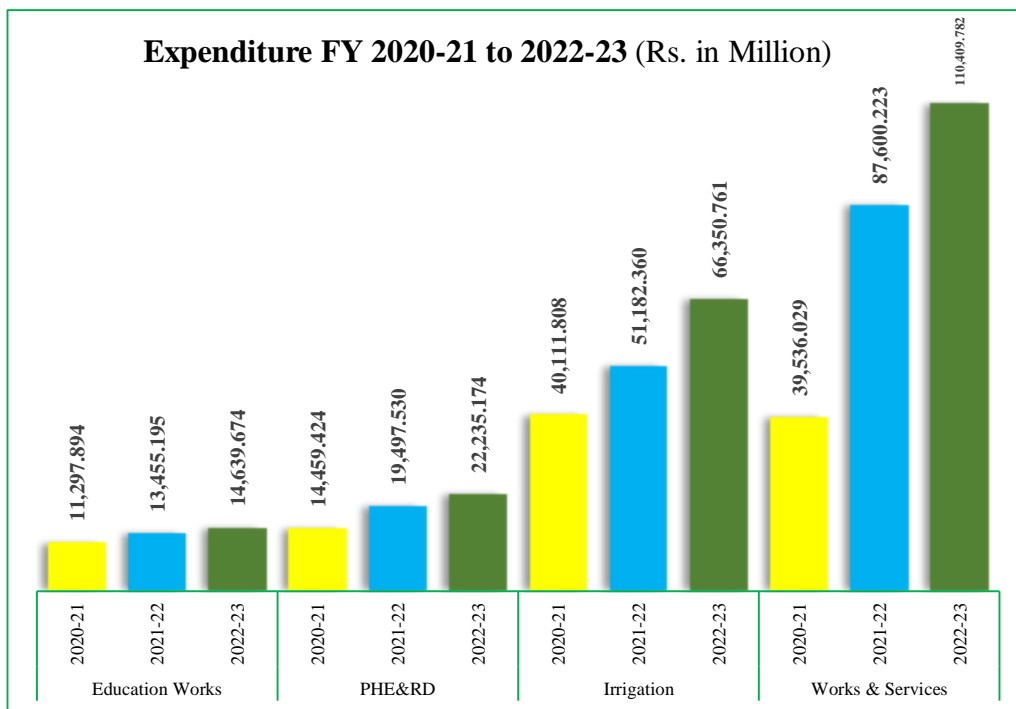


1.5 Overall Releases and Expenditure Pattern of the Departments

1.5.1 Expenditure Pattern

The following graph shows the actual expenditure by the departments during the last three years. It is evident that the highest expenditure was made by the Irrigation Department in 2020-21 whereas, in 2021-22 and 2022-23 Works & Services Department had incurred the highest expenditure. The Public Health Engineering & Rural Development Department and Education Works Divisions displayed an almost identical expenditure trend.

1.5.2 Releases and Utilization pattern



The table below reflects that, as compared to the last year, a considerable improvement was witnessed regarding the releases made and their subsequent utilization. The gap between allocation and releases has decreased significantly as 92% funds were released against the actual appropriation. Similarly, the departments also utilized the budget to the optimum i.e., 96%.

(Rs. in Million)

Department	Final Budget	Releases	Releases % of Final Budget	Actual Expenditure	Expenditure % of Final Budget	Expenditure % of Releases
Authority	6,349.260	6,281.912	98.9%	6,055.884	95.4%	96.4%
Education Works	15,708.868	15,248.312	97.1%	14,639.674	93.2%	96.0%
PHE&RDD	28,320.537	24,252.612	85.6%	22,235.174	78.5%	91.7%
Irrigation	79,898.695	69,095.325	86.5%	66,350.761	83.0%	96.0%
Works & Services	119,665.375	114,642.337	95.8%	110,409.782	92.3%	96.3%

1.6 Monitoring Issues

It has been observed that the oversight mechanism to supervise the progress of schemes is not adequate at the PAO level. Mechanism to authenticate the data provided by field formations about completion of schemes and their physical progress needs to be strengthened. Planning and Development and line departments need to strengthen the monitoring system to ensure achievement of targets delineated in ADP.

1.7 Budgeting Issues

The role of Finance Department bears a predominant significance as it has to ensure that the projects are adequately and timely funded to keep the development works on the track. However, it has

been observed that main issue with respect to the execution of schemes is an abnormal delay in the release of funds which has adversely affected the pace of development.

1.8 Operational Issues

During audit, the following issues were found to occur repeatedly at the execution level which need immediate attention of the Administrative Departments:

- i. Audit has pointed out numerous cases of overpayment to contractors. Due care was not taken while making payments to contractors. This also shows that the internal control mechanism to check such payments lost its vitality and needs to be redesigned. Common reasons found by Audit for overpayment included incorrect rate analyses, non-revision of Composite Schedule of Rates 2012, not taking into account the available earth or dismantled material, payment against inadmissible items, etc.
- ii. The non-completion of a considerable number of schemes and abandonment of the same by the contractors resulted in wastage of public resources.
- iii. Performance Security is a significant protection against sub-standard work executed by the contractor. In several instances the executing formations have not been obtaining performance security from contractors or getting those renewed on regular basis.
- iv. Government departments often collaborate with other departments and agencies to benefit from their specialized expertise. Audit observed that on many occasions, payments were made to other departments and agencies by the executing formations, but the vouched accounts were not obtained to ensure that the resources had been fully utilized for the intended purpose. One such example is the issue of payments made against land acquisition to the District Administration.

1.9 Nature of Observations

From the analysis of audit paras issued to the Principal Accounting Officers the Audit observed partial or complete departure from necessary compliance process in certain cases. Systematic issues reported to the management are classified as under:

(Rs. in Million)

Classification	Amount
HR/Employees related irregularities	2,738.507
Management of Accounts with Commercial Banks	257.763
Non-production of record	-
Others	8,399.319
Procurement related irregularities	35,966.1132

Value for money and service delivery issues	4,575.072
Recovery	10,271.380
Total	62,208.1542

The analysis of the audit paras revealed that major cases under observation were due to non-compliance of SPPRA Rules, less deduction of government taxes than the applicable rates, non-compliance of government rules and instructions while dealing with HR matters and non-provision of auditable record which indicates government's weak commitment towards transparency in public spending. Audit also found issues relating to year-end budget releases resulting in rush of expenditure at the end of June, causing multiple deviations from compliance of rules. Negligence of the procedures resulted in non-transparent and uneconomical expenditure contrary to SPPRA Rules and blockage of government funds due to unjustified and irregular advance payments to avoid lapse of funds. Audit observed prevalence of weak internal controls and poor financial management prevailing within the line departments.

Audit recommends prioritizing the achievement of development targets in conformity with Sustainable Development Goals 2030 of the United Nations and compliance of government rules while spending public money and making fresh appointments. Principal Accounting Officers (PAOs) are required to revisit their budgetary requirements on realistic grounds in order to avoid unnecessary savings causing blockage of government funds. Systematic and prompt release of funds coupled with adherence to applicable rules will result in economical cost of development projects besides, their timely completion.

Chapter-2

DEVELOPMENT AUTHORITIES

2.1 Introduction

This office is mandated to conduct audit of seven (07) development authorities under administrative control of various Principal Accounting Officers as mentioned below:

Sr#	Names of Authority	PAOs
1.	Karachi Development Authority	Secretary Local Government, Department.
2.	Lyari Development Authority	
3.	Malir Development Authority	
4.	Hyderabad Development Authority	
5.	Sehwan Development Authority	
6.	Zulfikarabad Development Authority	Secretary Services, General Administration & Coordination Department
7.	Gorakh Hills Development Authority	Secretary Culture, Tourism & Antiquities Department

The first six authorities are responsible for planning & coordination of public housing schemes, low-cost housing schemes, beautification of urban areas and management of land record within their respective geographical jurisdiction.

The Gorakh Hills Development Authority was established under the Gorakh Hills Development Authority Act, 2008. It shall extend to the areas of the Gorakh Hills, Kurchat Hills, Darharyo Hills and Kirthar Range. The main purpose of the authority is to formulate, implement and execute schemes of Gorakh Hills Resorts including land, commercial, residential, official, industrial and any other development which needs uplift of the socio-economic conditions of the local populace.

During this year two development authorities i.e. Hyderabad Development Authority (HDA) and Karachi Development Authority (KDA) were audited and the relevant findings are elaborated in their respective sections.

The report also includes the findings of three development authorities i.e. Sehwan Development Authority (SDA), Lyari Development Authority (LDA) and Malir Hills Development Authority (MDA) which were audited during Audit Year 2022-23.

2.2 Section-I: Hyderabad Development Authority

2.2.1 Introduction

Hyderabad Development Authority was established after the enactment of Sindh Assembly Act No.XIII of 1976 with the mandate for development, improvement and beautification of urban centers of Hyderabad comprising Taluka City, Latifabad, Qasimabad and Hyderabad Rural. The Director General is

the Chief Executive of the Authority. There are seven members in the Governing Body, headed by the Minister of Local Government Department as Chairman.

The main Objectives of the Authority are:

- i. To provide developed residential plots for low / medium income group.
- ii. To establish a full-fledged housing scheme with all facilities, amenities and infrastructure in the suburbs of Hyderabad.
- iii. To create jobs.
- iv. To support the efforts of minimizing the severe shortage of housing.
- v. To manage water supply and sewerage services to the citizens.

2.2.2 Governing Laws & Policies

- i. Hyderabad Development Authority Act-1976.
- ii. Sindh Public Procurement Act, 2009.
- iii. Sindh Financial Rules.
- iv. CPW Code - A & D.

2.2.3 Comments on Budget and Accounts (Variance Analysis)

(Rs. in Million)

Formation	Particulars	Budget	Actual Expenditure/ Revenue	Excess (+) Savings (-)
Hyderabad Development Authority	Salary	2,362.886	1,592.378	-770.508
	Non-salary	2,199.312	684.857	-1,514.455
	Development	4,614.087	1,737.122	-2,876.965
	Total Expenditure	9,176.285	4,014.357	-5,161.928
	Revenue Receipts	10,604.107	4,047.278	-6,556.829

The budgeted allocation of Hyderabad Development Authority for the Financial Year 2022-23 was Rs. 9,176.285 million, against which the total expenditure was Rs. 4,014.357 million, resulting in overall savings of Rs. 5,161.928 million. Authority could not achieve its revenue targets as only 38.16% of targeted revenue was achieved.

2.2.4 Classified Summary of Audit Observations

Audit observations amounting to Rs. 8,850.132 million were raised as a result of this audit. This amount also includes recoveries of Rs. 7,381.618 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr.#	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	38.393
B	Procurement related irregularities	163.522
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	1,266.599
6	Recovery	7,381.618
	Total	8,850.132

2.2.5 Brief comments on the status of compliance with PAC Directives

Hyderabad Development Authority falls under the administrative jurisdiction of the Local Government Department. No PAC meeting of Local Government Department on the accounts of HDA was convened since the last audit report. Further the status of printed paras is as follows:

Name of Authority	Year	No of Paras	Total Paras discussed
Hyderabad Development Authority	2016-17	13	Nil
	2017-18	10	Nil
	2019-20	11	Nil
	2020-21	6	Nil
	2021-22	14	Nil
	2022-23	12	Nil

2.2.6 Audit Para

2.2.6.1 Unjustified payment against excess quantity of an item contrary to the estimate – Rs. 3.097 million

According to the estimate of the scheme, 'Providing, Laying, Jointing & Testing 4" dia water supply lines and RCC ASTM sewer lines 12" dia and construction of open drain at Qasimabad' initiated by WASA, H.D.A, the quantity of item No.7: R.C.C. ASTM pipe was to be utilized up to 900 Rft. at site.

During the audit of the Hyderabad Development Authority for the Financial Year 2022-2023, it was observed that as per the estimate of the scheme, the total quantity of R.C.C pipe was to be utilized for the quantity of 900 Rft. However, the management of WASA made payment of Rs. 3.421 million at a rate of Rs. 309/Rft. (at part rate) against supply of 9,504 Rft. instead of actual execution of composite item for providing and laying 900 Rft. pipe. This resulted in an excess supply of pipes against the quantity of 8,604 Rft. involving Rs. 3.097 million without change in scope of work. The details are given in **Annex-1 of Section-I of Chapter-02.**

Audit is of the view that an abnormal variation in the quantity of the item without change in the scope of work and execution of the composite item, implies that the payment was made in advance to merely consume the budget or the estimate was faultily prepared. This reflects inefficient operational oversight on the part of the management.

The matter was reported to the management in October, 2023. In reply, the management stated that as per the common engineering practice to reduce a portion of the rate for items like pipes until they are commissioned, tested and proven to be functional, the rates of the item are reduced. Further, the quantities in the scheme were based in the estimate as per the PC-I. However, during execution the site requirements led to an increase in the length of the RCC ASTM pipe beyond the initial estimate. The reply is not tenable as the quantities were incorporated in the estimate without proper planning and in contravention of the PC-I, which resulted in an abnormal rise in the cost of the scheme.

The PAO did not convene DAC meeting despite written request and reminder dated 13-12-2023 & 29-12-2023.

Audit recommends conducting an inquiry in the matter.

(DP#31)

2.2.6.2 Wastage of public funds due to delay in acquisition of land – Rs. 72.633 million

According to Annexure-O (A) – 'Flow Chart for Procurement' of the Procurement Regulations (Works), activities prior to the procurement process are to be followed as under:

(i) Development works.

- A-I Conceiving of Development Scheme/Project.
- A-II Preparation of PC-I / PC-II.

- A-III Approval of PC-I / PC-II from the competent forum.
- A-IV Issuance of administrative approval.
- A-V Technical Sanction of the detailed estimate.
- A-VI Placement of funds with the executing agency.
- A-VII Site possession or land acquisition.
- A-VIII Preparation of procurement plan.

During the audit of the Hyderabad Development Authority for the Financial Year 2022-2023, it was observed that work for the rehabilitation of the Northern Sewerage Treatment Plant (NSTP) was awarded to the contractor for Rs .92.908 million. However, the scheme was abandoned by the contractor after executing work worth Rs. 72.633 million due to the non-acquisition of land for the disposal of effluents through the pumping station. Thus, the remaining work of Rs. 20.275 million i.e., 21.82% had been left incomplete since 16-10-2019.

Further, part payment of Rs. 6.030 million was made against the supply of two 1,200 IGPM KSB pumps before the acquisition of the land for the disposal site. The details are tabulated as under:

(Rs. in Million)

W.O No. & Date	Name of work & contractor	Contract amount	Executed work	Remaining work	(%) of remaining work
Managing Director, WASA, H.D.A					
650 Dated 26-06-2019	Rehabilitation of Northern Sewerage Treatment Plant (NSTP), Hyderabad (M/s. Muhammad Iqbal Shaikh & Co.)	92.908	72.633	20.274	21.82%

Audit is of the view that due to the incomplete work, the semi-constructed structure was left prone to gradual deterioration. Further, advance payment against the supply of pumps without the acquisition of land caused a waste of public funds and resources.

The matter was reported to the management in October, 2023. In reply, the management stated that serious efforts have been initiated by this office for the acquisition of the proposed land from the Forest Department, Government of Sindh. Meanwhile, the work on the pump room has now been started with full dedication. The project is progressing expeditiously and its completion is expected within the next 02 months. The reply is not tenable as without acquiring the proposed land, the expenditure made hitherto is contrary to the financial propriety.

The PAO did not convene DAC meeting despite written request and reminder dated 13-12-2023 & 29-12-2023.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

(DP#33)

2.2.6.3 Unjustified payment on account of RCC work beyond approved ratio – Rs. 44.607 million

According to the estimate of the scheme “Reinforced cement concrete work including all labour and material except the cost of steel in the ratio of 1: 1 ½: 3 was to be used in the ratio of 6 lbs./cft.”

During the audit of the Hyderabad Development Authority for the Financial Year 2022-2023, it was observed that as per the approved ratio of 6 lbs./Cft. of steel in the estimate, the RCC was required to be executed up to the quantity of 169,676.27 Cft. against the quantity of steel 9,089.8 Cwt. On the contrary, the management executed RCC for a quantity of 284,939.4 Cft. with an excess of 115,263.13 Cft. Owing to this, an increased financial impact of Rs. 44.607 million occurred. The details are given in **Annex-2 of Section-I of Chapter-02.**

The matter was reported to the management in October, 2023. The management replied that the estimates were based on the quantity of 6 lbs./cft. steel however, payments were made on the basis of actual utilization supported by the bar-bending schedule and design of the scheme. As per the bar-bending schedule, 5ft. wide Brick Lined Inverted Sewerage System (BLISS) Nullah for bottom part, the exact quantity of 5.23 lbs./cft steel was consumed. Likewise, in wall section the quantity of 3.36 lbs./cft steel was consumed and the quantity of 5.01 lbs./cft steel was consumed for top slab. In 3 feet wide BLISS Nullah, the quantity of 4.28 lbs./cft, 2.4 lbs./cft and 4.33 lbs./cft was consumed respectively. This resulted in saving of 1.5 lbs./cft of steel as per the actual consumption. The reply is not tenable as the quantities of the steel in the RCC were based on an exaggerated ratio. Further, the modified design along with the revised estimate were not provided to substantiate the view point.

The PAO did not convene DAC meeting despite written request and reminder dated 13-12-2023 & 29-12-2023.

Audit recommends providing complete design and item wise measurement sheets of the estimate against which the quantity of steel was consumed.

(DP#28)

2.2.6.4 Unjustified inclusion of salaries of field staff in the rate analysis of an item – Rs. 30.727 million

According to Para – 10 (i) & (ii) of the General Finance 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 the audit of the Hyderabad Development Authority for the Financial Year 2022-2023, it was observed that work was executed under the supervision of M/s. RCC Consultants and field staff of the agency. However, rate analysis of the item ‘Excavation / de-silting of pre-settlement lagoons’ was approved

including the monthly salary of the site Engineer, Field Supervisor and Quantity Surveyor. This caused a rise in the cost of the item from Rs. 953.10 per Cu.m to Rs. 1,024 per Cu.m, resultantly, an excess payment of Rs. 30.727 million was made (The details are given in **Annex-3 of Section-I of Chapter-02**). As per the calculations made by the audit the due rate of item is tabulated as under:

Due items	Due amount (Per Cu.m)
Hydraulic excavator per day (With all charges)	45,000.00
Tractor trolley per day (With all charges)	83,076.92
Un-skilled labour (10 Nos.)	8,000.00
	136,076.92
Contingencies (2%)	2721.5384
Contractor's profit (10%)	13607.692
Income Tax (7%)	9525.3844
	161,931.53
Rate per cft.	26.99
Rate per Cu.m	953.10

Audit is of the view that undue benefit was extended to the contractor on account of unjustified inclusion of salaries in rate analysis of the item, thus resulting in excess payment.

The matter was reported to the management in October, 2023. In reply, the management stated that the rate analysis was meticulously prepared to encompass the costs associated with the salaries of engineering staff and other materials. This expectation was communicated to all the bidders during the procurement process. Consequently, the lowest bidder proposed item rate of Rs.1,024/- per Cu.m. The reply transpired that the Income Tax of Rs. 9,525.3844/- per Cu.m. was also incorporated in the rate analysis due to which the actual cost of the item got altered to Rs. 897.04 per. Cu.m instead of Rs. 953.10 per Cu.m. This factor caused the difference in price of item to the tune of Rs. 126.967 per Cu.m. Hence, an excess payment of Rs. 55.026 million was made to the contractor instead of Rs. 30.727 million.

The PAO did not convene DAC meeting despite written request and reminder dated 13-12-2023 & 29-12-2023.

Audit seeks justification in the matter / recovery of the amount.

(DP#32)

2.2.6.5 Splitting of work orders to avoid open tender - Rs. 4.311 million

According to Rule 12 (1) of SPPR 2010, "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.” Rule 17 (1) *ibid* provides that, “Procurements over three hundred thousand rupees and up to two 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 the rules.”

During the audit of the Hyderabad Development Authority for the Financial Year 2022-2023, it was observed that an expenditure of Rs. 4.311 million was incurred by splitting works of similar nature below the limit of Rs. 300,000 to avoid the tender process. The details are given in **Annex-4 of Section-I of Chapter-02**.

Audit is of the view that due to the splitting of expenditure the government was deprived of competitive rates.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminder dated 13-12-2023 & 29-12-2023.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

(DP#11)

2.2.6.6 Award of work without inviting open tenders – Rs. 6.825 million

According to Rule 17 (1) & (2) of Sindh Public Procurement Rules, 2010 “Procurement over three hundred thousand rupees and up to two 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 the audit of the Hyderabad Development Authority for the Financial Year 2022-2023, it was observed that the management of WASA incurred an expenditure of Rs. 6.825 million for the supply of Alum Sulphate without inviting open tenders. The details are tabulated as under:

(Rs. in Million)

Bill No. & date	Name of supplier	Name of item	Amount
	Managing Director, WASA, H.D.A		
Nil Dated 09-08-2022	M/s. Exide Chemicals (Pvt.) Ltd.	Supply of alum sulphate	5.054

50 Dated 08-11-2022	M/s. Exide Chemicals (Pvt.) Ltd.	Supply of alum sulphate	1.770
Total			6.825

Audit is of the view that expenditure without following the prescribed tendering process resulted in the violation of SPPRA rules.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminder dated 13-12-2023 & 29-12-2023.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-2022 & 2022-2023 vide para numbers 2.2.6.7 & 2.3.6.3 having financial impact of Rs. 8.127 million. Recurrence of same irregularity is a matter of serious concern.

(DP#43)

2.2.6.7 Non-recovery of Corner Charges from the allottees of plots – Rs. 4.590 million

According to Para 5 of the Terms & conditions for allotment of residential plots in H.D.A. Scheme-V, “In case of corner plot, there will be an additional charge of 25% of the occupancy value of the plot.”

During the audit of the Hyderabad Development Authority for the Financial Year 2022-2023, it was observed that out of 336 corner plots in Kohisar General Public Housing Scheme-V, allottees of 62 plots had paid Corner Plot charges, whereas Rs. 4.590 million remained unpaid on behalf of 274 plot owners. The details are given as under:

(Rs. in Million)

Sr. No.	Name of scheme	Category of Plots	No. of Plots Not paid corner charges	Rate of corner charges	Outstanding corner charges
Director, Planning & Development Control, H.D.A.					
01	Kohisar General Public Housing Scheme-V	400 Sq. Yards	48	0.025	1.200
02		240 Sq. Yards	226	0.015	3.390
Total			274		4.590

Audit is of the view that the non-recovery of Corner Charges resulted in less realization of revenue and constituted weak financial management.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminder dated 13-12-2023 & 29-12-2023.

Audit recommends expeditious recovery from the defaulting allottees.

(DP#20)

2.2.6.8 Non-recovery of outstanding dues of External Development Charges – Rs. 12.498 million

According to the Special Terms & Conditions # 05 of NOC & approval of Layout Plan, "The betterment charges/EDC of the scheme is charged @ Rs.100/sq.yards which will be recovered from the individual allottees at the times of issuance of NOC for approval of building plans, for which the sponsor should include a condition in booking/lease sub-lease documents."

During the audit of the Hyderabad Development Authority for the Financial Year 2022-2023, it was observed that the NOC and Layout Plan of various private-public housing schemes were approved by the Authority however an amount of Rs. 12.498 million remained outstanding on account of External Development Charges. Further, no consolidated record regarding these charges and their subsequent utilization was found maintained. The details are given as follows:

(Rs. in Million)

Sr . No.	Name of housing scheme	Previous balance EDC of other housing schemes	Financial Year 2022-2023		
			Due amount	Recovery	Outstanding
Director, Planning & Development Control, H.D.A					
01	M/s. Perfect Dream City	Not produced	4.124	0.515	3.608
02	M/s. Meadow View Homes		1.905	0.804	1.101
03	M/s. Palm Residency		8.901	1.112	7.788
Total			14.930	2.432	12.497

Audit is of the view that the non-recovery of external development charges resulted in a loss of potential revenue.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminder dated 13-12-2023 & 29-12-2023.

Audit recommends expeditious recovery / adoption of remedial measures.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-2022 & 2022-2023 vide para numbers 2.2.6.13 & 2.3.6.12 having financial impact of Rs. 2035.895 million. Recurrence of same irregularity is a matter of serious concern.

(DP#25)

2.2.6.9 Non-recovery of outstanding dues by WASA – Rs. 6,145.523 million

According to Section 65 of the Hyderabad Development Authority Act -1976, “Any sum due to the authority or any agency or wrongly paid by the authority or an agency under this act, shall be recoverable as arrears of land revenue.”

During the audit of the Hyderabad Development Authority for the Financial Year 2022-2023, it was observed that the management of WASA failed to recover outstanding dues amounting to Rs. 6,145.523 million on account of water and sewerage charges, betterment charges and NOC charges from the residential, commercial and public sector consumers. The details are given as under:

(Rs. in Million)

Sr. No.	Description	Due amount	Amount received	Outstanding amount
	Managing Director, WASA, H.D.A.			
01	Housing schemes & multi-story buildings	17.484	6.835	10.648
02	Residential Houses	2.421	-	2.421
03	Provincial Government Departments:	1,960.805	108.808	1,851.997
04	Autonomous Bodies	4,171.006	-	4,171.006
05	Betterment charges @ 20%	145.273	35.825	109.448
	Total	6,296.992	151.469	6,145.523

Audit is of the view that the non-recovery of outstanding dues resulted in the short realization of revenue, thus reflecting inefficient financial supervision.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminder dated 13-12-2023 & 29-12-2023.

Audit recommends prompt recovery of the outstanding dues from the defaulters.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-2022 vide para number 2.2.6.12 having financial impact of Rs. 283.174 million. Recurrence of same irregularity is a matter of serious concern.

(DP#38)

2.2.6.10 Non-recovery of outstanding dues of Occupancy Value and Utility Charges – Rs. 1,217.923 million

According to Section 65 of the Hyderabad Development Authority Act, 1976, “Any sum due to the authority or any agency or wrongly paid by the authority or an agency under this act, shall be recoverable as arrears of land revenue.”

During the audit of the Hyderabad Development Authority for the Financial Year 2022-2023, it was observed that out of total dues of Rs. 1,589.363 million on account of Occupancy Value and Utility Charges from the developers of different housing schemes, an amount of Rs. 371.440 million had been recovered, whereas Rs. 1,217.923 million remained outstanding. The details are given as under:

(Rs. in Million)

Sr. No.	Name of scheme	Total outstanding dues	Amount recovered	Net Outstanding charges
Director, Planning & Development Control, H.D.A.				
01	Kohisar General Public Housing Scheme-V	387.016	297.676	89.340
02	Gulshan-e-Quaid	36.025	35.953	0.071
03	Site Pocket Housing Scheme-IV	5.654	3.932	1.721
04	Gulistan-e-Sarmast Housing Scheme (Stage-I, II & III)	1,160.666	33.876	1,126.789
	Total	1,589.363	371.437	1,217.922

Audit is of the view that the non-recovery of outstanding dues resulted in less realization of revenue and constituted weak financial management.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminder dated 13-12-2023 & 29-12-2023.

Audit recommends expeditious recovery from the defaulters / adoption of remedial measures.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-2023 vide para number 2.3.6.11 having financial impact of Rs. 1,272.962 million. Recurrence of same irregularity is a matter of serious concern.

(DP#19)

2.2.6.11 Less deduction of Sindh Sales Tax on Services – Rs. 1.084 million

According to the Taxable Services as per Second Schedule Part-A of the Sindh Sales Tax on Services Act, 2011, "The Sindh Sales Tax on services of Legal practitioners and consultants is as under:

Tariff Heading	Tariff Heading	Statutory Rate of Tax as per Second Schedule to the Act,2011
9815.2000	Legal practitioners and consultants	13%

During the audit of the Hyderabad Development Authority for the Financial Year 2022-2023, it was observed that an amount of Rs. 1.084 million against Sales Tax on Services was less deducted while making payments to legal firms / practitioners in violation of the rule. The details are given as under:

(Rs. in Million)

Description of payees	Overall Gross payment	Rate of Tax	Due amount	Amount deducted	Difference
Retainer Advocate/ Legal Firm/ Barrister	10.802	13%	1.404	0.320	1.084

Audit is of the view that the non-recovery of taxes resulted in the short realization of government revenue.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminder dated 13-12-2023 & 29-12-2023.

Audit recommends expeditious recovery of taxes / adoption of remedial measures.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-2022 & 2022-2023 vide para numbers 2.2.6.14 & 2.3.6.9 having financial impact of Rs. 3.022 million. Recurrence of same irregularity is a matter of serious concern.

(DP#01)

2.2.6.12 Non-payment of cost of land to the BoR Sindh – Rs. 484 million

According to Rule 28 of the General Financial Rules, Volume-I, “No amount due to the 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 the audit of the Hyderabad Development Authority for the Financial Year 2022-2023, it was observed that an amount of Rs. 968 million was payable to the BoR Sindh on account of the cost of land @ Rs.100/- per Sq. Yard against 2,000 acres of Gulistan-e-Sarmast Housing Scheme. However, Rs. 484 million had been paid by the authority since 2009, leaving an outstanding balance of Rs. 484. The details are tabulated as under:

(Rs. in Million)

Name of allottee	Area (Acres)	Area (Sq. Yards)	Rate (Sq. Yard)	Due amount	Amount paid	Outstanding amount
Director, Planning & Development Control, H.D.A.						
Gulistan-e-Sarmast Housing Scheme	2,000	9,680,000	100	968	484	484
Total				968	484	484

Audit is of the view that due to the non-clearance of outstanding dues, potential revenue to be earned by the Government remained unpaid.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminder dated 13-12-2023 & 29-12-2023.

Audit recommends clearance of liability at the earliest.

(DP#18)

2.2.6.13 Irregular hiring of legal adviser and legal firms – Rs. 9.729 million

As per Para 01 (1) of the Law Department, Government of Sindh Notification No.S.GENL:5-217/78 (N) 33 dated 26-07-1980, “Whenever any vacancy in the Legal Adviser’s post is required to be filled, the concerned Department/Council or organization shall send such requisition to the Law Department specifying therein the relevant data as to nature of assignment, financial and other fringe benefits it carries and the tenure for which the appointment is to be made.”

During the audit of the Hyderabad Development Authority for the Financial Year 2022-2023, it was observed that an expenditure of Rs. 9.729 million was incurred on the hiring of legal advisers and legal firms without seeking prior permission from the Law Department, Government of Sindh. Further, the appointment / engagement of the legal councilors was made without the publication of an advertisement or following the pre-qualification process. The details are given in **Annex-5 of Section-I of Chapter-02**.

Audit is of the view that hiring legal advisers without open competition and neglecting the Law Department’s consent reflects weak administrative and financial management.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminder dated 13-12-2023 & 29-12-2023.

Audit seeks justification in the matter.

(DP#12)

2.2.6.14 Irregular payment on account of leave encashment – Rs. 6.175 million

According to Rule 18-A of Revised Leave Rules 1980, duly adopted by GoS, “A civil servant may fifteen months before the date of superannuation or thirty years qualifying service on or after the 1st July, 1983 at his option, be allowed to encash his leave preparatory to retirement if he undertakes 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 the audit of the Hyderabad Development Authority for the Financial Year 2022-2023, it was observed that leave encashment amounting to Rs. 6.175 million was paid to the employees at the end of each year based on available leave balance in their respective leave accounts throughout the year after deduction of (30) days leave instead of at the time of superannuation as per the criterion. The details are given as follows:

(Rs. in Million)

Cheque No. & Date	Name of department	Amount
-	D.G Secretariat, H.D.A.	4.969
	Sub-Total	4.969
7411082 Dated 01-06-2023	Project Director, Housing Project, H.D.A.	1.075
74110183 Dated 01-06-2023		0.131
	Sub-Total	1.206
	Grand Total	6.175

Audit is of the view that the management failed to observe the prescribed rules and procedures set forth by the Government, owing to which undue favor was extended to the employees in the shape of leave encashment against Leave on Full Pay before qualifying service. This resulted in irregular payments and caused an extra burden on the budget.

The matter was reported to the management in the month of October, 2023. In reply, the management stated that the leave encashment was paid to the employees as per the directives of the competent authority. The reply is not tenable as the decision of the competent authority was not in conformity with the true spirit of the prescribed relevant rules. Further, the PAO also did not convene DAC meeting despite written request and reminder dated 13-12-2023 & 29-12-2023.

Audit recommends prompt discontinuation of irregular disbursement / fixing of responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-2022 & 2022-2023 vide para numbers 2.2.6.2 & 2.3.6.1 having financial impact of Rs. 23.933 million. Recurrence of same irregularity is a matter of serious concern.

(DP#10)

2.2.6.15 Non-cancellation of allotments of defaulters – Rs. 88.219 million

According to General Terms & Conditions No.05 of the auction of plots, “If in case successful bidders failed to comply with the terms & conditions of the auction, his/her/their offer shall be liable to cancellation at his/her/their risk, cost and consequences with forfeiture of amount.”

Further to that, as per General Terms & Conditions No.06 of the auction, “In case a bid is approved by the authority, the successful bidder shall have to pay 25% of the bid price at the time of auction. Further, 25% of the total amount will be paid within one month of the auction and the remaining amount will be paid in 02 equal quarterly instalments.”

During the audit of the Hyderabad Development Authority for the Financial Year 2022-2023, it was observed that during the auction of plots, bids for various commercial & residential plots having occupancy value of Rs. 245.177 million were approved out of which Rs. 156.959 million were deposited by the successful bidders, whereas an amount of Rs. 88.219 million was still outstanding against different

successful bidders despite the lapse of the scheduled instalment period. As per the terms and conditions, the allotments wherein the instalments remained unpaid, were liable to be cancelled. The details are given in **Annex-6 of Section-I of Chapter-02**.

Audit is of the view that the management did not make serious efforts against the defaulters, owing to which the timely development of various schemes was jeopardized.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminder dated 13-12-2023 & 29-12-2023.

Audit recommends initiating action against the defaulters as per the rules and reallocation of the plots to fresh subscribers for revenue generation.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-2023 vide para number 2.3.6.4 having financial impact of Rs. 164.247 million. Recurrence of same irregularity is a matter of serious concern.

(DP#21)

2.2.6.16 Non-auction of refunded plots – Rs. 19.395 million

According to Section 18 of the Hyderabad Development Authority Act, 1976 “The authority may, and if directed by Government shall prepare specific scheme or schemes for a controlled area or part thereof in such manner as may be prescribed.”

During the audit of the Hyderabad Development Authority for the Financial Year 2022-2023, it was observed that out of 4,064 plots booked in the Gulistan-e-Sarmast Housing Scheme, the subscription charges against 244 plots were refunded to the different allottees and payment against 41 plots was adjusted against other plots. As a result, 285 plots worth the value of Rs. 19.395 million remained under the Authority’s possession and no further auction was conducted. The details are given as follows:

(Rs. in Million)

Name of scheme	Total refunded plots	Occupancy Value @ Rs.250 P. Sq. Yard	Cost of land @ Rs.200 P. Sq. Yard	Total expected income
Director, Planning & Development Control, H.D.A.				
Gulistan-e-Sarmast Housing Scheme	285	10.775	8.620	19.395

Audit is of the view that the non-auction of the leftover plots caused blockage of potential revenue besides, reflecting inadequate marketing strategy.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminder dated 13-12-2023 & 29-12-2023.

Audit recommends prompt auction of the plots to generate revenue.

(DP#23)

2.2.6.17 Unjustified utilization of External Development Charges – Rs. 147.570 million

According to the Special Terms & Conditions # 05 of NOC & approval of Layout Plan, "The betterment charges / EDC of the scheme is charged @ Rs.100/sq.yards which will be recovered from the individual allottees at the time of issuance of NOC for approval of building plans, for which the sponsor should include a condition in booking/lease sub-lease documents."

During the audit of the Hyderabad Development Authority for the Financial Year 2022-2023, it was observed that External Development Charges amounting to Rs. 147.570 million were collected by the Authority from the builders of different public housing schemes and were utilized on account of payment of salaries, pension and contingency charges instead of development of external area as required under the rules. The details are given as follows:

(Rs. in Million)

r. No.	Name of housing scheme	Bank Account No.	Collected amount
	Director, Planning & Development Control, H.D.A.		
1	External Development Charges	M/s. Soneri Bank (Pvt.) Ltd Account No.001920002103304	14 7.570
	Total		14 7.570

Audit is of the view that the non-utilization of EDC funds for the earmarked purpose not only hampered the development prospects but was also tantamount to a financial irregularity.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminder dated 13-12-2023 & 29-12-2023.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

(DP#24)

2.2.6.18 Unjustified expenditure on testing of water samples – Rs. 1.322 million

According to the SRO No.1063(1)/2010 issued by the Pakistan Environmental Protection Agency under clause 6 (1) (c) of the Act, 1997, “Pakistan Environmental Protection Agency with the approval of the Pakistan Environmental Protection Council, is pleased to establish the National Standards for drinking water quality.”

During the audit of the Hyderabad Development Authority for the Financial Year 2022-2023, it was observed that the management of WASA made an expenditure of Rs. 1.322 million on testing of water samples without obtaining competitive rates. The direct contracting method for sample testing could only be conducted through the public sector institution e.g. the Advanced Water and Wastewater Quality Control Laboratory (AW&QCL) of the Mehran University of Engineering & Technology, Jamshoro. The details are given as follows:

(Rs. in Million)

C.V No. & Date	Name of employee	Description of payment	Amount
Managing Director, WASA, H.D.A			
101 Dated 21-11-2022	M/s. Industrial Development Water Technologies	Water sample testing charges	0.509
47 Dated 17-12-2022	M/s. Industrial Development Water Technologies	Water sample testing charges	0.515
83 Dated 15-06-2023	M/s. Industrial Development Water Technologies	Water sample testing charges	0.297
Total			1.322

Audit is of the view that without conducting open competition or soliciting services from a credible institution, the expenditure made against water testing stands irregular.

The matter was reported to the management in October, 2023. In reply, the management stated that due to the known performance of government laboratory, the agency has sought assistance from the

private sector for third-party validation of the reports. The reply is not tenable as the tests were not conducted from the accredited laboratory.

The PAO also did not convene DAC meeting despite written request and reminder dated 13-12-2023 & 29-12-2023.

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

(DP#41)

2.2.6.19 Irregular utilization of public funds – Rs. 527.415 million

According to Section 104 (3) of the Sindh Local Government Act, 2013 “Refundable deposits credited by any person shall not form part of the Local Fund but will be kept in a separate Deposit Fund.”

During the audit of the Hyderabad Development Authority for the Financial Year 2022-2023, it was observed that the management of WASA deducted funds worth Rs. 527.415 million on account of Pension Contribution, General Provident Fund and Group Insurance from the salaries of the employees, however the same were not transferred in the accounts of the public funds concerned and were utilized as a regular expenditure. The details are tabulated as under:

(Rs. in Million)

Sr. No.	Particulars	Deductible amount
	Managing Director, WASA, H.D.A.	
01	Pension contribution & commutation	72.415
02	General Provident Fund of employees	450.000
03	Group Insurance	5.000
	Total	527.415

Audit is of the view that utilization of the deductions made from the employees for the clearance of salary, contingent and development liabilities reflects weak financial management.

The matter was reported to the management in October, 2023. In reply, the management stated that the source of income of the WASA is based on the recovery of water & sewerage charges. Further, most of 70% consumers do not pay their bills properly due to which the agency is not in a position to transfer the utilized funds in the relevant account. The reply is not tenable as the funds in question were not utilized for the intended purpose.

The PAO did not convene DAC meeting despite written request and reminder dated 13-12-2023 & 29-12-2023.

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

(DP#37)

2.2.6.20 Additional financial burden due to hiring contract & work charge staff - Rs. 22.489 million

According to regulation No.15 (1) of Hyderabad Development Authority (Appointment, Promotion and Transfer) Regulations, 1988 “When the appointment authority considers it to be in the public interest to fill in a post falling within the preview of the Selection Committee on urgent basis, it may proceed to fill in such post on Ad hoc basis for a period not exceeding six months.

(2) The post shall be advertised, and the procedure laid down for the initial appointment shall be followed.

(3) Short-term vacancies in the post falling within the purview of the promotion or selection committee and vacancies occurring as a result of the creation of temporary posts for a period not exceeding six months, may be filled by the appointing authority otherwise than through the promotion of selection committee on a purely temporary basis after advertising the post.”

During the audit of the Hyderabad Development Authority for the Financial Year 2022-2023, it was observed that the management of WASA hired 2,143 staff on a contract & daily wages basis against which an amount of Rs. 22.489 million was paid on account of salaries to these employees, which constituted about 57% of the total expenditure against the salary of regular employees. In this context, it was noticed that in the presence of regular staff, the authority hired additional staff to execute routine work. The actual sanctioned strength was also not shared to formulate a comparative analysis of the excess staff. The details are tabulated as follows:

(Rs. in Million)

Sr. No.	Description	Quantity	Amount
	Managing Director, WASA, H.D.A		
01	Daily wages employees	1,802	18.050
02	Contract employees	341	4.439
	Total	2,143	22.489

Audit is of the view that HDA was established to operate on a self-financing basis, but due to the hiring of excessive staff, the Authority started facing severe financial constraints, especially concerning the disbursement of salaries and pension payments to the regular serving and retired employees respectively.

The matter was reported to the management in October, 2023. In reply, the management stated that, since 1997 till to date, no appointment was made in the agency due to which 80% staff had already been retired / expired. This resulted in an additional financial burden of Rs. 22.489 million. The reply is not tenable as the management admitted the view point of the Audit and made rampant recruitments contrary to the prescribed rules.

The PAO did not convene DAC meeting despite written request and reminder dated 13-12-2023 & 29-12-2023.

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

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-2023 vide para number 2.3.6.2 having financial impact of Rs. 64.846 million. Recurrence of same irregularity is a matter of serious concern.

(DP#44)

2.2.6.21 Failure to take action against illegal public housing schemes

According to Section 9 (1) (xiv) of the Hyderabad Development Authority Act, 1976, “The Authority shall require any person or body of persons or agency concerned with any development project, programme or scheme to obtain its prior permission for undertaking any specified action in respect of such project, programme or scheme.”

Further, Section 60 (1) of *ibid*, “If any building, structure, work or land is erected, constructed or order made there under, the Deputy Commissioner, or any person authorized by him or the Authority on this behalf, may be order in writing, require the owner, occupier, user or person in control of such building, structure or work or land to remove, demolish or alter the building, structure or work or to use it in such manner so as to bring such erection, construction or work in use in accordance with the said provisions of this Act.”

During the audit of the Hyderabad Development Authority for the Financial Year 2022-2023, it was observed from the record provided by the management that 137 illegal public housing schemes were launched by various private builders within the limits of the Authority without obtaining NOC and approval of the layout plan. This resulted in an unauthorized initiation of sale proceeds by the private builders without making the same a part of the master plan of H.D.A. The details are given in **Annex-7 of Section-I of Chapter-02**.

Audit is of the view that launching of public housing scheme without approval of the H.D.A management reflects ineffective supervision, thus causing a loss of potential revenue to be earned on account of development and other allied charges.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminder dated 13-12-2023 & 29-12-2023.

Audit seeks justification in the matter.

(DP#27)

2.2.6.22 Irregular promotion of employees to higher post

According to Para 3 (5) of the Hyderabad Development Authority (Appointment, promotion & transfer) Regulations, 1988, “No post, not included in the schedule of establishment, shall be created unless an amendment for the purpose is made in that schedule.”

During the audit of the Hyderabad Development Authority for the Financial Year 2022-2023, it was observed that Assistant Accountants (BPS-15) were promoted directly to the post of Accounts Officer / D.A.O. (BPS-17) on 10-01-2013 by overlapping the post of Accountant (BPS-16). Audit noted that the post of Accountant in BPS-16 already existed in the authority as evident from the promotion of another employee from BPS-15 to BPS16 on 02-03-2011. Hence, direct promotion was allowed to the employees from BPS-15 to BPS-17 without promoting them to BPS-16. Further, the post of Divisional Accounts Officer did not exist in the H.D.A as per the prescribed (Appointment, promotion & transfer) Regulations, 1988. The details are given in **Annex-8 of Section-I of Chapter-02**.

Audit is of the view that undue benefit was extended to the employees by promoting them irregularly to a non-existing post in contravention of the prescribed regulations.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminder dated 13-12-2023 & 29-12-2023.

Audit seeks justification in the matter / recovery against the irregular promotions.

(DP#08)

2.3 Section-II: Karachi Development Authority

2.3.1 Introduction

Karachi Development Authority (KDA) was established in 1957 by merging Karachi Improvement Trust and Karachi Joint Water Board under the President Order No.5 of 1957.

KDA was responsible for Water Supply System of Karachi and Building Control Management, but after establishment of Karachi Water & Sewerage Board and Sindh Building Control Authority, KDA now performs the following functions:

- i. Planning, Coordination and rendering Planning advice.
- ii. Land Development.
- iii. Housing (Public Housing Scheme, Low-Cost Housing Scheme).
- iv. Roads & Bridges redevelopment.
- v. Manufacturing of pipes.
- vi. Designing of Infrastructure.
- vii. Anti-Encroachment and Resettlement.
- viii. Research and publication.
- ix. Horticulture - Parks & Recreation.
- x. Computerization of land record and accounting system.
- xi. Archiving of land record.
- xii. Land acquisition.
- xiii. Charged parking.

KDA has achieved tremendous goals since 1957, which have won accolades nationally and internationally. In fact, it is the mother of all Development Authorities of Pakistan. KDA has developed about 7 lacs plots in 45 schemes, out of which 4 schemes (Shah Latif Town, Hawkes Bay, Taiser Town & Halkani Town) were transferred to Malir and Lyari Development Authorities in 1993.

KDA was merged with City District Government, Karachi in 2002. Now the Government of Sindh has restored KDA to its original position vide Provincial Assembly of Sindh Notification No: PAS/Legis-B-06/2016, dated: 11.05.2016, Karachi Development Authority (Revival & Amending) Act, 2016 - Sindh Act No. XVI of 2016. All the policy matters and important cases are dealt decided by the Governing Body of the Authority.

At the time of its establishment, the integral function of the Authority was to develop Karachi city. The population of the city at that time was about 1.6 million, which has now swelled to 22 million. Resultantly, there is a great need to develop more schemes in the city, but KDA is unable to play a proactive role owing to inadequacy of vacant land.

2.3.2 Governing Laws & Policies

- i. Karachi Development Authority Order, 1957.
- ii. KDA (Employee's Service) Regulations, 1973
- iii. Sindh Financial Rules.

- iv. CPW Code - A & D.
- v. Sindh Public Procurement Act, 2009.

2.3.3 Comments on Budget and Accounts (Variance Analysis)

(Rs. in Million)

Particulars	Budget Allocation	Actual Expenditure /Receipts	Excess (+) Savings (-)
Establishment	5,570.098	5,570.098	-
Contingencies	274.270	274.270	-
Development Expenditure (Own sources))	626	626.384	0.384
Development Expenditure (ADP Schemes)	15,008.531	14,295.955	-712.576
Total	21,478.899	20,766.707	-712.192
Revenue	9,204.705	5,838.183	-3,366.522

The budget of Karachi Development Authority for the Financial Year 2022-23 was Rs. 21,478.899 million against which the total expenditure was Rs. 20,766.707 million, resulting in overall savings of Rs. 712.192 million. Revenue collections stood at Rs. 5,838.183 million against the target of Rs. 9,204.705 million, with a short fall of Rs. 3,366.522 million.

2.3.4 Classified Summary of Audit Observations

Observations amounting to Rs. 10,429.592 million were raised in this report during the audit of 2022-23. This amount also includes recoveries Rs. 1,555.726 million as pointed out by the audit. Classification of the audit observations is as under

(Rs. in Million)

Sr.#	Classification	Amount
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	2,093.958
B	Procurement related irregularities	6,050.227
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-

5	Others	729.681
6	Recovery	1,555.726
Total		10,429.592

2.3.5 Brief comments on the status of compliance with PAC Directives

Karachi Development Authority falls under the administrative jurisdiction of the Local Government Department. No PAC meeting of Local Government Department on the accounts of KDA was convened since the last audit report. Further the status of printed paras is as follows:

Name of Authority	Year	No of Paras	Total Paras discussed
Karachi Development Authority	2016-17	9	Nil
	2017-18	13	Nil
	2019-20	21	Nil
	2020-21	7	Nil
	2021-22	15	Nil
	2022-23	13	Nil

2.3.6 Audit Paras

2.3.6.1 Excess amount paid against health insurance of employees - **Rs. 26.964 million**

According to the agreement executed between KDA and Jubilee Life Insurance Ltd. vide letter NO:CMO/PC/KDA/519 dated 30-12-22, "The inpatient benefit must cover all medical expenses incurred up to the specified limit while an insured is hospitalized due to illness surgery or accident."

	Plan A	Plan B	Plan C
	BPS 19 & above	BPS 16-18	BPS-1-15
Employees	50	753	1792
Total	2595		

Further, during one year period Jubilee Life Insurance will extend health cover to additional employees, their dependents and parents to the extent of Rs. 884,6742 as per details given below:

(Rs. in Million)

S.No	Particulars	Amount
1	Billed amount data provided by KDA including PKR. 2,000,000 as CMM Pool for employees	49.849
2	Reserve for additional coverage	8.846
Total (Approved proposal on tentative numbers)		58.695

During the audit of the Chief Medical Officer, Poly Clinic, Karachi Development Authority for the Financial Year 2022-23, it was observed that the management paid Rs. 58.695 million for 2595 employees as insurance coverage, whereas the total working strength as per the record provided reflected 2263 and 2206 employees during the month of January 2023 & June 2023 respectively. Audit noted the following irregularities:

- Insurance coverage was extended to 1671 employees only, but KDA paid insurance cover for 2595 employees resulting in an excess payment of Rs. 17.849 million.
- Reserve for additional coverage of Rs. 8.846 million was also paid to Jubilee life for additional persons without any cogent reason.
- Employees were also given medical advances for Rs. 1.1 million despite having Insurance cover.
- Hiring of Jubilee Life Insurance was made without budget provision and preparation of financial implication plan.

(Rs. in Million)

Insurance Paid	Insurance Due	Excess insurance paid	Reserve for additional coverage
49.849	32.000	17.849	8.846
Total Excess amount paid			26.964

Audit is of the view that excess payment of insurance coverage contrary to the actual working strength and including the provision regarding reserve for additional coverage without justification reflects inefficient financial oversight.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit recommends expeditious recovery / fixing of responsibility on the person(s) at fault.

(DP#21)

2.3.6.2 Excess payment on account of cartage – Rs. 40.153 million

As per sub-clause 11.3.3 (A) of SPPRA Guidelines for procurement 2011, “Cost of cartage is not paid separately as same is adjusted in the quoted premium but cost of escalation on materials is paid separately as per consumption.”

As per para 766 of P.W.D. Manual Volume-I, “Technical Sanction amounts to nothing more than guarantee that the proposals are structurally sound and meet the requirements of indenting department and that the Estimates are accurately calculated and based on adequate data.”

During the audit of the Engineering Department, Karachi Development Authority, Karachi for the Financial Year 2022-2023, it was observed that 4,209,720 cft quantities were excavated against which carriage / cartage of 7,939,275 cft was allowed which resulted in excess quantities of 3,729,555 cft. Further, inadmissible premium of Rs. 3.605 million was paid against cartage. The details are given as under:

(Rs. in Million)

S.No	Name of Office	Memo No.	Amount
1	Engineering Department, Karachi Development Authority	28	3.605
2		14	36.548
Total			40.153

Audit is of the view that undue favor was extended to the contractor on account of excess cartage and premium payment which resulted in a loss to the public exchequer.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit seeks justification in the matter / recovery of excess amount.

(DP#21)

2.3.6.3 Irregular execution of work beyond 15% of the original contract – Rs. 1012.547 million

As per rule 16(1) (e) of SPPRA Rules 2010 amended 15th March, 2019, "Repeat Orders means, procurement of additional quantities of the item(s) from the original contractor or supplier, where, after the items originally envisaged for the project or scheme have been procured through open competitive bidding and such additional quantities of the same item(s) of goods or works are needed to meet the requirements of the project or scheme provided that the cost of additional quantities of items shall not exceed 15% of the original contract amount."

During the audit of the Engineering Department, Karachi Development Authority for the Financial Year 2022-23, it was observed that works were awarded at a cost of Rs. 822.385 million. Later, the cost and scope of the works were enhanced to Rs. 1834.932 million i.e., beyond the permissible limit of 15% of the original work. The details are given in **Annex-1 of Section-II of Chapter-02**.

Audit is of the view that the execution of work beyond the prescribed limit of 15% and without calling fresh tender is irregular.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

(DP#11)

2.3.6.4 Excess expenditure over and above 5% of the Technical Sanction - Rs. 1,247.915 million

As per Para-532 of Public Works Department Manual, Volume-I, "A revised estimate must be submitted when sanctioned estimate is likely to be exceeded by more than 5%."

During the audit of the Chief Engineer, Engineering Department, Karachi Development Authority for the Financial Year 2022-23, it was observed that an expenditure of Rs. 1,247.915 million was made in excess of the prescribed limit of 5% above the technical sanction without revision of the same. The details are given in **Annex-2 of Section-II of Chapter-02**.

Audit is of the view that execution of the work beyond 5% of the original estimated quantities and non-revision of the technical sanction stands irregular.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit recommends verification of the revised technical sanction, covering the total expenditure incurred, duly approved by the Chief Engineer.

(DP#8)

2.3.6.5 Non-deposit of Income Tax – Rs. 84.371 million

According to section 153 (1) (c) 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 the execution of a contract, in case of a company, 7% of the gross amount payable, if the company is a filer and 10% if the company is a non-filer; and in any other case, 7.5% of the gross amount payable, if the person is a filer and 10% if the person is a non-filer.”

As per rule-26 of General Financial Rules, “It is the duty of controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and credited in public account.”

During the audit of the Karachi Development Authority for the Financial Year 2022-23, it was observed that Rs. 84.371 million against Income Tax was not deducted / deposited while making payments to contractors by the following offices:

(Rs. in Million)

Sr#	Name of Office	Memo No.	Amount
1	Director, Finance and Accounts, KDA	16	72.622
2	Director, Lines Area Re-development Project, KDA	01	9.402
3	Director (Marketing) Public Housing Schemes, KDA	09	2.347

Total	84.371
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The details are given in **Annex-3 of Section-II of Chapter-02.**

Audit is of the view that the non-deposit of Income Tax before the closing of the financial year resulted in a loss of potential revenue, thus reflecting weak financial management.

The matter was reported to the management in the month of October, 2023. In response, the management replied that Rs. 96.673 million on account of Income Tax has been remitted to the Commissioner, Inland Revenue Service w.r.t. salary, auction and development works. As regards to Sr. No. 01 (Memo 16), the recovery amount pointed out pertains to the Recovery Department, KDA, whereof correspondence with the same has been made. The reply is not tenable as it lacks substantiation by any documentary proof. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit recommends prompt deposit of the Income Tax amount in the treasury.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2021-22, vide para number 2.3.6.2 having financial impact of Rs. 34.499 million. Recurrence of same irregularity is a matter of serious concern.

(DP#19)

2.3.6.6 Irregular utilization of pension contribution and provident fund – Rs. 667.065 million

According to the Finance Department, Government of Sindh notification No.B/2 (63)/78 part-II/20 dated 30.11 1981, “The funds allocated for one unit of appropriation cannot be utilized for another unit without prior approval of the competent authority.”

Further, Para-178 of Sindh Budget Manual states that, “An officer of the Government has no power to sanction any appropriation out of funds placed at his disposal for a central (agency) subject. The administration department may re-appropriate funds from one primary unit to any other such unit provided that.”

During the audit of the Finance & Accounts Department, Karachi Development Authority for the Financial Year 2022-23, it was observed that the management utilized Rs. 667.065 million pertaining to pension contribution and provident fund for operational purposes. The fund was required to be invested in financial institutions for clearing post-retirement liabilities of employees.

Audit is of the view that utilization of public liability funds against the regular expenditure is held as an irregularity.

The matter was reported to the management in the month of October, 2023. In response, the management replied that owing to acute financial constraints the regular fiscal affairs of the Authority are being catered to from the heads specified by the Audit. The management accepted the unauthorized disbursements made, therefore the Principal Accounting Officer of the Local Government Department is advised to take punitive measures against the responsible persons besides, immediate discontinuation of this practice. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

(DP#25)

2.3.6.7 Irregular POL facility to the DSP without entitlement - Rs. 2.068 million

According to Rule 88 of the Sindh Financial Rules, "Every public officer should exercise the same vigilance in respect of expenditure incurred from the Government revenues, as a person of ordinary prudence would exercise in spending his own money."

During the audit of the Secretariat Department, Karachi Development Authority for the Financial Year 2022-23, it was observed that an expenditure of Rs. 2.086 million expenditure was made on account of payment of POL to Deputy Superintendent of Police DSP without entitlement. The details are given in **Annex-4 of Section-II of Chapter-02.**

Audit is of the view that disbursing of POL facility to an employee of another department and without official entitlement, renders the entire payment irregular.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit recommends expeditious recovery against the POL from an official not belonging to the Authority.

(DP#32)

2.3.6.8 Irregular payment of various allowances - Rs. 72.883 million

According to the order by Finance Department Govt. of Sindh vide No. FD(SR-III)-5-145-2012 dated 2nd March, 2012, in supersession of this department circulars vide Nos. FD(SR-III)-

5/1-2008 dated 04-01-2008 and No. FD(SR-III)-5-139/2011 dated 12-02-2011, “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.”

Rule 10 (i) and (iv) of General Financial Rules, Volume-I states that, “Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.”

During the audit of the Karachi Development Authority for the Financial Year 2022-23, it was observed that allowances worth Rs. 72.883 million were paid by the various branches of the Authority to the officers / officials beyond their entitlement. The details are given in **Annex-5 of Section-II of Chapter-02**.

Audit is of the view that the payment of allowances in contravention of the entitlement is held as an irregularity.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit recommends expeditious recovery of the allowances paid / adoption of remedial measures.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2021-22, 2022-23 vide para numbers 2.3.6.3, 2.4.6.2 having financial impact of Rs. 197.974 million. Recurrence of same irregularity is a matter of serious concern.

(DP#2)

2.3.6.9 Irregular award of Emergent Work – Rs. 49.799 million

As per rule 16 (b) (viii) read with rule 2 (r) of SPPRA Rules, 2010, “In cases of emergency; Provided that the Head of the Department or any other officer not below BS-20 to whom such powers have been delegated by the Head of the Department, declares that a situation of emergency has arisen and reasons for making such a declaration shall be recorded in writing.”

During the audit of the Traffic Engineering Bureau Department, Karachi Development Authority for the Financial Year 2022-23, it was observed that an expenditure of Rs. 49.799 million on account of emergent works along with improvement of the pedestrian bridge and beautification / uplift of an area was made, whereof the following observations were noticed:

1. Documentary proof substantiating the emergency declared by the Head of the department was not available in the record.
2. Technical sanction was not obtained.
3. Beautification, construction of chess corner and a street library in Clifton were part of the subject work that did not qualify for the emergency factor. The details are tabulated as follows:

(Rs. in Million)

.#	Name of scheme	Name of contractor	Final	Work Order	Date of Start	ward Cost	Date of Completion
1	Work of Emergent & Urgent Repair of roads damaged due to rains along with Improvement/Addition to the pedestrian bridge & beautification/uplifting the area by construction of chess corner and street library Clifton Karachi	M/S Mansoor Engineering Services	st & Final	E/TC &O/T EB/K DA/31 dated 14.7.22	4.07.22	49.799	13.08.22

Audit is of the view that the emergency work was carried out without fulfilling the prescribed procedures, thus rendering the whole exercise as an irregularity.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit recommends conducting an inquiry into the matter.

(DP#6)

2.3.6.10 Irregular award of work without approval of the Technical Sanction – Rs. 867.516 million

According to rule-56 of CPWA Code, “A properly detailed estimate must be prepared for the sanction of competent authority; this sanction is known as the technical sanction to the estimate and must be obtained before the construction of the work is commenced. Such sanction will be accorded by the officer of the Public Works Department authorized to do so. If, after the grant of technical sanction, material structural alterations are contemplated, the orders of the original sanctioning authority should be obtained, even though no additional expenditure may be involved by the alterations.”

During the audit of the Engineering Department, Karachi Department Authority, for the Financial Year 2022-23, it was observed that works worth Rs. 867.516 million were awarded to various contractors without seeking approval of the technical sanctions from the Chief Engineer. The details are given in **Annex-6 of Section-II of Chapter-02.**

Audit is of the view that award of work without approval of the technical sanction from the competent authority is held irregular as in the absence of the same the bids could not be compared to authenticate the competitive rates.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit recommends conducting an inquiry into the matter.

(DP#7)

2.3.6.11 Non-deduction of Sindh Sales Tax - Rs. 26.384 million

As per SRB letter dated 29-08-2019, "Sindh sales tax on service providers contractors/vendors deducted/withhold and deposit on payment bills of for all civil works including Civil work/construction works & repair of all government building works and similar other works @5% of the value of the bill and deduct all other taxable services at the applicable rate of tax prescribed in 2nd schedule to the Act 2011."

During the audit of the Finance & Accounts Department, Karachi Development Authority for the Financial Year 2022-23, it was observed that an expenditure of Rs. 626.384 million was made against civil works, but Sindh Sales Tax was not deducted while making payments to various contractors. The details are tabulated as follows:

(Rs. in Million)

Sr#	Name of Office	Name of Tax	Memo No	Exp	Due	Deducted	Unpaid
1	Director, Finance and Accounts, KDA	SST	17	626.384	31.319	4.935	26.384

Audit is of the view that the non-recovery of SST against civil works resulted in short realization of government revenue.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit recommends expeditious recovery of SST / adoption of remedial measures.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2021-22, vide para number 2.3.6.2 having financial impact of Rs. 111.895 million. Recurrence of same irregularity is a matter of serious concern.

(DP#20)

2.3.6.12 Irregular refund against rental premises - Rs. 6.000 million

According to the office order No: KDA/Dir(C.P.B.C.&B.B)/2017/318 dated 18-05-2017 issued by the Director Charged Parking & Bachat Bazar, "Three plots in North Nazimabad & Gulistan-e-Jauhar were allotted for Rs. 6,000,000 on rent for five years to M/S Col. (Rtd). Arshad Iqbal & Yawar Raza Chawla."

During the audit of the Charged Parking / Bachat Bazar Department, Karachi Development Authority, for the Financial Year 2022-23, it was observed that land was allotted to M/s Colonel Arshad Iqbal & Yawar Raza Chawla for a period of five years @ Rs. 6.000 million (lump sum) on the basis of temporary rental space for open marquees. After utilization of the premises for a period of five years, the entire rental amount was refunded to the allottees.

Audit is of the view that refund of the total rent despite the availing of full five years period is held as an irregularity.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit recommends expeditious recovery of the refunded amount.

(DP#37)

2.3.6.13 Non-recovery of outstanding dues / rent – Rs. 201.470 million

As per Section 17 (1) of the Karachi Development Authority Order, 1957, "Necessary funds shall from time to time be placed by the Provincial Government at the disposal of the Authority for the

execution of its schemes and for the conduct of its business, such terms and conditions as may be laid down in each case.”

Further, as Section 147A of *ibid*, “All sums due to the Authority shall be recovered as arrears of land revenue.”

During the audit of the Karachi Development Authority for the Financial Year 2022-23, it was observed that the management failed to recover outstanding dues / rent amounting to Rs. 201.470 million from various tenants. The details are tabulated as follows:

(Rs. in Million)

S.No.	Name of Office	Memo No.	Particulars	Amount
1	Director (Estate & Enforcement), KDA	06	Rent From Tenant	9.916
2	Director (Marketing) Public Housing Schemes, KDA	01	Ground Rent from Allottees	1.573
3	Director (Marketing) Public Housing Schemes, KDA	08	Dues from Flats, shops & Offices	25.865
4	Additional Director, Horticulture, KDA	04	Dues from Private Plants Nurseries	17.498
5	Executive Engineer, (Electrical & Mechanical), KDA	02	Electricity dues from Private Organization	5.525
6		03	Electricity dues from Government department	141.094
Total				201.470

Audit is of the view that the non-recovery of the specified charges, resulted in a loss of revenue.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit recommends expeditious recovery of the outstanding dues / adoption of remedial measures.

Note: The issue was also reported earlier in the audit reports for Audit Years 2021-22, 2022-23 vide para numbers 2.3.6.4, 2.4.6.14 having financial impact of Rs. 2754.629 million. Recurrence of same irregularity is a matter of serious concern.

(DP#22)

2.3.6.14 Irregular disbursement of pension payments without obtaining mandatory certificate - Rs. 2021.075 million

According to SI No.85 (vii) of Pension Manual 2006, "Personal appearance of pensioners and payment through life certificate, a pensioner must take payment in person after identification by comparison with the Pension Payment Order, at least once a year."

During the audit of the Finance & Accounts Department, Karachi Development Authority, for the Financial Year 2022-23, it was observed that the management incurred expenditure of Rs. 2021.075 million on account of monthly pension of retired government servants and family pension, however the life certificates from the retired pensioners and no-marriage certificates from family pensioners in case of female pensioners were not obtained.

Audit is of the view that disbursement of pension payment without obtaining mandatory certificates from pensioners indicates weak internal control.

The matter was reported to the management in the month of October, 2023. In response, the management replied that the Pension Section has always been vigilant regarding the processing of all pension cases and utmost oversight is exercised in the family cases specifically. The reply is not tenable as it is based upon obscurity and vagueness. No substantiating evidence / document was provided to justify the reply. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit recommends conducting a detailed scrutiny of the mandatory pension documents to verify genuineness of the payments made thereon.

(DP#1)

2.3.6.15 Irregular expenditure on non-schedule items without conducting rate analysis -Rs. 554.152 million

Para 128 of CPWA Code states that, "The escalation will not be allowed without preparation of rate analysis and got approved by the government. According to Sr # 4 of the

Schedule of Rates (Composite) for finished items of works, 2004, the non-scheduled items costing up to Rs1000 should be got sanctioned by the concerned Superintending Engineer and the items exceeding Rs1000 must be got approved and sanctioned by the Chief Engineer. Para 128 of CPWA Code provides that the escalation will not be allowed without preparation of rate analysis and got approved by the government.”

During the audit of the Engineering Department, Karachi Development Authority for the Financial Year 2022-23, it was observed that Rs. 554.152 million was paid to contractors on account of different items, but rate analysis against the market-based items was not conducted.

Audit is of the view that payment without conducting rate analysis against the market-based items renders the procurement irregular.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit recommends conducting an inquiry into the matter.

(DP#14)

2.3.6.16 Less recovery of Scrutiny & NOC fee - Rs. 20.112 million

According to rule 5-2.4. Fee for NOC of Regional Interim Building & Town Planning Regulations 2018, “A Developer shall pay to the Authority Scrutiny Fee for issuance of No Objection Certificate for Sale & Advertisement as prescribed in fee schedule (5A) along with Advertisement Charges for publication of Public Notice in leading newspapers (Sindhi, Urdu & English) regarding salient features of each public sale project including name of project location, developer’s name office address, name of Town Planner, no(s) and size of plots offered for Sale, detail of mortgaged plots, date of completion and selling price with schedule of payment and advice for execution of Agreement between Developer and allottee on stamp paper. Further, NOC fee recoverable as per Schedule 5A, Sr. No. f (i-ii).”

During the audit of the Directorate of Planning & Urban Design Department, Karachi Development Authority for the Financial Year 2022-23, it was observed that the management issued No Objection Certificate (NOC) for layout plan, subdivision and amalgamation of various plots on previous rates instead of the approved prevalent rates. This resulted in a loss of Rs. 20.112 million. The details are given in **Annex-7 of Section-II of Chapter-02.**

Audit is of the view that issuance of NOC at previous rates for the approval of layout plan and subdivision resulted in a loss of revenue.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit recommends recovery of NOC fees at the prevalent rates / adoption of remedial measures.

(DP#23)

2.3.6.17 Non-recovery of loan - Rs. 1,156.640 million

According to Para 28 of GFR Volume-I, "No Government amount should be left outstanding without sufficient reason and where any dues appear to be irrecoverable, the orders of competent authority for its adjustment must be sought."

During the audit of the Finance & Accounts Department, Karachi Development Authority for the Financial Year 2022-23, it was observed from the budget book that a loan of Rs. 1156.64 million was granted to Sindh Building Control Authority and Lines Area Resettlement Project, but the same has not been recovered till yet. The details are tabulated as follows:

(Rs. in Million)

S.No.	Particulars	Amount
01	Loan to SBCA	1085.640
02	Loan to LARP	71.000
Total		1156.640

Audit is of the view that the non-recovery of the subject loan from SBCA/LARP reflects negligent financial oversight on the part of the management.

The matter was reported to the management in the month of October, 2023. In response, the management replied that an amount of Rs. 120.00 million has been recently recovered from the Lines Area Resettlement Project. Meetings with SBCA management have been convened for the recovery of the loan. The reply is not tenable as no documentary proof w.r.t. to the recovery effected from LARP was provided. Further, no substantiating evidence was shared that could justify the convening of meetings with the SBCA management. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit recommends expeditious recovery of the loan.

(DP#18)

2.3.6.18 Irregular payment of secured advance – Rs. 166.575 million

As per SPPRA, Procurement Regulation (Works) Rule-9.3(2)(a), “On verification and certification of quality, quantity and market rates of the material by the Assistant Engineer/Engineer’s representative; (ii) Contractor has to furnish the “Indenture Bond”; (iii) Secured advance shall be paid to the contractor on the quantities brought and properly stored at site of work. Full quantities of materials for entire work / contract should not be advanced;(iv) Recoveries of advances so made should be made from his bills for work done as the materials are used, the necessary deductions be made whenever the items of work in which are used are billed for, or shall be recovered in full within 90 days, even if unutilized;(v) New secured advance should not be allowed until and unless the previous advance, if any, stands fully recovered, (vi) Advance amount is calculated on the basis of 75% of the market value of that material.”

During the audit of the Engineering Department, Karachi Development Authority for the Financial Year 2022-23, it was observed that an amount of Rs. 166.575 million was paid to the various contractors on account of secured advance without verification and certification of quantity of the material brought at site. The details are given in **Annex-8 of Section-II of Chapter-02**.

Audit is of the view that payment of secured advances without immediate requirement and their subsequent payments in the closing of the Financial Year is held unjustified.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit recommends providing indenture bonds for verification against the material brought at site / the adjustment of the same through work-done quantities.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2021-22, 2022-23 vide para numbers 2.3.6.14, 2.4.6.9 having financial impact of Rs. 38.469 million. Recurrence of same irregularity is a matter of serious concern.

(DP#9)

2.3.6.19 Non- deposit of auction receipts in the bank account - Rs. 16.384 million

As per General Terms & Conditions advertised in newspapers for auction of Unserviceable Plants, Machineries, Heavy Vehicles, Government Vehicles, & Scrap etc. “Highest bidder at the close of bidding process shall deposit 25% 1st installment of the bid amount of the article by pay order in favor of Karachi Development Authority, and 2nd 25% installment after confirmation of the bid and remaining 50% within one month period. In case of default bid will be cancelled without any notice.”

During the audit of the Engineering Department, Karachi Development Authority for the Financial Year 2022-23, it was observed that an income of Rs. 16.384 million was collected against the auction of various items, but the same was not deposited in the bank account. The details are given in **Annex-9 of Section-II of Chapter-02**.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit is of the view that the non-deposit of auction proceeds reflects weak financial management.

Audit recommends expeditious deposit of auction proceeds in the receipt accounts.

(DP#40)

2.3.6.20 Non-adjustment of advances - Rs. 31.114 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 the audit of the following offices of Karachi Development Authority for the Financial Year 2022-23, it was observed that an amount of Rs. 31.114 million was paid to the employees and hospitals in the shape of advances, but adjustments of the same remained pending. The details are given as under:

(Rs. in Million)

Sr#	Name of Office	Particulars	Memo No.	Amount
1	Director, Finance and Accounts, KDA	Advances to Hospitals	13	27.273
2	Director (Estate & Enforcement), KDA	Advances to Employees	05	3.841
Total				31.114

Audit is of view that the non-adjustment of advances indicates weak financial management, as chances of misappropriation of the relevant funds cannot be ruled out.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit recommends an earliest adjustment / recovery of the advances paid.

Note: The issue was also reported earlier in the Audit Report for audit year 2021-22, vide para number 2.3.6.11 having financial impact of Rs. 10.328 million. Recurrence of same irregularity is a matter of serious concern.

(DP#30)

**2.3.6.21 Non-preparation of completion reports of the schemes -
million**

Rs. 2,151.723

Under provision of para 258 & 294 of CPWA code, "Sub-Divisional Officer is required to prepare the work completion report and to submit the same to the divisional officer for completion of the register of works."

During the audit of the Engineering Department, Karachi Development Authority for the Financial Year 2022-23, it was observed that an expenditure of Rs. 2,151.723 million was incurred on various works / schemes, but completion reports were not prepared. The details are given in **Annex-10 of Section-II of Chapter-02**.

Audit is of the view that the non-preparation of completion reports is violation of the rules and reflects inefficient operational oversight.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit recommends verification of the completion report against the schemes specified.

(DP#10)

2.3.6.22 Non-realization of auction receipts - Rs. 7.050 million

Rule-28 of General Financial Rules, Volume-I states that, “No amount due to Government should be left outstanding without sufficient reasons and where any dues appear to be irrecoverable, the orders for their adjustment must be brought.”

During the audit of the Engineering Department, Karachi Development Authority for the Financial Year 2022-23, it was observed that subsequent to the auction of vehicles and machineries an amount of Rs. 7.050 million was quoted by the successful bidders, but the receipts against the subject amount were not collected. It was also noted that the mandatory security deposit of Rs. 100,000 from the participating bidders was not obtained. The details are given in **Annex-11 of Section-II of Chapter-02**.

Audit is of the view that due to the non-collection of auction receipts and mandatory security deposit; the Authority was deprived of potential revenue.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit recommends prompt recovery of the receipts realized from the auctions conducted.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 2.4.6.9 having financial impact of Rs. 30.511 million. Recurrence of same irregularity is a matter of serious concern.

(DP#38)

2.3.6.23 Unjustified duplicate execution of work in Shaheed Benazir Bhutto Park

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 the audit of the Horticulture Department, Karachi Development Authority for the Financial Year 2022-23, it was observed that work of ADP scheme ‘Rehabilitation & Improvement of Shaheed Benazir Bhutto Park, Boat Basin, Clifton’ was executed in 2019 & later a portion of the same scheme i.e., fixing pavers etc. was carried out separately by the Authority in 2021 without any cogent reasons. The details are given in **Annex-12 of Section-II of Chapter-02**.

Audit is of the view that execution of the identical items by two separate contractors resulted in duplicate execution of work.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2021-22, vide para number 2.3.6.13 having financial impact of Rs. 64.489 million. Recurrence of same irregularity is a matter of serious concern.

(DP#17)

2.3.6.24 Irregular outsourcing of parking plaza without conducting auction

According to Rule 88 of the Sindh Financial Rules, "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 the audit of the Lines Area Redevelopment Project (LARP), Karachi Development Authority for the Financial Year 2022-23, it was observed that the management handed over the parking plaza situated in Saddar on contract basis to an ex-employee of KDA on a monthly lump sum payment of Rs. 1,430,000 to Rs. 1,450,000 without conducting an open auction.

Audit is of the view that the handing over the parking plaza on commercial basis without conducting an open auction is contrary to the prescribed rules.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit recommends conducting an inquiry into the matter.

(DP#4)

2.3.6.25 Irregular promotions through change of cadre and without following seniority

According to Criminal Original Petition No.89/2011 of the Honorable Supreme Court of Pakistan decision dated 12-06-2013, "Government of Sindh was directed to terminate contract of all employees affecting others promotions, cancel all out-of-turn promotions since 2002 and all absorptions since 1994 and repatriate them to their parent departments within 03 three weeks, read with Honorable High Court of Sindh, Circuit Court Hyderabad decision dated 14-12-2010, the deputation is illegal and unlawful, and held that no government authority has the power to change the cadre of a civil servant."

According to Rule 29 (a) of the Karachi Development Authority (Employee's Service) Regulations, 1973 "Except in the case of a selection post, promotion from one post to the next higher post will be made on the basis of seniority-cum-fitness, that is, the senior most employee in the cadre/grade will be promoted subject to he is being fit."

During the audit of the Director General Secretariat, Karachi Development Authority for the Financial Year 2022-23, it was observed that employees were promoted from the non-technical to technical posts and from lower to higher grades contrary to the seniority parameters. The details are tabulated as follows:

S.No	Name of Office	Memo No.	No. of Employee	Promoted from	Promoted to	Nature of Change	Irregularity
1	Secretariat Department, KDA	07	8	Naib Qasid/Security Guard/Chowkidar/Beldar	Higher Designation	Accelerated Promotion	Without seniority-cum-merit basis
2	Secretariat Department, KDA	08	21	UDC(BS-14)/LDC(BS-11)	Sub-Engineer (BPS-16)	Change of Cadre	Non-technical to Technical
3	Chief Security Officer, KDA	09	6	Security Guard (BPS-05)	LDC-(BPS-11)		Without service structure
4	Director Recovery, KDA	01	1	Daftri BPS-04	Junior Clerk (BS-11)		Without service structure
			1	Chowkidar BPS-02	Senior Clerk (BS-14)	Without service structure	

Audit is of the view that promotions through change in the cadre of the posts and without following seniority-cum-fitness resulted in an undue benefit to the employees and constituted weak administrative management.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2021-22 vide para number 2.3.6.8. Recurrence of same irregularity is a matter of serious concern.

(DP#3)

2.3.6.26 Unauthorized use of Amenity plot

According to rule 11(6) of the Karachi Development Authority (Disposal of Land) 1971, Appendix F-III allotment of sites for Hospitals, Clinics and Maternity Homes to Philanthropists/ Charitable Institutions in Karachi Development Authority is allowed with the terms and conditions. "1. The Philanthropist/Charitable Institutions applying for a site should furnish recommendations of the Director of Health Services, or any other appropriate Authority. 2. The site should not be used for any other purpose except for what has been allotted. No Building or portion thereof shall be used for commercial purposes. 3. The Institution shall be open to all communities. 4. The occupancy value for the area to be covered and for the uncovered area shall be payable. 5. The allotment shall be liable to cancellation in case of violation of the terms and conditions of non-payment of dues in time as per schedule of payment in which case 10% of the total occupancy value shall be forfeited."

In addition, according to rule 11(6) Karachi Development Authority (Disposal of Land) Rules for allotment of amenity plot for schools with terms and condition according to, 1971 Part I-A, Appendix F-I "Allotment of sites for Schools and other Educational purpose, the allotment shall be liable to cancellation in case of violation of the terms and conditions."

During the audit of the Land Management Department, Karachi Development Authority, for the Financial Year 2022-23, it was observed that the status of amenity plots was altered to carry out various activities which did not come under the fold of the prescribed criteria. The details are tabulated as follows:

Conversion of the status of Amenity plot					
S.No.	Plot No.	Nature of plots	Current Status of plots	Memo No.	Remarks
1	ST-6/25, 10, Gulsha-e-Iqbal Karachi, 28939 square yards	Amenity	Semi-commercial (Sindbad Amusement Park)	17	1. M/S Wonder Land (Sindbad) was part of Amenity plot of Shaheed Aziz Bhatti Park 2. Conversion of Amenity plot for commercial activities.
2	ST-3/1, sector 3 Clifton Karachi, 2998.33 Square Yards	Amenity	South City Hospital	16	Status of amenity plot was changed to commercial plot.
3		Amenity		15	Amenity plot was for educational purpose (in the

	ST-6/1, BLK-16, Scheme 16 FB Area, 2200 Sq Yards		(Mortuary) Jafaria Disaster Management Cell JDC		remaining part of the plot a school still exists)
					Edhi mortuary is also nearby.
4	IH ST-13/1 Block/Sector 6B, 241 Sq Yards	Amenity	MS Khambhat's Furniture (Commercial)	14	Amenity plot was reserved for the community welfare of the industrial residents.

Audit is of the view that the subject plots were allotted in contravention to the prescribed rules for amenity plots.

The matter was reported to the management in the month of October, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request dated 28-12-2023.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

(DP#34)

2.4 Section-III: Lyari Development Authority

2.4.1 Introduction

Lyari Development Authority has the mandate to carry out development works in two major schemes namely Hawkes Bay Scheme # 42 (20,900 acres) and Halkani Town Scheme # 43 (11,450 acres). These schemes previously came under the operational jurisdiction of Karachi Development Authority, but were transferred from the same to LDA subsequent to the passing of Lyari Development Authority Act, 1993.

The main objectives of the Authority are to:

- i. prepare or cause to be prepared and execute schemes for the development of the area and improvement of socio-economic conditions of the areas given in the Schedule.
- ii. formulate, implement and monitor public works pertaining to the development of land for residential, commercial & industrial areas, directly through its agencies or through private sector or in collaboration with other national, international agencies & Non-Government Organizations.
- iii. provide technical expertise & human resources for development and coordination.
- iv. render financial assistance for development and improvement of areas and to raise the income level of the people within its jurisdiction.
- v. undertake the execution of schemes entrusted to it by the Federal or Provincial Government or any local authority or autonomous body.
- vi. undertake research in planning and socio-economic development by engaging professional organizations.
- vii. perform such other functions as may be considered necessary for achieving the objectives of the Authority or as assigned to it by the Government.

2.4.2 Governing Laws & Policies

- i. Lyari Development Authority Act-1993.
- ii. Sindh Public Procurement Act, 2009.
- iii. Sindh Financial Rules.
- iv. CPW Code - A & D.
- v. Sindh Town Planning Act-1915.

2.4.3 Comments on Budget and Accounts (Variance Analysis)

(Rs. in Million)

Formation	Particulars	Budget	Actual Expenditure/ Revenue	Excess (+) Savings (-)
Lyari Development	Salary	312.942	268.274	(44.668)

Authority	Non-salary	106.820	55.201	(51.619)
	Development	279.284	106.380	(172.904)
	Total Expenditure	699.046	429.855	(269.191)
	Revenue Receipts	702.980	438.405	264.575

The budgeted allocation of Lyari Development Authority for the Financial Year 2020-21 was Rs. 316.885 million, against which the total expenditure was Rs. 318.634 million, resulting in overall excess of Rs. 1.749 million. The Authority could not achieve its revenue target as only 69.978% of targeted revenue was collected.

2.4.4 Classified Summary of Audit Observations

Audit observations amounting to Rs. 4,235.278 million were raised as a result of this audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr.#	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	16.310
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	4,203.725
5	Others	15.243
	Total	4,235.278

2.4.5 Brief comments on the status of compliance with PAC Directives

Lyari Development Authority falls under the administrative jurisdiction of the Local Government Department. No PAC meeting of Local Government Department on the accounts of LDA was convened since the last audit report. Further the status of printed paras is as follows:

Name of Authority	Year	No of Paras	Total Paras discussed
Lyari Development Authority	2013-14	3	Nil

	2016-17	7	Nil
	2017-18	3	Nil
	2020-21	6	Nil
	2022-23	8	Nil

2.4.6 Audit Paras

2.4.6.1 Irregular refund of security deposit - Rs. 9.623 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 the audit of the Lyari Development Authority, Karachi for the Financial Year 2021-22, it was observed that security deposits amounting to Rs. 9.623 million were refunded to various contractors prior to the completion of the works. As per rule, the Security Deposit was required to be refunded after the completion of defect liability period and fulfillment of other codal formalities. The details are given in **Annex-1 of Section-III of Chapter-02.**

Audit is of the view that the pre-mature refund of security deposit to the contractors reflects negligence on the part of the management which shows that government interests were not safeguarded.

The matter was reported to the management in the month of December, 2022. The management replied that the retention money was paid after finalization of works and fulfilment of all codal formalities along-with approval of competent authority. The reply is not tenable as the documents provided reflected that substantial completion of works was done instead of mentioning satisfactory completion of the same. Further no details were attached regarding actual date of completion of the works.

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

(DP#3)

2.4.6.2 Irregular award of contract without issuing work order - Rs. 6.687 million

As per Para 514-A of P.W.D Manual Volume-I, "No work should be permitted to be started unless the contract in one of the prescribed Form is sanctioned by the Competent Authority."

During the audit of the Lyari Development Authority, Karachi for the Financial Year 2021-22, it was observed that an amount of Rs. 6.687 million was incurred on execution of various R&M works without issuance of work orders. The details are given in **Annex-2 of Section-III of Chapter-02**.

Audit is of the view that payment without work order against the works was unjustified which is a serious violation of SPPRA Rules.

The matter was reported to the management in the month of December, 2022. The management replied that the work orders were issued for all the works and copies of the same were attached. Subsequent to the reply received, the work orders were dully verified but it was noted that in most of the cases, MBs were recorded on the same date while the final payments were made on the next day of issuance of work orders.

Audit recommends conducting an inquiry into the matter.

(DP#4)

2.4.6.3 Non-recovery of outstanding External Development Charges - Rs. 2,279.490 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 the audit of the Lyari Development Authority Karachi for the Financial Year 2021-22, it was observed that NOC and Layout Plan for 85 private schemes were approved in different years, whereas an amount of Rs. 2,279.490 million still remained outstanding on account of External Development / Betterment Charges out of the total amount of Rs. 4,024.666 million.

Audit is of the view that the non-recovery of the specified charges, resulted in a loss of revenue.

The matter was reported to the management in December, 2022. The management replied that recovery from private schemes is a continuous process against which a schedule of recovery has been chalked-out. However, an amount of Rs. 233.192 million has been recovered during the year 2022-23.

The reply is not tenable as recovery was required to be made within the scheduled time period in order to ensure the completion of development works. Documentary evidence to substantiate the recovered amount as claimed by the management was also not provided till the finalization of this report.

Audit recommends expeditious recovery of EDC and Betterment Charges from the sponsors / imposition of penalty against late payment.

(DP#5)

2.4.6.4 Non-recovery of outstanding amount against plot owners - Rs. 1,924.325 million

Rule-28 of General Financial Rules, Volume-I states that, "No amount due to Government should be left outstanding without sufficient reasons and where any dues appear to be irrecoverable, the orders for their adjustment must be brought."

During the audit of the Lyari Development Authority, Karachi for the Financial Year 2021-22, it was observed that an amount of Rs. 1,924.325 million on account of occupancy and development charges was found outstanding against the allotment of plots since 1990-97. The details are given in **Annex-3 of Section-III of Chapter-02.**

Audit is of the view that the management failed to recover the outstanding dues as a result of which the authority was deprived of potential revenue.

The matter was reported to the management in the month of December, 2022. The management replied that recovery from allottees is a continuous process and an amount of Rs. 8.813 million was recovered during the year 2022-23. The recovery was very slow due to the non-availability of title of land in favour of LDA by the Board of Revenue.

The reply is not tenable as recovery was required to be made within the scheduled time period as the outstanding amount pertained to the allotments made

in 1990-1997. Documentary evidence to substantiate the recovered amount as claimed by the management was also not provided till the finalization of this report.

Audit recommends expeditious recovery of the outstanding dues / adoption of remedial measures.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 2.5.6.6 having financial impact of Rs. 1,959.464 million. Recurrence of same irregularity is a matter of serious concern.

(DP#6)

2.4.6.5 Non-recovery of Sindh Sales Tax at prescribed rates - Rs. 13.436 million

As per Working Tariff of Sindh Revenue Board, "Construction services are taxable at the statutory rate @ 13% of Sindh sales tax vide tariff category under 9815 and @ 5% is to be paid accordingly vide Tariff Heading 9824.0000 Services provided or rendered by construction services tax."

During the audit of the Lyari Development Authority, Karachi for the Financial Year 2021-22, it was observed that an amount of Rs.13.436 million on account of Sindh Sales Tax was not deducted while making payments to the consultants and contractors in violation of the prescribed rules. The details are tabulated as under:

(Rs. in Million)

Sr#	Name of Office	Particulars	AIR Para #	Amount
01	Project Director, Shaheed Mohtarma Benazir Bhutto Township	Non-deduction of SST on Consultancy work	04	12.478
02	Director General, Lyari Development Authority, Karachi	Non-deduction of SST from contractors	07	0.958
Total				13.436

Audit is of the view that due to the non-recovery of taxes, the government's revenue could not be realized.

The matter was reported to the management in the month of December, 2022. The management replied that SRB vide notification dated 28-06-2022 has exempted

the tax payable on services under Tariff Heading 9809.000 'Contractual execution of work' and Tariff Heading 9824.000 'Construction Services' . Therefore, SST was not deducted accordingly. The reply is not tenable as this specific exemption was only given to the organization, GIZ (Deutsche Gesellschaft Fur Internationale Zusammenarbeit).

Audit recommends expeditious recovery of taxes / adoption of remedial measures.

(DP#8)

2.4.6.6 Abnormal delay in completion of the housing project

According to implementation Schedule of Revised PC-I of scheme 'Shaheed Mohtarma Benazir Bhutto Town Ships in Sindh' the project was started into 2011-12 and was to be completed in June, 2016.

During the audit of Project Director Shaheed Mohtarma Benazir Bhutto Town Ships, Lyari Development Authority, Karachi for the Financial Year 2021-2022, it was observed that the scheme 'Shaheed Mohtarma Benazir Bhutto Town Ships in Sindh' costing Rs. 9,421 million was approved in the year 2011-12 and was required to be completed in June, 2016 within the revised cost. The scheme aimed to develop 42,476 plots, measuring 120 Sq yards for the poorest people whose income was up to Rs. 10,000 per month, but balloting of only 27,500 plots was conducted even after the lapse of 12 years.

Audit is of the view that time overrun of the project resulted in increase in cost, non-achievement of targets as envisaged in PC-I and delay in timely completion.

The matter was reported to the management in the month of December, 2022. The management replied that the project was started in 2011 with a revised cost of Rs. 9,421 million out of which Rs. 6,816 million were released till June, 2022. Out of 23 districts, only 15 districts were handed-over to the project management by the Board of Revenue. Therefore, due to these reasons, the project was not completed. The management accepted the Audit' s view point regarding the abnormal delay caused in the timely completion of the project.

Audit recommends the earliest completion of the project to avoid further cost and time overrun / fixing of responsibility on the person(s) at fault.

2.4.6.7 Encroachment of LDA property by land grabbers

According to Section 3 (1) of the Sindh Public Property (Removal of Encroachment) Act, 2010, "Government or any authority or officer authorized by the government in this behalf may require the person directly or indirectly responsible for encroachment to remove such encroachment together with the structure, if any, raised by him on the public property, within the period not less than two days as may be specified in the order."

During the audit of the Lyari Development Authority Karachi for the Financial Year 2021-22, it was observed that valuable land of Scheme 42, Hawks Bay had been encroached by the land grabbers since long. The details are as under:

- i Block-1: 20 acres Boundary wall/graveyard.
- ii Block-14: Illegal shops/Society/Boundary wall/Poultry Farm / Godowns.
- iii Block-16: 18 acres.

Audit is of the view that due to the encroachment of the property, the public assets were not safeguarded, which reflects negligent supervision on the part of the management.

The matter was reported to the management in the month of December, 2022. The management replied that LDA had sent several letters to concerned departments and law enforcement agencies regarding illegal encroachments, as a result of which anti-encroachment drive was conducted on 10-01-2023. The anti-encroachment drive was postponed due to General Body Elections & Census Duty. However, the same will be resumed shortly. The management accepted the view point of Audit regarding the failure to vacate the encroached land.

Audit recommends that strenuous efforts may be put in to vacate the encroached land / adoption of remedial measures to safeguard public assets.

2.4.6.8 Unauthorized use of official vehicles by outsiders

As per para-23 of General Financial Rules, 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."

During the audit of the Lyari Development Authority Karachi for the Financial Year 2021-22, it was observed from the vehicle allotment list that various vehicles were allotted / retained by the unauthorized persons who were not working in the Authority or any associated project.

Audit is of the view that due to the negligent oversight on the part of the management, the public assets remained under the possession of unauthorized persons.

The matter was reported to the management in the month of December, 2022. The management stated that several letters had been issued to the officers concerned as well as the administrative departments with the request to return the vehicles, but no progress was made regarding the retrieval of the same. The management accepted the view point of Audit regarding the unauthorized retainment of the vehicles.

Audit recommends expeditious retrieval of the vehicles / fixing of responsibility on the person(s) at fault.

(DP#11)

2.5 Section-IV: Malir Development Authority

2.5.1 Introduction

Malir Development Authority was established in 1993 by the Government of Sindh to develop the area that was neglected in the past. Malir Development Authority is presently working on three schemes with the aim to increase housing facilities and uplift of socio-economic conditions of the masses.

MDA has been striving to provide low-cost and better residential facilities at affordable rates. At present around 125,000 scheduled residential plots are in different stages of development.

The planning of MDA schemes is based upon extending rebate against residential plots on economical rates and disposal of all commercial sites through open public auction. A large number of commercial sites of various categories of plots have been reserved in different schemes.

MDA schemes have created new inhabitation trends by expanding development across M-9 (Motorway), which has increased the market value of estate & property in the vicinity. The schemes specially Shah Latif Town, New Malir Housing Scheme & Taiser Town have the potential to evolve as a new urban commercial and economic hub.

Leveraging its profound capability in developing and managing a diversified asset base, MDA is focused on enhancing the performance of its portfolio and strengthening recurring income base for delivering long-term sustainable value to all.

2.5.2 Governing Laws & Policies

- i. Malir Development Authority Act, 1993-94.
- ii. Sindh Financial Rules.
- iii. CPW A-Code & D-Code.
- iv. Sindh Public Procurement Act, 2009.

2.5.3 Comments on Budget and Accounts (Variance Analysis)

(Rs. in Million)

Formation	Particulars	Budget	Expenditure/R evenue	Excess (+) Savings (-)
Malir Development Authority	Salary	1010.57	328.653	-681.92
	Non-salary	428.76	322.071	-106.69
	Development	1449.5	200.383	-1,249.12
	Total	2888.83	851.107	-2,037.72
	Revenue	2888.555	1191.316	-1,697.24

The budget of Malir Development Authority for the Financial Year 2021-22 was Rs. 2,888.830 million against which the total expenditure was Rs. 851.107 million, resulting in overall savings of Rs. 2,037.72 million. The authority.

2.5.4 Classified Summary of Audit Observations

Observations amounting to Rs. 929.438 million were raised in this report during the current audit of Malir Development Authority. Classification of the audit observations is as under:

(Rs. in Million)

Sr.#	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	185.663
B	Procurement related irregularities	123.739
C	Management of Accounts with Commercial Banks	257.763
4	Value for money and service delivery issues	340.215
5	Others	22.058
	Total	929.438

2.5.5 Brief comments on the status of compliance with PAC Directives

Malir Development Authority falls under the administrative jurisdiction of the Local Government Department. No PAC meeting of Local Government Department on the accounts of MDA was convened since the last audit report. Further the status of printed paras is as follows:

Name of Authority	Year	No of Paras	Total Paras discussed
Malir Development Authority	2016-17	04	Nil
	2017-18	10	Nil
	2018-19	07	Nil
	2019-20	15	Nil
	2020-21	03	Nil
	2021-22	08	Nil

2.5.6 Audit Paras

2.5.6.1 Irregular payment to work charge employees – Rs. 151.755 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 of culpable negligence.”

During the audit of the Malir Development Authority, Karachi for the Financial Year 2021-22, it was observed that more than 600 number of work charge employees were hired, against which an amount of Rs. 151.755 million was paid. The following irregularities were noticed:

- i. The practice of continuing the contingent paid staff was intact from the last several years by allowing fresh 90 days appointment.
- ii. More than 135% of total expenditure against the salary of regular employees was paid which was not justified.
- iii. The appointments were made against the posts which were not sanctioned.
- iv. No requirements / requisitions were shown for their appointment.
- v. The muster roll and the details of work performed were not maintained.
- vi. The payments were made without budgetary provision.

Audit is of the view that MDA was established to operate as an autonomous authority and its functions are of the regular nature, but most of the staff was hired on the work charges against the regular post / sanctioned strength for the last several years, thus rendering the recruitment process unjustified.

The matter was reported to the management in the month of April, 2023 but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminders dated 16-08-2023, 02-11-2023 & 28-12-2023.

Audit seeks justification against the hiring of staff on contingent charge basis contrary to the Authority's regular requirement.

(DP#1)

2.5.6.2 Irregular encashment of leave – Rs. 17.491 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 the audit of the Malir Development Authority, Karachi for the Financial Year 2021-22, it was observed that expenditure of Rs. 17.491 million was incurred on payments to employees on account of annual encashment of un-availed leaves on full pay (LFP) and even the encashment on casual leave was also allowed. The details are given in **Annex-1 of Section-IV of Chapter-02**.

Audit is of the view that the encashment was applicable at the time of retirement. This resulted in an irregular payment of encashment which reflects weak financial management.

The matter was reported to the management in the month of April, 2023 but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminders dated 16-08-2023, 02-11-2023 & 28-12-2023.

Audit seeks justification in the matter / recovery of the amount paid.

(DP#2)

2.5.6.3 Irregular payment of various allowances - Rs. 12.271 million

According to Para-1 of Finance Division, Government of Pakistan, Islamabad Office Memorandum dated 13-08-2005 regarding Revision of Pay Scales and allowances of the employees of Corporations/Autonomous Bodies, “It has been decided that the scheme of revision will also be applicable as a package to the employees Autonomous/Semi-Autonomous bodies and Corporations which have adopted the Federal Government’s Basic Pay Scale Schemes/Pension Schemes in totality. These orders will, however, not be applicable to those public sector Corporations and Autonomous/Semi-Autonomous who have adopted different pay scales/allowances. In case of such organizations, the revision in the existing pay scales and allowances of the employees will be made with the concurrence of Finance Division after recommendation by the respective Board of Directors.”

During the audit of the Malir Development Authority, Karachi for the Financial Year 2021-22, it was observed that various allowances amounting to Rs. 12.271 million were paid to the officers / officials beyond their entitlement. The details are tabulated as under:

(Rs. in Million)

Sr. #	Particulars	Amount
01	Payment of HRA @ 65% instead of 45% to the employees	4.576
02	Special Allowance in lieu of Audit & Accounts allowance	0.549

03	Secretariat allowances	0.167
04	Utility Allowance	6.979
Total		12.271

1. An expenditure of Rs. 4.576 million was made against payment of HRA @ 65% instead of 45% to the employees without approval of the Governing Body and publication of the same in the Gazette notification.

2. The management paid special allowance amounting to Rs. 549,202 to the officers which was inadmissible to the employees of the local office.

3. Secretariat Allowances amounting to Rs. 166,780 was paid to the officers which was only admissible during the posting in Sindh Secretariat but the same was continued during posting in MDA.

4. Payment amounting to Rs. 6.979 million was made on account of Utility Allowance in the monthly salaries to the staff drawing pay from MDA budget without any justification and rule.

Audit is of the view that due to the irregular payment of various allowances without admissibility/approval and publication in the official gazette; the government exchequer sustained loss.

The matter was reported to the management in the month of April, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminders dated 16-08-2023, 02-11-2023 & 28-12-2023.

Audit recommends expeditious of the allowances / taking remedial measures.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2021-22 vide para number 2.4.6.4 having financial impact of Rs. 27.217 million. Recurrence of same irregularity is a matter of serious concern.

(DP#3)

2.5.6.4 Understatement of receipt figures in accounts – Rs. 197.574 million

As per Para 2.3.2.2 of APPM on Accuracy, “The information in the accounts and the supporting subsidiary records shall be accurate, representing the actual substance of past events,

without undue errors or omissions. This shall include correct and consistent classification of transactions and the recognition of revenues and expenditures in the correct time period.”

During the audit of the Malir Development Authority, Karachi for the Financial Year 2021-22, it was observed that as per the summary statement of various 36 bank accounts provided by the Authority, there was a difference of Rs. 197.574 million when compared to the closing balances of the respective bank accounts on the receipt side. Audit also observed that details of various other bank accounts were not reflected in the summarized bank statement as identified in other bank account statements. The detail are tabulated as under:

(Rs. in Million)

Particulars	Amount
Opening Balance as per Bank Account as on 1-07-2021	311.58
Add Receipts during the year as per statement provided	1191.322
Total Funds	1502.902
Deduct Expenditure / Payments during the year	851.107
Balance to be available at the close of year 30-06-2022	651.795
Actual Closing Balance as per Bank Statement 30-06-2022	849.369
Variation / Short Receipts recorded	197.574

Audit is of the view that lapse on the part of the management indicates that the receipts were understated along with concealment of details of other bank accounts.

The matter was reported to the management in the month of April, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminders dated 16-08-2023, 02-11-2023 & 28-12-2023.

Audit recommends disclosure of correct position in the books of account to depict a true and fair view / taking remedial measures.

(DP#5)

2.5.6.5 Variation in opening and closing balances in cash book and bank statement – Rs. 60.189 million

As per rule-77 (i to iv) of Central Treasury Rules:-

- (i) Every officer receiving money on behalf of the Government should maintain a cash book in form TR 4.

- (ii) All monetary transaction should be entered in the cash book as soon as they occur and attested by the head of the office in token of check.
- (iii) The cash book should be closed regularly and completely checked. The head of the office should verify the totaling of the cash book or have this done by some responsible subordinate other than the writer of the cash book and initial it as correct.
- (iv) At the end of each month the head of office should verify the cash balances in the cash book and record a signed and dated certificate to that effect.

During the audit of the Malir Development Authority, Karachi for the Financial Year 2021-22, the variation in opening and closing balances between bank statement and cash book were observed in the three bank accounts with a total amount of Rs. 60.189 million. The details are tabulated as under:

(Rs. in Million)

Accounts #	Head of Account	Opening Balance 1st July 2021 as per Cash Book	Closing Balance June 22 as per Cash Book	Opening as per bank statement	Closing as per bank statement	OB Variation	CB Variation
2000384359	120 Sq Yds Collections General Public	38.027	20.953	32.930	59.418	5.096	(38.464)
2000384073	400 Sq Yds For General Public & S.L.T	6.564	22.864	6.588	23.	(0.024)	(0.395)
2004466058	Master Program	111.608	472.771	111.608	488.980	-	(16.209)
Sub-Total Variation						5.120	(55.069)
Grand Total Variation						60.189	

Audit is of the view that variation in cash book and bank statements reflects improper maintenance and disclosure of accounts, which constituted weak administrative and financial management.

The matter was reported to the management in the month of April, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminders dated 16-08-2023, 02-11-2023 & 28-12-2023.

Audit seeks justification for variation in figures / taking remedial measures.

(DP#7)

2.5.6.6 Irregular grant of loan and advance without recovery and account maintenance - Rs. 22.058 million.

As per 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 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 the audit of the Malir Development Authority, Karachi for the Financial Year 2021-22, it was observed that an amount of Rs. 22.058 million was allowed on account of advance salary and Contributory Provident (CP) Fund but the same was not adjusted in the monthly payments. Further, the management did not properly maintain the register of loan and advances to determine the total up to date advances, recoveries and outstanding balances but the advance was also treated in the accounts as an expenditure. The summary of advance paid is as under:

(Rs. in Million)

Head of Account	Amount as per Expenditure Statement
Advance Salary	9.498
Contributory Provident (CP) Fund Advance	12.560
Total	22.058

Audit is of the view that the non-deduction of refundable loan and advances without adherence to the rules and regulations stands irregular.

The matter was reported to the management in the month of April, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminders dated 16-08-2023, 02-11-2023 & 28-12-2023.

Audit recommends recovery of the loan and advances paid.

(DP#5)

2.5.6.7 Less deduction of Income Tax from salary of employees - Rs. 4.146 million.

As per Section-149 (1) of Income Tax Ordinance, 2001 "Every 2[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 on the estimated income of the employee chargeable under the head "Salary" for the tax year in which the payment is made after making3[adjustment of tax withheld from employee under other heads and tax credit admissible under section 61 4[and 63] during the tax year after obtaining documentary evidence], as may be necessary."

During the audit of the Malir Development Authority, Karachi for the Financial Year 2021-22, it was observed that Income Tax amounting to Rs. 4.146 million was short deducted against the salary of employees contrary to the prescribed rates / slabs. The details are given in **Annex-2 of Section-IV of Chapter-02**.

Audit is of the view that due to the less deduction of Income Tax the government exchequer was deprived of potential revenue.

The matter was reported to the management in the month of April, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminders dated 16-08-2023, 02-11-2023 & 28-12-2023.

Audit recommends expeditious recovery / taking remedial measures.

(DP#9)

2.5.6.8 Non-investment of savings / surplus - Rs. 340.215 million

As per the Malir Development Authority (Revival & Amending Act 2013 Section 33 (5), "The Authority may, invest its funds in any security of the Federal Government or any Provincial Government or any other security approved by the Government."

During the audit of the Malir Development Authority, Karachi for the Financial Year 2021-22, it was observed that surplus / savings of Rs. 340.215 million were noticed from the statement of receipts and expenditure, but the same were not invested in the profitable government securities to maximize the revenue of the Authority. The details are summarized below:

(Rs. in Million)

Particulars / Head of Account		Amount
Receipts during the Year 2021-22	Shah Latif Town (Scheme 25-A)	149.479
	Taiser Town including KNB Scheme-45	801.398
	New Malir Housing Project-I	156.021
	Development of Master Program Phase-I&II/ Public Housing Scheme, MDA	84.424
	Total	1191.322
Expenditure during the Year 2021-22	Non-Development Expenditure	650.724
	Development Expenditure	200.383
	Total	851.107

Saving / Surplus	340.215
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Audit is of the view that due to poor financial management, potential revenue in terms of return on investment could not be realized.

The matter was reported to the management in the month of April, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminders dated 16-08-2023, 02-11-2023 & 28-12-2023.

Audit recommends the investment of surplus funds in any security approved by the Government to maximize revenue.

(DP#11)

2.5.6.9 Inordinate delay in completion of schemes - Rs. 123.739 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 the audit of the Malir Development Authority, for the Financial Year 2021-2022, it was observed that different works were initiated with a total cost of Rs. 123.739 million but the same remained incomplete despite the lapse of 14 years. Further, the penalty was also not imposed on the defaulting contractors. The details are given in **Annex-3 of Section-IV of Chapter-02**.

Audit is of the view that the abnormal delay in execution of schemes, resulted in cost overrun and the intended benefits could not be extended to the public.

The matter was reported to the management in the month of April, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminders dated 16-08-2023, 02-11-2023 & 28-12-2023.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

(DP#12)

2.5.6.10 Discrepancies in allotted land under various development schemes.

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 the audit of the Malir Development Authority, Karachi for the Financial Year 2021-22, the following discrepancies were observed in the allotted land to the general public:

- i) Authority did not clear the cost of land allotted by Board of Revenue amounting to Rs. 4,820.467 million and paid about only 10% of the value of total cost of land despite its onward allotment to the general public.
- ii) Out of total land of 23,166 acres allotted to the Authority, only 13,265 acres was available in the possession of the Authority and the remaining 9,901 acres of land was either in the possession of the various other government agencies or was under encroachment.
- iii) Authority allotted 153,582 plots to the general public through balloting in various public schemes, but out of that 49,623 allotment orders had been issued without the availability of land. The details are given in **Annex-4 of Section-IV of Chapter-02.**

Audit is of the view that the management failed to vacate the encroached sectors / areas and safeguard the interest of the government and general public and thus chances of litigation cannot be ruled out.

The matter was reported to the management in the month of April, 2023, but no reply was received. Further, the PAO also did not convene DAC meeting despite written request and reminders dated 16-08-2023, 02-11-2023 & 28-12-2023.

Audit recommends conducting an inquiry into the matter.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2021-22 vide para number 2.4.6.3 regarding encroachment on MDA land. Recurrence of same irregularity is a matter of serious concern.

(DP#14)

2.6 Section-V: Sehwan Development Authority

2.6.1 Introduction

Sehwan Development Authority was created through an Act passed by Provincial Assembly, Sindh titled as ‘Sehwan Development Authority Act 1993’ and later on revived through Sehwan Development Authority Revival and Amending Act 2013. Main objectives behind creation of Sehwan Development Authority included improvement and beautification of the areas comprising Taluka Sehwan.

2.6.2 Governing Laws & Policies

- i. Sehwan Development Authority Act-1993.
- ii. Sindh Financial Rules.
- iii. CPW Code - A & D.
- iv. Sindh Public Procurement Act, 2009.

2.6.3 Comments on Budget and Accounts (Variance Analysis)

(Rs. in Million)

Formation	Particulars	Budget	Expenditure/ Revenue	Savings (-)
Sehwan Development Authority	Salary	185.18	168.026	(17.154)
	Non-salary	66.840	39.482	(27.358)
	Development	28.860	-	(28.860)
	Total	280.88	207.508	(73.372)
	Revenue	233.300	195.511	37.789

The budget of Sehwan Development Authority for the Financial Year 2021-22 was Rs.280.88 million against which the total expenditure was Rs.207.508 million, resulting in overall savings of Rs.73.372 million. The authority could not achieve its revenue target as only 84% of targeted revenue was collected.

2.6.4 Classified Summary of Audit Observations

Audit observations amounting to Rs. 549.127 million were raised as a result of this audit. This amount also includes recoveries of Rs.6.630 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr.#	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	2.449

C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	540.048
6	Recovery	6.630
Total		549.127

2.6.5 Brief comments on the status of compliance with PAC Directives

Sehwan Development Authority falls under the administrative jurisdiction of the Local Government Department. No PAC meeting of Local Government Department on the accounts of SDA was convened since the last audit report. Further the status of printed paras is as follows:

Name of Authority	Year	No of Paras	Total Paras discussed
Sehwan Development Authority	2013-14	3	Nil
	2016-17	11	Nil
	2019-20	4	Nil
	2020-21	2	Nil
	2021-22	3	Nil
	2022-23	6	Nil

2.6.6 Audit Paras

2.6.6.1 Non-invitation of open tenders for Security Services - Rs. 2.449 million

Rule 17 (1) & (2) of Sindh Public Procurement Rules, 2010 states that, "Procurement over three 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 the audit of the Sehwan Development Authority, Jamshoro for the Financial Year 2021-22, it was noticed that an expenditure of Rs. 2.449 million was made against hiring of security services from M/s Askari Guards without inviting open tender.

Audit is of the view that hiring of security services without following the prescribed tendering process is held irregular.

The matter was reported to the management in November, 2022. The management replied that security services were hired to vacate the encroachments from all SDA land. The agreement with the security company M/s Askari Security Guards was terminated after the matter was highlighted by Audit. The reply is not tenable as the management did not attach copy of termination / cancellation order. As per the copies of agreement provided, the agreement had already expired on 30th September, 2022. The management also did not comment on the non-invitation of tenders which were required to be conducted. Further, the PAO also did not convene DAC meeting despite written request and reminders dated 16-08-2023, 02-11-2023 & 28-12-2023.

Audit recommends conducting an inquiry into the matter.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 2.6.6.3 having financial impact of Rs. 6.269 million. Recurrence of same irregularity is a matter of serious concern.

(DP#2)

2.6.6.2 Auction of plots without recovery and proper valuation of land – Rs. 529.178 million

As per letter No.PD/ESTT/SDA/38/2019, dated 18-04-2019, in pursuance to Clause-07 of SDA Disposal of Plots Rules of 2009, "The Price Determination Committee was constituted for the purpose of determination of valuation of price of Commercial / Residential / Amenity, land of cooperative societies,

saleable areas of Gulshan-e-Shahbaz & Sehwan Sharif Scheme as per valuation fixed by Deputy Commissioner, BOR and FBR. Further, the committee shall submit its recommendations to the SDA for further approval of Governing Body SDA and the Government.”

During the audit of the Sehwan Development Authority, Jamshoro for the Financial Year 2021-22, it was observed that Rs. 81.309 million was realized on account of auction of commercial & residential plots without assessment of valuation of land and survey report / status. Further, Rs. 447.869 million was outstanding against the allottees of auctioned plots which was to be recovered as per schedule of payment. The detail is tabulated as under:

(Rs. in Million)

Sr.#	Name of Scheme	Plot Category	Auction held on	Outstanding
1	Auction of plots	Commercial & Residential	2021-22	81.309
2	Gulshan-e-Shahbaz	Commercial	04/2019	9.454
3	Gulshan-e-Shahbaz	Residential	12/2019	25.106
4	Gulshan-e-Shahbaz	Commercial	12/2019	14.362
5	Gulshan-e-Shahbaz	Commercial	01/2021	398.947
Total				529.178

Audit is of the view that the auction proceedings without proper valuation and non-recovery of the same is tantamount to violation of applicable rules.

The matter was reported to the management in the month of November, 2022. The management replied that auction of residential, commercial & amenity plots was made in the 16th Governing Body meeting vide item No. 03, whereas the rates of plots were fixed through recommendations of Price Determination Committee which were duly approved in the Governing Body meeting through letter No.PD/ESTT:SDA/78/2019 dated 25/06/2019. Further, Rs. 447.869 million was still outstanding against the defaulting allottees and after issuing notices to fifteen defaulters, some of the plots had been canceled in 2021 & 2022. The reply is not tenable as the evidence provided vide letter No. PD/ESTT:SDA/78/2019 dated 25/06/2019 pertained to the recommendation of the Price Determination Committee instead of approval of the Governing Body. The management also did not recover the outstanding amount from the allottees. Further, the PAO also did not convene DAC meeting despite written request and reminders dated 16-08-2023, 02-11-2023 & 28-12-2023.

Audit seeks details of the rates approved by the Governing Body / expeditious recovery of outstanding dues.

(DP#3)

2.6.6.3 Non-deposit of Income Tax, GP Fund & Group Insurance deductions – Rs. 10.870 million

According to Appendix 18-A of SFR, Vol-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 audit of the Sehwan Development Authority, Jamshoro for the Financial Year 2021-22, it was observed that Rs. 10.870 million were deducted from the salaries of employees on account of Income Tax, G.P Fund and Group Insurance, but the same were not deposited / credited to the relevant account / authorities. The details are tabulated as under:

(Rs. in Million)

S.No	Particulars of Deductions	Amount
1	Income Tax	2.834
2	GP Fund	7.259
3	Group Insurance	0.777
	Total	10.87

Audit is of the view that due to the non-deposit of Income Tax, G.P Fund & Group Insurance, the employees were deprived of pensionary benefits and interest earned on the deposits thereof besides, the non-realization of the potential revenue against Income Tax.

The matter was reported to the management in the month of November, 2022. The management in its reply endorsed the audit observation and stated that due to shortage of funds, the deducted amount was not credited to the authorities concerned. The management mentioned that summary for payments had been moved to Secretary, Local Government to clear the liabilities. Further, the PAO also did not convene DAC meeting despite written request and reminders dated 16-08-2023, 02-11-2023 & 28-12-2023.

Audit recommends prompt credit of G.P Fund and Group Insurance in separate bank accounts besides, remitting Income Tax to the authorities concerned.

(DP#4)

2.6.6.4 Non-recovery of outstanding dues – Rs. 6.630 million

Rule-28 of General Financial Rules, Volume-I states that, “No amount due to Government should be left outstanding without sufficient reasons and where any dues appear to be irrecoverable, the orders for their adjustment must be brought.”

During the audit of the Sehwan Development Authority, Jamshoro for the Financial Year 2021-22, it was observed that dues worth Rs. 6.630 million were not recovered on account of Gulshan-e-Shahbaz Housing Scheme out of the total amount of Rs. 331.220 million. Further, the sectors D6, D5 & C6 were under encroachment, which were not retrieved from the illegal possession. Moreover, 25 acres of land was under the possession of District Council without payment of dues.

Audit is of the view that the management failed to recover the outstanding dues which reflects weak administrative and financial controls.

The matter was reported to the management in the month of November, 2022. The management in its reply stated that the Authority tried its best to recover outstanding dues, but due to illegal encroachments, the allottees had not been able to clear the dues. As per the Honorable Supreme Court Order, the Authority through many combined operations with law enforcing agencies, evacuated about 340 acres out of 640 acres of encroached land. Regarding allotment of 25 acres of land to District Complex, Jamshoro in 2008, total outstanding amount of Rs. 108.90 million was still outstanding against which no funds had been released by the Government of Sindh. Further, the PAO also did not convene DAC meeting despite written request and reminders dated 16-08-2023, 02-11-2023 & 28-12-2023.

Audit recommends that strenuous efforts may be put in to recover the specified amount at the earliest to improve the financial position of the Authority besides accelerating pace of the development.

(DP#5)

2.6.6.5 Irregular use of vehicle by the Ex-Officials and outsiders

According to letter No.CTC(S&GAD)5(238)/97 dated 05-04-1997, issued by the Services and General Administration Department, Government of Sindh regarding the entitlement of Government Servants at Sr. No. (i) Additional Chief Secretary, Senior Member BOR, Secretaries of the Administrative Departments, IG Police, Additional IG and DIGs of Police, Heads of Autonomous Bodies /Corporations in BPS-20 and above should be allowed to use 1300 locally manufactured cars (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 the audit of the Sehwan Development Authority, Jamshoro for the Financial Year 2021-22, it was observed that various vehicles owned by the Authority had been under the use of the ex-officials,

outsiders whereas, some were seized by the Customs authorities and the others were found missing. The detail are tabulated as under:

Sr.#	Vehicle make	Model	Registration#	Status
1	Hino Bus	1987	9002	Off-road
2	Toyota (Hilux)	1996	5143	Seized by Customs
3	Alto VXR CNG	2009	0573	Ex-DG, Mr. Agha Abdul Rahim
4	Civic	2012	Applied for	Ex-DG Mr. Asghar Abbas Shaikh
5	Alto VXR CNG	2012	Applied for	Ex-DG Mr. Asghar Abbas Shaikh
6	VIGO	2009	7787	LG Minister Local Government
7	Toyota Corolla Altis	2009	0626	Ex-DG Mr. Asghar Abbas Shaikh
8	Tractor	Red	-	Missing
9	Road Roller	-	-	Missing
10	Water Tank	-	-	Missing

Audit is of the view that misuse of Authority's vehicles reflects weakness of administrative and internal controls.

The matter was reported to the management in the month of November, 2022. The management in its reply stated that the Authority issued letters to ex-officers for handing over the government vehicles, but no response was received whereas, one vehicle Hilux GS-5143 was seized by the Custom authorities. The management agreed with the Audit's view point that vehicles were still under the possession of unauthorized persons since 2012. Further, the PAO also did not convene DAC meeting despite written request and reminders dated 16-08-2023, 02-11-2023 & 28-12-2023.

Audit recommends expeditious retrieval of the vehicles / fixing of responsibility on the person(s) at fault.

(DP#13)

Chapter-3

EDUCATION WORKS DIVISIONS

3.1 Introduction

The Education Works falls under the administrative and operational control of School Education and Literacy Department, Government of Sindh. Its core mandate involves the construction and management of infrastructure relevant to schools and colleges of the province.

Description	Total Nos	Audited	Expenditure audited FY 2022-23
Formations	35	20	8,636.192

3.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the divisions:

(Rs. in Million)

Original Budget	Final Budget	Releases	Actual Expenditure	Excess / (Savings)
12,374.430	15,708.868	15,248.312	14,639.674	(608.638)

The Divisions were unable to spend the allocated budget in time, resulting in overall savings of Rs. 608.638 million.

3.3 Classified Summary of Audit Observations

Observations amounting to Rs. 2,513.125 million were raised as a result of this audit. This amount also includes recoveries Rs. 44.859 million as pointed out by the Audit. Classification of the audit observations is as under:

(Rs. in Million)

Sr.#	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	1,657.215
C	Management of Accounts with Commercial Banks	0

4	Value for money and service delivery issues	31.132
5	Others	779.919
6	Recovery	44.859
Total		2,513.125

3.4 Comments on the Status of Compliance with PAC Directives

PAC for School Education and Literacy Department was not convened since printing of the last audit report by D.G Audit Sindh. Separate status of the printed paras for Education Works Divisions is as follows:

Name of Authority	Year	No of Paras	PAC Para discussed
Education Works Divisions	2017-18	24	Nil
	2018-19	20	Nil
	2019-20	17	Nil
	2020-21	6	Nil
	2021-22	24	Nil
	2022-23	33	Nil

3.5 Audit Paras

3.5.1 Non-production of record

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 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 relevant Efficiency and Discipline Rules, applicable to such person.

During the audit of the following offices of School Education and Literacy Department (Education Works) Government of Sindh for the Financial Year 2021-22, auditable record pertaining to development and non-development expenditure of Rs. 526.919 million was not provided despite requisitions. The details are tabulated as follows:

(Rs. in Million)

Sr. #	Name of Office	Particulars of Record not produced	Year	AIR Para #	Amount
1	XEN Education Works Division, Jacobabad	Record pertaining to cost centres JK-5000 Development, JK-5013 Others, JK-0056 Salary & Contingency & JK-6974 Others	2021-22	1	521.964
2	XEN Education Works Division, Kashmore	Record pertained to tender documents	2021-22	1	4.955
Total					526.919

Audit is of the view that the non-production of record is a violation of AGP ordinance and reflects negligence on the part of the management. Due to the non-production of specified record the authenticity of expenditure made could not be ascertained.

The matter was reported to the management during January to June, 2023 and August to November, 2023 but no reply was received. Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends the production of record / initiating disciplinary proceedings against the person(s) at fault in accordance with the provisions stipulated in Section 14 of AGP ordinance.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2021-22, 2022-2023 vide para numbers 3.5.1, 3.5.1, having financial impact of Rs. 797.316million. Recurrence of same irregularity is a matter of serious concern.

DP# 01

3.5.2 Excess consumption of material – Rs. 2.622 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 the audit of the following offices of the School Education & Literacy Department (Education Works) Government of Sindh for the Financial Year 2021-22, it was observed that excess payment of Rs. 2.622 million was made to the contractors due to excess consumption of steel and bricks beyond the ratio provided in the sanctioned estimate / design. The details are as under:

(Rs. in Million)

Sr. #	Name of Office	Particulars	Year	AIR Para #	Amount
1	XEN, Education Works Division, District East Karachi	Excess consumption of steel beyond the estimated ratio of steel and RCC calculated in T.S	2021-22	1	0.271
2	XEN, Education Works Division, Dadu	Excess consumption against the item of work “ Fabrication of mild Steel ” by disregarding the ratio of “RCC to steel work” as provided in the estimate.	2022-23	3	0.590
		Difference of cost against the excess number of bricks claimed on execution of “Pacca Bricks Work (1:6)”.	2022-23	2	1.761
Total					2.622

Audit is of the view that by allowing excess consumption of material beyond the required ratio, a loss of Rs. 2.622 million was caused. This shows that an undue favor was extended to the contractors.

The matter was reported to the management during January to November, 2023, but no reply was received. Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends conducting an inquiry into the matter.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2021-22, 2022-2023 vide para numbers 3.5.10, 3.5.23 having financial impact of Rs. 9.547 million. Recurrence of same irregularity is a matter of serious concern.

DP#02, 77 & 78

3.5.3 Non-recovery of stamp duty from various contractors – Rs. 5.932 million

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 @ 0.35 paisa per hundred rupees of the value of the Agreement or against tender cost.”

During the audit of the various offices of the School Education & Literacy Department (Education Works) Government of Sindh for the Financial Year 2021-22 & 2022-23, it was observed that various works were awarded, but stamp duty @ 0.35% amounting to Rs. 5.932 million was neither affixed on the agreements nor deducted from the Running Account bills. The details are given in **Annex-1 of Chapter - 03**.

Audit is of the view that the non-recovery of stamp duty resulted in the loss of potential revenue.

The matter was reported to the management during January to November, 2023 but replies from only two offices were received.

The office at Sr. No. 10 replied that stamp duty @ 0.35% had been affixed in each contract agreement. Out of 06 contract agreements, 05 e-stamp copies were verified, whereas details against one agreement were found not attached.

The office at Sr. No. 06 replied that stamp duty @ 0.35% was recovered and paid through challan of e-stamping. The contract agreement was also prepared as per the format of e-stamping. No evidence in support of the reply was furnished.

Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends expeditious recovery of the stamp duty.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2021-22, 2022-2023 vide para numbers 3.5.23, 3.5.29 having financial impact of Rs. 8.502 million. Recurrence of same irregularity is a matter of serious concern.

DP# 03, 53 & 94

3.5.4 Irregular refund of security deposits – Rs. 59.580 million

As per Rule 7.12.3(i) of SPPRA, Procurement Regulation (Works), “It can be released in either of following ways:- (a) On completion of the works; half the total amount retained is refunded to the contractor and half when the defects liability period has passed and the engineer has certified that all defects notified to the contractor before the end of this period have been attended to his satisfaction; (b) Full amount be released after completion of defect liability period.”

During the audit of the following offices of the School Education & Literacy Department (Education Works) Government of Sindh for the Financial Year 2021-22 & 2022-23, it was observed that an amount of Rs. 59.580 million pertaining to the Security Deposit was refunded to the contractors during execution of works. The details are tabulated as under:

(Rs. in Million)

Sr. #	Name of Office	Year	AIR Para #	Amount
1	XEN Education Works Division, Sujawal	2021-22	07	33.166
2	XEN Education Works Division, Larkana	2021-22	10	2.096
3	XEN Education Works Division District East Karachi	2021-22	06	0.712
4	XEN Education Works Division, Matiari	2021-22	08	0.975
5	XEN Education Works Division, Mithi	2021-22	09	0.380
6	XEN Education Works Division, Thatta	2022-23	09	0.192
7	XEN Education Works Division-V, District XEN Korangi Karachi	2022-23	08	4.137
8	XEN Education Works Division, Hyderabad	2022-23	06	9.212
9	XEN Education Works Division, Shaheed Benazirabad	2022-23	05	3.600

10	XEN Education Works Division (East) Karachi	2022- 23	01	5.110
			Total	59.580

Audit is of the view that release of security deposit before completion of works and defect liability period stands irregular which shows an undue favour was extended to the contractors.

The matter was reported to the management during January to November, 2023 but replies from only two offices were received.

The office at Sr. No. 02 provided the completion certificate for further scrutiny. However, the same was not found countersigned by the Executive Engineer, which is a mandatory requirement. Further, PC-IV was also not furnished to substantiate the reply.

The office at Sr. No. 08 replied that the call deposits and security deposits were refunded after obtaining the handover certificate from the contractor. The management only provided the documents against the refund of the call deposit, whereas no evidence was provided against the refund of the security deposit.

Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

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

DP#05, 45 & 97

3.5.5 Non / less deduction of Income Tax – Rs. 5.335 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 the audit of the following offices of School Education & Literacy Department, (Education Works) Government of Sindh, for the Financial Year 2021-22 & 2022-23, it was observed that the Income Tax amounting to Rs. 5.335 million was either less or not deducted from the bills, due to which government sustained a loss of revenue. The details are tabulated as under:

(Rs. in Million)

Sr. #	Name of Office	Particulars	Year	AIR Para #	Amount
1	XEN Education Works Division, Sajawal	Non-deduction of income tax	2021-22	6	0.031
2	XEN Education Works Division, Matiari	Non-deduction of income tax	2021-22	2	0.901
3	XEN Education Works Division, Tando Allah Yar	Less deduction of income tax	2021-22	1	0.081
4	XEN Education Works Division, Mithi	Less deduction of income tax	2021-22	1	0.333
5	XEN, Education Works Division, Hyderabad	Less deduction of income tax	2022-23	2	3.989
				Total	5.335

Audit is of the view that due to less / non-deduction of income tax, the government exchequer was deprived of the potential revenue.

The matter was reported to the management during January to November, 2023 but a reply from only one office was received.

The office at Sr. No. 05 replied that there was a misunderstanding in the calculation figures of less deduction of Income Tax. The amount calculated by the Audit included 5% SST whereas this office recorded the actual amount of work done by the contractors. The deductions were made as per the work done. The reply was not found to be satisfactory as the amount of tax is required to be deducted on gross amount including the amount of SST.

Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends expeditious recovery of the Income Tax amount / taking remedial measures.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2021-22, 2022-2023 vide para numbers 3.5.21, 3.5.30 having financial impact of Rs. 66.837 million. Recurrence of same irregularity is a matter of serious concern.

DP# 07, 52

3.5.6 Non / less deduction of Sindh Sales Tax – Rs. 33.592 million

As per Sindh Revenue Board (SRB) letter dated 29-08-2019, “Sindh Sales Tax on service providers contractors/vendors shall be deducted/withheld and deposited on payment/bills for all including Civil work/construction works & repair of all government building works and similar other works @5% of the value of the bill and deduct all other taxable services at the applicable rate of tax prescribed in 2nd schedule to the Act 2011.”

During the audit of the various offices of the School Education & Literacy Department, (Education Works) Government of Sindh, for the Financial Year 2021-22 & 2022-23, it was observed that the SST on services amounting to Rs. 33.592 million was not deducted from the bills, due to which government sustained a loss of revenue. The details are given in **Annex-2 of Chapter -03**.

Audit is of the view that due to less or the non-deduction of SST on services, the government exchequer was deprived of the potential revenue.

The matter was reported to the management during January to November, 2023 but a reply from only one office was received.

The office at Sr. No. 06 replied that SST was deducted @ 5%. However, it was evident from the bills provided with the reply that SST was deducted less. No evidence was provided to substantiate the reply.

Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends expeditious recovery of the Sindh Sales Tax amount / taking remedial measures.

DP# 08,50,51,95

3.5.7 Irregular clearance of previous years' liability on M&R – Rs. 2.023 million

According to Rule 134 of Sindh Budget Manual, “All charges must be paid and drawn at once and under no circumstances they may be allowed to stand over to be paid from the grants of another year.”

During the audit of the following offices of the School Education & Literacy Department (Education Works) Government of Sindh for the Financial Year 2021-22 it was observed that liability amounting to Rs. 2.023 million was cleared to various contractors on account of M&R works of previous years without

approval of the Finance Department, besides the reason for creation of liability was not provided. The details are tabulated as under:

(Rs. in Million)

Sr. #	Name of Office	Year	AIR Para #	Amount
1	XEN Education Works Division, Matiari	2021-22	3	0.888
2	XEN Education Works Division, Tando Muhammad Khan	2021-22	5	0.289
3	XEN Education Works Division-Qamber-Shahdadkot	2022-23	6	0.846
Total				2.023

Audit is of the view that clearance of previous years' liabilities without the concurrence of the Finance Department reflects negligent financial oversight.

The matter was reported to the management during January to June, 2023 but no reply was received. Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks regularization of the expenditure from the Finance Department / fixing of responsibility on the person(s) at fault.

DP# 09

3.5.8 Irregular payment of secured advance – Rs. 137.962 million

As per the standard Form of Bidding Documents issued by SPPRA, "The contractor shall be entitled to receive Secured Advance from the procuring agency against an Indenture Bond in P.W. Account Form 31 (Fin R. Form No.2) in respect of non-perishable materials brought at site but not yet incorporated in the permanent works and sum payable for such materials on site shall not exceed 75% of the landed cost of imported materials, of ex-factory / ex-warehouse price of locally manufactured or produced materials, or market price of standard materials. Detail account of advance must be kept in part-II of running account bill. The Secured Advance may be permitted only against materials/quantities anticipated to be consumed/utilized on the work within a period of 3 months from the date of issue of secured advance."

According to Para 6.3(2)(b)(iii) of SPPRA Works Guidelines "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. Mobilization advance is allowed on the contracts where contract conditions provide for same, or the authority competent to accepting tender can

allow the mobilization advance on the works. 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.”

During the audit of the various offices of the School Education & Literacy Department (Education Works) Government of Sindh for the Financial Year 2021-22 & 2022-23, it was observed that an amount of Rs. 137.962 million was paid as secured advance against various works without observing integral formalities. The details are given in **Annex-3 of Chapter -03**.

Audit is of the view that payment of secured advances without fulfilling formalities was made in June for merely consuming the budget and to extend an undue favor to the contractor, thus the same stands irregular.

The matter was reported to management during January to November, 2023 but a reply from only one office was received.

The office at Sr. No. 08 replied that the payment of secured advance was made after obtaining indenture bond from the contractor. The reply is not tenable as no evidence was provided to substantiate the same.

Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

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

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2021-22, 2022-2023 vide para numbers 3.5.16, 3.5.08 having financial impact of Rs. 73.718 million. Recurrence of same irregularity is a matter of serious concern.

DP#11,28, 37,38,81,82

3.5.9 Irregular expenditure on non-scheduled items without rate analysis – Rs. 54.757 million

According to Clause-3 of the Composite Schedule of Rates, Vol-III, Part-II, w.e.f. from 1st March 2012, “The non-schedule items will not cease to crop up even after the introduction of the Schedule of Rates to come thereafter, with the modern trend of adoption of more scientific methods of construction. Non-schedule items in all the Engineering Fields are unavoidable. Hence the Superintending Engineers of the Department may sanction the Rate Analysis within their jurisdictions. The Superintending Engineer shall sanction Rate Analysis for non-schedule items up to Rs. 1000/- per standard unit and the rates

exceeding this amount shall be sanctioned by the Chief Engineer/Officers exercising the power of Chief Engineers.”

During the audit of the following offices of the School Education and Literacy Department (Education Works) Government of Sindh for the Financial Year 2022-23, it was observed that an amount of Rs. 54.757 million was spent on various non-scheduled items, but rate analysis based on market rates was not provided. The details are tabulated as under:

(Rs. in Million)

Sr. #	Name of Office	Year	AIR Para #	Amount
1	XEN Education Works Division, Hyderabad	2022-23	8	5.985
2	XEN Education Works Division, V Korangi Karachi	2022-23	5	8.544
3	XEN, Education Works Division, District East, Karachi	2021-22	11	0.737
4	XEN, Education works Division, Matiari	2022-23	7	17.718
5	XEN Education Works Division (East) Karachi	2022-23	5	2.676
6	XEN Education Works Division- Qamber Shahdadkot	2022-23	5	19.097
Total				54.757

Audit is of view that the management did not conduct rate analysis of the market items, thus reflecting negligence on its part besides, chances of excess payment cannot be ruled out.

The matter was reported to the management during January to November, 2023, but a reply was received from one office only.

The office at Sr. No. 01 replied that payments against the non-schedule items have been made following the approval of the competent authority. The reply of the management is not satisfactory as no relevant rate analysis documents were provided to substantiate the viewpoint.

Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / taking remedial measures.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2021-22, vide para number 3.5.14, having financial impact of Rs. 52.431 million. Recurrence of same irregularity is a matter of serious concern.

DP#12, 72, 86

3.5.10 Abnormal delay in execution of schemes - Rs. 1,763.925 million

Para-17 of C.P.W.A Code states that, "The Divisional officer, as the primary disbursing officer of division, is responsible not only for the financial regularity of the transactions of the whole division but also for the maintenance of the accounts of the transactions correctly and in accordance with the rules in force." Further, as per the condition of work orders issued to contractors the contractor should start the work within 07 days after the issuance of work orders."

During the audit of the various offices of the School Education & Literacy Department (Education Works) Government of Sindh for the Financial Year 2021-22 & 2022-23, it was observed that various schemes could not be completed despite the lapse of a significant period. The details are given in **Annex-4 of Chapter -03**.

Audit is of the view that the non-completion of the schemes within the stipulated time reflects operational negligence on the part of the management, consequently increasing the cost of the schemes.

The matter was reported to the management from January to November, 2023, but a reply was received from only one office.

The office at Sr. No. 02 stated that due to meagre releases and revision of CSR 2012, the scheme remained delayed. The reply was not found to be satisfactory as no evidence was provided to substantiate the same.

Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / taking remedial measures.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2021-22, vide para number 3.5.11, having financial impact of Rs. 300.742 million. Recurrence of same irregularity is a matter of serious concern.

3.5.11 Non-initiation of work against the approved schemes - Rs. 24.648 million

According to Para 4.12 of Manual for Development Projects, “The physical and financial scope of a project, as determined and defined in the project document (PC-I) is appraised and scrutinized by the concerned agencies before submitting it for approval. Once approved by the competent authority the executing agency is supposed to implement the project in accordance with the PC-I provision.”

During the audit of the Executive Engineer, Education Works Division, Qamber Shahdaskot for the Financial Year 2021-22, it was observed that various schemes amounting to Rs. 24.648 million had been approved since the year 2007-08, but the actual work thereon had still not been started. The details are given in **Annex-5 of Chapter -03**.

Audit is of the view that the non-initiation of the schemes even after their approval, resulted in cost overrun and violation of the provisions of PC-I.

The matter was reported to the management during January to June, 2023, but no reply was received. Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

DP#17

3.5.12 Irregularities noticed in the tendering process – Rs. 578.020 million

According to Rule 4 of the Sindh Public Procurement Rules, 2010, “Principles of Procurements - while procuring goods, works or services, the 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 Rule 2(jj) of Sindh Public Procurement Rules, 2010, “Value for Money means best returns for each rupee spent in terms of quality, timeliness, reliability, after-sales service, up-grade ability, price, source, and the combination of whole-life cost and quality to meet the procuring agency’s requirements.”

According to Para 2.20 of SPPRA Procurement Regulation Works “In case of electrical works, the licensee from Electrical Inspector of Sindh is mandatory.”

During the audit of the following offices of the School Education and Literacy Department (Education Works) Government of Sindh for the Financial Year 2021-22, it was observed that an

expenditure of Rs. 578.020 million was made on the execution of works in contravention of various provisions of SPPRA rules. The details are tabulated as under:

(Rs. in Million)

Sr. #	Name of Office	Particulars	Year	AIR Para #	Amount
1	XEN Education Works Division, Shaheed Benazirabad	Works awarded without hoisting tender advertisement on SPPRA's website	2021-22	1	298.180
		Tenders hoisted without bidding documents and evaluation criteria	2021-22	2	171.66
2	XEN Education Works Division, Tando Allah Yar	NIT was not hoisted as per SPPRA's procedure	2021-22	8	30.020
3	XEN Education Works Division, Tando Muhammad Khan	Award of work without technical evaluation in defiance of Sindh Public Procurement Rules, 2010	2021-22	7	78.16
				Total	578.020

Audit is of the view that the award of works without adhering to the relevant procurement rules reflects negligence on the part of the management and resultantly the chances of uneconomical procurement thereof cannot be ruled out.

The matter was reported to the management during January to June, 2023, but replies from only two offices were received.

The office at Sr. No. 01 AIR Para# 01 replied that the NIT was published on the SPPRA website and in the leading newspaper. The reply of the department is not tenable as the clipping of only Sindh Newspaper was provided, whereas clippings of other newspapers were not furnished. Further, it was verified from the ID provided by the management that no such clippings were uploaded on the SPPRA website.

The office at Sr. No. 02 AIR Para# 02 replied that works were executed as per rules after hoisting on the SPPRA website. The reply is not tenable as it was verified from the SPPRA website that no such documents were uploaded.

Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

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

DP# 21

3.5.13 Irregular payment at reduced rates – Rs. 109.993 million

According to Clause-8 of the Standard Bidding Document (provided in SPPRA) for the works, “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 the audit of the various offices of the School Education and Literacy Department (Education Works) Government of Sindh for the Financial Year 2021-22 & 2022-23, it was observed that the payment for various items of works costing Rs. 109.993 million were allowed on reduced rates to the contractor without recording any reasons. The details are given in **Annex-6 of Chapter -03**

Audit is of the view that the management was required to carry out the work as composite item but payment made at part rate implies that either the payment was made in advance without provision in the contract, only to avoid lapse of budget or partial /defective execution of work was carried out.

The matter was reported to the management during January to November, 2023 but replies from only two offices were received.

The office Sr. No. 02 replied that the contractors concerned had not completed the finishing of RCC work and paving work, so to safeguard the government exchequer the payment was made at a part rate. All the works are in progress and payment of these items will be made at full rates after completion of work. The reply is not tenable as the payment was required to be made after measurement of composite item as given in the BOQ.

The office at Sr. No. 08 replied that a part payment was made to contractors for the supply of material at site and the remaining payment will be made after completion of items of work. However, no evidence or document was provided to substantiate the reply.

Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification for the payment at reduced rates / production of up to date progress of the works in order to ascertain the complete execution of items.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2021-22, vide para number 3.5.17 having financial impact of Rs. 9.096 million. Recurrence of same irregularity is a matter of serious concern.

DP# 22, 26, 39 & 83

3.5.14 Misclassified expenditure on purchase of books – Rs. 0.997 million

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 the audit of the Executive Engineer, Education Works Division Kashmore @ Kandhkot, for the Financial Year 2021-22, it was observed that books worth Rs. 0.997 million were purchased against the funds appropriated to the furniture accounting head. However, the details of the books procured were also not recorded in the bills. The details are tabulated as under:

(Rs. in Million)

C.V.# & date	Est. cost	Sr.# of bill	Name of work	Name of contractor	Work Order # & Date	Total exp
Distt ADP	0.995	1st RA	Purchase of furniture for various libraries of District Kashmore @ Kandhkot	M/s A.K National	XEN/E.W/T.C /1207 of 2022 8.3.2021	0.997

Audit is of the view that the above expenditure is misclassified and irregular.

The matter was reported to the management during January to June, 2023, but no reply was received. Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends regularization of the expenditure / fixing of responsibility on the person(s) at fault.

DP# 23

3.5.15 Irregular execution of work beyond 15% of the original contract amount – Rs. 76.948 million

According to SPPRA, 2013, "Repeat Orders means, procurement of additional quantities of the item(s) from the original contractor or supplier, where, after the items originally envisaged for the project or scheme have been procured through open competitive bidding and such additional quantities of the same item(s) of goods or works are needed to meet the requirements of the project or scheme provided that the cost of additional quantities of items shall not exceed 15% of the original contract amount."

During the audit of the following offices of the School Education and Literacy Department (Education Works) Government of Sindh for the Financial Year 2021-22 & 2022-23, it was observed that various works were awarded to the contractors at the cost of Rs. 101.427 million. Later, while reviewing the running account bill it was noticed that the works were executed to the extent of Rs. 175.852 million which were beyond the permissible limit of 15% of the original work order. The details are tabulated as under:

(Rs. in Million)

Sr. #	Name of Office	Year	AIR Para #	Excess Amount
1	XEN, Education Works Division, Naushero Feroze	2021-22	1	24.473
2	XEN, Education Works Division, Dadu	2022-23	7	8.354
3	XEN, Education Works Division, Jamshoro	2022-23	5	23.882
4	XEN, Education Works Division, Tando Muhammad Khan	2021-22 & 2022-23	4	20.239
Total				76.948

Audit is of the view that execution of works beyond the permissible limit of 15% of the original contract value is irregular.

The matter was reported to the management during January to November, 2023, but a reply was received from only one office.

The office at Sr. No. 01 replied that the scheme consists of 02 components wherein the overall expenditure of Rs. 34.406 million remained within the approved cost of the entire scheme. The management did not provide the final RA bills of both components to substantiate the reply.

Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2021-22, 2022-2023 vide para numbers 3.5.06 3.5.20 having financial impact of Rs. 176.606 million. Recurrence of same irregularity is a matter of serious concern.

DP # 30, 61 & 89

3.5.16 Unjustified payment against work done after three years of award – Rs. 4.010 million

As per para-17 of C.P.W.A code, “The Divisional Officer, as the primary disbursing officer of division, is responsible not only for the financial regularity of the transactions of the whole division but also for the maintenance of the accounts of the transactions correctly and in accordance with the rules in force.”

During the audit of the Executive Engineer, Education Works Division, Thatta for the Financial Year 2021-22, it was observed that the work against the scheme ‘TX17189534-Up-gradation of Primary Schools to Middle Schools (05 Units) GBPS Sohari, Thatta was awarded against which an amount of Rs. 4.010 million was paid. The 1st R.A bill was presented after three years of the award of work and the measurement was recorded in M.B # 482, page # 2/11 without mentioning the exact date. Further, no action was taken by the management against the contractor if the work was delayed.

Audit is of the view that payment against the 1st RA bill after three years of the work order casts doubt on the execution of the work.

The matter was reported to the management in April 2023, but no reply was received. Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends constituting a fact-finding committee to determine actual work done on site.

DP#32

3.5.17 Non-transparent bidding process – Rs. 194.844 million

As per Rule-2(q)(ii) of SPPR 2010, “Collusive Practice means any arrangement between two or more parties to the procurement process or contract execution, designed to achieve with or without the knowledge of the procurement agency to establish prices at artificial, non-competitive level for any wrongful gains.”

During the audit of the Executive Engineer, Education Works Division, Matiari for the Financial Year 2022-23, it was observed that tenders were awarded to various contractors with the cost of Rs. 194.844 million. Three contractors participated in the bidding process in which the following discrepancies were noticed:

- Hand writing in the bidding documents submitted by contractors were same.
- Bid difference was very small in quoted rates.

- Bid security challan/government treasury receipt, Technical documents of contractors were not available in record.

The details are given in **Annex-7 of Chapter -03**.

Audit is of the view that due to the above shortcomings, chances of collusive practice to benefit one particular contractor could not be ruled out thus, rendering the whole process as non-transparent.

The matter was reported to the management in April 2023, but no reply was received. Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends conducting an inquiry into the matter.

PDP # 90

3.5.18 No action against the defaulting contractor –Rs. 12.974 million

Para-17 of C.P.W.A Code, “The Divisional officer, as the primary disbursing officer of division, is responsible not only for the financial regularity of the transactions of the whole division but also for the maintenance of the accounts of the transactions correctly and in accordance with the rules in force.” Further, as per condition of work orders issued to contractors the contractor should start the work within 07 days after issuance of work orders.”

During the audit of the Executive Engineer, Education Works Division, Thatta for the Financial Year 2022-23, it was observed that the work amounting to Rs. 12.974 million was awarded to M/s Abdul Wajid Khan. However, even after two years, the contractor had not commenced the work. Despite the issuance of three reminders by the management to resume the project, the contractor failed to do so and no legal action had been taken by the management. The detail is given as under:

(Rs. in Million)

Work Order#	Nam of work	Reference letter No.	Tender Cost
1480 dated 21.06.22 NIT#1157dtd. 09.05.22	Const. of 6-roomed building for shelterless primary school 2units @ GBPS Haji Jafarjamari Taluka Thatta	1.SDC/EWSD/Thatta#967dtd.01.08.23 2.SDC/EWSD/Thatta# 1036 dated 28.08.23. 3.XEN EWD/Thatta2630 dtd.04.09.23	12.974

Audit is of the view that the non-taking of action in the form of blacklisting or penalizing reflects the extension of undue favor to the contractor.

The matter was reported to the management in the month of August, 2023 but no reply was received. Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends forfeiture of security deposit and blacklisting of the contractor.

DP#41

3.5.19 Unjustified delay in start of works after issuance of work order –Rs. 6.484 million

As per SPPRA Rule (Procurement Regulation Works 9.2), Commencement of Works. “Commencement date of the works shall be the date notified by the Engineer in writing. The contractor shall commence the work within 14 days after the date notified by the Engineer. Completion period will be counted from the date of receipt of the commencement order by the contractor.”

Further, as per work order dated 28.04.2021, procuring agency ordered to the contractor to start the work within seven days after issue of work order under supervision of the Assistant Engineer. Education Electrical Works Division Benazirabad region.

During the audit of the following offices of the School Education and Literacy Department (Education Works) Government of Sindh for the Financial Year 2022-23, it was observed that work amounting to Rs. 6.484 million was awarded to the contractors which was required to be started within seven days of the issuance of work orders, but the same were started after a lapse of one year.

(Rs. in Million)

Sr. #	Name of Office	Year	AIR Para #	Amount
1	XEN, Education Works Division, Thatta	2022-23	5	5.912
2	XEN, Electrical Education Works Division, Shaheed Benazirabad	2021-22 & 2022-23	3	0.572
Total				6.484

Audit is of the view that delay in execution of work reflects negligent oversight on the part of the management thus, contributing to cost and time overrun.

The matter was reported to the management in the month of August 2023, but no reply was received. Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter.

DP# 42 & 99

3.5.20 Irregular refund of lapsable security deposit - Rs. 1.013 million

According to Para-399 (iii) of the Central Public Works Account Code, “The unclaimed balances of Public Works Deposits for more than three complete account years should be credited to government as lapsed deposit.”

During the audit of the Executive Engineer, Education Works Division, Thatta for the Financial Year 2022-23, it was observed that the Security Deposit amounting to Rs. 1.013 million lying unclaimed for more than 3 years, was released to the contractor instead of crediting the same to the government account. The details are tabulated as under:

(Rs. in Million)

CV #. dt.	Name of Work	Cheque No.	Last paid bill	Amount
16 dtd.16.0 5.23	1.Rehabilitation /expansion /improvement of high priority school @GGPS Ali Murad daras 2.GBPS Shoukat Gandro @Umaid Ali 3.GGPS M. Hussain Khushk4. GBPS Malik Moosa.	4878255 dtd.16.05.23	2018-19 & 2017-18	0.443
07 dtd.10.0 1.23	Rehabilitation of existing high school to higher secondary school in district Thatta @ GBHS Thatta (C/wall& Mosque)	4699321 dtd.10.01.23	08.06.2018	0.569
Total				1.013

Audit is of the view that the refund of the lapsed security deposit without the approval of the Finance Department is held irregular.

The refund of security was reported to the management in the month of August, 2023, but no reply was received. Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

DP#44

3.5.21 Less deduction of security deposit - Rs. 48.890 million

As per Performance Security (SPP Rule 39), "A Procuring Agency shall, in all procurement of works, carried out through open competitive bidding, require security in an amount sufficient to protect the procuring agency in case of breach of contract by the contractor, provided that the amount shall not be more than ten percent of the contract price. Normally in contracts of works, five percent of total bid cost is obtained as performance security and remaining part is deducted from running bills as security deposit and same must be mentioned in the Data Sheet of Bidding Document. The successful bidder shall furnish to the Procuring Agency a performance security in the form and the amount stipulated in the conditions of contract within a period of fourteen (14) days after the receipt of letter of acceptance."

As per Para-89 of CPWA Code "Security, for the fulfilment of the contract, should invariably be taken from the contractors. The security may be taken in form of cash deposit, deposit of interest-bearing securities, deduction of 10% from the payment to be made on the work done or personal bond of two persons of known probity and wealth."

During the audit of the various offices of the School Education and Literacy Department (Education Works) Government of Sindh for the Financial Year 2022-23, it was observed that various works were awarded to contractors, but Security Deposit / Performance Security amounting to Rs. 48.890 million was not / less deducted from the bills. Further, no evidence was provided regarding retention of Call Deposit equivalent to performance security amount. The details are given in **Annex-8 of Chapter -03**.

Audit is of the view that the management failed to safeguard the interest of the government, consequently extending an undue benefit to the contractors.

The matter was reported to the management during January to November, 2023 but the replies were received from three offices only.

The office at Sr. No. 01 & 02 replied that security has been obtained in the form of 5% earnest money and a 3% security deposit has been deducted from the RA Bills as per rules. The reply is not tenable as no evidence of 5% performance security was furnished. Further as per rule, the total security was required at 10% whereas the management deducted only 8%.

The office at Sr. No. 06 stated that as per SPPRA Rule 39, a security deposit @ 10% of the contract price has been obtained from the successful bidders. The office obtained 5% security through a call deposit

and the remaining 5% will be recovered from the RA bills. However, the management did not provide any evidence to substantiate the reply.

Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends expeditious recovery of the security deposits / taking remedial measures.

DP#10, 46 & 93

3.5.22 Irregular award of work by way of splitting the schemes – Rs. 37.929 million

As per SPPRA 2010 Rule 12, “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 the audit of the Executive Engineer, Education Works Division, Dadu for the Financial Year 2022-23, it was observed that an expenditure of Rs. 37.929 was made by way of splitting. On scrutiny of record, it was noted in the below mentioned schemes that road works of homogenous nature were deliberately split just to give the financial favor to the contractors. The details are given as under:

(Rs. in Million)

ADP #	Scheme	Contractor	R.A	CV. Date	Work Done	Work Order Date	Work Order
432	Establishment of Cadet college Kakar <i>(Construction of road 18' wide)</i>	Safari Enterprises	3rd.	06, 10/02/20 23	7.079	5/30/2022	19.806
432	Establishment of Cadet college Kakar <i>(Construction of road 12' wide)</i>	Fazal Muhd. Mangrio	3rd	05, 08/02/20 23	8.961	5/30/2022	18.123
Total							37.929

Audit is of the view that tendering on economy of scale as a single work would have fetched better competitive prices. In the instant case works were awarded by means of splitting which was contrary to the SPPRA Rules.

The matter was reported to the management in September, 2023 but no reply was received. Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification regarding the expenditure by way of splitting of grouped work into packages.

DP#64

3.5.23 Splitting of expenditure to avoid open tenders - Rs. 5.065 million

Rule 12 (1) of SPPR 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.” Rule 17 (1) ibid provides that, “Procurements over three hundred thousand rupees and up to three 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 the rules.”

During the audit of the following offices of the School Education and Literacy Department (Education Works) Government of Sindh for the Financial Year 2022-23, it was observed that various similar works of repair and capital component amounting to Rs. 5.065 million were awarded by splitting just below the limit of Rs. 300,000 to avoid the tendering process. The details are given as under:

(Rs. in Million)

Sr. #	Name of Office	Year	AIR Para #	Amount
1	XEN Education Works Division, Hyderabad	2022-23	10	1.298
2	XEN Education Works Division, V Korangi Karachi	2022-23	9	2.769
3	XEN Education Works Division, Jamshoro	2022-23	4	0.998
Total				5.065

Audit is of the view that due to splitting the expenditure, the government was deprived of competitive rates.

The matter was reported to the management from August to November, 2023 but the reply was received from one office only.

The office at Sr. No. 01 replied that the work was carried out to comply with the instructions of the Honorable High Court and the same was duly approved by the District Oversight Committee (DOC) on

an emergency basis. The reply of the management was not found satisfactory because the SPPRA rules were violated.

Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / taking remedial measures.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23, vide para number 3.5.10 having financial impact of Rs. 2.708 million. Recurrence of same irregularity is a matter of serious concern.

DP#65 ,88

3.5.24 Irregular award of contracts due to improper bid evaluation - Rs. 91.489 million

As per Rule 42(1) SPPRA-2010 read with 2 (x), "All bids shall be evaluated in accordance with the evaluation criteria and other terms and condition set forth in the bidding documents" and mis-procurement means public procurement in contravention of any provision of SPPRA-2010, any rule, regulation, order or instruction made under or any other law in respect thereof relating to public procurement."

During the audit of the following offices of the School Education and Literacy Department (Education Works) Government of Sindh for the Financial Year 2022-23, it was observed that contracts amounting to Rs. 91.489 million were awarded but various shortcomings were noticed regarding contractors' profile on the basis of which bids were evaluated and accepted. The details are tabulated as under:

(Rs. in Million)

Sr. #	Name of Office	Particulars	Year	AIR Para #	Amount
1	XEN Education Works Division, Khairpur	The details of similar assignment with cost at least 03 projects, equipments, machinery and transport owned/ leased/ hired by the contractor and Financial statements and income tax returns for last 03 years were not available	2022-23	7	79.737
2	XEN Education Works Division, South Karachi	Past experience and work completion certificates were not available	2022-23	10	11.752
				Total	91.489

Audit is of the view that the management failed to watch the laid down procedures. Thus, the above lapse on the part of management indicates negligent operational oversight.

The matter was reported to the management during August to September, 2023 but a reply was received from one office only.

The office at Sr. No. 01 replied that the bids were scrutinized as per the evaluation criteria and the points raised by the Audit were also checked and available in the contract agreement. The photocopies of similar completed and ongoing works along with the details of financial statements, equipment and machinery are enclosed for verification. No documentary evidence was provided with the reply to substantiate the view point of the management.

Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

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

DP#66

3.5.25 Non-crediting of original Call Deposits & other Receipts in Treasury – Rs. 8.288 million

According to Para-63 of CPWA Code, “When money is received by Government officers on behalf of the Government it should be at once brought to account. Furthermore, as per Rule-75 and Rule-76 of CPWA code, the officer in charge of call deposit should keep a book in Form-4 in which all remittances to the treasury should be entered upon and account of call deposit transactions should be maintained in form-I of call deposit as regular arrangement.”

During the audit of the following offices of the School Education and Literacy Department (Education Works) Government of Sindh for the Financial Year 2022-23, it was observed that an amount of Rs. 8.288 million was received as bid security and other receipts from contractors. However, the executive failed to deposit the same in the government treasury as per the rule. The details are tabulated as under:

(Rs. in Million)

Sr. #	Name of Office	Particulars	Year	AIR Para #	Amount
1	XEN Education Works Division, West Karachi	Non-deposit of original Call Deposit	2022-23	2	6.291
2	XEN Education Works Division, Naushero Feroze	Non-deposit of original Call Deposit	2022-23	1	1.55

3	XEN Education Works Division, Badin	Non-crediting of revenue received against old material	2022-23	5	0.177
4	XEN Education Works Division, T.M.Khan	Non-crediting of receipt of dismantle material	2022-23	5	0.170
5	XEN Education Works Division, Qamber Shahdadkot	Non-deposit of original call deposit amount	2022-23	1	0.100
Total					8.288

Audit is of the view that retaining government money instead of depositing it in the treasury resulted in a violation of prescribed rules.

The matter was reported to the management during August to September, 2023 but a reply from only one office was received.

The office at Sr No. 01 replied that the call deposit pointed out has been remitted to the State Bank of Pakistan. The photocopies of the challan provided by the management were not reconciled with the treasury concerned.

Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends expeditious deposit of the outstanding amount in the treasury.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23, vide para number 3.5.27 having financial impact of Rs. 9.734 million. Recurrence of same irregularity is a matter of serious concern.

DP#67 & 100

3.5.26 Irregular expenditure against POL from the development budget - Rs. 1.005 million

According to letter No. FD(TR)9(25)/2(Hyderabad)/2018 dated 09th August, 2021, Government of Sindh, Finance Department, "There is no provision to issue POL from Object Code A12270-Others-Civil Works (Capital Component) from development scheme."

During the audit of the following offices of the School Education and Literacy Department (Education Works) Government of Sindh for the Financial Year 2022-23, it was observed that payment of Rs. 1.005 million was made on account of POL for vehicles from budget of development schemes instead of POL head of account on revenue side. Further, the POL expenditure under development budget could only be charged under manufacture account of the suspense head of stock instead of direct charging to the development head. Audit also noted that invoices, log books, history sheets and petrol consumption accounts were not maintained.

(Rs. in Million)

Sr. #	Name of Office	Year	AIR Para #	Amount
1	XEN Education Works Division, Naushero Feroze	2022-23	3	0.816
2	XEN Education Works Division, Hyderabad	2022-23	7	0.189
Total				1.005

Audit is of the view that the expenditure made against the POL from the ADP budget is held as an irregularity.

The matter was reported to the management during August to November, 2023 but a reply from only one office was received.

The office at Sr. No. 02 stated that the POL payments had been made after sanctioning of manufacturing accounts and maintenance of month-wise logbooks. The reply is not satisfactory as no record was provided to substantiate the same.

Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends that unjustified payments against POL from development schemes may be regularized by the Finance Department / fixing of responsibility on the person(s) at fault.

DP#68

3.5.27 Award of works to contractor without relevant documents – Rs. 115.571 million

As per Pakistan Engineering Council letter No.PEC/Consult/ES/ 1900017 dated 01-09-2005, “Non-engineering works shall be constructed except by constructor or operated except by operator licensed as such by the council (PEC). All consulting engineering services in Pakistan shall be entrusted to only a consulting engineer duly registered as such with the council (PEC).” Further as per Planning & Development Department, Government of Pakistan’s letter No.1(63-

A)PP&H/PD/2005 dated 14-09-2005, “All respective provincial departments, city/district government, TMA’s, UC Administrations, housing, water supply and sanitation agencies must ensure that compliance of the instructions given in Pakistan Engineering Council byelaws 1986 & 1987 are fully implemented in all engineering contracts and procurement of engineering services and works in order to restrain from pre-qualification of all such local and foreign firms, which do not abide by PEC laws and rules.”

During the audit of the various offices of the School Education and Literacy Department (Education Works) Government of Sindh for the Financial Year 2022-23, it was observed that works amounting to Rs. 115.571 million were awarded to contractors without mandatory documents. The details are given in **Annex-9 of Chapter -03**

Audit is of the view that the award of works to contractors without relevant documents is a serious negligence on the part of the management, which reflects weakness of internal controls.

The matter was reported to the management during January to November, 2023 but a reply from only one office was received.

The office Sr. No. 03 AIR replied that all the civil and electrical works were monitored and inspected by a third party i.e., M&E Cell, so it is not mandatory to carry out the technical inspection of electric works. The reply of the management is not satisfactory as the license for the electrical works was required as per the above rule.

Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends the verification of the mandatory documents / fixing of responsibility on the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23, vide para number 3.5.19 having financial impact of Rs. 18.956 million. Recurrence of same irregularity is a matter of serious concern.

DP# 21, 69 & 91

3.5.28 Irregular purchase of tiles without provision in Technical Sanction – Rs. 1.340 million

According to Para-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 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 the audit of the Executive Engineer Education Works, Mirpurkhas for the Financial Year 2022-23, it was observed that an amount of Rs. 1.340 million was incurred on procurement of marble tiles but the same was neither technically sanctioned in the estimates nor the rates were quoted in the bids for the work at serial no.1. For the work at serial no 2, the management paid more than the quoted rates, which resulted in the purchase of items at higher rates. The details are given below:

(Rs. in Million)

Sr#	Name of work	Vendor	Exp	Minimum rate quoted	Rate paid	Amount
1	Maintenance & repair 2022-23 Programme @ Govt. Boys Model College Mirpurkhas	Sakhi Shahbaz G/C 2 nd R.A DOS 1/4/2023 SDOC 31/8/2023	5.358	Rate not quoted and also not in estimates	Qty 3062 @ 343	1.050
2	Maintenance & repair 2022-23 Programme @ Shah Abdul Latif Govt. Boys College Mirpurkhas	T.R Construction Co. 1 st R.A. DOS 15/5/2023 SDOC 14/9/2023 20/6/2023 voucher 83	5.280	Qty 8788 X310 Rs2.724	@ 343 Rs3.014	0.290
Total						1.340

Audit is of the view that the procuring agency purchased the items without having base rates in the estimates & bid which resulted in an undue financial benefit to the contractors.

The matter was reported to the management in September, 2023 but no reply was received. Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

DP#74

3.5.29 Irregular expenditure on difference of cost without escalation chart - Rs. 57.533 million

As per notification issued by Planning & Development Department, Government of Sindh, vide No.SO(Admin)P&D/12(165)/2018 dated 01-03-2023, at para no.2, “The new rates are applicable to the

new unapproved schemes and the ongoing schemes where work to be done (remaining work) and not on the work already executed and paid.”

As per notification No. SO(Admn-I) P& D /12 dated 28 October, 2022 Planning & Development Department, Government of Sindh, interim relief was allowed on 129 material items w.e.f 11-10-2022 on the remaining work.

During the audit of the various offices of the School Education and Literacy Department (Education Works) Government of Sindh for the Financial Year 2022-23, it was observed that the management allowed difference cost of material for an amount of Rs. 57.533 million on cement and steel etc. without measuring quantities of work done upto the date on which government allowed escalation. The management was required to compile details of measurements / work done quantities date-wise to allow the actual effect of escalation. Thus, due to the non-preparation of escalation table, the amount paid could not be authenticated. Further, in the case of office at Sr. No. 7, it was noted that the work order was issued on 29/11/2021 and M.B. for the work done was recorded after a lapse of eleven months i.e., on 31/10/2022. This shows that MB was recorded after the issuance of escalation notification to give benefit to the contractor. The details are given in **Annex-10 of Chapter -03**

Audit is of the view that payment of escalation charges without reconciling the work done quantities after issuance of revised rates is held as an irregularity.

The matter was reported to the management during August to November, 2023 but no reply was received. Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends providing the periodic escalation chart along with MBs to ascertain escalation paid after the issuance of revised rates.

DP#76 & 84

3.5.30 Irregular execution of work in deviation of estimate – Rs. 16.425 million

Para-527 of Public Works Departmental Manual, Volume-I, States, “No work shall begin unless proper detailed design and estimate have been sanctioned; allotment of funds made and order for its commencement issued by the competent authority.”

According to Para -528 of Public Works Departmental Manual states that, “No material alteration in 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 the audit of the various offices of the School Education and Literacy Department (Education Works) Government of Sindh for the Financial Year 2021-22 & 2022-23, it was observed that an expenditure of Rs. 16.425 million was made against works on various items but abnormal variations in the execution of various items were noticed as compared to the original estimates. The details are given in **Annex-11 of Chapter -03**

Audit is of the view that the non-execution of several items / components of works on the completed schemes as well as excess execution of items in other works without any alteration in design reflects deviation from the approved estimate, thus rendering the execution irregular.

The matter was reported to the management during August to November, 2023 but no reply was received. Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

DP # 40 & 87

3.5.31 Non-invitation of NIT in three newspapers – Rs. 53.931 million

As per SPPRA Rule 17(1A), “All procurement opportunities over one million rupees shall be advertised on the Authority’s website as well as in the newspapers as prescribed.”

As per Rule 17(1) & (2) & 50 of Sindh Public Procurement Rules, 2010 “Procurement over three hundred thousand rupees and up to two 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 the audit of the Executive Engineer Education Works Division, Tando Muhammad Khan, for the Financial Year 2022-23, it was observed that various ADP schemes worth Rs. 53.931 million vide NIT 1524, 28-12-2022 (ID T00627-22-0004) were advertised only in Urdu and English newspapers instead of publishing in the three leading newspapers. Similarly, tender invited through NIT 1887, 6-4-23 (ID T00627-22-0009) was not printed in any of the newspapers as evident from the details provided on SPPRA website. The details are given in **Annex-12 of Chapter -03**.

Audit is of the view that award of works to the contractors without advertisement of tenders stands irregular and chances of uneconomical procurement cannot be ruled out.

The matter was reported to the management in September, 2023 but no reply was received. Despite written requests vide letters dated 23-09-2023, 02-11-2023, 26-11-2023 & 29-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends conducting an inquiry into the matter.

DP #92

Chapter-4

IRRIGATION DEPARTMENT

4.1 Introduction

Irrigation Department was established in 1970 with the dissolution of One-Unit. The major official obligation of the Irrigation Department is operation and maintenance of the irrigation and flood protection system. The overall objectives and functions of the department are summarized as follows:

- a. Regulation of flows of River Indus and canal systems, covering Inter Provincial and Intra Provincial Systems.
- b. Execution of development schemes and mega projects.
- c. Operation, maintenance, development and management of irrigation network, surface drainage system and tube-wells.
- d. Flood control along River Indus and hill torrents.

(Rs. in Million)

Sr. #	Description	Total Nos	Audited	Expenditure audited FY 2022-23
1	Formations	65	28	41,165.331
2	Assignment Accounts (excluding FAP)	1	1	725.293
3	Authority	01	0	0
4	Foreign Aided Projects (FAP)	04	04	26,697.081

4.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rs. in Million)

Original Budget	Final Budget	Releases	Actual Expenditure	Excess / (Savings)
67,911.390	79,898.695	69,095.325	66,350.671	(2,744.564)

The department was unable to spend the allocated budget in time. As a result, savings of Rs. 2,744.564 million was observed.

4.3 Classified Summary of Audit Observations

Observations amounting to Rs. 11,527.519 million were raised as a result of this audit. This amount also includes recoveries of Rs. 542.028 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr.#	Classification	Amount
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	52.374
B	Procurement related irregularities	7,571.397
C	Management of Accounts with Commercial Banks	0
4	Others	3,361.720
5	Recovery	542.028
	Total	11,527.519

4.4 Comments on the Status of Compliance with PAC Directives

The status of Audit Reports requiring compliance of the PAC directives by the department was 26% which is tabulated as follows:

Sr#	Audit Report	Total Paras discussed	No. of Paras requiring Compliance	Compliance of PAC directives made	Compliance of PAC directives not made	Percentage of Compliance	Remarks
1	1992-93	79	28	11	17		
2	1998-99	21	20	4	16		
3	1999-2000	43	20	0	20	-	
4	2001-02*	14	12	2	10	16.7	
5	2004-05*	40	22	19	3	79.2	
6	2005-06	22	14	0	14	-	
7	2006-07	14	4	0	4	-	
8	2007-08	17	5	0	5	-	
9	2008-09	27	0	0	0	-	
10	2009-10	19	13	7	6	54	
11	2010-11	32	22	0	22	-	

12	2014-15	0	0	0	0	-	Audit
13	2016-17	0	0	0	0	-	Report not yet discussed
	Total	328	160	43	117		

4.5 Audit Paras

4.5.1 Irregular payment of inadmissible allowances - Rs. 2.495 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.”

According to Notification of Finance Department, Government of Sindh No FD (SR-IV) (12)/77 dated 13.05.1997, house rent allowance is not allowed to be paid to those officials/ officers who have been provided with Government accommodation and forth more 5% recovery is required to be made from those officials.

During the audit of the following offices of Irrigation Department, Government of Sindh for the Financial Year 2021-22 and 2022-23, it was observed that an amount of Rs. 2.495 million was paid to the officers on account of conveyance and house rent allowances who were already availing the respective facilities provided by the government. The details are given as under:

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para#	Particulars	Amount
1	Managing Director, Sindh Irrigation & Drainage Authority.	2021-22	4	Conveyance allowance	1.380
2	Executive Engineer, Upper Sindh Mechanical Division, Sukkur	2021-22	5	Conveyance allowance	0.135
3	Executive Engineer, Guddu Barrage Division, Kashmore	2022-23	10	House rent allowance & maintenance allowance	0.92
4	Executive Engineer, Chotiari Reservoir Division Khipro, Sanghar	2022-23	9	Conveyance allowance	0.06
Total					2.495

Audit is of the view that allowing conveyance allowance and house rent allowance despite having conveyance/accommodation facility caused loss to the government.

The matter was reported to the management during October, 2022 to November, 2023. The management at Sr.#01, MD, SIDA replied that the officers who were given conveyance allowance were not allotted any vehicle. The vehicles were used for official visits as per the work plan and then were parked in SIDA vehicle pool. The management at Sr.#02, XEN, Upper Sindh Mechanical Division Sukkur replied that the conveyance allowance was allowed to Government officers/officials to reach office & back & was

not admissible to officers who were allotted Government transport (pick & drop). The management of Executive Engineer, Chotiari Reservoir Division Khipro, Sanghar replied that the matter had been taken up with the District Accounts Officer to stop conveyance allowance and effect recovery from monthly salary. The management of Executive Engineer, Guddu Barrage Division, Kashmore replied that the house rent allowance was not allowed to employees residing in Government quarters/ bungalows. Further 5% maintenance charges were being collected from the employees of other departments possessing Government accommodation in the colony and the same was being deposited into the Government account through challan.

DAC in its meeting held on 21st November, 2023 and 23rd January, 2024 directed to recover the inadmissible allowances from the officers who utilized official facilities. However, proof in terms of recovery from the officer(s) was not produced till the finalization of this report.

Audit recommends compliance with the DAC directives.

Note: The issue was reported earlier also in the audit report for Audit Year 2022-2023 vide para number 4.5.2 having financial impact of Rs.20.525 million. Recurrence of same irregularity is a matter of serious concern.

(DP#2,203,251)

4.5.2 Irregular hiring of project staff beyond PC-I criterion – Rs. 52.374 million

According to the PC-I of the SWAT Project, “The general conditions for hiring of the staff shall be as follows:

(i) All professionals must have a strong academic record preferably including one foreign degree/short course from a reputable world recognized University, thorough knowledge and experience in the relevant field as well as the Sector of Agriculture.

(ii) They shall be selected in a transparent and competitive manner through advertisement by the Selection Committee.”

During the audit of the Project Director, SWAT Project (Irrigation Component) for the Financial Year 2022-2023, it was observed that the management incurred an expenditure of Rs. 52.374 million on salaries of project staff who were hired without a transparent and competitive manner in violation of the PC-I.

Audit is of the view that hiring staff contrary to the PC-I criterion reflects inefficient administrative oversight.

The matter was reported to the management during October, 2023. The management replied that the continuation of employees, recruited under WSIP Project, in SWAT was sanctioned by the SIDA Board

and all designated positions were explicitly provided in PC-I of SWAT Project. Further, the audit contention regarding recruitment of staff through advertisement was applicable to component 3 of the project which was implemented by the Agriculture Department.

DAC in its meeting held on 23rd January 2024 directed that the management to show the provision in PC-I for transfer of employees from SIDA to SWAT Project. However, documentary evidence was not produced till the finalization of this report.

Audit recommends compliance with the DAC directives.

(DP#145)

4.5.3 Non-invitation of open tenders – Rs. 89.940 million

Rule 17 (1) & (2) of Sindh Public Procurement Rules, 2010 states that, “Procurement over three hundred thousand rupees and up to two million rupees shall be advertised by timely notification on the Authority’s website 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 languages.”

During the audit of various offices of Irrigation Department, Government of Sindh for the Financial Years 2022-23, it was observed that an expenditure of Rs. 89.940 million was made without inviting open tenders in violation of the prescribed rules. The details are given in **Annex-1 of Chapter-4**.

Audit is of the view that due to the violation of SPPRA Rules, the management could not achieve competitive rates. Further, by awarding contracts on previous year’s rates, chances of extending undue favour to the contractors cannot be ruled out.

The matter was reported to the management during August, 2022 to April, 2023. The management at Sr.#01, XEN, Water Carrier Division, Mirpurkhas replied that estimates were sanctioned by the PD Thar Coal Water Works Mirpurkhas. The management at Sr.#02, XEN, Tube Well Division, Mirpurkhas replied that the expenditure on engaging tractor with blade was incurred in accordance with the departmental procedure already in vogue. The quotations were invited and technical sanction was approved for engaging tractor as required. The management of Executive Engineer, Mithrao Division Mirpurkhas replied that works for an amount of Rs.8.574 million were executed on previous rates with the permission of the Chief Engineer. The management of Executive Engineer, Rohri Division, Moro, Executive Engineer, Guni Canal Division, Shaheed Fazil Rahu and Executive Engineer, Lower Pinyari Division, Sujawal replied that the NIT was called which was also advertised in three leading newspapers for wide publicity.

The DAC in its meeting held on 21st November, 2023 directed the management to provide documentary evidence for verification. However, proof in terms of tendering process was not produced till the finalization of this report.

Audit recommends compliance with the DAC directives.

Note: The issue was reported earlier also in the audit reports for Audit Years 2021-2022 & 2022-2023 vide para numbers 4.5.6, & 4.5.4 having financial impact of Rs. 1,770.88 million. Recurrence of same irregularity is a matter of serious concern.

(DP#19,196,253)

4.5.4 Irregular award of work due to non-observance of ToRs of NIT - Rs. 249.241 million

As per NIT dated 27.03.2023 Sr#08 (d) "Bank statement of last three years and turn-over of amount equivalent to bid amount twice last three years and closing balance amount should be least 25% of bid amount on the date of before submission of bid."

During the audit of the Secretary Irrigation Government of Sindh, Karachi for the Financial Year 2022-23, it was observed that a contract valuing Rs.249.241 million was awarded to M/s Bahadur Ali Shaikh for the scheme 'Construction of stone pitching & strengthening earthwork along S.M Bund from Mile 38/2 to 4./0, 42//0 to 42/5 and stone apron 41/5 to 42/5 (Dad Wah)' but the procurement committee analysed bank statements of the bidder of six months instead of the last three years in violation of the condition mentioned in the NIT.

Audit is of the view that the procurement committee evaluated bank statement of the bidders of six months instead of three years which resulted in irregular award of work.

The matter was reported to the management during September, 2023. The management replied that bank statements of last three years were obtained from successful bidder for evaluation by the procurement committee.

DAC in its meeting held on 23rd January 2024 did not agree with the reply and directed to provide the turnover position along with documentary evidence of previous projects to verify the justification given by the management.

Audit recommends compliance with the DAC directives.

(DP#130)

4.5.5 Uneconomical procurement of luxurious vehicles – Rs. 7.973 million

According to the Procurement Plan of the SWAT Project: Component 2 Water Service Delivery, Sub-Component 2.2.1 AWB and SIDA Support: Capacity Building for Improved Delivery-Activity-I, post review shopping method was adopted for procurement of 04 nos. of cars of 1300 CC, 02 nos. Double Cabin and 02 nos. 1000 CC. Similarly, same vehicle specifications were included in the PC-I of the project.

During the audit of the Project Director, SWAT Project (Irrigation Component) for the Financial Year 2022-2023, it was observed that as per PC-I and procurement plan, 4 x 4 double cabin and 1300 CC cars were to be procured. However, contrary to the this, luxurious 4 x 4 BAIC Jeep Turbo and Hyundai Elantra 2000 CC vehicles were procured at a cost of Rs. 45.963 million. Audit calculated the comparative difference between the earmarked vehicles in the procurement plan/PC-I and actual purchased vehicles. It was noted that an additional amount of Rs.7.973 million was borne by the government on purchase of these luxurious vehicles.

Audit is of the view that procurement of luxurious vehicles against the provision in procurement plan/PC-I caused additional burden on the public exchequer, thus reflection inefficient financial management.

The matter was reported to the management in the month of October, 2023. The management replied that as per PC-I, there was provision for two double cabins, four 1300 cc cars and two 1000 cc cars. However, due to market fluctuations, these vehicles could not be procured and as a result Elantra 2000 cc cars on current market rates were procured instead of 1300 cc cars, and 4x4 BAIC Jeeps against 4x4 Hilux were procured. Thus, total cost was under 15% of the overall PC-I component.

DAC in its meeting held on 23rd January 2024 did not agree with the management as the same were procured in violation of PC-I. DAC directed to regularize the expenditure from the competent forum and provide allotment orders of the vehicles.

Audit recommends compliance with the DAC directives.

(DP#150)

4.5.6 Unjustified purchase of new vehicles – Rs. 59.202 million

As per letter CEI/DEV-II/PC-I/2017-18/360 dated 22.03.2018 incorporated in PC-I, “No vehicle shall be procured. The vehicles which were procured previously in Guddu Barrage Rehabilitation Project shall be utilized.”

During the audit of the Project Director, Sindh Barrages Improvement Project for the Financial Year 2022-2023, it was observed that an amount of Rs. 59.202 million was incurred on purchase of new vehicles through the loan agreement IDA-62420 in contravention of the instructions provided in the PC-I of Sukkur Barrage Rehabilitation Project. Further as per record, 41 vehicles had already been procured from the Rehabilitation and Modernization of Guddu Barrage under the loan agreement IDA-5684 for the management as well as for the consultant. The details of new vehicles are given below:

(Rs. in Million)			
Item No.	Description	Qty	Amount
15.12(a)	Latest model new saloon car (4 doors)	1	7.150
15.12(b)	Latest model new pickup 4X4 4-wheel drive	2	14.300
15.12(c)	Latest model new hatch back car	2	4.576
15.12(d)	Latest model new All-wheel Drive SUV	2	16.016
15.41(b)	Latest model new double cabin pickup	2	14.300
15.41(e)	Latest model hatch back car 4 door	1	2.860

Total	10	59.202
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Audit is of the view that purchase of additional vehicles contrary to the above directives resulted in an additional burden on the public exchequer.

The matter was reported to the management in the month of November, 2023. The management replied that in the original PC-1, the vehicles were procured under the Guddu Barrage contracts and were required to be transferred to Sukkur Barrage Rehabilitation works after completion of the Guddu Barrage Project. Owing to the delay in the completion of Guddu barrage works until 2026, the provision of vehicles for Sukkur barrage works was kept in the revised/ Amalgamated PC-1. Reply of the management is not tenable as both the projects were being executed simultaneously by the same project management office.

DAC in its meeting held on 23rd January 2024 directed the management to provide allotment letters of newly procured vehicle along with proof of provision in PC-I and allotment details of 41 already procured vehicles and details of consumption of fuel.

Audit recommends compliance with the DAC directives.

(DP#170)

4.5.7 Split-up of expenditure to avoid open tenders – Rs. 47.018 million

According to Rule 17(1) of SPPRA Rules 2010, “Procurements over three hundred thousand rupees and up to two 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 the audit of the following offices of Irrigation Department, Government of Sindh for the Financial Year 2022-23, it was observed that an expenditure of Rs. 47.018 million was made on various works by way of splitting to avoid tender. The details are given as under:

(Rs. in Million)

Sr#	Name of Office	Year	AIR Para#	Amount
1	Executive Engineer, Guddu Barrage Division, Kashmore	2022-23	5	38.951
2	Executive Engineer, lower Pinyari Division Sujawal	2022-23	8	8.067
Total				47.018

Audit is of the view that due to non-invitation of tenders; chances of uneconomical rates and non-transparent procurement cannot be ruled out.

The matter was reported to the management during August, 2023 to November, 2023. The management of Executive Engineer, Guddu Barrage Division, Kashmore replied that the procurement was made after fulfilling all codal formalities including approval of rates and Technical Sanction by the competent authority. The management of Executive Engineer, Lower Pinyari Division, Sujawal replied that small works were executed as per actual site requirements and did not involve any violation of SPPRA rules.

DAC in its meeting held on 23rd January 2024 directed the management to provide documentary evidences proving that the works were not awarded by way of splitting.

Audit recommends compliance with the DAC directives.

(DP#195, 254)

4.5.8 Irregular execution of work beyond 15% of the original contract amount - Rs. 1,633.09 million

As per Rule 16 (e) of SPP Rules-2010, “Repeat Orders – means procurement of additional quantities of the item(s) from the original contractor or supplier, where, after the items originally envisaged for the project or scheme have been procured through open competitive bidding, and such additional quantities of the same item(s) of goods or works are needed to meet the requirements of the project or scheme; Provided that; the cost of additional quantities of item(s) shall not exceed 15% of the original contract amount.”

During the audit of the various offices of Irrigation Department, Government of Sindh for the Financial Year 2021-22 and 2022-23, it was observed that various works were awarded at a cost of Rs. 3,908.83 million. Later, the cost and scope of the works were enhanced to Rs.5,501.94 million beyond the permissible limit of 15% of the original work. The details are given in **Annex-2 of Chapter-4**.

Audit is of the view that execution of work beyond 15% of the permissible limit without conducting re-tendering is irregular.

The matter was reported to the management during January, 2023 to November, 2023. The management at Sr.#01, XEN, Drainage Division, Shikarpur, XEN, Nasir Division Hyderabad and XEN, B.S Feeder Division Kashmore replied that original PC-I of the scheme was approved by DDWP. Later, due to requirements at site, the scope of work was enhanced and revised PC-I was approved by the competent forum. The management at Sr.#02, XEN, Water Carrier Division, Mirpurkhas, XEN Irrigation East Division, Khairpur and XEN, Chotiari Reservoir Division Khairpur, Sanghar replied that there was no change of scope whereas the quantities of certain items exceeded. The excess quantities were incorporated in the variation order and were got approved/sanctioned by the respective Chief Engineers. The management of Flood Emergency Reconstruction Project replied that the enhancement of cost did not fall within the purview of “Repeat order”, as additional works were carried out on the same project on recommendations of the consultants which were also got approved through variation order by the CE. The management of XEN, Drainage Division, Mirpurkhas replied that the contract of each work was based on Rate Contract. Therefore, during execution of the work, XEN was empowered to make additions & alterations according to the actual requirements at site. In such circumstances, no fresh tender could be invited for the works exceeding 15% permissible limit but revised estimates were got approved from the competent authority. Replies of all offices were not tenable as the quantities exceeded 15% of the original contracts in each case which required conducting separate tendering process as per SPPRA Rules.

The DAC in its meeting held on 21st November 2023 and 23rd January 2024 did not agree with the reply and referred the cases to committee constituted under Special Secretary Technical to give detailed report.

Audit recommends compliance with the DAC directives.

Note: The issue was reported earlier also in the audit report for Audit Year 2022-2023 vide para number 4.5.36 having financial impact of Rs.2455.169 million. Recurrence of same irregularity is a matter of serious concern.

(DP#9,180,247)

4.5.9 Execution of earthwork / silt clearance through private contractors instead of Mechanical Division - Rs. 273.163 million

As per Finance Department Circular No. B-IV -8/131/85 dated 9th April 1987, read with circular # DAIFD/ID-EX/10/87/698 dated 27-04-1998, "Earthwork is to be carried out through Mechanical Divisions."

During the audit of the various offices of Irrigation Department, Government of Sindh for the Financial Year 2021-22 and 2022-23, it was observed that execution of earthwork and silt clearance amounting to Rs.273.163 million was carried out through private contractors instead of the Mechanical Division. Further, NOC from the Mechanical Division was also not obtained. The details are given in **Annex-3 of Chapter-4.**

Audit is of the view that due to execution of work through private contractors instead of the Mechanical Division, chances of uneconomical execution of work besides, causing loss to public exchequer cannot be ruled out.

The matter was reported to the management during September, 2022 to November, 2023. The management at Sr.#01, XEN, Irrigation Division Shahdadkot and Executive Engineer, West Division, Khairpur replied that the rates for identified works for engaging machinery/excavator had already been approved by the concerned Chief Engineers. The management of Executive Engineer, Southern Dadu Division, Dadu, Executive Engineer, Nasrat Division, Shaheed Benazirabad and Executive Engineer, Rohri Division, Kandiaro replied that the services of contractors were hired as the required machinery and manpower were not available with the concerned Mechanical Division. The management of Executive Engineer, Begari Bund Division Jacobabad replied that the desilting work was executed after obtaining NOC from the Mechanical Division. No replies were received from the remaining offices.

The DAC in its meeting held on 21st November, 2023 and 23rd January 2024 directed the management to provide NOC from the concerned Mechanical Division. No documentary evidence was produced till finalization of this report.

Audit recommends compliance with the DAC directives.

Note: The issue was reported earlier also in the audit report for Audit Year 2022-2023 vide para number 4.5.12 having financial impact of Rs. 535.955 million. Recurrence of same irregularity is a matter of serious concern.

(DP#13,198,220)

4.5.10 Wastage of resources on a non-functional division - Rs. 259.689 million

As per Finance Department Circular No. B-IV -8/131/85 dated 9th April 1987, read with circular # DAIFD/ID-EX/10/87/698 dated 27-04-1998, "Earthwork is to be carried out through Mechanical Divisions."

During the audit of the Executive Engineer, Upper Sindh Mechanical Division, Sukkur for the Financial Year 2021-22, it was observed that an expenditure of Rs. 259.689 million was incurred on pay & allowances and operating expenses, but no work was assigned to the division & its sub-divisions during the entire year. Furthermore, most of the machinery items were non-functional. In this regard, neither measures were taken to make the machinery functional nor the auction was carried out for disposal. The details are as under:

(Rs in Million)

Year	Description	Budget Allocation/ Release	Expenditure Incurred
2021-22	Salary	298.259	258.566
	Operational expenses	1.543	1.123
	Development Expenditure	0	0
Total		299.802	259.689

Audit is of the view that the expenditure against pay & allowances on a non-functional division resulted in the wastage of public money.

The matter was reported to the management in March, 2023. The management replied that the Upper Sindh Mechanical Division Sukkur was responsible to carry out de-silting earth Work, repair & replacement of gates & flood/rain emergency works. But no work had been assigned for the last two years except flood/rain emergency work. This Division contained flood, heavy & light earth moving machinery and transport which was being operated by skilled staff / employee who were paid mandatory pay and allowances to the tune of Rs.259.689 million. The DAC in its meeting held on 21st November, 2023 directed the civil divisions to give preference to the Mechanical Division to execute de-silting works.

Audit recommends compliance with the DAC directives.

Note: The issue was reported earlier also in the audit report for Audit Year 2022-2023 vide para number 4.5.17 having financial impact of Rs. 252.219 million. Recurrence of same irregularity is a matter of serious concern.

(DP#67)

4.5.11 Excess expenditure over and above 5% of Technical Sanction - Rs.1,227.880 million

As per Para 532 of Public Works Department Manual, Volume-I, "A revised estimate must be submitted when sanctioned estimate is likely to be exceeded by more than 5%."

During the audit of the following offices of Irrigation Department, Government of Sindh for the Financial Year 2021-22 and 2022-23, it was observed that an expenditure of Rs. 1,227.88 million was made in excess of the prescribed limit of 5% over and above the technical sanction without revision of the same. The details are as under:

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para#	Estimate Cost	Expenditure	Amount	Per %
1	Executive Engineer, Sukkur Begari Bund Division Sukkur	2021-22	2	125.00	143.00	18.00	14%
2	Secretary Irrigation Department, Government of Sindh	2021-22	2	76.00	90.00	13.40	17%
3	Executive Engineer, Sakro Division Mirpur Sakro	2022-23	4	1066.885	1255.936	189.051	38%
4	Executive Engineer, Nasir Division Hyderabad	2022-23	1	1132.446	1568.432	435.956	38%
5	Executive Engineer, Small Dams Division Nagarparkar	2022-23	3	175.222	214.241	18.418	9%
6	Flood Emergency Reconstruction Project,	2022-23	1	299.801	377.368	77.567	26%
7	Executive Engineer, Drainage Division, Mirpurkhas	2022-23	2	2486.186	2961.677	475.49	19%
Total				2,961.21	3,553.29	1,227.880	

Audit is of the view that execution of the works above 5% and non-revision of the technical sanction stands irregular.

The matter was reported to the management during January, 2023 to November, 2023. The management at Sr.#01, XEN, Sukkur Begari Bund Division Sukkur, Sr.#02, Secretary Irrigation Department, Sr.#04 XEN, Nasir Division Hyderabad and Sr.#06 Flood Emergency Reconstruction Project replied that the technical sanction was got approved from the concerned competent authorities. The management at Sr.#07 XEN, Drainage Division, Mirpurkhas replied that the bid amount of the lowest bidder was within 20% of the Engineers Estimate. Reply of the management is not tenable as tender cost was above the permissible limit. No reply was received from other offices.

The DAC in its meeting held on 21st November, 2023 and 23rd January 2024 directed the management to get revised technical sanctions from the respective Chief Engineers where the cost exceeded the original estimate by 5% provided the cost of each contract was within the permissible limit of 15%.

Audit recommends compliance with the DAC directives.

Note: The issue was reported earlier also in the audit reports for Audit Years 2021-2022, 2022-2023 vide para numbers 4.5.22 & 4.5.18 having financial impact of Rs. 503.122 million. Recurrence of same irregularity is a matter of serious concern.

(DP#22,182,246)

4.5.12 Irregular execution of extra items of works - Rs. 48.491 million

As per Para 711 of Public Works Department Manual, “The officer competent to sanction tender to the execution of extra item of work not provided in the tender subject to the condition that the amount of the extra item together with the amount of the tender does not exceed the amount of sanctioned estimates.”

During the audit of Executive Engineer Drainage Division Tando Muhammad Khan for the Financial Year 2021-22, it was observed that an expenditure of Rs. 48.491 million was made against extra items of work which were not included in the Technical Sanction nor were approved by the Chief Engineer.

Audit is of the view that the payment against extra items without approval of the Chief Engineer stands irregular.

The matter was reported to the management during March, 2023. The management replied that technical sanction was got approved from the competent authority as per actual site requirements & no expenditure had been incurred in excess of the sanctioned estimated amount. The DAC in its meeting held on 21st November, 2023 directed the management to provide Technical Sanctions in support of the reply. The management did not provide documentary evidence till the finalization of this report.

Audit recommends compliance with the DAC directives.

(DP#24)

4.5.13 Irregular expenditure incurred on jungle clearance – Rs. 147.478 million

As per Para 72 (Paragraph 2) of CPWD Code, “When the vouchers exist any expenditure from which revenue may prima facie be expected to occur as, for instance, when payment appear in bill removing material from a building or after work or clearing jungle or cutting trees in the compound of building or canal bank, a note should be recorded to indicate how the materials removed or trees cut etc.”

During the audit of various offices of Irrigation Department, Government of Sindh for the Financial Years 2021-22 and 2022-23, it was observed that expenditure of Rs. 147.478 million was incurred for jungle clearance but proceeds from sale/auction of trees were not recorded. The value of same was also not deducted from the contractor’s bill. This resulted into loss to government. Audit also noticed several violations in execution of the work. The details are given in **Annex-4 of Chapter-4**.

Audit is of the view that non-auction of tree resulted in deprivation of government revenue.

The matter was reported to the management during January, 2023 to November, 2023. The management from Sr.#01 to 08 replied that due to shortage of Beldar, the work of jungle clearance was carried out through the contractor. There was ban on appointment since long, so the work was carried out through the contractor. The management at Sr.# 12 XEN, Drainage Division, Mirpurkhas replied that jurisdiction of the Divisions was very long in length, therefore labor was hired through contractors to cut down and clear the site for execution of work. Further, it was informed that the provision of engaging labor through contractor was allowed in Bund/Canal Manual.

The DAC in its meeting held on 21st November, 2023 and 23rd January 2024 directed the management to justify hiring of huge number of labor force with the support of Bund/Canal Manual, CNIC copies of laborers hired and also provide details of engagement of existing employees. However, no details were provided till finalization of this report.

Audit recommends compliance with the DAC directives.

(DP#191,219)

4.5.14 Unjustified payment for engaging labor for patrolling - Rs. 195.242 million

According to para 1(E) of chapter 10 (Embankment Maintenance) Operation & Maintenance, Irrigation and Power Department, published in April 1993, "Any tree or brushwood growth on berms or on outer slopes should be removed by beldars. Sometimes branches of trees or other trash are blown into the canals by windstorms. This debris can choke the bays of regulator or bridges and can result in damage. The beldars should use long-handled rakes or other tools to remove the debris as soon as possible."

During the audit of the various offices of Irrigation Department, Government of Sindh, for the Financial Year 2022-23, it was observed that an expenditure of Rs. 195.242 million was incurred on account of hiring of labor for patrolling along branches and distributaries of canals despite availability of local staff i.e., Beldars, Abdars & Daroghas for the same purpose in the division. The details are given in **Annex-5 of Chapter-4**.

Audit is of the view that loss was made to public exchequer despite presence of large number of employees in the division to perform the same tasks. Thus, the payment made to the contractor was unjustified.

The matter was reported to the management during September, 2023 to November, 2023. The management from Sr.# 01 to 03 replied that jurisdiction of the Divisions was very long, therefore labor was hired through the contractors. Further, it was informed that the provision of engaging labor through contractor was allowed in the Bund/Canal Manual. The management from Sr.# 04 to 11 replied that the

length of Canals and Minors under the jurisdiction of the Divisions were very long which required to be monitored and maintained timely and effectively. Further, the number of beldars in the divisions were not sufficient therefore, un-skilled laborers were engaged through contractor to ensure proper maintenance of the Canals and Minors.

DAC in its meeting held on 23rd January 2024 directed the management to justify hiring of large number of labour through Bund/Canal Manual and provide CNIC copies of laborers hired besides providing details of engagement/deployment of existing employees.

Audit recommends compliance with the DAC directives.

(DP#211,212,258)

4.5.15 Unjustified excess execution for stone dumping - Rs. 98.688 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 the 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 audit of the Executive Engineer, Nara Canal Division, Khairpur @ Sukkur for the Financial Year 2021-22, it was observed that payment amounting to Rs. 98.688 million was paid to the contractors against excess execution of ‘supplying and dumping of apron/stone boulders 9” thick’. The details are given in **Annex-6 of Chapter-4**.

Audit is of the view that the excess execution of supplying and dumping of apron/stone boulders without any justification resulted in an extra burden on the public exchequer.

The matter was reported to the management in March, 2023. The management replied that due to high intensity of erosion along Nara Canal, additional quantities of stone dumping were executed to strengthen the embankment which was done within the revised sanctioned amount. The reply is not tenable as the excess quantity of stone was utilized more than the revised sanctioned cost.

The DAC in its meeting held on 21st November 2023 referred the case to the committee constituted under Special Secretary Technical to give detailed report.

(DP#29)

4.5.16 Non-deposit of original Call Deposit / Bid Security – Rs. 187.592 million

According to Para 63 of CPWA Code, “When money is received by the Government officers on behalf of the Government it should be at once brought to account. Furthermore, as per Rule-75 and Rule-76 of CPWA code, the officer incharge of call deposit should keep a book in Form-4 in which all remittances to the treasury should be entered upon and the account of call deposit transactions should be maintained in Form-I of call deposit as a regular arrangement.”

During the audit of the various offices of Irrigation Department, Government of Sindh for the Financial Year 2021-22 and 2022-23, it was observed that an amount of Rs. 187.592 million was received as Call Deposit / bid security from contractors in the shape of pay orders. However, the management failed to deposit the same in the government treasury as per rule. The details are given in **Annex-7 of Chapter-4**.

Audit is of the view that the non-crediting of government money in the treasury is a violation of rules.

The matter was reported to the management during January, 2023 to November, 2023. The management at Sr.#01, XEN Irrigation Division Shahdaskot replied that while depositing these three Call Deposits in NBP Kamber through NBP Main Branch Larkana, these were misplaced at the concerned NBP Branch due to wrong coding by their staff. But with coordinated efforts by this office, these were retrieved from the bank. At the time of receiving back these call deposits, the concerned works had completed in all respects therefore, these were not deposited in the Bank. Further, other offices from Sr.#2 to 9 replied that call deposits were deposited into government treasury. The management at Sr.#10 XEN, B.S Feeder Division Kashmore replied that Quotation/Bids were called from the contractors for procurement of Goods, works & services for Abkalani 2023-24 to be implemented during next Financial Year 2023-24. Since the CDs were valid for one year 2023-24, therefore, the same were retained in office to be refunded to the concerned agency at proper time.

During verification in support of the reply, the management failed to provide documentary evidence. No replies were received from other offices.

The DAC in its meeting held on 21st November, 2023 and 23rd January 2024 directed the management to provide documentary evidence.

Audit recommends compliance with the DAC directives.

(DP#33,192,214)

4.5.17 Irregular payment of liability from the current year's budget - Rs. 547.705 million

According to the Finance Department, letter No. FD-B12 (48)/.1996-97 dated 21-10-1996, "The expenditure of the previous year cannot be met from the allocation of the current financial year."

Further, according to Para 6 (k) of the Finance Department, letter No. FD(B&E-1/4)-I/51/2009 dated 01-07-2009, "Liabilities of previous years may not be allowed to be cleared unless concurrence is given by the Finance Department."

During the audit of the various offices of the Irrigation Department, Government of Sindh for the Financial Years 2021-2022 and 2022-23, it was observed that the management made a payment of Rs. 547.705 million against liabilities of the preceding year from the current year's budget. The details are given in **Annex-8 of Chapter-4**.

Audit is of the view that the payment of previous years' liabilities from the current year budget and without the availability of funds in the liability head, it reflects negligence on the part of the management.

The matter was reported to the management during January, 2023 to November, 2023. The management at Sr.#01, XEN, Sukkur Begari Bund Division Sukkur replied that funds were released by the Government to clear the old liabilities, hence payment was made accordingly. The management at Sr.#02, XEN, Water Carrier Division, Mirpurkhas replied that due to weak financial position, the amount was released less than the required. As a result of which, most of the payments remained withheld. However, on receipt of sufficient funds, amount was released accordingly. Reply of the management was not tenable as permission from the Finance Department for clearance of previous liabilities from current year's budget was not obtained. No replies were received from the remaining offices.

The DAC in its meeting held on 21st November, 2023 directed the management to provide documentary evidence for clearing liabilities as per rules.

Audit recommends compliance with the DAC directives.

Note: The issue was reported earlier also in the audit report for Audit Year 2022-2023 vide para number 4.5.47 having financial impact of Rs. 6.194 million. Recurrence of same irregularity is a matter of serious concern.

(DP#36,191,219)

4.5.18 Unauthorized refund of lapsable security deposit - Rs. 15.406 million

According to Para 399 (iii) of the Central Public Works Account Code, "The unclaimed balances of Public Works Deposits for more than three complete accounting years should be credited to the Government as lapsed deposit."

During the audit of the various offices of Irrigation Department, for the Financial Years 2021-22 and 2022-23, it was observed that the security deposits amounting to Rs. 15.406 million, lying unclaimed for more than 3 years were released to the contractors instead of crediting the same to the government account. The details are given in **Annex-9 of Chapter-4**.

Audit is of the view that the refund of the lapsed security deposits without the approval of the Finance Department is held unauthorized.

The matter was reported to the management during January, 2023 to November, 2023. The management at Sr.#01, XEN, Nusrat Division, Shaheed Benazirabad replied that security deposit was released to the contractor could not be treated as unclaimed as the contractor had requested for release of the same from time to time. However, after ensuring satisfactorily completion of work, security deposit was released. The management at Sr.#02, XEN, Begari Division Sukkur and Sr.#03, XEN, Guni Canal Division, replied that contractors approached the Department for refund of Security Deposit which could not be claimed in due course, but after verifying the genuineness, the same were refunded as per rule. The

management at Sr.#04 to 09 replied that the security deposit was refunded to the contractors after completion of the schemes.

The DAC in its meeting held on 21st November, 2023 and 23rd January 2024 directed the management to provide documentary evidence of work completion date and date of refund of security deposit.

Audit recommends compliance with DAC directives.

(DP#39,218)

4.5.19 Less deduction of security deposit - Rs. 283.337 million

As per Rule 7.12.3 of SPPRA, Procurement Regulation (Works), “Procuring Agency will retain/deduct from each interim/running payments due to the contractor, the security deposit in proportion stated in the contract data/data sheet until completion of the whole of the works. The cumulative total of such amount will be 5% of the bid total mentioned in the letter of acceptance. In this way, the total amount with the procuring agency will be ten percent of the bid cost in the shape of performance security and retention money/security deposit. Recoveries so made from the contractor are returned to him by the procuring agency as per terms and conditions of contract.”

During the audit of the various offices of Irrigation Department, Government of Sindh for the Financial Years 2021-22 and 2022-23, it was observed that an amount of Rs. 8,544.696 million was paid to the contractors, but the security was obtained at 5% (2% bid security + 3% from the running bills) instead of 10% as per the prescribed rule. Thus, an amount of Rs. 283.337 million was deducted short. The details are given in **Annex-10 of Chapter-4**.

Audit is of the view that due to the short deduction of security deposit; the government interest was not safeguarded and undue favor was extended to the contractors.

The matter was reported to the management during January, 2023 to November, 2023. The management from Sr.#01 to Sr.#03 replied that security deposit was deducted from 5% to 8%. The reply is not tenable as evidence of cumulative 10% security was not shown to audit. The management at Sr#05 to 09 & 11 replied that 5% amount of entire cost of bids was retained from every contractor and 3% was retained from the bills. No reply was received from other offices till finalization of this report.

The DAC in its meeting held on 21st November, 2023 and 23rd January 2024 directed the management to deduct 10% (cumulative) security for all ongoing schemes and get it verified.

Audit recommends compliance with the DAC directives.

Note: The issue was reported earlier also in the audit report for Audit Year 2022-2023 vide para number 4.5.16 having financial impact of Rs. 289.148 million. Recurrence of same irregularity is a matter of serious concern.

(DP#42,197,228)

4.5.20 Irregular expenditure due to allowing premium on carriage - Rs.34.938 million

As per SPPRA Guidelines for Procurement 11.3.3, “Cost of cartage is not paid separately as same is adjusted in the quoted premium but cost of escalation on materials is paid separately as per consumption. No separate payment for carriage of material shall be made, premium quoted by the contractor covers all the cost of carriage of material involved.”

During the audit of the following offices of Irrigation Department, Government of Sindh for the Financial Years 2021-22 and 2022-23, it was observed that payment of Rs. 34.938 million was made on account of premium against carriage & extra lead contrary to the rule quoted above. The details are as under:

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para#	Amount
1	Executive Engineer, Nara Canal Division, Khairpur @ Sukkur	2021-22	4	17.05
2	Secretary, Irrigation Department, Government of Sindh	2021-22	1	1.306
3	Executive Engineer, Small Dam Division Kohistan-I, Dadu	2022-23	6	9.336
4	Executive Engineer, Small Dam Division Nagarparkar	2022-23	5	7.246
Total				34.938

Audit is of the view that undue financial benefit was extended to the contractors by allowing premium against the carriage and extra lead, thus causing a loss to the public exchequer.

The matter was reported to the management during January, 2023 to November, 2023. The management at Sr.#01, XEN, Nara Canal Division, Khairpur @ Sukkur replied that the carriage rate quoted by the contractor was approved by the Managing Director, SIDA, Hyderabad vide letter dated 26-06-2015. The management at Sr.#02, Secretary Irrigation Department replied that item of Barrow-pit excavation was sanctioned by the competent authority with premium on earth work; hence the payment was made to contractors accordingly. The replies of both offices were not tenable as the management did not justify application of premium on cartage/carriage which was required to be adjusted by the contractors in the quoted premium. The management at Sr.#3 replied that no premium was allowed on the item at Sr.#11 (carriage of 100 cft.) in the 7th RA Bill of Chondko Dam. The schedule rate of Rs. 486.77 was allowed to the contractor without premium as per condition mentioned in the tender. Reply is not tenable as the

management adjusted an amount of Rs. 26.198 million pertaining to non-schedule items from Sr.Nos. 18 to 22 except for the item at Sr.No. 11 from the total payment made in the bill. Thus, recovery of overpaid amount may be made. No reply was received from other office till the finalization of this report.

The DAC in its meeting held on 21st November, 2023 directed the management to quote the relevant rule under which premium on carriage was allowed or recover the amount.

Audit recommends compliance with DAC directives.

Note: The issue was reported earlier also in the audit reports for Audit Years 2021-2022 & 2022-2023 vide para numbers 4.5.38 & 4.5.22 having financial impact of Rs. 119.214 million. Recurrence of same irregularity is a matter of serious concern.

(DP#46,95,233)

4.5.21 Irregular expenditure on POL from Development and M&R budget - Rs. 14.262 million

According to letter No. FD(TR)9(25)/2(Hyderabad)/2018 dated 09-08-2020, Government of Sindh, Finance Department, “There is no provision to issue POL from Object Code A12270-Others-Civil Works (Capital Component) from development scheme.”

During the audit of the following offices of Irrigation Department for the Financial Year 2021-22 and 2022-23, it was observed that an expenditure of Rs. 14.262 million was made on account of POL from the development budget in violation of instructions issued by the Finance Department. Further, logbooks, history sheets and petrol consumption account were not maintained. The details are as under:

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para#	Amount
1	Executive Engineer, Mithrao Division, Mirpurkhas	2021-22	3	1.578
2	Executive Engineer, Begri Sindh Feeder, Kashmore	2021-22	7	0.664
3	Executive Engineer, Kandhkot Division @ Kashmore	2021-22	4	0.105
4	Executive Engineer, Chotiari Reservoir Division Khipro, Sanghar	2022-23	2	5.615
5	Executive Engineer Upper Pinyari Division, Hyderabad	2022-23	9	4.951
6	Executive Engineer, West Division, Khairpur	2022-23	8	1.349
			Total	14.262

Audit is of the view that the payment of POL from the development budget is held as an irregularity.

The matter was reported to the management during January, 2023 to November 2023. The management at Sr.#01, XEN, Mithrao Division, Mirpurkhas replied that POL was charged on M&R component (Non-development) of the scheme under object codes A-13401, A13503 & A12470 whereas Finance Department did not impose any ban on such object code. The management at Sr.#02, XEN, Begri Sindh Feeder, Kashmore replied that due to meager allocation of funds in the POL budget head, it was procured from 1% contingency of the scheme to monitor the schemes. The management at Sr.#03, XEN, Kandhkot Division @ Kashmore submitted irrelevant reply. The management of Executive Engineer, Chotiari Reservoir Division Khairpur, Sanghar, Executive Engineer Upper Pinyari Division, Hyderabad and Executive Engineer, West Division, Khairpur replied that the expenditure on POL was incurred against the government vehicles for site visits by the officers.

The DAC in its meeting held on 21st November, 2023 and 23rd January, 2024 directed to refer the matter to the Finance Department for comments.

Audit recommends compliance with the DAC directives.

Note: The issue was reported earlier also in the audit report for Audit Year 2021-2022, vide para number 4.5.39 having financial impact of Rs. 7.483 million. Recurrence of same irregularity is a matter of serious concern.

(DP#49,224)

4.5.22 Non-recovery of water and other charges - Rs. 382.340 million

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

During the audit of the following offices of Irrigation Department, Government of Sindh, for the Financial Years 2021-22 and 2022-23, it was observed that an amount of Rs. 382.340 million on account of water and other charges was not collected from various agencies. The details are as under:

(Rs. in Million)

Sr. #	Name of Office	Financial Year	AIR Para#	Particulars	Amount
1	Executive Engineer, Kotri Barrage Division Jamshoro	2021-22	1	Water charges against WASA Rs.177.894 and Power House Jamshoro Rs.200.616	378.51
2	Executive Engineer, Mithrao Division, Mirpurkhas	2021-22	11	Water charges against various Town Committees and Union Councils of Sanghar and Umarkot	0.34
3	Executive Engineer, Guddu Barrage Division, Kashmore	2022-23	15	Outstanding amount against SSGCL on account of rental charges of Gas Pipelines	3.238

				Crossing Over Guddu Barrage up to the year 2022	
4	Executive Engineer, Mithrao Division Mirpurkhas	2022-23	12	Outstanding water charges against Municipal Committees, Union Councils, and Town Committees	0.252
Total					382.340

Audit is of the view that due to the non-recovery of dues; the government was deprived of the potential revenue.

The matter was reported to the management during January, 2023 to November, 2023. The management at Sr.#01, XEN, Kotri Barrage Division Jamshoro and Sr.#02, XEN, Mithrao Division, Mirpurkhas replied that they had issued letters to the authorities concerned for recovery of dues from KWSB but no recovery had been affected yet. The management of Executive Engineer, Guddu Barrage Division, Kashmore and Executive Engineer, Mithrao Division Mirpurkhas replied that the rental charges on account of pipe lines of SNGPL and water charges were still outstanding despite repeated reminders.

The DAC in its meeting held on 21st November, 2023 and 23rd January, 2024 directed the management to take up the matter with the Chief Secretary Sindh.

Audit recommends compliance with the DAC directives.

Note: The issue was reported earlier also in the audit report for Audit Year 2021-2022, vide para number 4.5.21 having financial impact of Rs. 398.817 million. Recurrence of same irregularity is a matter of serious concern.

(DP#59,204)

4.5.23 Non / less recovery of Sindh Sales Tax - Rs. 89.049 million

As per SRB letter dated 29-08-2019, "Sindh sales tax on service providers contractors/vendors shall be deducted/withheld and deposited on payment bills for all works including Civil work/construction works & repair of all government building works and similar other works @5% of the value of the bill and deduct all other taxable services at the applicable rate of tax prescribed in 2nd schedule to the Act 2011."

During the audit of the various offices of Irrigation Department, Government of Sindh for the Financial Years 2021-22 and 2022-23, it was observed that an amount of Rs. 89.049 million against Sindh Sales Tax was either not or less deducted while making payments to various contractors. The details are given in **Annex-11 of Chapter-4**.

Audit is of the view that non-recovery of SST resulted in short realization of government revenue.

The matter was reported to the management during January, 2023 to November, 2023. The management from Sr.#1 to 6 replied that the deduction of SST @ the rate of 5% was made from the bills of contractors. In certain cases, SST was not deducted as the schemes pertained to the exemption period i.e., prior to July 2020. The reply is not tenable as no documentary evidence was shown to audit. The management at Sr.#9 replied that the scheme pertained to Federal Government and while preparing PC-I, Federal Government did not allow the provisions of SST. Hence, SST was not deducted. Reply of the management is not tenable as the PC-I of the scheme was approved during the year 2021-22 and as per law, the same was applicable. The management at Sr.#7 Executive Engineer, Kalri Baghar Division, Thatta, Executive Engineer, Small Dams Division Nagarparkar, and Sr.#10 Executive Engineer, Chotiari Reservoir Division Khairpur, Sanghar replied that the Sindh Sales Tax on services was deducted and subsequently credited to Sindh Revenue Board by DAO.

The DAC in its meeting held on 21st November, 2023 and 23rd January 2024 directed the management to provide documentary evidence in each case. However, no documentary evidence was provided till finalization of this report.

Audit recommends compliance with the DAC directives.

Note: The issue was reported earlier also in the audit reports for Audit Years 2021-2022 & 2022-2023 vide para numbers 4.5.33 & 4.5.19 having financial impact of Rs. 271.202 million. Recurrence of same irregularity is a matter of serious concern.

(DP#189,226)

4.5.24 Non / less recovery of Income Tax and General Sales Tax at the prescribed rates - Rs. 11.244 million

According to section 153 & 233 of Income Tax Ordinance 2001, as amended 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.”

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 2301-2008, “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 the following offices of Irrigation Department, Government of Sindh, for the Financial Year 2021-21 and 2022-23, it was observed that an amount of Rs. 11.244 million, pertaining to Income Tax and General Sales Tax, was either not or less deducted while making payments to the contractors. The details are as under:

Sr. #	Name of Office	Financial Year	AIR Para#	Particulars	Amount
1	Executive Engineer Drainage Division, Larkana	2021-22	26	Less deduction of Income Tax	0.964
2	Executive Engineer, Mithrao Division, Mirpurkhas	2021-22	2	Less deduction of Income Tax	0.311
3	Executive Engineer, Drainage Division, Sanghar	2022-23	3	Non-deduction of Income Tax	6.978
4	Executive Engineer, Central Sindh Mechanical Division, Jamshoro	2021-22	15	Less deduction of GST	2.699
5	Executive Engineer, Drainage Division, LBOD Shaheed Benazirabad	2022-23	13	Non-deduction of GST	0.292
Total					11.244

Audit is of the view that due to non-deduction of government taxes at prescribed rates, undue favor was extended to the contractors besides, non-realization of the government revenue.

The matter was reported to the management during January, 2023 to November, 2023. The management at Sr.#03 Executive Engineer, Drainage Division, Sanghar replied that the income tax had been deducted from the contractors' bills at the rate of 7% as prescribed by FBR for contractual execution of works. The management at Sr.#04 Executive Engineer, Central Sindh Mechanical Division, Jamshoro replied that the applicable taxes were deducted from the bills of contractors through District Accounts Office Jamshoro regularly. The management at Sr#5 Executive Engineer, Drainage Division, LBOD Shaheed Benazirabad replied that due to rush of work less amount of GST was deducted. However, the same had been recovered.

The DAC in its meeting held on 21st November, 2023 and 23rd January 2024 directed the management to provide documentary evidence of recovery in each case.

Audit recommends compliance with the DAC directives.

Note: The issue was reported earlier also in the audit reports for Audit Years 2021-2022 & 2022-2023 vide para numbers 4.5.33 & 4.5.19 having financial impact of Rs. 271.202 million. Recurrence of same irregularity is a matter of serious concern.

(DP#60,188,236,239)

4.5.25 Non-recovery of Stamp Duty - Rs. 31.678 million

According to Sub Section 22-A of the Stamp Act, “It is the duty of the Competent Authority to recover the Stamp Duty and affix the same while execution of agreement @ 0.35 paisa per hundred rupees of the value of the agreement or against tender cost.”

During the audit of the various offices of Irrigation Department Government of Sindh for the Financial Year 2021-22 and 2022-23, it was observed that works were awarded to various contractors, but the stamp duty @ 0.35% amounting to Rs. 31.678 million was neither found affixed on the agreements nor was the same deducted from the bills. The details are given in **Annex-12 of Chapter-4**.

Audit is of the view that the non-recovery of stamp duty resulted in the non-realization of government revenue.

The matter was reported to the management during January, 2023 to November, 2023. The management of all the offices replied that the stamp duty @0.35% were either affixed on the contract agreements or recovered from contractors’ bills.

The DAC in its meeting held on 21st November, 2023 and 23rd January 2024 directed the management to provide documentary evidence against the final contract value.

Audit recommends compliance with the DAC directives.

Note: The issue was reported earlier also in the audit reports for Audit Years 2021-2022 & 2022-2023 vide para numbers 4.5.32 & 4.5.31 having financial impact of Rs. 69.909 million. Recurrence of same irregularity is a matter of serious concern.

(DP#63,154,190,229)

4.5.26 Non-execution of deposit work - Rs. 547.329 million

As per para 170 of Accounts Code, Volume-III, “Outstanding items under the Deposit Register should be cleared/adjusted at the close of the financial year.”

Further as per para 399 (iii) of Central Public Works, “The balances un-claimed for more than three complete accounting years should be credited to the Government as lapsed deposits.”

During the audit of the following offices of Irrigation Department, Government of Sindh the Financial Year 2021-22 and 2022-23, it was observed that an amount of Rs. 547.329 million was retained as an outstanding balance against the deposit works. The details are as under:

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para#	Amount
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1	Executive Engineer, Central Sindh Mechanical Division, Jamshoro	2021-22	8	59.137
2	Executive Engineer, Guddu Barrage Division, Kashmore	2022-23	8	485.692
3	Executive Engineer, Lower Pinyari Division, Sujawal	2022-23	4	2.5
Total				547.329

Audit is of the view that retention of deposit amount without carrying out the intended works caused blockage of public money.

The matter was reported to the management in January, 2023 to November, 2023. The management of XEN, Central Sindh Mechanical Division, Jamshoro replied that the amount of Rs. 59.137 million was lying in Form-69 'Schedule of Purchase' not in P.W. Deposit as these figures were brought forwarded since long which would be adjusted after verification of old record. The management of Executive Engineer, Guddu Barrage Division, Kashmore replied that the subject works were under process of approval. The same would be carried out accordingly.

The DAC in its meeting held on 21st November, 2023 and January 2024 directed the management to clear the outstanding amount at the earliest.

Audit recommends compliance with the DAC directives.

(DP#70,187)

4.5.27 Non-adjustment of the advances - Rs. 2.633 million

As per Para 668 of Central Treasury adjustment by submission of detailed accounts supported 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 by vouchers or by refund, as may be necessary."

During the audit of the following offices of Irrigation Department, Government of Sindh for the Financial Year 2021-22 and 2022-23, it was observed that an amount of Rs. 2.633 million was paid in advance under various heads of accounts, but adjustment accounts were not obtained till the finalization of the audit. The details are as under:

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para#	Particulars	Amount
1	Executive Engineer, Upper Sindh Mechanical Division, Sukkur	2021-22	6	Miscellaneous PW Advances	1.034

2	Executive Engineer Mithrao Division, Mirpurkhas	2022-23	6	Other of Miscellaneous advances	0.68
3	Executive Engineer, Phulleli Canal Division, Badin	2022-23	2	POL advance against Executive Engineer since 2013	0.585
4	Executive Engineer Upper Pinyari Division, Hyderabad	2022-23	11	Miscellaneous PW Advances	0.334
Total					2.633

Audit is of the view that the non-adjustment of the advances reflects negligence on the part of the management.

The matter was reported to the management during January, 2023 to November, 2023. The management of XEN, Upper Sindh Mechanical Division, Sukkur replied that an amount of Rs. 1.034 million against Deposit works had been deposited into Government Treasury. The management of other offices replied that adjustment of advances was in process and the same would be shown to audit.

The DAC in its meeting held on 21st November, 2023 and 23rd January 2024 directed the management to provide documentary evidence.

Audit recommends compliance with the DAC directives.

(DP#71,110,242)

4.5.28 Irregular payment of POL - Rs. 1.046 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 the 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 audit of the Managing Director, Sindh Irrigation & Drainage Authority (SIDA) for the Financial Year 2021-22, it was observed that an expenditure of Rs. 1.046 million was made on account of POL against the vehicles allotted to the Minister of Irrigation. Thus, payment of POL charges incurred resulted in an extra burden on the exchequer. The details are as under:

Audit is of the view that the additional expenditure against POL without entitlement is irregular.

The matter was reported to the management in January, 2023 to November, 2023. The management replied that SIDA holds 35% of the command area of Sindh province. The responsibilities of the Minister Irrigation require him to make frequent visits to the field across the jurisdiction of SIDA. Therefore, in order to facilitate the official field visits, POL was drawn by the Minister.

The DAC in its meeting held on 21st November, 2023 did not agree with the justification and directed to stop this practice and take appropriate measures.

Audit recommends recovery of expenditure incurred and non-recurrence of irregularity in future.

(DP#75)

4.5.29 Operational malfunction of tube wells and loss of government assets

As per Rule 23 of GFR, “Every Government officer should realize fully and clearly that he will be personally responsible for any loss sustained by the 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 contributes to the losses by his own action or negligence.”

During the audit of the following offices of Irrigation Department, Government of Sindh for the Financial Year 2021-2022, it was observed that out of a total of 578 tube wells, only 353 were functional and 225 were non-functional as detailed below:

Sr.#	Name of Office	Financial Year	AIR Para#	Functional	Non-Functional
1	Executive Engineer, Pano Akil Tube Well Division, Ghotki	2021-22	1	219	122
2	Executive Engineer, Tube Well Division, Khairpur	2021-22	12	134	103
Total				353	225

Audit is of the view that the non-functioning of the tube wells reflects operational and maintenance negligence on the part of the management, resulting in non-dispensation of the services and gradual redundancy of the government assets.

The matter was reported to the management during March, 2023 to April, 2023. The management replied that due to insufficient release of funds, tube-wells could not be repaired and remained non-functional. The DAC was informed that a new Scheme for rehabilitation of tube-wells had been submitted to the government which was under process of approval. As and when approved, the tube-wells would be made functional.

The DAC in its meeting held on 21st November, 2023 directed the management to undertake concrete efforts in making the tube-wells functional and also provide the progress report.

Audit recommends compliance with the DAC directives.

(DP#82)

4.5.30 Unjustified purchase of Abkalani material after monsoon period – Rs. 51.781 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 the audit of the various offices of Irrigation Department, Government of Sindh for the Financial Year 2022-23, it was observed that Abkalani (Flood season) material amounting Rs. 51.781 million was purchased after conclusion of flood season. The details are given in **Annex-13 of Chapter-4**.

Audit is of the view that monsoon / flood season starts from May to August, but purchasing Abkalani material after flood season was unjustified which reflects that the expenditure was made merely to exhaust budget.

The matter was reported to the management during August 2023 to November. 2023. The management of all the offices replied that the abkalani material was purchased for maintenance of canals during monsoon rains in the month of September 2022.

The DAC in its meeting held on 21st November, 2023 and 23rd January, 2024 directed to provide copies of works orders, payment vouchers along with consumption account.

Audit recommends compliance with the DAC directives.

Note: The issue was reported earlier also in the audit report for Audit Year 2022-2023 vide para number 4.5.8 having financial impact of Rs. 3.941 million. Recurrence of same irregularity is a matter of serious concern.

(DP#83,248)

4.5.31 Excess payment of carriage due to allowing higher rate – Rs.23.691million

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 the audit of the Executive Engineer, Small Dam Division Kohistan-I, Dadu for the Financial Year 2022-2023, it was observed that in the following works, the payment of carriage was allowed at Rs. 486.77 per % Cft. instead of bid price of Rs. 407 per % Cft. This resulted in excess payment of Rs. 23.691 million to the contractors. The details are as under:

(Rs in Million)

CV#	Name of work	Bid Rate	Allowed Rate	Excess Rate	Qty Executed	Excess
02 04/05/23	Construction of Semandi Dam in K/pur	407	486.77	79.77	9,404,362.50	7.502
01 04/05/23	Construction of Chondko Dam in K/pur	407	486.77	79.77	4967387.75	3.962
02 14/03/23	Construction of Jani Baig Dam in K/pur	407	486.77	79.77	5197319.83	4.146
06 30/11/22	Construction of Makhi Dam-II in upper kohistan	407	486.77	79.77	10129950	8.081
				Total		23.691

Audit is of the view that excess rate was allowed on carriage than the applicable reflects weak financial oversight.

The matter was reported to the management during November, 2023. The management replied that the Government allowed the deference cost of POL on ongoing Development works. Hence required millage allowance was allowed on the basis of rate analysis.

DAC in its meeting held on 23rd January 2024 directed to provide revised TS along with government notification allowing escalation on carriage.

Audit recommends compliance with the DAC directives.

(DP#84)

4.5.32 Unjustified payment on account of borrow-pit earth - Rs. 68.288 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 the audit of the following offices of Irrigation Department, Government of Sindh for the Financial Year 2022-23, it was observed that an amount of Rs. 68.288 million was paid on account of execution of item of work “Borrow pit excavation, undressed lead up to 100 ft”, whereas earth was already available through execution of another item of work ‘Earth work excavation in irrigation channels, drain etc.’ Due to non-utilization of available earth obtained from excavation of existing channels, excess payment Rs. 68.288 million was made. The details are as under:

(Rs. in Million)

S#	Name of Office	Financial Year	AIR Para#	Particulars	Amount
1	Executive Engineer, Nasrat Division, Shaheed Benazirabad	2022-23	3	Non-utilization of available earth obtained from excavation of existing channel.	6.251
2	XEN, Small Dams Kohistan-I, Dadu	2022-23	2	Non-utilization of available earth obtained from excavation of existing channel.	29.079
3	Executive Engineer Jamrao Division, Mirpurkhas	2022-23	4	Non-utilization of available earth obtained from excavation of existing channel.	1.03
4	Executive Engineer, Kalri Baghar Division	2022-23	6	Non-utilization of earth available through execution of another item of work "earthwork excavation in irrigation channels, drain etc."	31.928
Total					68.288

Audit is of the view that failure of the management to utilize the available earth and unjustified expenditure on acquiring earth through borrow pit excavation resulted in loss of Rs.94.564 million.

The matter was reported to the management during August, 2023 to November, 2023. The management of XEN, Small Dams Kohistan-I, Dadu replied that out of total quantity of 4.463 million cft. of excavated shingle gravel, 1.277 million cft. was re-handled and remaining quantity 3.186 million cft. was refilled in wide section of excavated area. The excavated shingle gravel was not possible for filling of embankment of Dam; hence, borrow-pit sweet-earth was utilized. The management of Executive Engineer, Nasrat Division, Shaheed Benazirabad, Executive Engineer Jamrao Division, Mirpurkhas and Executive Engineer, Kalri Baghar Division replied that all the items were utilized as per engineer's estimates.

DAC in its meeting held on 23rd January 2024 directed to provide documentary evidence to justify the borrow earth consumption.

Audit recommends compliance with the DAC directives.

(DP#213,86,87,88)

4.5.33 Un-justified payment against borrow-pit earth and compaction – Rs. 383.002 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 the audit of the Executive Engineer, Phulleli Canal Division, Badin for the Financial Year 2022-2023, it was observed that the management made excess payment of Rs. 383.002 million on account of borrow pit excavation of earth and its compaction. The summarized position is as under:

S.No	Name of Work	Particular	Amount
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1	C.C Lining of Sultani Branch from RD-0+00 to 158+600	Excess Qty. of borrow pit & compaction executed as compared to payment made for Qty. of carriage.	342.898
2	Earth work/construction of stone pitching and construction of 124 Nos. Modules along Phuleli main canal RD 130 to 220 (Package-3) DP#90 in Sr.1&2	Excess Qty. of borrow pit & compaction executed as compared to payment made for Qty. of carriage.	35.056
3	Earth work/construction of stone pitching and construction of 18 Nos. Modules along Phuleli main canal RD 70 to 130 (Package-2) DP#89	Dressing, levelling & Carriage was paid more than the Qty. of earth obtained through borrow pit.	2.352
4	Raising and strengthening bank of Ghallian from bund mile 0/0-127/7 DP#91	Excess Qty. of earth was compacted as compared to Qty. of earth obtained from borrow pit.	2.696
Total			383.002

The details are given in **Annex-14 of Chapter-4.**

Audit is of the view that undue benefit was extended to the contractor on account of payment against the excess quantity of borrow pit and compaction which resulted into loss to the public exchequer and constituted weak financial management.

The matter was reported to the management during September, 2023. The management replied that the quantities were executed under the permissible limits of the BoQ. Further, the schemes was ongoing, and any calculation error would be adjusted at the time of final stage.

DAC in its meeting held on 23rd January 2024 directed the management to provide documentary evidence to justify the excess quantity of borrow pit and compaction.

Audit recommends compliance with the DAC directives.

(DP#90,89,91)

4.5.34 Excess payment on account of carriage of earth beyond excavated earth – Rs. 5.506 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 the audit of the Executive Engineer, Southern Dadu Division, Dadu for the Financial Year 2022-23, it was observed that in the running account bill of the scheme, the item i.e., ‘Borrow pit excavation with undressed lead up to 100 ft.’ was allowed for a quantity of 8,037,094 Cft., against which carriage was paid for a quantity of 9,389,848 Cft. earth (3,362,027 Cft. & 6,027,821 Cft. under the items ‘Extra for every

50 ft. additional lead' and 'Carriage of 100 Cft. / 5 tons respectively). Thus, the total quantity of earth on which carriage was paid exceeded the total excavated quantity by 1,352,754 Cft. with a financial impact of Rs. 5.506 million. The details are given in **Annex-15 of Chapter-4**.

Audit is of the view that payment for carriage of earth on excess quantity than the borrow pit excavated quantity resulted in excess payment.

The matter was reported to the management during September, 2023. The management replied that the quantity of Borrow-pit excavation was paid 8,037,094 Cft. and as per 75% ratio, the quantity of carriage of 100 Cft. / 5 tons comes to 6,027,821 Cft. and the same was paid to the contractor.

DAC in its meeting held on 23rd January 2024 did not agree with the reply and directed the management to provide documentary evidence to justify the excess quantity of carriage allowed against the quantity of borrowed earth or recover the excess quantity.

Audit recommends compliance with the DAC directives.

(DP#92)

4.5.35 Defective execution of RCC work - Rs. 168.476 million

Para-527 of Public Works Departmental Manual, Volume-I, "No work shall begin unless proper detailed design and estimate have been sanctioned; allotment of funds made and order for its commencement issued by the competent authority

During the audit of the following offices of Irrigation Department, Government of Sindh for the Financial Year 2022-2023, it was observed that expenditure of Rs. 168.476 million was incurred on RCC work on the schemes, but RCC work was not executed as per the specification. The details are given in **Annex-16 of Chapter-4**.

Audit is of the view that due to less consumption of steel than the specified ratio, it reflects defective execution of work /substandard work done.

The matter was reported to the management during September, 2023. The management of XEN, Small Dam Division, Kohistan-I, Dadu replied that the steel and RCC were used as per the site requirements. The excess consumption of 0.3% was due to the site requirements. The management of XEN, Small Dam Division, Nagarparkar replied that the work was carried according to the bar-bending schedule, drawings and designs.

DAC in its meeting held on 23rd January 2024 directed the management to provide material statement and design to compare the executed quantities.

Audit recommends compliance with the DAC directives.

(DP#93,231)

4.5.36 Excess execution of Steel work - Rs. 6.260 million

According to Rule-44 of CPWA code, “The Divisional Officer is the primary disbursing officer of the division and all realizations and payments on Government account made by his subordinates are made on his behalf and on his responsibility.”

During the audit of the Executive Engineer, Chotiari Reservoir Division Khipro, Sanghar for the Financial Year 2022-23, it was observed that the quantities of steel was executed in excess of the ratio of steel and RCC as provided in the estimate/T.S. This resulted in additional burden of Rs. 6.260 million to the exchequer on account of excess consumption of steel. The details are given in **Annex-17 of Chapter-4**.

Audit is of the view that execution of steel does not commensurate with the quantity of related items provided in the estimate which shows that excess consumption of material was made to give undue favor to the contractor.

The matter was reported to the management during November, 2023. The management replied that the approved design and estimate were duly followed for fabrication of steel work and the Steel RCC ratio was well within the sanctioned provision.

DAC in its meeting held on 23rd January 2024 directed the management to provide approved design before execution of work and revised design during execution along with material statement covering the excess consumption.

Audit recommends compliance with the DAC directives.

(DP#245)

4.5.37 Unauthorized inclusion of Income Tax in the rate analysis - Rs. 1.255 million

As per Government of Sindh Composite Schedule of Rates-2012, the following percentage of profit and sundries shall only be allowed while preparing the rate analysis:

Sr. #	Particulars	% allowed as Overhead & Profit
01	% on all and Sundries	10%
02	% of contractor Profit	10%

During the audit of the following offices of Irrigation Department, Government of Sindh for the Financial Year 2022-23, it was observed that during preparation of rate analysis of non-schedule item, the Superintendent Engineer also included 7.5% Income Tax additional overhead whereas as per Composite Schedule of Rates-2012, the percentage of profit and sundries were only allowed while preparing the rate analysis. This resulted into loss of Rs. 1.255 million. The details are as under:

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para#	Amount
01	Executive Engineer, Small Dam Division Kohistan-I, Dadu	2022-23	8	0.900
02	Executive Engineer, Small Dam Division Kohistan-II, Jamshoro	2022-23	4	0.355
Total				1.255

Audit is of the view that due to allowing 7.5% additional allowance in the shape of Income Tax without legal justification, an excess payment of Rs. Rs.1.255 million was made. Thus, undue benefit was extended to the contractor in violation of CSR.

The matter was reported to the management during September, 2023 to November, 2023. The management of both the offices replied that Income Tax at 7.5% was added in rate analysis of the non-schedule item which was approved by the competent authority as per the policy of Composite Schedule of Rates.

DAC in its meeting held on 23rd January 2024 did not agree with the reply and upheld the contention of audit that Income Tax amount should not be added in the rate analysis, whereas only indirect taxes and other overheads could be allowed. The DAC directed the management to recover the amount.

Audit recommends compliance with the DAC directives.

(DP#97)

4.5.38 Irregular expenditure on M&R works without approval of technical sanction from Chief Engineer– Rs. 21.008 million

According to the Sindh Delegation of Financial Powers and Financial Controls Rules 2019, “In case of technical sanction of ordinary and special repairs to irrigation works, Administrative Department and Chief Engineer shall have Full Powers, Superintending Engineer shall have the power upto Rs. 3.00 million in each case and Executive Engineer shall have the power upto Rs. 0.600 million in each case.”

During the audit of the following offices of Irrigation Department, Government of Sindh for the Financial Year 2022-23, it was observed from review of cash vouchers pertaining to M&R works that expenditure amounting to Rs. 21.008 million was incurred on various works which fell within the financial powers of Chief Engineer but no technical sanction for each case was obtained from the concerned authority. The details are as under:

(Rs. in Million)

Sr.#	Name of Office	Financial Year	AIR Para#	Amount
1	Executive Engineer,	2022-23	9	12.941

	Southern Dadu Division, Dadu			
2	Executive Engineer, Lower Pinyari Division, Sujawal	2022-23	8	8.067
Total				21.008

Audit is of the view that payment made against M&R works without obtaining approval of technical sanction from the Chief Engineer resulted in irregular expenditure.

The matter was reported to the management during September, 2023 to November. The management stated that detailed estimates were sanctioned by the competent authority i.e., SE / Chief Engineer as the case may be.

DAC in its meeting held on 23rd January 2024 directed the management to provide approved TS from the competent authority i.e., SE/Chief Engineer.

Audit recommends compliance with the DAC directives.

(DP#128,254)

4.5.39 Irregular M&R expenditure against ongoing development schemes - Rs. 3.790 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 the audit of the following offices of Irrigation Department, Government of Sindh for the Financial Years 2021-22 & 2022-23, it was observed that an expenditure of Rs. 3.790 million was incurred on repair and maintenance of the schemes that were already under the execution phase. As the project in each case was still ongoing, therefore the responsibility to carry out civil works/repairs therein rests solely with the contractor. The summarized position is as under:

(Rs. in Million)

S.No.	Name of Office	Financial Year	Name of ADP Scheme	Amount
1	XEN, Small Dams Division Kohistan-II, Jamshoro	2021-22	Construction of Three Dams namely Loyach, Kapat & Kharkanar in Lower Kohistan Region	1.350
2	XEN, Phulleli Canal Division, Badin	2022-23	Flood emergency work for F.Y 2019-2020	2.440
Total				3.790

The details are given in **Annex-18 of Chapter-4**.

Audit is of the view that expenditure on repair & maintenance of the under-construction schemes, caused an undue burden on the public exchequer and is held irregular.

The matter was reported to the management in September, 2022 & October, 2023. The management of Sr.#1 replied that the recoupment of structure was important due to heavy rains, therefore, small works under contingency provision were carried out to protect the structure from rain damages. The management of Sr.#2 replied that the works were carried out during flood 2022-23 on an emergent basis against the provision of 1% contingency of the ADP scheme “Flood Emergent works for Fiscal Year 2019-20”.

The DAC in its meeting held on 21st November, 2023 and 23rd January 2024 did not agree with the reply and directed the management to provide BoQ of original works against which contractors were already engaged and details of the repair works done against the contingency provision.

Audit recommends compliance with the DAC directives.

(DP#57, 118)

4.5.40 Excess payment of dressing and levelling charges against borrow pit earth – Rs.1.993 million

According to the estimate of the scheme, earth obtained from borrow pit was to be compacted as laying earth in 6” layers leveling, dressing and watering for compaction etc. complete.

During the audit of the Executive Engineer, Phulleli Canal Division, Badin for the Financial Year 2022-2023, it was observed that the quantity of the borrow pit earth was executed which included charges for compaction in 6” layers along with leveling, dressing and watering. However, management executed separate item for an amount of Rs. 1.993 million against the same quantity of borrow pit earth for dressing and levelling. This resulted into extra payment on account of dressing and levelling charges which was already included in the compaction item. The details are as under:

(Rs in Million)

Bill No. & Date	Name of Work & Contractor	Name of Item	Qty.	Unit	Rate	Excess payment
4 th Dated 15-11-2022	Raising & strengthening of banks of Gidumal front bund mile 0/0 to 0/7 & removal of encroachments (M/s. BEACON Construction Works)	Borrow pit earth excavation	10,625,159	-	-	-
		Dressing & levelling of earth work	10,625,159	% 0 Cft.	188	1.993
Total						1.993

Audit is of the view that undue benefit was extended to the contractor on account of dressing and levelling charges against the quantity of borrow pit earth which was to be rehandled in the item rate of compaction. This resulted into un-justified/excess payment which constituted weak financial management.

The matter was reported to the management during September, 2023. The management replied that the quantities allowed in the work were as per the approved PC-I/TS.

DAC in its meeting held on 23rd January 2024 directed the management to justify the execution of similar item by providing detailed estimates, MBs and bills.

Audit recommends compliance with DAC directives.

(DP#120)

4.5.41 Excess payment due to allowing difference of cost of material on market based / item rates – Rs. 419.935 million

As per procurement guideline issued by SPPRA, “Procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of works. Staff of procuring agency must maintain the highest standards of honesty and integrity in performing their duties by: (i) Developing the highest possible standards of professional competence; (ii) Using funds and other resources for which they are responsible to provide the maximum benefit to the work; (iii) Complying with both the letter and the spirit of the laws, rules and regulations of the procurement; so that work is awarded without influence of any unfair, corrupt or collusive practices; (iv) Treating all bidders and suppliers with fairness and impartiality, and avoid any business arrangement that might prevent the effective operation of fair and transparent competition.”

During the audit of Executive Engineer, Sakro Division, Mirpur Sakro for the Financial Year 2022-23, it was observed that an amount of Rs. 419.935 million was paid on account of difference of cost of material (cement, sand and steel work items) to various contractors who had quoted market rates instead of premium on schedule rates during the bidding process. Thus, allowing difference of cost of material from the date of bidding was unjustified which resulted in an excess payment of Rs. 419.935 million.

Audit is of the view that due to allowing difference of cost of materials on market-based rates, it resulted in excess payment of Rs. 419.935 million which reflects weak financial controls.

The matter was reported to the management during September, 2023. The management replied that tender was called as per B2 agreement. The difference cost of material was allowed as per the Government Notification No. SO/Admn/(P&D)/12-(165)2018 dated 28.10.2022.

DAC in its meeting held on 23rd January 2024 directed the management provide calculation details based on which difference cost of material was allowed on item rates quoted by the contractor.

Audit recommends compliance with the DAC directives.

(DP#123)

4.5.42 Duplicate execution of work on same RDs – Rs. 2.006 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 the audit of the Executive Engineer, Southern Dadu Division, Dadu for the Financial Year 2022-23, it was observed that an expenditure of Rs. 2.006 million was incurred on repair & maintenance work on same RDs by different contractors. Audit observed that same work was carried by two different contractors which resulted in duplicate execution. The details are given in **Annex-19 of Chapter-4**.

Audit is of the view that execution of same work on same RDs by different contractors resulted in duplicate execution.

The matter was reported to the management during September, 2023, The management replied that along the length of inspection path of Kakar & Pir Gunni Distributaries, different contractors were engaged for filling of Rain Gharas and maintenance of inspection paths from 0 to 66.260 RD and 0 to 59.212 RD respectively. Therefore, separate contractors carried out works at different locations and no duplicate work was executed.

DAC in its meeting held on 23rd January 2024 directed the management provide documentary evidence in support of the reply.

Audit recommends compliance with the DAC directives.

(DP#126)

4.5.43 Irregular preparation of estimates for market-based items - Rs.7.411 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 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 contributes to the losses by his own action or negligence.”

During the audit of the Project Director, Sindh Resilience Project (Additional Financing), Karachi for the Financial Year 2022-2023, it was observed that an estimate (with rate analysis) for market-based items was prepared under the contract, ‘Construction of Hub Dam-II District Karachi’, for Rs. 7.411 million, wherein following discrepancies were noted:

- i) All the quotations were based on an identical format and handwriting.

- ii) The terms and conditions in all the quotations were also same.
- iii) Rate analysis was not approved by the competent authority i.e., P.D.
- iv) Rate analysis for 8 Kw solar panel system was found to be three to four times higher than that of the then prevalent market prices as verified from the online sources.

The details are tabulated as follows:

(Rs. in Million)

Sr. No.	Item Description	Unit	Qty	Rate	Amount
1	Fabrication, Installation of Solar System 8100 Watts IC, mounting connection and Installing inverter, cables and required controls etc. complete.	Job	1	6.829	6.829
2	Providing, fixing, transportation, commissioning 50-160 ETN KSB Pump or equivalent with 10HP Siemens or equivalent Motor 2 Pole 2900 RPM.	Job	1	0.564	0.564
3	Supply and Installation of G.I pipe 2" Dia	Rft.	30	600	0.018
				Total	7.411

Audit is of the view that the acceptance of quotations and preparation of estimate based on inflated rates reflect undue benefit was extended to the contractor, causing a loss to the public exchequer.

The matter was reported to the management in the month of November, 2023. The management of Project Director, Sindh Resilience Project (Additional Financing), Karachi replied that the community works at Hub-2 Dam had been carried out as per the provision under Item # 5.12 "General Community Support Needs" under Bill # 5 of BOQ "Implementation of ESMP". The cost estimates of these works were prepared by the Consultant and subsequently approved by the Project Director, SRP as per conditions of contract.

DAC in its meeting held on 23rd January 2024 directed to provide market survey reports based on which rate analysis was prepared.

Audit recommends compliance with the DAC directives.

(DP#142)

4.5.44 Unjustified expenditure on account of POL – Rs. 9.016 million

According to Para 145 of the General Financial Rules Volume-I, "Purchases should be made in most economical manner in accordance with the definite requirements of the public service. At the same time care should be taken not to purchase stores in advance of actual requirement, if such purchase is likely to prove unprofitable to government."

During the audit of the Project Director, SWAT Project (Irrigation Component) for the Financial Year 2022-2023, it was observed that the management made an advance payment of Rs. 8.500 million on account of POL without consumption and prior to the delivery of the newly purchased project vehicles. Further, an amount of Rs. 0.516 million was also incurred against the existing vehicles of SIDA without maintenance of log-books. The details are given as follows:

(Rs. in Million)

C. V. No.	Cheque No. & Date	Name of payee	Description	Amount
10	34032082 Dated 16-May-2023	M/s. Pakistan State Oil Karachi	POL Charges	3.500
54	34032124 Dated 31-May-2023	M/s. Pakistan State Oil	POL Charges	5.000
59	34032129 Dated 31-May-2023	M/s. Poonam Petroleum Service	POL Charges	0.516
			Total	9.016

Audit is of the view that advance payment without the maintenance of the mandatory record is held as an irregularity.

The matter was reported to the management in the month of October, 2023, The management replied that all payments including POL expense for the field teams were made by SIDA centrally. Further, payment of Rs.3.500 million pertained to security deposit paid to Pakistan State Oil for issuance of POL cards whereas the payment of Rs.5.00 million was made as an advance payment to ensure uninterrupted supply of POL for the project vehicles in case of non-availability of funds.

DAC in its meeting held on 23rd January 2024 directed to provide details of budget allotted to SIDA and Area Water Boards respectively through Grant-in-Aid to verify the consumption of POL from regular budget. DAC further, directed to provide details of officers & limits of PSO cards allowed to each officer under SWAT project along with the details of allotted vehicles being used for the project activity.

Audit recommends compliance with the DAC directives.

(DP#146)

4.5.45 Delayed execution of work in contravention of contractual provisions resulting in cost-overflow

According to the Item No.3.04 of the Bidding Documents of the 'SBIP/G2 - Buildings works at Guddu Barrages, Kashmore and Sukkur Barrage, Sukkur and Barrage Rehabilitation Works at Guddu Barrage, Kashmore', "54 Nos. gates were to be installed at Main Barrage Guddu with a cost of Rs.2,112.621 million."

During the audit of the Project Director, Sindh Barrages Improvement Project for the Financial Year 2022-2023, it was observed that the period for G2-contract was to be completed in 54 months, which was further extended upto March 2025. However, as per work done upto IPC-14, only 10 out of 54 new gates were brought at site, out of which 04 new gates were installed, without conducting Site Acceptance Test (SAT). This reflected a slow execution of work on the part of the contractor. Further, the contractor was facilitated through a change in composition of payment mode from 70%/30% ratio to 40%/60% ratio between PKR to USD currencies. Despite this change, the contractor could not complete the installation of the remaining gates and claimed the losses against the prolonged/delayed period.

Audit is of the view that due to slow execution of work on the part of the contractor, the cost of the work is likely to escalate along with the consultant's expenditure which may be an additional burden on the public exchequer.

The matter was reported to the management in the month of November, 2023. The management replied that various factors which lead to delays in the completion of the contract which included change of main gate material, location for fabrication of gates, Impact of COVID-19 which caused exorbitant hike

in price of material and finally Impact of Russia and Ukraine War. The contractor claimed prolongation costs only for delay of 810 days which were caused due to change of gate material which could not be attributed to the contractor. No prolongation costs had been paid for the delays caused by other factors as mentioned above.

Reply of the management is not tenable as the contractor was required to install 54 new gates at Guddu Barrage but 10 gates were brought at site out of which only 4 new gates were installed which was only 18% performance of the project despite lapse of considerable time. The contractor could not complete the installation of the remaining gates and claimed the losses against the prolonged/delayed period.

DAC in its meeting held on 23rd January 2024 directed the management to provide reasons and documentary evidence regarding change of location for fabrication of gates from Turkey to China, its cost difference and updated progress report.

Audit recommends compliance with the DAC directives.

(DP#168)

4.5.46 Irregular expenditure on insurance service without obtaining competitive market price – Rs. 210.616 million

As per the sub-clause (ii) of the Clause MP.2 of the contract document for Package-SI ‘Restoration and Upgradation of Sukkur Barrage’, “Wherein the Bill of Quantities there is an item having the words ‘Provisional Sum’ in the unit column, the work shall be carried out when ordered and as directed by the Engineer. For items shown as ‘Prime Cost’, the contractor shall provide evidence of the exact amount of the direct cost paid for the item by the contractor and that the item has been procured at a competitive market price. This amount without addition of overhead or profit, shall be paid by the employer. The provisional sum shown for these items is indicative only.”

During the audit of the Project Director, Sindh Barrages Improvement Project for the Financial Year 2022-2023, it was observed that an amount of Rs.210.616 million was incurred on insurance of project activities under BOQ item as ‘prime cost’ (Package-SI), but the evidence of the exact amount of direct cost paid by the contractor to the insurance firm was not provided along with the details of competitive process carried out in acquiring insurance services. Further, the amount of payment also exceeded the BOQ provision by an amount of Rs. 73.316 million which constituted 53.4% excess than the bid price. The details are given below:

(Rs. in Million)

Item	Unit	Description	Qty	Bid Price	Amount Paid
1.02	Prime Cost	Provision of insurance of works and contract equipment	1	62.400	84.246
1.03	Prime Cost	Provisions of insurance for third parties	1	12.500	42.123
1.04	Prime Cost	Provision of insurance to cover accident/injury to contractor personnel	1	62.400	84.247
Total					210.616

Audit is of the view that payment to the contractor on account of prime cost item i.e., insurance services, without observing codal formalities resulted in an irregular payment.

The matter was reported to the management in the month of November, 2023. The management replied that contractor had collected three quotations from various insurance companies and the lowest premium was quoted by M/s UBL Insurers @ of Rs. 195.8 million plus 7% income tax which was accepted.

Reply of the management is not tenable as no documentary evidence of competitive process for acquiring insurance services was provided in support of the reply. Further, evidence of payment made by the contractor to the insurance company was not shared to justify the amount claimed as required under the contract clause.

DAC in its meeting held on 23rd January 2024 directed the management to provide evidence of competitive process along with quoted bids by the insurance companies and evidence of payment made by contractor to the selected insurance company.

Audit recommends compliance with DAC directives.

(DP#171)

4.5.47 Unjustified provision for rent of building in BOQ – Rs. 8.580 million

According to Rule 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 subordinate disbursing officers.”

During the audit of the Project Director, Sindh Barrages Improvement Project for the Financial Year 2022-2023, it was observed that a provision of double storey furnished office cum residence on rental basis at a cost Rs. 8.580 million for the use of project staff in Karachi was included in the Bill of Quantity of the contract S1 ‘Restoration and Upgradation of Sukkur Barrage’, despite the availability of a fully furnished project office at Karachi, constructed through G2 contract under Guddu Barrage project.

Audit is of the view that inclusion of rent against building for office and residence of officials was unjustified.

The matter was reported to the management in the month of November, 2023. The management replied that field staff who were working at Sukkur and Guddu sites frequently visited Head Office at Karachi to attend meetings. Therefore, the additional facility had been provided to accommodate all the staff.

Reply of the management is not tenable as the officials were not entitled for provision of residence despite allowing house allowance in salary as well as TA/DA facility on official visits.

DAC in its meeting held on 23rd January 2024 did not agree with the reply of the management as the employees were entitled for TA/DA facilities. Thus, DAC directed to either obtain approval from the government or withdraw provision for rent of building from BOQ.

Audit recommends conducting an inquiry in the matter.

(DP#174)

4.5.48 Irregular execution of work in deviation of estimate - Rs. 591.506 million

Para-527 of Public Works Departmental Manual, Volume-I, “No work shall begin unless proper detailed design and estimate have been sanctioned; allotment of funds made and order for its commencement issued by the competent authority.”

According to Para-528 of Public Works Departmental Manual, “No material alteration in 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 the audit of the Executive Engineer, Guddu Barrage Division, Kashmore it was observed that an expenditure of Rs. 591.506 million was made against various items of the work, ‘Providing 04 Nos J-Head Spur with Apron and Stone Pitching for centralizing the river flow up stream of Guddu Barrage Phase-1’ but abnormal variations in the execution of various items were noticed as compared to the original estimates. The details are given in **Annex-20 of Chapter-4**.

Audit is of the view that the non-execution of several items/components of works on the completed schemes as well as excess execution of items in other works without any alteration in design reflects deviation from the approved estimate, thus rendering the works irregular. The lapse indicates improper watch and weakness of internal controls.

The matter was reported to the management during September 2023, The management of Executive Engineer, Guddu Barrage Division, Kashmore replied that the excess quantities were executed as per the site requirement for which a revised estimate / PC-I was under consideration for approval. Therefore, the same would be produced for verification once approved.

DAC in its meeting held on 23rd January 2024 did not agree with the reply of the management as quantities exceeded even beyond 15% of the original contract, therefore, DAC referred the case to the committee constituted under Special Secretary Technical to give detailed report.

Audit seeks justification in the matter / providing revised administrative approval along with T.S.

Note: The issue was also reported earlier in the audit report for Audit Year 2021-2022 vide para number 4.5.22 having financial impact of Rs. 17.412 million. Recurrence of same irregularity is a matter of serious concern.

(DP#181)

4.5.49 Irregular refund of security deposit - Rs. 206.720 million

According to SPPRA Procurement Guidelines (Works) under clause 7.12.3(i) Release of Security deposit, “It can be released in either of following ways, but in the same shall be mentioned in the contract

data /special conditions of the contract: (a) On completion of the works; half the total amount retained is refunded to the contractor and half when the defects liability period has passed and the engineer has certified that all defects notified to the contractor before the end of this period have been attended to his satisfaction; (b) Full amount be released after completion of defect liability period.”

During the audit of the various offices of Irrigation Department, Government of Sindh for the Financial Year 2022-23, it was observed that Security Deposit of Rs. 206.720 million was refunded during execution of work or prior to completion of defect liability period. The details are given in **Annex-21 of Chapter-4**.

Audit is of the view that due to the refund of security deposit; the government interests were compromised.

The matter was reported to the management during August, 2023 to November, 2023. The management at Sr.#01, XEN, Water Carrier Division, Mirpurkhas, Sr.#02, XEN, Small Dams Division Kohistan-II, Jamshoro, Sr.#04, XEN, Irrigation Division Shahdaddock, and Sr.#05, XEN, Sukkur Begari Bund Division Sukkur replied that the security deposit had been released after completion of defect liability period.

The reply of the management is not tenable as security deposit was refunded to the contractors before defect liability period as evident from the RA bills.

The DAC in its meeting held on 23rd January 2024 and 21st November, 2023 directed to submit documentary evidences along with status of works.

Audit recommends compliance with the DAC directives.

Note: The issue was also reported earlier in the audit reports for Audit Years 2021-2022 & 2022-2023 vide para numbers 4.5.27 & 4.5.14 having financial impact of Rs. 947.078 million. Recurrence of same irregularity is a matter of serious concern.

(DP#20,193,261)

4.5.50 Defective execution of stone pitching work without execution of ancillary item - Rs. 15.758 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 the audit of the Executive Engineer, Small Dam Division Nagarparkar for the Financial Year 2022-23, it was observed that an amount Rs.15.758 million was paid to M/s Bashir Ahmed Sheikh against the item of work ‘Stone Pitching including sub-base’, whereas the ancillary item of work ‘Grouting on stone pitching’ amounting to Rs. 9.263 million was not executed and the scheme was shown completed. This reflected that work of dam was completed in defective manner.

Audit is of the view that execution of stone pitching work without ancillary work i.e., grouting, it renders it defective thus increases the risk of failure of entire structure.

The matter was reported to the management during October, 2023. The management replied that the items of work were carried out as per site requirement. The items left unattended due to fine cutting of stone and there was no need for executing other items.

DAC in its meeting held on 23rd January 2024 directed the management to provide revised design wherein item of grouting was deleted.

Audit recommends compliance with the DAC directives.

(DP#232)

4.5.51 Abnormal delay in the execution of schemes - Rs. 898.091 million

Para-17 of C.P.W.A Code, “The Divisional officer, as the primary disbursing officer of division, is responsible not only for the financial regularity of the transactions of the whole division but also for the maintenance of the accounts of the transactions correctly and in accordance with the rules in force.” Further, as per the condition of work orders issued to contractors, “The contractor should start the work within 07 days after the issuance of work order.”

During the audit of the Irrigation Department, Government of Sindh for the Financial Year 2021-22, it was observed that various schemes could not be completed despite lapse of a significant period. The details are as under:

(Rs. in Million)

Sr #	Name of Office	Financial Year	AIR Para#	Particulars	Amount
1	Secretary Irrigation Department	2021-22	8	Abandoned work	450.23
2	XEN, Tubewell Division Khairpur	2021-22	1	Work started in 05-05-2014 but not yet completed	216.23
3	XEN, Ranipur Tubewell Division Khairpur	2021-22	10	Work started in 21-09-2015 but not yet completed	176.46
4	XEN, Nusrat Division Benazirabad	2021-22	1	Work started in 23-11-2015 but not yet completed	55.171

Total	898.091
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Audit is of the view that the non-completion of the schemes within stipulated time reflects negligence and poor performance on the part of the management, consequently increasing the cost of the schemes.

The matter was reported to the management during January, 2023 to June, 2023. The management of all the offices replied that due to insufficient release of funds, the schemes could not be completed on time. Thus, extensions were allowed to the contractors as per clause-6 of the respective contract agreements.

The DAC in its meeting held on 21st November 2023 directed that the matter may be referred to committee to review the status, reasons of delay and give way forward and fix responsibility, if found, on the person(s) at fault.

Audit recommends compliance with the DAC directives.

Note: The issue was reported earlier also in the audit report for Audit Year 2021-2022 vide para number 4.5.42. Recurrence of same irregularity is a matter of serious concern.

(DP#11)

4.5.52 Irregular award of work due to obtaining less Bid Security – Rs. 9.768 million

According to Rule 37 of SPPRA Rules 2010, “Procuring agency may require the bidders to furnish a bid security neither less than one percent nor exceeding five per cent of the Bid Price/Estimated Cost in the form of a call on deposit, pay order, demand draft or Bank guarantee issued by a Scheduled Bank in Pakistan in favour of procuring agency, which shall remain valid for a period of 28 days beyond the validity period for the bids in order to provide the procuring agency reasonable time to act if the security is to be called. Any bid/tender not accompanied by it to the extent and in appropriate form as notified while inviting tenders or stated in the bidding document shall be rejected and treated as non-responsive.”

During the audit of the following offices of Irrigation Department, Government of Sindh for the Financial Year 2022-23, it was observed that Bid Security amounting to Rs. 9.768 million was less obtained from the contractors than the required amount. This resulted in irregular award of contacts. The details are as under:

(Rs. in Million)

S#	Name of Office	Financial Year	AIR Para#	Particular	Amount
1	Executive Engineer, Rohri Division, Kandiaro	2022-23	3	Less obtaining of call deposit	5.11
2	Executive Engineer, Lower Pinyari Division, Sujawal	2022-23	1	Less obtaining of call deposit	4.658
Total					9.768

Audit is of the view that due to less obtaining of the bid security; undue favor was extended to the contractors at the cost of the government interests.

The matter was reported to the management during September, 2023. The management at Sr.#1 replied that the bid security submitted by the contractor in the shape of Call Deposit was in accordance to Rule No. 37 of SPPRA Rules 2010. No evidence was produced in support of reply. The management at Sr.#2 replied that the bid security was called for 5% as per the NIT No. TC/G-55/1322, dated 07-07- 2022, but the contractors had submitted the Call Deposits of the Bid offered Prices. The reply is not tenable as the contractors submitted bid security less than 2% of the bid amount. DAC was held on 23rd January 2024 but the para could not be discussed.

Audit recommends holding of an inquiry into the matter.

(DP#256)

4.5.53 Irregular acceptance of tenders exceeding allowable limit of 20% premium - Rs. 1,863.899 million

According to SPPRA works guideline 11.3.3, “In case tenders are invited on the items of composite schedule of rates, where contractor has to quote the premium on schedule B, then its premium shall not exceed Engineer’s estimate by 20%. If the premium quoted by the bidder is not within allowable limit of 20% then approval may be obtained from the Finance Department or the tender be floated afresh.”

During the audit of the Executive Engineer, Nasir Division, Hyderabad, for the Financial Year 2022-23, it was observed that various tenders of CC lining were invited for an estimated cost of Rs. 1,863.899 million and contracts were awarded but the amount of premium exceeded the 20% limit of the Engineer’s estimate. The comparative statement was misreported as within the limit of 20% of engineering estimate by inclusion of 5% SRB cost in the estimate whereas the same was not included in the quoted bid amount. In another case, the comparison of bid was made with the PC-I rough cost instead of the T.S. Thus, the work was awarded above 20% of the estimated amount without referring the case to the competent authority/FD in violation of standing instructions.

Audit is of the view that management awarded the work over and above 20% of the estimated cost is held irregular.

The matter was reported to the management during September, 2023. The management replied that as per SPPRA works Guidelines para No. 11.3.3, the works were awarded within the allowable limit of primum above estimate i.e., 20%. DAC in its meeting held on 23rd January 2024 directed management to provide documentary evidence in support of the reply. During verification, audit noted that the tender was accepted beyond 20% of the permissible limit of the estimated amount.

Audit recommends holding of an inquiry into the matter.

(DP#112)

Chapter-5

PUBLIC HEALTH ENGINEERING & RURAL DEVELOPMENT DEPARTMENT

5.1 Introduction

Public Health Engineering & Rural Development Department is responsible for designing, planning and executing water supply and drainage schemes in urban and rural areas; excluding Karachi and Hyderabad cities.

Over the years, operation and maintenance function of rural based schemes kept on shifting from one agency to another and finally after promulgation of SLGO 2001 O&M of all schemes was made the mandate of PHE&RDD. Presently urban based schemes are operated and maintained by concerned Local Councils. Whereas, Rural Water Supply and Draining schemes are being looked-after by this department. PHE&RDD had been a part of Local Government Department and was given an independent status in 2008 having its own Minister and a Secretariat. However, in 2013, the department was again merged in Local Government Department. As of today, PHE&RDD has been separated from Local Government and made a separate department.

Secretary, Public Health Engineering & Rural Development Department Sindh is the Principal Accounting Officer of all PHED&RDD subordinate offices. The department is responsible for execution of development works of water supply and drainage schemes all over Sindh with the exception of areas under KW&SB and WASA, Hyderabad. Rural Development Department is responsible for roads and buildings for community development. It has been given additional responsibility of establishment of water hubs involving 2000 water filtration plants in all districts, subsequent to the abolishment of Special Initiative Department in February 2018.

Description	Total Nos	Audited	Expenditure audited FY 2022-23
Formations	37	20	12,545.374

5.2 Comments on Budget and Accounts (Variance analysis)

(Rs. in Million)

Original Budget	Final Budget	Releases	Actual Expenditure	Excess / (Savings)
33,319.818	28,320.537	24,252.612	22,235.174	(2,017.439)

The department was unable to spend the allocated budget in time. As a result, savings of Rs. 2,017.439 million was observed.

5.3 Classified Summary of Audit Observations

Audit observations amounting to Rs. 4,410.228 million were raised in this report during the current audit of Public Health Engineering & Rural Development Department. The amount also includes recoveries of

Rs. 51.993 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-Production of Record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR / Employees related irregularities	356.029
B	Procurement related irregularities	3,986.070
C	Management of Accounts	-
4	Value of money and service delivery issues	-
5	Others	16.136
6	Recovery	51.993
	Total	4,410.228

5.4 Comments on the Status of Compliance with PAC Directives

The audit report pertaining to following year has been submitted to Governor of Sindh. Detail of PAC meetings is given below:

Sr#	Audit Report	Total Audit Paras	Total Paras discussed	No. of Paras requiring Compliance	Compliance of PAC directives made	Compliance of PAC directives not made	Percentage of Compliance	Remarks
1	2016-17	47	-	-	-	-	0%	
2	2017-18	28	-	-	-	-	0%	
3	2018-19	41	-	-	-	-	0%	
4	2019-20	104	36	36	6	30	17%	Minutes of meeting still awaited
5	2020-21	13	-					
6	2021-22	36	-	-	-	-	-	

5.5 Audit Paras

5.5.1 Irregular payment against Project Allowance – Rs. 19.525 million

As per Corrigendum issued vide No. FD(SR-III)5-85/86(Part file) dated 11-11-2013 issued by the Finance Department, Government of Sindh. For the Projects costing Rs1.00 billion (both new and ongoing) appointment of Project Director on full time basis is mandatory. Project allowance @ 20% of the running basic pay would be admissible to all projects / programs costing Rs1.00 billion (both locally funded new and foreign funded)

During the audit of the Project Director, Project Management Unit and Project Monitoring, Evaluation & Co-ordination Unit, PHE, Karachi, for the Financial Years 2020-21& 2021-22, it was observed that Project Allowance amounting to Rs. 19.525 million was allowed to the officers/officials for the scheme with a cost of Rs. 875.594 million which was below the threshold of Rs. 1.00 billion. The details are given in **Annex-1 of Chapter -05**.

Audit is of the view that payment of project allowance without following the Government Rules stands irregular resulting in undue monetary favor to employees besides, loss of public exchequer.

In the DAC meeting held on 05th January, 2023, the management stated that PMU was originally the part of the Drinking Water Hub Project whose cost exceeded Rs. 1.00 billion, subsequently it was closed under the directive of the Judicial Water Commission. The task of PMU was to monitor RO/UF plants maintained by various O&M offices. The project allowance was approved in PC-I as well as authenticated by F.D in quarterly DROs. DAC directed to attain clarification from the Finance Department regarding the admissibility of the project allowance. Finance Department clarified vide letter No. (SR-III)5-1346/2022 dated 21-02-2023 that the subject allowance was unauthorized and the amount disbursed hitherto is liable to be recovered.

Audit recommends recovery in view of FD’s clarification in the matter.

MfDAC Sr.#02 (2022-23)

5.5.2 Mis-procurement due to deviation from bid criterion - Rs. 356.029 million

As per SPPRA guidelines Para 4.4, “All procurements exceeding Rupees One Million must be advertised on the Authority’s website as well as in the newspapers having wide circulation. The advertisement shall appear at least in three national dailies (English, Urdu and Sindhi).”

In terms of SPPRA Rule 46(1)(a)(ii), "Turnover of at least last three years is required." and as per SPPRA Guidelines Para 2.16 (iv), "Turnover must be equal as per estimated cost or twice time more than estimated cost."

As per SPPRA Rule 21-A, "The procuring agencies shall formulate an appropriate evaluation criterion, listing all the relevant information against which a bid is to be evaluated and criteria of such evaluation shall form an integral part of the bidding documents. The failure to provide a clear and unambiguous evaluation criterion in the bidding documents shall amount to mis-procurement."

1. During the audit of the Executive Engineer, Public Health Engineering Division Thatta for the Financial Year 2022-23, it was observed that work of a scheme 'Improvement & Extension of Drainage Scheme Buhara i/c Pavers Blocks Taulka Mirpur Sakro ADP No.2918' was awarded to M/s Modern Technology & Traders for Rs. 243.507 million, wherein the following discrepancies were noticed:
 - i. The tender was invited vide No.TC/PHE/1583 dated 21.12.22, but the same was neither published in three leading newspapers.
 - ii. As per NIT's terms & conditions No.06, the tender was invited from contractors possessing the PEC Category C-4 license (upto Rs. 200 million) while the estimated cost exceeded the limit assigned for the subject category.
 - iii. The Procuring Agency had not called for the criterion of 'Financial Capacity' in compliance with Rule 46(1)(a)(ii), whereof the liquidity credentials of the contractor could be ascertained before awarding the work.

DP#40

2. During the audit of the Executive Engineer, Public Health Engineering (Operation & Maintenance) Division, Naushero Feroze for the Financial Year 2021-22, it was observed that work of "Operation & Maintenance of RO & UF plants installed at various location of District Naushero Feroze" was awarded to M/s Minerva Builders & Innovations (Pvt) Ltd for amounting to Rs. 112.522 million, in which audit observed the following issues in the Bid Evaluation Criteria:
 - i. As per the Bidder Eligibility/Qualification Report, the turnover of the vendor was required for at least three years, but as per NTN # 6943207-4, the vendor was registered w.e.f. 10-03-2020 with office address of Rawalpindi, Rawal Town, which reflected that the requirement was short of 02 years.
 - ii. As per the observation raised by SPPRA, the procuring agency did not mention the criteria for bid evaluation in the bidding documents. Further, notification of the

composition of the procurement committee and complaint redressal committee was not placed on the website.

Audit is of the view that the tender was awarded without wide publicity and conducting proper eligibility examination of the contractor which resulted in a violation of SPPRA Rules and is tantamount to mis-procurement.

The matter was reported to the management from January to September, 2023. The management at Sr.No.02 replied that all necessary documents as per requirement were scrutinized by this office in order to maintain transparency. No reply was received from the office at Sr. No.01.

The DAC in its meeting held on 8th January, 2024 directed the management to provide documents regarding turnover for 03 years & evidence of hoisting of documents. However, proof of documentary evidence was not produced till finalization of this report.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

DP#06

5.5.3 Irregular preparation of estimate for market-based items - Rs. 37.977 million

According to Sr. # 4 of Schedule of Rates (Composite) for finished items of works 1996, "Non-schedule item costing up to Rs.1,000 should be got sanctioned by the concerned Superintendent Engineer and exceeding Rs.1,000 must be got approved and sanctioned by the Chief Engineer."

As per SPPRA works guidelines para # 11.2.3, "No work can be started until and unless technical sanction is accorded by the competent authority. However, in case of emergencies when it is not possible to get the technical sanction in time, the adopted specifications/Manuscript copy may be approved from the competent authority in advance before the work is started. However, the estimates for technical sanction be submitted without wasting any further time."

During the audit of the Executive Engineer, Public Health Engineering Division, Thatta for the Financial Year 2022-23, it was observed that rate analysis for the purchase of machinery amounting to Rs. 37.977 million against the following scheme was approved by the Chief Engineer Public Health Engineering Hyderabad vide letter No DB/PHE/1096 dated 19-12-2022, but the quotation for the market-based items were obtained on 24 & 27 January 2023 i.e., one month after the date of approval of the estimate. This shows that the estimate of work was approved without proper market analysis and the quotations were merely obtained to justify the approval of rate analysis. The details are tabulated as under:

(Rs. in Million)

Name of Scheme: Improvement & Extension of Drainage Scheme Bohara i/c paver block Taluka Mirpur Sakro. (SDG# 6)			
Particulars	Quotation Date	AIR Para #	Amount
150 KVA Generators	27-01-2023	03	9.528
100 KVA Generators			5.511
60HP Motor	24-01-2023	04	11.967
30HP Motor			5.984
25 HP Motor			4.987
Total			37.977

Audit is of the view that the estimate was approved on assumptions and without conducting a proper market survey, thus chances of uneconomical procurement cannot be ruled out.

The matter was reported to the management in September, 2023 but no reply was received. The DAC in its meeting held on 8th January, 2024 referred the case to committee constituted under chairmanship of Chief Engineer to ascertain the facts as highlighted by audit.

Audit recommends compliance with the DAC Directives.

DP#43

5.5.4 Irregular award of work despite cancellation of tender – Rs. 36.487 million

As per SPPRA Rule-25, “A procuring agency may cancel the bidding process at any time prior to the acceptance of a bid or proposal; (2) The procuring agency shall incur no liability towards the bidders, solely by virtue of its invoking Sub-rule (1); (3) intimation of the cancellation of bidding process shall be immediately hoisted on the Authority’s website and procuring agency’s website followed by prompt return of bid security.” Read with Rule-26, “The procuring agency may re-issue tenders in case, the bidding process has been cancelled, as provided in Rule 25 above.”

During the audit of the Executive Engineer, Public Health Engineering Division, Tando Muhammad Khan, for the Financial Year 2022-23, it was observed that the tender for the work, ‘Rehabilitation of W/S Scheme Bulri Shah Kareem town Taluka B.S Karim ADP#2739’ was published vide NIT# TC/273/2023, dated 16-03-2023. Later, the management cancelled the NIT on 15-05-2023, but despite that, the work for an amount of Rs. 36.487 million was awarded. On demand, the management produced a work order which was issued on 28-09-2023 i.e., after the end of the Financial Year 2023, which casts doubts on the transparency of the tendering process.

Audit is of the view that the award of work despite the cancellation of NIT and without retendering of the same, stands irregular.

The matter was reported to the management in November, 2023. but no reply was received. Despite written requests vide letters dated 02-11-2023, 27-11-2023 & 28-12-2023, no meeting of DAC was convened by the PAO till finalization of this report.

Audit recommends conducting an inquiry into the matter.

DP#95

5.5.5 Irregular award of works on invalid bid securities - Rs. 3.878 million

As per SPPRA Works Guidelines - 7 Terms & Conditions. (a) Under the following conditions bid will be rejected: (i) Conditional, electronic and telegraphic bids/tenders; (ii) Bids not accompanied by bid security of required amount and form; (iii) Bids received after specified date and time. (iv) Blacklisted firms.

As per Para 6.4 of SPPRA Guidelines, "(a) A Procuring agency may require the bidders to furnish a bid security neither less than one percent nor exceeding five percent of the Bid Price/Estimated Cost in the form of a call on deposit, pay order, demand draft or Bank guarantee issued by a Scheduled Bank in Pakistan in favour of procuring agency, which shall remain valid for a period of 28 days beyond the validity period for the bids in order to provide the procuring agency reasonable time."

During the audit of the following offices of the Public Health Engineering & Rural Development Department, Government of Sindh for the Financial Years 2021-22 & 2022-23, it was observed that the works amounting to Rs. 78.838 million were awarded to various contractors, wherein the following shortcomings were noticed:

- 1- In case of Sr.No.1, bid security was obtained through cash after 02 months of opening of tender.
- 2- In office at Sr. No.2, expired bid security was obtained against the work.

(Rs. in Million)

Sr#	Name of Department	Year	AIR Para #	Awarded cost	CD amount
1	PHE Division Thatta	2022-23	05	46.489	2.078
02	PHE Division Qambar-Shahdadkot	2021-22	02	32.349	1.800
	Total			78.838	3.878

Audit is of the view that in the absence of valid bid security, the management was required to reject the bid. Thus, the management violated the prescribed tendering process, which is tantamount to mis-procurement and undue favor was given to the contractor.

The matter was reported to the management from January to September, 2023 but no reply was received till finalization of this report. The DAC in its meeting held on 8th January, 2024 referred the case to committee constituted under chairmanship of Chief Engineer to ascertain the facts as highlighted by audit.

Audit recommends conducting an inquiry into the matter.

DP#45, 19

5.5.6 Irregular evaluation of tender before approval of technical sanction – Rs. 274.924 million

As per SPPRA works guidelines para # 11.2.3, “Starting the Work in anticipation of Technical Sanction: - No work can be started until and unless technical sanction is accorded by the competent authority. However, in case of emergencies when it is not possible to get the technical sanction in time, the adopted specifications/Manuscript copy may be got approved from the competent authority in advance before the work is started. However, the estimates for technical sanction be submitted without wasting any further time.”

During the audit of the Public Health Engineering Division Naushero Feroze, for the Financial Year 2022-23, it was observed that tenders of the following schemes were awarded to contractors with the cost Rs. 274.924 million. In this regard, it was noticed that the tenders were published on 31-01-2022 & 01-02-22. The technical and financial bids were opened in February & March respectively. On the other hand, the detailed technical estimates were sanctioned by the Chief Engineer after 02 months of the technical and financial bid opening, which was a clear violation of the above rule. Details are as under:

(Rs. in Million)

Name of Scheme	Tender	T.B.O	F.B.O	T.S /date	W.O date	Amount	Expenditure
Construction of Drainage Scheme Bhiria City.ADP-2892	01.02.22	17.03.22	22.03.22	236 23.05.22	390 13.06.22	191.716	93.855
P/F Pavers i/c drains in T.C N/Feroze & Mithiani.ADP-2890	31.01.22	25.02.22	21.03.22	237 23.05.22	453 13.07.22	83.208	73.185
Total						274.924	167.04

Audit is of the view that tenders were published and opened without obtaining technical sanction from the Chief Engineer which reflects that T.S were prepared and adjusted in accordance with the bids obtained to extend the financial benefit to the bidder, which is tantamount to a clear violation of SPPRA rules.

The matter was reported to the management in September, 2023. The management replied that estimate was submitted to Chief Engineer but in order to avoid wastage of time, the manuscript of proposed Technical Sanction for subjected schemes was considered as basis due to the fact that these works fell under para-No. 11.2.3 'SSPRA Regulation for works'. Subsequently, the work orders were issued dated 13-6-2022 & 13-7-2022 after completion of BER & conclusion of codal formalities. The reply is not tenable as no documentary evidence regarding invoking of emergency clause dully approved by PAO was provided to substantiate the reply.

The DAC in its meeting held on 8th January, 2024 directed the management to provide approved T.S, BER and Financial review of the bids along-with approval of PAO to verify the contention of the management.

Audit recommends compliance with the DAC directives.

DP#39

5.5.7 Unjustified part-rate payment without execution of actual works – Rs. 1,422.810 million

According to Section-54 of CPWA code, “The Divisional Officer must, however, in each case, exercise his judgment on the demand made and it is his duty to oppose at this stage any application of the real necessity for which he is not satisfied. In any case in which he feels that he cannot recommend the execution of a work called for by a duly constituted authority, he should explain his objections to the officer concerned and, if he fails to convince him, should refer the matter for the orders of the Superintending Engineer.”

As per Clause-8, 'Reduced Rates' of the standard bidding document for the works, “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 the audit of the various offices of the Public Health Engineering & Rural Development Department Government of Sindh for the Financial Year 2021-22 & 2022-23, it was observed that payment of Rs. 1,422.810 million on account of various items was made to the contractors at reduced rates without execution of related parts of works. Further, the details of consumption account, delivery challans and invoices of items i.e., machinery, solar panels, pipes and blocks etc. were also not provided for scrutiny.

Audit is of the view that part rate payment was made on the pretext of supply of material included in BOQ items. No provision of secured advance procedure was invoked and details of consumption account, delivery challans and invoices of items i.e., machinery, solar systems, pipes, pipes and blocks etc. were also not provided for examination. The management was required to execute composite item as provided in BOQ instead of executing partially/supplying items. This shows that the payment was also

made in advance without provision in the contract agreements only to avoid a lapse of budget. The details are given in **Annex-2 of Chapter -05**.

The matter was reported to the management from January to November, 2023. The offices at Sr. No. 01 & 06 replied that the payments have been made on the basis of work done; wherever it was felt necessary, the reduced rates had been allowed till the satisfactory completion of works. The management at Sr#03 replied that the payment was allowed on part-rate in 1st R.A Bill on account of material / items supplied. On completion of laying jointing testing etc., full rates would be allowed. The reply is not tenable as the management accepted that composite item had not been executed as required in the BOQ, and payment was made on for items supplied. The office at Sr. No. 15 replied that part-rate was allowed due to price escalation and consequently the contractor supplied all required material/machinery including solar panel system, diesel engine etc. at site to ensure operational requirements. The office at Sr.No.18 replied that part-rate payment was released for measured items of work subject to test check and performance report. The reply is not tenable as the management was required to make payment for composite item after execution instead of payment against un-installed material. Further, no progress was shown despite lapse of 18 months. The offices at Sr. No. 17 & 20 stated that the machinery and membranes had been supplied and installation was still awaited. The office at Sr. No. 19 replied that the reduced rates against the machinery items were allowed to safeguard Government assets. The replies submitted by the respective offices are not satisfactory as the part-rate payments did not come under the ambit of any prescribed rule. The rest of the offices did not submit their respective replies.

The DAC in its meeting held on 8th January, 2024 directed the management that payment should be made after completing the item of work as provided in BOQ. Further it was directed to provide updated status of all works where part-rate / reduced-rate was allowed.

Audit recommends compliance with DAC directives.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 5.5.3 having financial impact of Rs. 357.242 million. Recurrence of same irregularity is a matter of serious concern.

5.5.8 Irregular execution of work beyond 15% of the original contract amount - Rs. 352.45 million

As per SPPRA Rule 2.10 regarding limitations on splitting or regrouping within the proposed procurement, "Procuring agency must invite tenders without any splitting or regrouping of the procurements already grouped, allocated and scheduled in the procurement plan. The components of work/scheme/project cannot be further split for tendering purpose." As per SPPRA Rule 2010 No. 16 (e) "Repeat Orders – means procurement of additional quantities of the item(s) from the original contractor

or supplier, where, after the items originally envisaged for the project or scheme have been procured through open competitive bidding, and such additional quantities of the same item(s) of goods or works are needed to meet the requirements of the project or scheme; Provided that; the cost of additional quantities of item(s) shall not exceed 15% of the original contract amount.”

During the audit of the following offices of the Public Health Engineering & Rural Development Department, Government of Sindh for the Financial Year(s) 2021-22 & 2022-23, it was observed that work was awarded for Rs. 133.755 million. Later, the cost and scope of the works were enhanced to Rs. 486.225 million beyond the permissible limit of 15% of the original work.

(Rs. in Million)

Sr.#	Name of Department	Year	AIR #	Bid cost	Expenditure	Excess	%
1	PHE Division, Larkana	2022-23	01	30.602	233.364	202.76	663%
2	PHE Division, N/Feroze	2022-23	02	5.644	14.742	9.09	161%
3	PHE Division-II Khairpur	2022-23	11	11.219	86.611	75.392	672%
4	PHE Division, Jaccobabad	2021-22	06	86.290	151.508	65.21	76%
Total				133.755	486.225	352.45	

Audit is of the view that the execution of work beyond 15% of the permissible limit without re-tendering of the same is irregular.

The matter was reported to the management from January to November, 2023. The office at Sr. No. 01 replied that according to site requirement, the works were got revised with the approval of Chief Engineer, PHED, Sukkur. The office at Sr.02 replied that due to enhanced scope of work and to maintain un-interrupted continuity in execution, revised Administrator Approval was obtained. The office at Sr. No. 04 replied that works were executed after the revised TS. The reply is not tenable, as per SPPRA rule, the management was required to carry out separate tender for enhanced scope of work beyond permissible limit of the original contract. The rest of the offices did not submit their respective replies.

The DAC in its meeting held on 8th January, 2024 directed the management to constitute a committee under the chairmanship of Chief Engineer to ascertain the facts as highlighted by audit in the light of SPPRA rules.

Audit recommends compliance with DAC directives.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 & 2022-23 vide para numbers 5.5.4 & 5.5.8 having financial impact of Rs. 1054.886 million. Recurrence of same irregularity is a matter of serious concern.

DP#47, 102, 09

5.5.9 Irregular execution of civil works without revision of Technical Sanction and PC-I – Rs. 289.372 million

As per Rule 11.1.3 of SPPRA, Procurement Regulation (Works) guidelines, “PC-I of the scheme/work is required to be revised when any of the following conditions exists, (i) original scope is modified/changed, even though the cost of the same may possibly be covered by savings on other items in the original rough cost estimate (ii) when the expenditure on a work/scheme exceeds, or is found likely to exceed the administratively approved amount by more than 15 percent.”

During the audit of the various offices of the Public Health Engineering & Rural Development Department for the Financial Years 2021 & 2022-23, it was observed that various works worth Rs. 289.372 million were executed beyond the original scope of the works specified in the Technical Sanction and PC-I without revising. The details are given in **Annex-3 of Chapter -05**.

Audit is of the view that work was executed beyond the scope without revision of technical sanction and PC-I, thus rendering the same as irregular.

The matter was reported to the management from January to September, 2023. The management at Sr.#2 replied that on demand of inhabitants, some components were carried out in excess while others were reduced in accordance to CPWD code at para 71 whereby the Engineer-in-charge was empowered to pass excesses / reductions in quantities; hence no excess amount was incurred beyond T.S. The reply is not tenable as abnormal variations were accepted by the engineer affecting scope of work, which required revision of administrative approval as well as T.S.

The DAC in its meeting held on 8th January, 2024 apprised that work was completed within the cost and directed the management to provide revised PC-I/TS based on which variation of scope was approved to authenticate the contention of management.

Audit recommends compliance with DAC directives.

5.5.10 Unjustified excess execution of RCC & Steel on surface drains – Rs. 6.521 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.”

As per detailed estimates, C.C. Plain quantity for surface drains was to be kept as 9639 Cft. for 14200 Rft. drains, whereas RCC quantity was to be kept at 3042 Cft. for 600 Rft. of surface drains.

During the audit of the Public Health Engineering Division, Naushero Feroze for the Financial Year 2022-23, it was observed that the quantity of RCC work was fixed at 1/3rd of the CC Plain for the construction of surface drains, whereas during execution, the quantities of RCC work were executed almost equal to the quantities of CC plain, which reflected that the top of the surface drains was fully covered with RCC slabs. Thus, due to additional quantities of RCC and Steel on surface drains beyond the quantity as specified in the estimates, an excess expenditure of Rs. 6.521 million was incurred. The details are tabulated as under:

Name of Scheme: P/F Pavers i/c drains in TC N/F & Mithiani ADP-2890, M/s M. Yaseen Chandio, w/o 453, CV#19 dated 15/06/2023 8th RA

(Rs. in Million)

Item	Est: qty	Rate	Execution	Qty Due	Excess qty	Rate	Amount
CC Plain	9636	112.8875	12792				
RCC	3042	337	12859	4039	8820	337	2.972
Steel	108.638	5001.7	307.579	144.25	163.329	5001.7	0.817
Total							3.789
Premiu m						12.15%	0.460
Cement	535.37	650	2264	711	1553		1.009
Steel	108.638	7725	307.579	144.25	163.329		1.262
Total							6.521

Audit is of the view that excess execution of RCC beyond the requirements of BOQ as per revised estimates, resulted in an extra burden on the public exchequers.

The matter was reported to the management in September, 2023. The management replied that during execution, some components were carried out in excess while others were reduced in accordance

to CPWD code at para 71 whereby the Engineer-in-charge is empowered to pass excesses / reductions in quantities. The reply is not tenable as the management did not provide design parameters based on which TS was prepared before award of work and revised during execution phase to authenticate the contention of management.

The DAC in its meeting held on 8th January, 2024 directed the management to provide design parameters based on which TS was prepared before award of work and revised TS during execution covering revised quantities to authenticate the contention of management.

Audit recommends compliance with DAC directives.

DP#66

5.5.11 Excess execution of steel against RCC - Rs. 5.058 million

According to Rule-44 of CPWA Code, "The Divisional Officer is the primary disbursing officer of the division, and all realizations and payments on Government account made by his subordinates are made on his behalf and his responsibility."

During the audit of the following offices of the Public Health Engineering & Rural Development Department, Government of Sindh for the Financial Year(s) 2021-22 & 2022-23, it was observed that the quantity of steel was executed in excess of the prescribed ratio of steel and RCC as provided in the estimate/T.S. The excess consumption of specified quantities resulted in an additional burden of Rs.5.058 million on the public exchequer. The details are tabulated as under:

(Rs. in Million)

Sr. #	Name of office	Year	AIR Para #	Amount
01	PHE Division Dadu	2022-23	07	1.464
02	PHE Division Kashmore	2021-22	07	0.832
			06	2.309
03	PHE Division Mithi	2021-22	06	0.453
	Total			5.058

Audit is of the view that the execution of steel was contrary to the quantity provided in the estimate which shows that excess consumption of material was made to give undue favor to the contractor.

The matter was reported to the management from January to September, 2023. The office at Sr. No. 01 stated that the quantities of items slightly varied due to the demand of locals and

physical requirements at site during execution of work. The management accepted excess utilization of steel contrary to the estimate, without revision of design and TS. The remaining offices did not submit their respective replies.

The DAC in its meeting held on 8th January, 2024 directed the management to provide design parameters based on which TS was prepared before award of work and revised during execution covering revised quantities to authenticate the contention of management.

Audit recommends compliance with DAC directives.

DP#67, 21, 17

5.5.12 Non-execution of imperative components of schemes - Rs. 320.13 million

Para-527 of Public Works Departmental Manual, Volume-I, “No work shall begin unless proper detailed design and estimate have been sanctioned; allotment of funds made and order for its commencement issued by the competent authority.”

According to Para - 528 of the Public Works Departmental Manual, “No material alteration in 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 the audit of the Executive Engineer, Public Health Engineering Division, Thatta for the Financial Year 2022-23, it was observed that various schemes (05 Nos.) worth Rs. 320.13 million were executed but the works against the imperative components like construction of Oxidation Ponds, Low Service Reservoir Hypo Chlorinator, installation of Solar Energy equipment, Pumping machinery etc. were not executed despite 100% incurrence of expenditure against the total allocated amount of the schemes. The details are given in **Annex-4 of chapter-5**.

Audit is of the view that despite utilizing the total allocated budget of the schemes, the imperative components of the schemes were not executed, which reflects operational negligence.

The matter was reported to the management in September, 2023 but no reply was received. The DAC in its meeting held on 8th January, 2024 directed the management to provide reasons for non-execution of various component of works despite utilizing allocated budget.

Audit recommends compliance with DAC directives.

DP#46

5.5.13 Irregular payment on account of P.E Pipes - Rs. 145.683 million

As per SPPRA guidelines 2.9 Procurement Plan (Rule 11), "The procuring agency shall ensure that funds are used for the purpose for which they are allocated and should use them economically and efficiently without exogenous considerations."

1. During the audit of the Public Health Engineering Division Larkana for the Financial Year 2022-23, it was observed that an amount of Rs. 133.394 million was made to the contractors on account of laying of Polyethylene Pipes for a part of the work 'Rising main' wherein excavation in trenches (soft and wet soil) being a mandatory activity, was not executed as per the prescribed quantity in the estimate. This resulted in irregular execution of work. The details are given in Error! Reference source not found. **5 of Chapter -05.**

DP#54

2. During the audit of the Public Health Engineering Division Mirpurkhas for the Financial Year 2021-22, it was observed that as per estimated quantities, 7500 Rft. of P.E. Pipe (18" dia) was required to be laid against which 101,250 Cft excavation in trenches was estimated. However, as per executed quantities for 69,419 Cft. excavation in trenches, 7200 Rft P.E. pipes were shown executed which was found more than the due quantity. Audit calculated the commensurate quantity of pipes required against the excavation in trenches carried out was 5142 Rft. This resulted in an excess and unjustified payment of Rs. 12.289 million against the excess quantity of PE pipes (2078 rft). The details are tabulated as under:

(Rs. in Million)

Name of Scheme: A-2, Providing laying jointing P.E pipe 18" Dia from East Jamrao water Works towards Madarsa (Jhurbi Turn) Khipro Busstand Booster Pumpstation for water supply scheme Mirpurkhas (ADP 2037) M/S K.K. Associates (6th R.A) (C.V & Date: 35, 21/06/2022					
Item of work	Unit	Qty. as per Estimate	Qty. as per Bill	Qty .of pipes Due as per Excavation in Trenches	Excess Qty of pipes against excavation in Trenches
Excavation for pipe line & Trenches	% 0 Cft	101,250	69,419		
Providing laying & jointing P.E. Pipe 18" Dia.	Rft.	7,500	7,220	5142	2,078
Rate					4,023
Excess amount					8.360
Premium 19.98%					1.670

Escalation @1087.3	2.259
Total	12.289

Audit is of the view that payment of the item for laying of PE pipes without excavation of trenches reflects that payment was made without actual execution of the work.

The matter was reported to the management from January to September, 2023. The office at Sr. No. 01 stated that excavation of trenches was under progress and the pipes were being laid simultaneously to maintain proper level density. The management at Sr. No. 02 replied that quantity of pipe and excavation were almost within the sanctioned estimate. The replies of both the offices are not tenable as the offices did not mention reasons of abnormal variations in quantities as compared to T.S. Further, management did not provide relevant revised BOQ and MBs to justify the stance.

The DAC in its meeting held on 8th January, 2024 directed to provide documents i.e, MBs, variation orders on change of design and status of work to justify the stance.

Audit recommends compliance with DAC directives.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 5.5.10 having financial impact of Rs.75.724 million. Recurrence of same irregularity is a matter of serious concern.

DP#1

5.5.14 Irregular payment on account of unlaidd pipes – Rs. 55.669 million

As per SPPRA guidelines 2.9 Procurement Plan (Rule 11). “The procuring agency shall ensure that funds are used for the purpose for which they are allocated and should use them economically and efficiently without exogenous considerations.”

As per items description mentioned in CSR 2012, “Providing, laying RCC pipes of ASTM C-76/62 T/C 76-70 of class-II wall B and fixing in trenches i/c cutting fitting and jointing in rubber ring i/c testing with water to specified pressure and for item Providing, laying and fixing in trenches i/c fitting jointing and testing etc. complete in all respect the high-density polythene pipe (HDPE-100) for water supply confirming ISO 4427/DIN 8074/8074 BS 3580 and psi 3051.”

During the audit of the following offices of the Public Health Engineering & Rural Development Department, Government of Sindh for the Financial Year 2022-23, it was observed that an amount of Rs. 55.669 million was paid to the contractors against the supply of pipes that remained unlaidd, whereas the execution of the relevant composite item comprised ‘providing, laying, jointing and testing RCC pipes, UPVC Pressure Pipe of class ‘B’ and P.E Pipes. The details are tabulated as under:

(Rs. in Million)

Sr. #	Name of Office	AIR Para #	Particulars	Amount
1	PHE Division Sukkur	11	PE pies	36.177
2	PHE Division Thatta	15	RCC & PE pies	12.638
3	PHE Division Karachi	02	PE pipes	5.919
4	PHE Division Mirpurkhas	01	UPVC Pressure Pipe of class 'B' and P.E Pipes	0.935
Total				55.669

Audit is of the view that payment against pipes without laying did not fulfil the purpose for which the composite item was provided. Providing, laying and jointing of pipes was a consolidated item, whereas payment made merely for the supply of pipes reflects that undue benefit was extended to the contractors against an incomplete item of work.

The matter was reported to the management in September, 2023. The office at Sr. No. 01 stated that as and when the necessity for laying pipes arose, the same were laid accordingly. The reply is not tenable, as the claim for laying pipes was not substantiated by any documentary evidence. The office at Sr.#4 replied that the supply of pipe was separate item, hence payment against pipes was allowed separately. The reply is not tenable as no provision of secured advance was invoked for supply items whereas the management was required to carry out composite item and after testing, Further, the evidence provided reflected that pipes were still un-laid. No reply was received from remaining offices.

The DAC in its meeting held on 8th January, 2024 showed concern over making part-rate payment for un-laid pipes without completing the item of work. DAC further directed to provide status of work for verification.

Audit recommends compliance with DAC directives.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 & 2022-23 vide para numbers 5.5.15 & 5.5.5 having financial impact of Rs. 280.864 million. Recurrence of same irregularity is a matter of serious concern.

DP#55

5.5.15 Defective execution of paver block work – Rs. 34.870 million

As per SPPRA works guidelines para # 11.2.3, “No work can be started until and unless technical sanction is accorded by the competent authority. However, in case of emergencies when it is not possible to get the technical sanction in time, the adopted specifications/manuscript copy may be got approved

from the competent authority in advance before the work is started. However, the estimates for technical sanction be submitted without wasting any further time.”

During the audit of the Executive Engineer, Public Health Engineering Division, Larkana for the Financial Year 2022-23, it was observed that an amount of Rs. 34.870 million was paid to various contractors for laying of paver blocks in different areas, but the ancillary items i.e., Hard Murram, dry rammed brick or stone ballast, laying earth levelling and dressing were not executed. The details are given in **Annex-6 of Chapter -05**.

Audit is of the view that the execution of the item paver blocks without carrying out auxiliary works rendered the advance payment made to the contractors irregular.

The matter was reported to the management in September, 2023. The management replied that the execution of paver blocks at site was completed satisfactorily. The reply is not tenable as no documentary evidence in the form of completion certificate, supporting MBs and progress report was provided.

The DAC in its meeting held on 8th January, 2024 directed the management to justify for execution of paver blocks without the relevant ancillary works. Further directed to provide completion certificate, supporting MBs and progress report of the work.

Audit recommends compliance with DAC directives.

DP#51

5.5.16 Unjustified payment against uninstalled P.E pipes & Machinery - Rs. 5.296 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 the 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 audit of the Executive Engineer, Public Health Engineering Division, Naushero Feroze for the year 2022-23, it was observed that an amount Rs. 5.296 million was paid at a reduced rate to the contractor on account of P.E pipes and machinery. The scrutiny of the record revealed that PE pipes, electric motors and diesel engines were purchased by the contractor in December 2018, but the same remained uninstalled even after a lapse of 05 years. Owing to this lapse the warranty of the machinery

also expired. Further, this also indicated that advance payment was made after the issuance of the work order and the same had not been adjusted yet. The details are tabulated as under:

Name of work: Rehabilitation of Rural Drainage Scheme				(Rs. in Million)			
CV#	WO dt	Part	Qty	Rate	Part rate	Amount	
D-39 16-6-23 Contractor: Malak Taluka Moro. M/S Aijaz Zardari	802 23-10-18	Rising main P.E pipe 8" dia	1460	860	840	1.226	
		Rising main P.E pipe 6" dia	3000	440	390	1.170	
		Premium 22.50% above					0.539
		Electric motor for drainage 10 BHP (Siemens)	2	728,000	680,000	1.360	
		Diesel Engine 16 BHP	2	552,000	500,000	1.00	
		Total					5.296

Audit is of the view that due to negligent oversight on the part of the management, the items procured were subjected to deterioration and a loss was caused to the public exchequer.

The matter was reported to the management in September, 2023. The management replied that the payment was made on part-rate at the time of supply wherein under clause-9 of SPPRA Rules Engineer-in-charge was entitled to pass for payment under reduced-rate. After laying, jointing, installation and testing etc. complete full rates would be allowed in subsequent bills. The reply is not tenable as the management accepted that machinery and pipes had not been installed despite lapse of 05 years.

The DAC in its meeting held on 8th January, 2024 showed concern for not completing the work despite making payment since long. DAC referred the case to committee under chairmanship of Chief Engineer to ascertain the facts as highlighted by audit.

Audit recommends compliance with DAC directives.

DP#56

5.5.17 Irregular payment without execution of actual work at site - Rs. 55.289 million

As per SPPRA Guidelines 6.2.2 (2), "A Procuring Agency shall prepare the Bill of Quantities appropriate to the works. The quantities given in the Bill of Quantities are estimated and provisional, and provide a common basis for tendering. The basis of payment will be the actual quantities of work ordered and carried out, as measured by the contractor and verified by the Engineer and valued at the rates and prices tendered in the bill of the quantities."

During the audit of the Executive Engineer, Public Health Engineering Division, Thatta for the Financial Year 2022-23, it was observed that an amount of Rs. 55.289 million was paid against the scheme, but subsequent to physical verification on a test check basis, work was not executed as per the recorded MBs and claims were raised. (Photographic evidence is attached in **Annex-7 of Chapter -05**.)

Further, the invoices for the supplies were neither available in the record nor provided to audit for verification. The details are tabulated as under:

(Rs. in Million)

Name of Scheme: Water Supply Scheme village Muhammad Hussain Shoro UC Jangri Taluka Thatta” and paid to M/s Madani Engineering Construction Co. up to 6 th R/A bill No D-63 dated 09-06-2023 MB No 13336 page No 74 to 76 dated nil.				
Name of Component	Cost as per Estimate	Expenditure as per bill	% of expenditure	Actual Physical Progress noticed during the audit
Rising Main	25.010	20.689	82.72	Partial work executed
Submersible Pump	4.395	4.200	95.56	Not supplied and installed, even pump house not constructed
Clear Water Tank	13.563	9.126	67.29	Tank roof was placed recently after June 2023
Solar System (28000 Watts)	5.744	4.700	81.83	Not supplied and installed at site of work
Solar System (12000 Watts)	2.456	2.00	81.42	Not supplied and installed at site of work
Compound Wall	6.945	5.133	73.91	Partial work was executed
Difference Cost of Material	0	9.442		
Total	58.113	55.289	95.14	

Audit is of the view that incorporation of entries in the measurement book without the actual execution of work at the site reflects undue benefit was extended to the contractor.

The matter was reported to the management in September, 2023 but no reply was received till finalization of this report. The DAC in its meeting held on 8th January, 2024 directed the management to refer the case to fact finding committee to ascertain the facts on ground and submit report with photographic evidences.

Audit recommends compliance with DAC directives.

DP#57

5.5.18 Unjustified payment against diesel generator without provision - Rs. 7.950 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 the audit of the Executive Engineer, Public Health Engineering (Operation & Maintenance) Division, Badin for the Financial Year 2021-22, it was observed that an amount of Rs. 7.950 million was paid to M/s Nazeer Construction on account of fuel charges of 100 KVA diesel generator for operation of 10 number of RO plants, but as per estimate, these RO plants were shown to be operated on electricity only against which provision of electric charges was also kept in the estimate. This resulted in an additional burden of Rs. 4.519 million. The details are tabulated as under:

(Rs. in Million)

Reference: CV#96dated13/6/2022, 4 th RA				
Part of work	Particulars	Qty	Rate	Fuel cost
Rehabilitation/operation/maintenance of 65000 GPD 03 Nos RO operated on electricity	Fuel for 100 KVA generator	43800	115	5.037
	Lubricant @ 1% of fuel	438	600	0.263
Rehabilitation/operation/maintenance of 75000 GPD 03 Nos RO operated on electricity	Fuel for 100 KVA generator	21900	115	2.519
	Lubricant @ 1% of fuel	219	600	0.131
Total				7.95
Electricity charges as per estimate				3.431
Difference				4.519

Audit is of the view that the claim of POL for operating RO plants through generators despite the provision of electricity was unjustified.

The matter was reported to the management in April, 2023 but no reply was received till finalization of this report. The DAC in its meeting held on 8th January, 2024 directed the management to provide documentary evidence i.e. Log books, certificate of load shedding from the concerned authorities and amount paid against electricity bills for running of R.O Plants.

Audit recommends compliance with DAC directives.

DP#12

5.5.19 Irregular payments at the start of works – Rs. 39.016 million

Para-17 of C.P.W.A code states that, “The Divisional Officer, as the primary disbursing officer of the division, is responsible not only for the financial regularity of the transactions of the whole division but also for the maintenance of the accounts of the transactions correctly and in accordance with the rules in force.”

During the audit of the following offices of the Public Health Engineering & Rural Development Department, Government of Sindh for the Financial Year(s) 2021-22 & 2022-23, it was observed that an amount of Rs. 39.016 million was paid to the contractors under various schemes, but payment was made against execution of works within 01-07 days of the date of start. Similarly, delivery challans and invoices for items i.e. machinery and paver block etc. were also not available in the record. Further, the date of measurement was also not shown on R.A. bills. The details are tabulated as under:

Sr #	Name of Office	Year	AIR Para#	Remarks	Amount
01	PHE Division N/Feroze	2022-23	08	Pumping machinery	18.891
02	PHE Division Sukkur	2022-23	06	Paver block	15.229
03	PHE Division Tando Allahyar	2021-22	2&3	Installation of RO Plant & Const. of RCC Nala	4.896
Total					39.016

Audit is of the view that heavy payments made within 01-07 days of the award of work create doubts about their actual execution. It is perceived that payment was made only to draw funds in the last days of the financial year in advance to avoid a lapse of budget.

The matter was reported to the management from January to September, 2023. The management at Sr.# 01, 02 & 03 replied that payment was made to contractors only for items supplied at site. The management admitted that payment was made on supply of items instead of executing composite items. Further the management neither invoked provision of secured advance for authorizing such payment nor provided RA bills for adjustment of payment in relevant BOQ items. No supporting bills and delivery challans duly certified by the management concerned were not provided to substantiate the view point.

The DAC in its meeting held on 8th January, 2024 directed the management to provide MBs along-with delivery reports of items supplied and photographic evidence regarding current status of the works.

Audit recommends compliance with DAC directives.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide para number 5.5.14 having financial impact of Rs. 2.883 million. Recurrence of same irregularity is a matter of serious concern.

DP#59, 14

5.5.20 Defective completion of schemes contrary to PWD specification – Rs. 61.980 million

As per Rule 11.1.3(i) of SPPRA, Procurement Regulation (Works), “PC-I of the scheme/work is required to be revised when the original scope is modified/changed, even though the cost of the same may possibly be covered by savings on other items in the original rough cost estimate.”

During the audit of the following offices of the Public Health Engineering & Rural Development Department, Government of Sindh for the Financial Year 2022-23, it was observed that schemes amounting to Rs. 61.980 million were shown completed, but various components remained unexecuted and at a reduced rate in violation of the specifications as provided in the BOQ. The details are tabulated as under:

(Rs. in Million)

Sr. #	Name of Office	AIR Para #	Particular	Amount
1	PHE Division Naushero Feroze	05	Work of surface drains from 29% to 52% and 100% work of CC block were unexecuted quantities of pavers were executed 9% to 132% beyond the original estimate.	40.977
2	PHE Division Dadu	01	Cement bags were claimed much below (58% & 31% respectively) against the required quantity as compared to cement works executed for Construction of C.C Nalas. Thus 58% & 31% cement works were either not executed or defective work was carried out.	12.667
3	PHE Division Sanghar	01	Quantity of PE pipes in raising main reduced from 14,100 Rft. to 4,850 Rft	7.313
4	PHE (O&M) Division SBA	05	Payment on membranes & HP drive for R.O plant was made at a reduced rate in 12 th & final RA	1.023
Total				61.980

Audit is of the view that the works were not completed as per the specifications and some were executed beyond the actual scope. Despite these shortcomings, the scheme was irregularly shown as completed, therefore the chances of defective work done cannot be ruled out.

The matter was reported to the management from September to November, 2023. The management at Sr.#01 replied that during execution on demand of inhabitants, some components were carried out in excess while others were reduced in accordance to CPWD code at para 71 whereby the Engineer-in-charge was empowered to pass excesses/reductions in quantities; hence no excess amount was incurred beyond T.S. The reply is not tenable as abnormal variations were accepted by the engineer affecting scope of work, which required revised administrative approval as well as T.S. The office at Sr. No. 02 replied that the department calculated and allowed difference cost of cement bags as per work done not for whole work. Ultimately, the number of bags for which escalation was paid would be lesser than required for whole work. The reply is not tenable as the cement work executed did not conform with the quantities of CC plain and RCC items. Further, no substantiating evidence was provided in justification of the reply. The rest of the offices did not submit their respective replies.

The DAC in its meeting held on 8th January, 2024 directed the management to provide revised PC-I/TS based on which variation of scope was approved to authenticate the contention of management. DAC also directed to provide justification with documentary evidence regarding execution of CC plain & RCC below the specification.

Audit recommends compliance with DAC directives.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide para number 5.5.7 having financial impact of Rs. 57.616 million. Recurrence of same irregularity is a matter of serious concern.

DP#50, 65, 108, 114

5.5.21 Irregular expenditure on account of contingent charges against works – Rs. 29.350 million

As per the approved PC-I of the schemes, “2% of the original work was provided for the contingent expenditure against the schemes.”

During the audit of the Executive Engineer, Public Health Engineering Division, Thatta, for the Financial Year 2022-23, it was observed that an amount of Rs. 29.350 million was charged as a contingent expenditure against 08 different schemes (which varies between 5% to 100% of the released amount) over and above the prescribed limit of 2%, instead of incurring the same on actual capital works. It was also noted that all contingent expenditures were made within the limit of Rs. 300,000/ to avoid invitation of tender and execution of various miscellaneous works. The details are given in **Annex-8 of Chapter -05**.

Audit is of the view that expenditure against contingency charges beyond 2% is held as an irregularity. Further, the amount was drawn through the first and final bills out of the scope of PC-I and technical sanction which reflected mismanagement.

The matter was reported to the management in September, 2023 but no reply was received. The DAC in its meeting held on 8th January, 2024 directed the management to provide detailed reply along with documentary evidence for consumption of contingency more than required against released budget.

Audit recommends compliance with DAC directives.

DP#60

5.5.22 Irregular payment on lumpsum measurement of quantities - Rs. 29.342 million

As per Rule 6.2.2 (2) of SPPRA, Procurement Regulation (Works), "Procuring agency shall prepare the Bill of Quantities appropriate to the works. The quantities given in the Bill of Quantities are estimated and provisional and provide a common basis for tendering. The basis of payment will be the actual quantities of work ordered and carried out, as measured by the contractor and verified by the Engineer and valued at the rates and prices tendered in the bill of the quantities."

During the audit of the Director General, Rural Development Department Hyderabad, for the Financial Year 2022-23, it was observed that an amount of Rs. 29.342 million was paid to M/s B.B Enterprises against the RA bills on lumpsum basis without mentioning the quantities of work done. The details are tabulated as under:

(Rs. in Million)

CV/Cheque No.	W.O.#	Name of work	Item of work	upto date payment	Amount
46/5010977 dtd.16.06.23 M/s B.B Enterprises	2021/22/2012 dated 31.05.22	Reconditioning of the road from village Khairo dero to village Allah Bux Hakro via Lashari bridge I/c Paver block & drain Taluka Ratodero	various items	89.988	24.785
45/5010976 dtd.16.06.23 M/s B.B Enterprises	2021/22/198 dated 24.05.22	Reconditioning/ Construction of link road from village Naseer Khan Bhangarr to village Umar Darazbhangar Taluka Thul Distt. JCD	Earthwork, base course & carpet	9.950	4.557
Total					29.342

Audit is of the view that payment made on a lumpsum basis implies that payment was made in advance without execution of items of work.

The matter was reported to the management in November, 2023 but no reply was received till finalization of this report. Despite written requests vide letters dated 02-11-2023, 27-11-2023 & 28-12-2023, no meeting of DAC was convened by the PAO till finalization of this report.

Audit seeks justification for the unjustified payment / responsibility may be fixed on the person(s) at fault.

DP#103

5.5.23 Excess payment to contractor over and above the scheduled rate -Rs. 2.068 million

According to para 8 (4) Section Introduction under the schedule of rates - 2012, "The schedule of rate may be found inadequate to carry out certain item of works. In such cases, the only competent body to review the position is the standing rate committee. All such cases should, therefore be referred to the Secretary, standing rate committee, for decision of the committee."

During the audit of the Executive Engineer, PHE (Operation & Maintenance) Division, Shaheed Benazirabad for the Financial Year 2022-23, it was observed that the contractor was allowed several scheduled items as non-schedule items which were not part of the original BOQ. Later, the estimate was revised and schedule items were allowed as non-schedule items at higher rates without preparing rate analysis. This resulted in excess payment of Rs. 2.068 million. The details are tabulated as under:

(Rs. in Million)

Name of items	Qty	Rate allowed	Schedule Rate	Add max. 20% premium	Total rate due	Diff.	Excess Payment
UPVC Pipes 63mm	60	1,044	90	18	108	936	0.056
UPVC Pipes 90mm	76	1,680	137	27.4	164.4	1,516	0.115
UPVC Pipes110mm	77	2,110	187	37.4	224.4	1,886	0.145
UPVC Pipes160mm	105	3,020	402	80.4	482.4	2,538	0.266
UPVC Pipes225mm	125	3,300	721	144.2	865.2	2,435	0.304
UPVC Pipes315mm	211	3,830	1,210	242	1452	2,378	0.502
UPVC Pipes280mm	57	3,485	1,011	202.2	1213.2	2,272	0.129
UPVC Pipe 55mm	136	4,150	90	18	108	4,042	0.550
Total							2.068

Audit is of the view that allowing rates against items more than the scheduled rates and without the concurrence of competent authority reflects that undue favour was extended to the contractor.

The matter was reported to the management in November, 2023 but no reply was received. Despite written requests vide letters dated 02-11-2023, 27-11-2023 & 28-12-2023, no meeting of DAC was convened by the PAO till finalization of this report.

Audit seeks justification for the excess rate allowed / responsibility may be fixed on the person(s) at fault.

DP#113

5.5.24 Splitting of expenditure to avoid open tenders – Rs. 183.650 million

Rule 17 (1) & (2) of Sindh Public Procurement Rules, 2010, “Procurement over three hundred thousand rupees and up to two million rupees shall be advertised by timely notification on the Authority’s websites and may in print media in the manner and format prescribed in these rules.”

According to Rule-12 of SPPRA-2010, Limitation on Splitting or Regrouping of Proposed Procurement (1), “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 the audit of the following offices of the Public Health Engineering & Rural Development Department, Government of Sindh for the Financial Years 2021-22 & 2022-23, it was observed that an expenditure amounting to Rs. 183.650 million was made through first and final bills and charged against various schemes on the execution of different items of works. The contracts were awarded to contractors by splitting the works of a similar nature just below the limit of Rs.300,000 in piecemeal to avoid the tendering process in violation of the SPPRA rule. The details are tabulated as under:

(Rs. in Million)

Sr. #	Name of Office	Year	AIR Para #	Amount
1	PHE Division-II Khairpur	2022-23	03	1.471
2	PHE (O.M) Khairpur	2022-23	09	2.645
3	PHE Division Thatta	2022-23	24	20.902
4	PHE Division-II, Khairpur	2021-22	11	5.742
5	PHE (O.M) Naushero Feroze	2021-22	05	70.443
6	PHE (O.M) Khairpur	2021-22	03	43.504
7	PHE (O.M) Sanghar	2021-22	07	23.697

8	PHE (O.M) Division, Badin	2021-22	05	7.102
9	PHE (O.M) Mirpurkhas	2021-22	06	3.750
10	PHE (O.M) Shikarpur	2021-22	03	3.397
11	PHE (O.M) Jacobabad	2021-22	02	0.997
Total				183.65

Audit is of the view that due to the splitting of expenditure the government was deprived of competitive rates.

The matter was reported to the management from January to September, 2023. The office at Sr. No. 04 replied that quotations were called upto Rs. 0.300 million from the 2% contingency provision. The reply is not tenable as work orders were split-up and works were carried out against earth-filling. The office at Sr. No. 07 & 09, replied that the works were of different nature, on different locations and on different intervals which could not be grouped. The reply is not tenable as no documentary evidence was provided to substantiate the reply. Further, the amount was paid in piece-meal in the month of June in similar dates for same nature of works. The office at Sr# 10 stated that the works repair of Generator & Transformer and rewinding of motors & pumps for disposals were of emergent nature which were split into parts in order to ensure speedy progress to avoid overflow of drains on the streets. The reply is not tenable as such work fall under frame-work contract which was not done. Further no documentary evidence regarding emergency was provided. The office at Sr. No. 11 stated that purchases were made on quotations as per SPPRA rules. The reply is not tenable as the procurement of Alum was made in bulk involving hefty amount without floating of tender. The remaining offices did not submit their respective replies.

The DAC in its meeting held on 8th January, 2024 directed the management to provide details of work orders issued to check whether they fall within the violation of splitting or not. Further, directed that in all such procurements, frame work contract should be executed to cater for emergent requirements where necessary.

Audit recommends compliance with DAC directives.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 & 2022-23 vide para numbers 5.5.21 & 5.5.6 having financial impact of Rs. 371.817 million. Recurrence of same irregularity is a matter of serious concern.

DP#110, 61, 04

5.5.25 Non-invitation of tender – Rs. 14.073 million

According to Rule-17 (1) of the Sindh Public Procurement Rules 2010, “Procurements over three hundred thousand rupees and up to two 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 the audit of the Executive Engineer, Public Health Engineering (Operation & Maintenance), Mirpurkhas for the Financial year 2021-22, it was observed that expenditure amounting to Rs. 14.073 million was made against various works without inviting tender. Details are at **Annex-9 of chapter-5**.

Audit is of the view that the non-invitation of tenders for various works reflects negligence on the part of the management due to which chances of uneconomic procurement cannot be ruled out.

The matter was reported to the management in April, 2023. The office at Sr. No. 01 replied that the amount under objection was incurred on minor maintenance works for which NIT was not necessary. The amount of all works was less than Rs. 0.300 million and the XEN was authorized to call quotations accordingly. The reply is not tenable as the relevant bills pointed out by the Audit were more than Rs. 0.300 million.

The DAC in its meeting held on 8th January, 2024 referred the case to committee constituted under chairmanship of Chief Engineer to ascertain the facts as highlighted by audit.

Audit recommends compliance with DAC directives.

DP#10

5.5.26 Excess expenditure over & above 5% of the estimate – Rs. 40.958 million

According to Para 532 and 767 of PWD Manual, Volume-I, “A revised estimate containing the facts and causes of revision must be submitted when sanctioned estimate is likely to be exceeded by more than 5% either from the rate being found insufficient or from any other cause whatever.”

During the audit of the following offices of the Public Health Engineering & Rural Development Department, Government of Sindh for the Financial Year(s) 2021-22 & 2022-23, it was observed that an expenditure of Rs. 40.958 million was made against the execution of works over and above the prescribed limit of 5% of the technical sanction. The details are tabulated as follows:

(Rs. in Million)

Sr. #	Name of Office	Year	AIR Para #	Amount
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01	PHE Division Thatta	2022-23	14	31.872
02	PHE Division Hyderabad	2022-23	13	8.37
03	PHE Division Mithi	2021-22	02	0.716
			Total	40.958

Audit is of the view that expenditure beyond the permissible limit of 5% of the estimate without revising the original technical sanction is contrary to the prescribed rule and is held irregular.

The matter was reported to the management from January to September, 2023 but no reply was received till finalization of this report. The DAC in its meeting held on 8th January, 2024 directed the management to provide revised T.S. with material statement and bills justifying use of excess quantities of RCC work.

Audit recommends compliance with DAC directives.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide para number 5.5.22 having financial impact of Rs. 48.508 million. Recurrence of same irregularity is a matter of serious concern.

DP#58, 22

5.5.27 Unjustified payment of premium on carriage of material - Rs. 0.992 million

As per Composite Schedule of Rates 2012, "No premium on carriage will be allowed to the contractor."

As per Para 11.3.3 of SPPRA Guidelines for Procurement, "Cost of cartage is not paid separately as the same is adjusted in the quoted premium, but the cost of escalation on materials is paid separately as per consumption."

As per Para 766 of P.W.D. Manual Volume-I, "Technical Sanction" amounts to nothing more than guarantee that the proposals are structurally sound and meet the requirements of the indenting department and that the Estimates are accurately calculated and based on adequate data."

During the audit of the following offices of the Public Health Engineering & Rural Development Department, Government of Sindh for the Financial Years 2021-22 & 2022-23, it was observed that payment of Rs. 0.992 million was made on account of premium against carriage, cartage & extra lead which was unjustified. The details are tabulated as under:

(Rs. in Million)

Sr. #	Name of Office	Year	AIR Para #	Premium against	Amount
1	PHE Division Matiari	2021-22 & 2022-23	03	cartage & extra lead	0.580
2	PHE Division Thatta	2022-23	23	carriage of material	0.412
Total					0.992

Audit is of the view that the payment of premium on carriage in contravention to the prescribed rules, resulted in excess payment to the contractor and caused a loss to the public exchequer.

The matter was reported to the management from January to November, 2023 but no reply was received till finalization of this report. The DAC in its meeting held on 8th January, 2024 directed the management to verify and recover the amount from bills of contractors, if premium paid on carriage.

Audit recommends compliance with DAC directives.

DP#116, 72

5.5.28 Abnormal delay in completion of schemes / works

As per SPPRA guidelines 2.9 Procurement Plan (Rule 11), "A procuring agency shall take into account the following while reviewing and updating the plan: (i) estimates of time requirements, (ii) availability of funds, (iii) assumptions about institutional capacity, (iv) changing priorities and (v) other factors that require plan adjustments for the success of the project. Such required adjustments will not invalidate the plan if made for improving."

During the audit of the various offices of the Public Health Engineering & Rural Development Department, Government of Sindh, for the year 2022-23, it was observed that various schemes were approved at the cost of Rs. 2,170.046 million and expenditure was also incurred thereof, but despite a lapse of 02 to 07 years, the schemes could not be completed. Notwithstanding that, the office of the Secretary PHE & RDD surrendered an amount of Rs. 2,745.585 million. The details are given in **Annex-10 of Chapter -05**.

Audit is of the view that due to abnormal delay in the completion of schemes, the public was deprived of the intended benefits. Further, the chances of loss to the exchequer cannot be ruled out as the incomplete structures were left prone to gradual deterioration.

The matter was reported to the management from January to November, 2023. The management at Sr.No.02 replied that due to unavoidable circumstances and hinderances faced during execution, the scheme was delayed however, the same had been completed. The reply is not tenable as no documentary

evidence i.e., progress report and PC-IV were provided to substantiate the reply. The offices at Sr. No. 05 & 11 replied that works were abandoned due to various reasons which were beyond the control of the department and delayed due to late receipt of funds. Since, the funds were released in piecemeal, hence, the work could not be completed in stipulated time. The replies are not satisfactory as they are based on a general perspective. Further, no punitive action through the forfeiture of security deposit and blacklisting of the defaulting contractors was taken as per the prescribed rules. The rest of the offices did not submit their respective replies.

The DAC in its meeting held on 8th January, 2024 directed the management to provide detailed justification for abnormal delay in execution of works and forfeit the security deposit of the contractors if found defaulting. Further, DAC also directed to provide up to date progress status of the schemes.

Audit recommends compliance with DAC directives.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide para number 5.5.9. Recurrence of same irregularity is a matter of serious concern.

5.5.29 Non-functioning of R.O Plants & Drainage systems

According to Section (I) of Appendix 18-A of Sindh Financial Rules Volume I & 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 the audit of the following offices of the Public Health Engineering & Rural Development Department, Government of Sindh for the Financial Years 2021-22 & 2022-23, it was observed that 220 R.O/UF Plants, 08 Water Supply & 75 Drainage Schemes remained non-functional. Furthermore, 21 Water Supply & 12 Drainage Schemes were declared abandoned due to various reasons. This reflected that the expenditure incurred on the redundant schemes and those left abandoned caused wastage of the public exchequer. The details are tabulated as under:

Sr. #	Name of Office	Year	Non-functioning / Abandoned	AIR Para #
1	PHE (O&M) Division, Khairpur	2022-23	15 RO/UF plants	05
			08 W/Supply & 21 Drainage Schemes	07

			21 W/Supply & 12 Drainage Schemes abandoned	08
2	PHE Division, Naushero Feroze	2022-23	16 Drainage schemes	12
3	PHE (O.M) Khairpur	2021-22	85 RO/UF plants and 54 Drainage Schemes	11
4	PHE (O.M) Sanghar	2021-22	64 ROUF plants	06
5	PHE (O.M) Larkana	2021-22	26 RO/UF plants	02
6	PHE (O.M) Jacobabad	2021-22	25 RO/UF plants	03
7	PHE (O.M) Sujawal	2021-22	05 RO/UF plants	08

Audit is of the view that the non-functioning of water supply and drainage schemes reflects negligence on the part of the management, due to which hefty public exchequer got wasted.

The matter was reported to the management from January to September, 2023. The office at Sr. No. 02 replied that due to non-acquisition of land and circumstances beyond the control, delay occurred. However, efforts were been taken to complete the schemes. The reply of office is not tenable as land for 6 no. of rural drainage schemes out of 16 schemes were acquired during January 2018 to December 2020 and no further measures were taken to acquire land and complete the schemes. The office at Sr. No. 04 attached progress report to show the exact number of functional and non-functional plants. The office at Sr. No. 05 attached progress report to show the exact number of functional and non-functional plants. The office at Sr. No. 06 & 07 replied the annual operation & maintenance funds were not sufficient to meet the required repair cost. The management of above offices admitted non-functional status of RO/UF plants, and no measures had been adopted to make them functional. Regarding reply of Sr. No. 07, it is further added that the work for maintenance of subject R.O. plants was already included in the contract agreement of M/s AA Memon worth Rs. 82.607 million. No reply was received from the remaining offices.

The DAC in its meeting held on 8th January, 2024 referred the case to fact finding committee under Chief engineer to give the report on the status of RO/UF plants and drainage schemes.

Audit recommends compliance with the DAC directives.

DP# 133, 88, 35

5.5.30 Non-initiating of action against the defaulting contractor – Rs. 6.504 million

As per SPPRA Rule 35 (1), “The following shall result in blacklisting of suppliers, contractors, or consultants, individually or collectively as part of a consortium- (d) willful failure to perform in accordance with the terms of one or more than one contract; (e) failure to remedy underperforming contracts, as

identified by the procuring agency, where underperforming is due to the fault of the contractor, supplier or consultant.”

During the audit of the Executive Engineer, Public Health Engineering Division, Matiari for the Financial Years 2021-22 & 2022-23, it was observed that the work for the installation of the R.O. plant for an amount of Rs. 6.504 million was awarded to M/S ZKB Construction on 27.08.2020, but despite a lapse of 03 years, the work was not executed. The details are tabulated as under:

(Rs. in Million)

Name of work	Name of Contractor	WO & Date	TS cost	Tender Cost
Providing and installing Reverse Osmosis plant for Muslim Town @ Masjid Ali-ul- Murtaza Town Committee Taluka Matiari, Dist. Matiari	M/S ZKB Construction	552 dated 27.8.20	6.604	6.504

Audit is of the view that failure to act against the defaulting contractor reflects negligence on the part of the management.

The matter was reported to the management in November, 2023 but no reply was received. Despite written requests vide letters dated 02-11-2023, 27-11-2023 & 28-12-2023, no meeting of DAC was convened by the PAO till finalization of this report.

Audit recommends forfeiture of the security deposit and blacklisting of the contractor.

DP# 100

5.5.31 Unjustified delay in the start of work after issuance of work order – Rs. 2.669 million

According to Para 9.2 of the Procurement Regulations (Works) – 2011, “Commencement date of the works shall be the date notified by the Engineer in writing. The contractor shall commence the work within 14 days after the date notified by the Engineer. Completion period will be counted from the date of receipt of the commencement order by the contractor.”

Further, according to Regulation No.1 (5) of *ibid*, “Commencement Date means the date mentioned in the notice issued by the Engineer to start the work.”

During the audit of the Executive Engineer, Public Health Engineering Division, Matiari for the Financial Years 2021-22 & 2022-23, it was observed that the management awarded work of Rs. 2.669

million to the contractor, but the work on the scheme was started after a lapse of around 03 years. The details are tabulated as under:

(Rs. in Million)

Name of Scheme	Vendor Name	WO & Date	RA	Cheque No	Payment Date	Amount
Providing & Installing Reverse Osmosis plant for Photoshoro UC Jaindakot Taluka & Distt Matiari	M/S Allah Jurio Construction Co.	565 dated 27.8.20	1st	4950366	9.6.23	2.669

Audit is of the view that the delay in execution of the work reflects inefficient operational oversight on the part of the management and extending of undue favor to the contractor.

The matter was reported to the management in November, 2023 but no reply was received. Despite written requests vide letters dated 02-11-2023, 27-11-2023 & 28-12-2023, no meeting of DAC was convened by the PAO till finalization of this report.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

DP# 99

5.5.32 Expenditure without submission of adjustment vouchers & utilization report - Rs. 250.00 million

As per rule 668 of Central Treasury Rules, "Advances granted under the special orders of the competent authority to officers/officials for department or allied persons needs to 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 needs to be necessary."

During the audit of the Executive Engineer, PHE Division, Mirpurkhas for the Financial Year 2022-23, it was observed that an amount of Rs. 250.00 million was paid to other government agencies/departments, but adjustments of bills/vouchers were not obtained from the same. The details are tabulated as under:

(Rs. in Million)

Vendor Name	Cheque No	Date	Amount
Commanding Officer 18 Div Head Quarter Hyderabad	4598639	11/08/2022	50.00
	4645195	20/10/2022	50.00
	4645338	25/10/2022	50.00

	4718301	20/01/2023	50.00
	4836923	04/05/2023	50.00
Total			250.00

Audit is of the view that expenditure without submission of adjustment vouchers and detailed utilization report renders the entire expenditure irregular.

The matter was reported to the management from September to November, 2023. The management replied that this office approached the Pak Army for provision of expenditure vouchers whereas the concerned quarters replied that the same were provided to the Defense Audit. The reply is not tenable as the management only provided utilization certificate and failed to arrange supporting vouchers.

The DAC in its meeting held on 8th January, 2024 directed the management to approach the concerned quarters for provision of detail / vouchers.

Audit recommends compliance with DAC directives.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide para number 5.5.33 having financial impact of Rs. 2,735.555 million. Recurrence of same irregularity is a matter of serious concern.

DP# 37, 124

5.5.33 Irregular refund of security deposits during execution- Rs. 46.309 million

As per clause 7.12.3(i) of SPPRA, Procurement Regulations (Works), "It can be released in either of following ways, but the same shall be mentioned in the contract data /special conditions of the contract:-(a) On completion of the works; half the total amount retained is refunded to the contractor and half when the defects liability period has passed and the engineer has certified that all defects notified to the contractor before the end of this period have been attended to his satisfaction;(b) full amount be released after completion of defect liability period."

During the audit of the following offices of the Public Health Engineering & Rural Development Department, Government of Sindh for the Financial Year(s) 2021-22 & 2022-23, it was observed that the security deposit amounting to Rs. 46.309 million was refunded during execution of work/prior to completion of defect liability period. The details are tabulated as under:

(Rs. in Million)

Sr. #	Name of Office	Year	AIR Para #	Amount
01	PHE Division Larkana	2022-23	07	34.679
02	PHE Division Hyderabad		07	8.799
03	PHE Division Matiari	2021-23	14	2.831
	Total			46.309

Audit is of the view that the refund of the security deposit before completion of the works reflects extending an undue favour to the contractors by compromising the interests of the government.

The matter was reported to the management from September to November, 2023. The office at Sr. No. 01 replied that a part of the security deposit was released to the contractors after completion of works as per the recorded MBs. The reply is not tenable as no evidence was provided to certify the refund of security deposit after the defect liability period i.e., 90 days. The rest of the offices did not submit their respective replies.

The DAC in its meeting held on 8th January, 2024 directed the management to provide evidence to authenticate the refund of security deposit was made after the defect liability period i.e., 90 days.

Audit recommends compliance with DAC directives.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 & 2022-23 vide para numbers 5.5.34 & 5.5.34 having financial impact of Rs. 52.516 million. Recurrence of same irregularity is a matter of serious concern.

DP# 78, 129

5.5.34 Non-deposit of original Call Deposit – Rs. 20.777 million

According to Para 63 of CPWA Code, “When money is received by Government officers on behalf of the Government it should be at once brought to account. Furthermore, as per Rule-75 and Rule-76 of CPWA code, the officer in charge of call deposit should keep a book in Form-4 in which all remittances to the treasury should be entered upon and the account of call deposit transactions should be maintained in form-I of call deposit as regular arrangement.”

During the audit of the following offices of the Public Health Engineering & Rural Development Department Government of Sindh for the Financial Years 2021-22 & 2022-23, it was observed that an

amount of Rs. 20.777 million was received as a bid security/call deposit from the contractors in the shape of pay orders. However, the respective managements retained the amount rather than depositing the same into the treasury as per rule. The details are tabulated as under:

(Rs. in Million)

Sr. #	Name of Office	Year	AIR Para #	Amount
1	PHE Division, Hyderabad	2022-23	05	1.317
2	PHE Division, Karachi	2022-23	04	3.326
3	PHE Division-II, Khairpur	2022-23	02	4.147
4	PHE Division, Mithi	2021-22	04	6.356
5	PHE Division, Qambar Shahdadt	2021-22	05	5.631
Total				20.777

Audit is of the view that retainment of the government money instead of depositing it in the treasury reflects financial negligence on the part of the management.

The matter was reported to the management from January to September, 2023 but no reply was received till finalization of this report. The DAC in its meeting held on 8th January, 2024 shown displeasure on retaining of call deposits despite issuance of work orders. Further, DAC directed to immediately deposit all Call deposits into government treasury and get it verified from audit.

Audit recommends compliance with the DAC Directives.

DP# 82, 128, 23

Note: The issue was reported earlier also in the Audit Reports for Audit Year 2022-23 vide para number 5.5.28 having financial impact of Rs. 126.418 million. Recurrence of same irregularity is a matter of serious concern.

5.5.35 Irregular retention and refund of lapsed deposit – Rs. 2.538 million

Para-399 (III) Central Public Works Accounts Code, “Balances unclaimed for more than three complete account years should be credited to government as lapsed deposit.”

During the audit of the following offices of the Public Health Engineering & Rural Development Department, Government of Sindh for the Financial Year 2022-23, it was observed that an amount of Rs. 2.538 million was lying as lapsable deposits for more than 15 years out of

which Rs. 0.966 million were refunded to various contractors after lapse of more than three years of completion of works. The details are tabulated as under:

(Rs. in Million)

Sr. #	Name of Office	AIR Para #	Particulars	Amount
1	PHE Division SBA	09	lapsable deposits for more than 15 years	1.572
2	PHE Division Shikarpur	01	Refunded to contractors after lapse of more than three years	0.742
3	PHE Division-II, Khairpur	04		0.224
Total				2.538

Audit is of the view that unclaimed balances for more than three years were required to be credited to the government treasury as lapsed deposits, but refund of the same contrary to the prescribed rules reflects financial negligence on the part of the management.

The matter was reported to the management in November, 2023 but no reply was received. Despite written requests vide letters dated 02-11-2023, 27-11-2023 & 28-12-2023, no meeting of DAC was convened by the PAO till finalization of this report.

Audit seeks fixing responsibility on the person(s) at fault / taking remedial measures.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 & 2022-23 vide para number 5.5.29 & 5.5.36 having financial impact of Rs. 6.487 million. Recurrence of same irregularity is a matter of serious concern.

DP# 130, 131

5.5.36 Unjustified expenditure without acquisition of land – Rs. 42.498 million

According to Para-A, Flow Chart for Procurement of Works Annexure-O of the Procurement Regulations (Works) of SPPRA, "Following are the activities to be undertaken before initiating the Procurement Process:

(i) Development works:

- A-I Conceiving of Development Scheme/Project.
- A-II Preparation of PC-I/PC-II.
- A-III Approval of PC-I/PC-II from Competent Forum.
- A-IV Issue of Administrative Approval.

- A-V Technical Sanction of Detailed Estimate.
- A-VI Placement of Funds with Executing Agency.
- A-VII Site Possession or Land Acquisition.
- A-VIII Preparation of Procurement Plan.”

During the audit of the Executive Engineer, Public Health Engineering Division, Jacobabad for the Financial Year 2021-22, it was observed that an expenditure of Rs. 42.498 million was incurred against the following drainage schemes, but land for the execution of the schemes was not acquired. The details are tabulated as under:

(Rs. in Million)

DP No.	Name of scheme	Date of approval	Date of start of work	Area of Land	Land and cost as per PC-I	Up-to-date expenditure
183	Urban Drainage Scheme, Taluka Garhi Khairo, District Jacobabad	24-02-2015	June, 2016	3 Acres	1.500	39.998
129	Rural Drainage Scheme for village Mir Wah Jagir, Dadu Dero, Sardar Dad Muhammad Jakhrani, Taluka Jacobabad	15-02-2022	May, 2022	.5 Acres	0.500	2.500
Total				.5 Acres	2.000	42.498

Audit is of the view that execution of work on the schemes without acquisition of land reflects inefficient operational management.

The matter was reported to the management in April 2023. The management replied that payment had not been made against the acquisition of land, thus reflecting that the hefty public funds were wasted.

The DAC in its meeting held on 8th January, 2024 directed the management to transfer the payment to LAO to initiate further process for acquisition of land.

Audit recommends compliance with DAC directives.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 5.5.12 having financial impact of Rs. 60.493 million. Recurrence of same irregularity is a matter of serious concern.

DP# 18

5.5.37 Irregular Expenditure on repair of Transformers - Rs. 4.280 million

According to Subject 10 (1) & (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 the audit of the following offices of the Public Health Engineering (Operation & Maintenance) Division, Khairpur for the Financial Year 2022-23, it was observed that an expenditure of Rs. 4.280 million was incurred on account of repair of transformers, but NOC from SEPCO for repair of transformers was not obtained. Furthermore, work was carried out without quotation and a satisfactory work completion certificate was not obtained.

Audit is of the view that the expenditure made against the repair of transformers without obtaining mandatory NOC from the SEPCO is held as an irregularity.

The matter was reported to the management in November, 2023 but no reply was received. Despite written requests vide letters dated 02-11-2023, 27-11-2023 & 28-12-2023, no meeting of DAC was convened by the PAO till finalization of this report.

Audit seeks justification for the matter / responsibility may be fixed on the person(s) at fault.

DP#109

5.5.38 Non-recovery of Sales Tax at the prescribed rate - Rs. 36.709 million

As per SRB letter dated 29-08-2019, “Sindh sales tax on service providers contractors/vendors shall be deducted/withheld and deposited on payment of bills for civil work/construction works & repair of all government building works and similar other works @5% of the value of bill and deduct all other taxable services at the applicable rate of tax prescribed in 2nd schedule to the Act 2011.”

During the audit of the following offices of the Public Health Engineering & Rural Development Department, Government of Sindh for the Financial Year 2021-22 & 2022-23, it was observed that an amount of Rs. 36.709 million on account of SST was either not or less deducted while making payments to the contractors. The details are tabulated as under:

(Rs. in Million)

Sr. #	Name of Office	Year	AIR Para #	Particulars	Amount
1	PHE Division, Larkana	2022-23	11	Not deducted	30.570
2	PHE Division, Thatta	2022-23	20	less deducted	1.537
3	PHE Division, Mithi	2022-23	05		0.168
4	PHE Division, Matiari	2021-23	06	Not deducted	0.468
5	PHE Division, Sanghar	2022-23	04	less deducted	2.000
6	PHE Division, Badin	2021-22	08	Not deducted	1.911
7	PHE Division, Kashmore @ Kandhkot	2021-22	02		0.055
Total					36.709

Audit is of the view that due to the less/non-deduction of the specified taxes; undue favor was extended to the contractors and the government was deprived of potential revenue.

The matter was reported to the management from September to November, 2023. The office at Sr. No. 01 replied that according to procedure and codification, the Sales Tax was being duly deducted provided the provision of the same was included in the bidding documents. The reply is not tenable as no documentary evidence was provided to certify the deduction of subject tax. The office at Sr. No. 06 replied while bringing into consideration the income tax deductions instead of the SST deductions. The rest of the offices did not submit their respective replies.

The DAC in its meeting held on 8th January, 2024 directed the management to provide documentary evidence to audit for verification of tax deducted.

Audit recommends compliance with DAC directives.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide para number 5.5.30 having financial impact of Rs. 45.072 million. Recurrence of same irregularity is a matter of serious concern.

DP# 73, 118, 26

5.5.39 Less deduction of Income Tax – Rs. 1.977 million

According to section 153 (1)(c) 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 nonresident person, shall deduct income tax at source on the execution of a contract, in case of a company, 7% of the gross amount payable, if the company is a filer and 10% if the company is a non-filer; and in any other case, 7.5% of the gross amount payable, if the person is a filer and 10% if the person is a non-filer.”

During the audit of the following offices of the Public Health Engineering & Rural Development Department, Government of Sindh for the Financial Years 2021-22 & 2022-23, it was observed that payments were made to various contractors, but the income tax amounting to Rs. 1.977 million was deducted less from the bills at applicable rates. The details are tabulated as under:

(Rs. in Million)

Sr. #	Name of Office	Year	AIR Para #	Particulars	Amount
1	PHE Division, Thatta	2022-23	19	less deducted	0.658
2	PHE Division, Sanghar	2022-23	07		1.134
3	PHE Division, Mirpukhas	2021-22	10		0.185
Total					1.977

Audit is of the view that due to less deduction of the Income Tax, undue favor was extended to the contractors and the government was deprived of potential revenue.

The matter was reported to the management from September to November, 2023. The office at Sr. No.03 replied that Income Tax @ 7% was deducted from all the bills as per rules. The reply is not tenable as per SAP data, the tax was deducted below 7%.

The DAC in its meeting held on 8th January, 2024 directed the management to get the shortfall of taxes recovered where found less than the prescribed rates.

Audit recommends compliance with DAC directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2021-22 vide para number 5.5.30 having financial impact of Rs. 0.071 million. Recurrence of same irregularity is a matter of serious concern.

DP# 74, 121, 26

5.5.40 Non / less recovery of Stamp Duty – Rs. 9.422 million

According to Para 22-A of the Stamp Act, “It is the duty of the Competent Authority to recover the Stamp Duty and affix the same, while execution of Agreement @ 0.35 paise per hundred rupees of the value of the Agreement or against the tender cost.”

During the audit of the following offices of the Public Health Engineering & Rural Development Department, Government of Sindh, for the Financial Year 2021-22 & 2022-23, it was observed that contracts for various works were executed, but Stamp Duty amounting to Rs. 9.422 million was either not obtained or less deducted from the contractors at the prescribed rates.

(Rs. in Million)

Sr. #	Name of Office	Year	AIR Para #	Amount
1	PHE Division Thatta	2022-23	18	2.003
2	PHE Division Larkana	2022-23	02	0.842
3	PHE Division Hyderabad	2022-23	10	0.745
4	PHE Division Dadu	2022-23	09	0.506
5	PHE Division Mithi	2022-23	09	0.136
6	PHE Division Shikarpur	2022-23	03	0.994
7	PHE Division Matiari	2022-23	02	0.629
8	PHE Division SBA	2022-23	01	0.382
9	D.G RDD	2022-23	05	0.065
10	PHE Division Mithi	2021-22	07	1.360
11	PHE Division-II, Ranipur @Khairpur	2021-22	05	0.580
12	PHE Division, Qambar Shahdadt	2021-22	06	0.453
13	PHE Division-I Khairpur	2021-22	03	0.332
14	PHE Division, Mirpurkhas	2021-22	07	0.036
15	PHE (O.M) Larkana	2021-22	05	0.359
Total				9.422

Audit is of the view that the non-recovery of Stamp Duty resulted in the non-realization of potential government revenue.

The matter was reported to the management from September to November, 2023. The office at Sr. No. 02, 04, 11, 13 & 14 replied that the stamp duty had been affixed and collected against all the contract agreements. The replies are not acceptable as no substantiating documents were provided to justify the collection of stamp duty. The rest of the offices did not submit their respective replies.

The DAC in its meeting held on 8th January, 2024 directed the management to obtain stamp duty against the revised contract agreements where ever not obtained and get them verified (in original) from audit.

Audit recommends compliance with DAC directives.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 & 2022-23 vide para numbers 5.5.31 & 5.5.30 having financial impact of Rs. 14.958 million. Recurrence of same irregularity is a matter of serious concern.

DP# 75, 120, 25

5.5.41 Excess payment due to calculation error - Rs. 3.921 million

As per SPPRA Guidelines 6.2.2 (2), “A procuring agency shall prepare the Bill of Quantities appropriate to the works. The quantities given in the Bill of Quantities are estimated and provisional and provide a common basis for tendering. The basis of payment will be the actual quantities of work ordered and carried out, as measured by the contractor and verified by the Engineer and valued at the rates and prices tendered in the bill of the quantities.”

During the audit of the following offices of the Public Health Engineering & Rural Development Department, Government of Sindh for the Financial Year 2022-23, it was observed that the payment amounting to Rs. 3.921 million was made in excess of the actual amount owing to a calculation error. The details are tabulated as under:

(Rs. in Million)

CV# dt	Name of Scheme	Name of Office	As per bill	As per audit	Excess	AIR#
56 19/06/23	W/S Scheme Tando Jam (construction of storage tank, sump well, interconnection & compound wall)	PHE Division Hyderabad	59.610	56.151	3.459	08

4845575/ 12.6.23	Reh. For rural drainage scheme Bazar Khan Talpur dist. TMK	PHE Division TM Khan	1.463	1.001	0.462	09
Total			61.073	57.152	3.921	

Audit is of the view that due to negligent supervision on the part of the management, the public exchequer sustained a loss.

The matter was reported to the management from September to November, 2023 but no reply was received till finalization of this report. The DAC in its meeting held on 8th January, 2024 directed the management to provide bills and MBs for verification to audit.

Audit recommends compliance with the DAC Directives.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 & 2022-23 vide para numbers 5.5.32 & 5.5.29 having financial impact of Rs. 5.189 million. Recurrence of same irregularity is a matter of serious concern.

DP# 68, 119

5.5.42 Unjustified excess payment on management charges – Rs 2.720 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 the audit of the Executive Engineer, Public Health Engineering (Operation & Maintenance) Division, Badin for the Financial Year 2021-22, it was observed that an excess payment of Rs. 2.720 million was made to M/S Nazeer Construction on account of management charges under the head of account Establishment routine maintenance. As per estimates, the management charges for 12 months were to be paid for 03 visits per month covering 44 RO plants, but the same was allowed for 308 visits in a year. Thus, management charges for 272 visits were paid in excess. The details are tabulated as under:

(Rs. in Million)

CV# 96 Date 13/6/2022, 4 th R.A			
Description	Qty	Rate	Amount
As per bill	308	10,000	3.080
As per estimate & BOQ	3*12=36	5000	0.180
Excess	272	10,000	2.720

Audit is of the view that instead of 03 visits in a month, the management allowed excess payment against management charges for 272 visits which stands unjustified.

The matter was reported to the management in March, 2023 but no reply was received till finalization of this report. The DAC in its meeting held on 8th January, 2024 directed the management to provide bills and MBs along with contract agreement to audit for verification.

Audit recommends compliance with DAC directives.

DP#02

5.5.43 Non / less deduction of the performance/security deposit - Rs. 134.738 million

As per Rule 7.12.3 of the SPPRA, Procurement Regulation (Works), "Procuring Agency will retain/deduct from each interim/running payments due to the contractor, the security deposit in proportion stated in the contract data/data sheet until completion of the whole of the works. The cumulative total of such amount will be 5% of the bid total mentioned in the letter of acceptance. In this way the total amount with the procuring agency will be ten percent of the bid cost in the shape of performance security and retention money/security deposit. Recoveries so made from the contractor are returned to him by the procuring agency as per terms and conditions of contract."

During the audit of the following offices of the Public Health Engineering & Rural Development Department, Government of Sindh for the Financial Year 2022-23, it was observed that various works were awarded to the contractors, but Performance/Bid security @ 5 % amounting to Rs. 134.738 million was either not or less obtained. In another case, the performance security obtained in the form of bank guarantee was not renewed to safeguard the interest of government. The details are tabulated as under:

(Rs. in Million)

Sr. #	Name of Office	AIR Para #	Particular	Amount
1	PHE Division Larkana	04	5% Performance security not obtained	104.903
2	PHE Division Naushero Feroze	10	3% less deduction of security deposit	2.195
3	PHE Division Shikarpur	06	Performance security was not renewed after expiry	27.64
Total				134.738

Audit is of the view that the non/less-obtaining of performance/bid security reflects extending undue benefit to the contractors.

The matter was reported to the management from September to November, 2023. The offices at Sr. No. 01&02 replied that 2% bid security was required and 5% Security Deposit was deducted from the bills of contractors, hence the competent authority awarded the works accordingly. The management admitted that the bid security (converted to performance security) was obtained @ 2% instead of 5%.. The remaining 3% amount of security deposit is required to be deducted from contractors' bills. No reply was received from remaining offices.

The DAC in its meeting held on 8th January, 2024 directed the management for production of documentary evidence to substantiate the attainment of 5% performance security. Further directed if the amount found less than the required, the same may be deducted from the bills and shown to audit.

Audit recommends compliance with DAC directives.

DP# 41, 86,127

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 & 2022-23 vide para numbers 5.5.35 & 5.5.32 having financial impact of Rs. 149.691 million. Recurrence of same irregularity is a matter of serious concern.

5.5.44 Unjustified expenditure against contingency by Head Office – Rs. 8.586 million

As per the notification issued by the Government of Sindh, Finance Department Karachi vide No. B/2(63)/78 Part-II/20 dated 30th November 1981, "The funds allocated for one unit of appropriation cannot be utilized for another unit without prior approval of the competent authority."

According to Rules-12 of the General Financial Rules, "A controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the fund allotted to spending units are expended in the public interest and upon objects for which the money was provided."

During the audit of the Secretary, PHE & RDD, Karachi for the Financial Year 2022-2023, it was observed that the management incurred an expenditure of Rs. 8.586 million against the contingency charges of the Secretary's office from the Cost Center – KQ0591, which was allocated for M&R of machinery & equipment of the field offices. Furthermore, the office of the Secretary had already been allocated two separate Cost Centers i.e., KQ-0592 & KQ-0589 for PHE and RDD wings respectively to meet routine contingency expenditure. This resulted in a failure to disburse funds to the field offices and maintenance of their machinery & equipment.

Audit is of the view that utilization of funds allocated for field offices without re-appropriation stands irregular. As a result, the intended objectives for which the budget was allocated were compromised.

The matter was reported to the management in November, 2023 but no reply was received. Despite written requests vide letters dated 02-11-2023, 27-11-2023 & 28-12-2023, no meeting of DAC was convened by the PAO till finalization of this report.

Audit seeks justification for the incurrence of expenditure contrary to the budget allocated.

DP# 134

5.5.45 Non-adjustment of Manufacture Account & P.W Deposits – Rs. 4.830 million

Para 333 & 342 of the CPWA Code states that, “The essential accounts of manufacture shall not remain indefinitely. If the operations are seasonal, the accounts of seasons should be kept separate and closed as soon as operations are closed. In cases where operations are continuous, the accounts must nevertheless be closed periodically but at least once a year.” According to Para 399 (iii) of the Central Public Works Account Code, “The unclaimed balances of Public Works Deposits for more than three complete account years should be credited to Government as lapsed deposit.” Further, according to Para 174 C.P.W.A code Vol-I, “All the public revenues when corrected are required to be assessed and realized in accordance with the rules and orders made by or under the authority of the Government and these shall be brought into the account in accordance with prescribed clarification.”

During the audit of the following offices of the Public Health Engineering & Rural Development Department, Government of Sindh, for the Financial Year 2022-23, it was observed that an amount of Rs. 4.830 million was reflected in Form-73 & Form-78 despite a lapse of considerable time and no adjustments were sought accordingly. The details are tabulated as under:

(Rs. in Million)

Sr. #	Name of Office	AIR Para #	Particulars	Amount
1	PHE Division, Hyderabad	09	Manufactures, Land Kilns & Storage account (Form-73)	2.505
2	PHE Division, Larkana	10	P.W. Deposits (Form-78)	2.325
Total				4.830

Audit is of the view that the non-adjustment of the manufacture account and Public Works deposits reflects weak financial controls.

The matter was reported to the management in September, 2023. The office at Sr. No. 02 accepted that the Public Works Deposits had been reflecting in their accounts since the creation of the division and the same were yet to be adjusted. The reply of the other office was not received till finalization of this report.

The DAC in its meeting held on 8th January, 2024 directed the management to adjust/credit the same to government account as per the procedure.

Audit recommends compliance with DAC directives.

DP# 83, 84

Chapter-6

WORKS & SERVICES DEPARTMENT

6.1 Introduction

After promulgation of SLGO 2001, Communication and Works Department was renamed as Works & Services Department, which is responsible for providing services in the form of road network and building facilities to various departments of Government of Sindh. Its main activities are planning, designing, construction and maintenance of Roads/Highways and Buildings.

The following key functions are undertaken by the department:

- a) Implementation of Annual Development Program (ADP) in terms of construction and improvement of new and existing infrastructure. It also includes all domestic and Foreign Aided Projects.
- b) Implementation of the Annual Maintenance and Repair Programme.
- c) Preparation of feasibility reports of roads / projects.
- d) Designing of roads and buildings and preparing detailed estimates.
- e) Quality Assurance of projects.
- f) Providing technical/execution assistance to other departments and agencies.

(Rs. in Million)

Sr. #	Description	Total Nos	Audited	Expenditure audited FY 2022-23
1	Formations	58	28	86,091.500
2	Foreign Aided Projects (FAP)	1	1	26.359

6.2 Comments on Budget and Accounts (Variance analysis)

The accounts for the Financial Year 2022-23 were audited on test check basis. Following is the position of budget, expenditure and receipt of the department:

(Rs. in Million)

Original Budget	Final Budget	Releases	Actual Expenditure	Excess / (Savings)
116,202.009	119,665.375	114,642.337	110,409.782	(4,232.555)

The department was unable to spend the allocated budget in time. As a result, savings of Rs. 4,232.555 million was observed which was not surrendered in time.

6.3 Classified Summary of Audit Observations

Observations amounting to Rs. 18,763.715 million were raised as a result of this audit. This amount also includes recoveries of Rs. 688.526 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in Million)

Sr. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	12.090
B	Procurement related irregularities	16,395.184
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	1,667.915
6	Recovery	688.526
	Total	18,763.715

6.4 Comments on the Status of Compliance with PAC Directives

The status of Audit Reports requiring compliance of the PAC directives by the department is tabulated as follows:

Sr. #	Audit Report	Total Paras discussed	No. of Paras requiring Compliance	Compliance of PAC directives made	Compliance of PAC directives not made	Percentage of Compliance	Remarks
1	1992-93	25	4	0	4	-	
	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	5	0	5	-	
9	2008-09	15	4	0	4	-	
10	2009-10	21	1	0	1		
11	2010-11	25	12	0	12		
12	2014-15	0	0	0	0	-	Report not yet discussed

13	2016-17	0	0	0	0	-	
14	2020-21	20	20	6	14	30	
15	2021-22	0	0	0	0	0	
Total		239	94	8	86		

6.5 Audit Paras

6.5.1 Non-production of record

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 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 relevant Efficiency and Discipline Rules, applicable to such person.

During the audit of the various offices of Works & Services Department, Government of Sindh for the Financial Year 2021-22, auditable record pertaining to development and non-development expenditure of Rs. 1,910.643 million was not provided despite requisitions. Furthermore, the office at Sr.No.2 did not produce any record despite taking up the matter with the PAO whereas, in the remaining offices, partial record was provided. The details are given in **Annex-1 of Chapter -06**.

Audit is of the view that the non-production of record is a violation of AGP ordinance and reflects negligence on the part of the management. Due to non-production of specified record the authenticity of expenditure made could not be ascertained.

The matter was reported to the management in the month of December, 2022 to June, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends the production of record besides, initiating disciplinary proceedings against the person(s) at fault in accordance with the provision stipulated in Section 14 of AGP Ordinance.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 and 2022-23 vide para numbers 6.5.1 & 6.5.1 having financial impact of Rs. 18,232.835 million. Recurrence of same irregularity is a matter of serious concern.

DP#01

6.5.2 Excess payment on account of consumption of material than actual utilization - Rs. 129.230 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 the audit of the following offices of Works & Services Department, for the Financial Year 2021-22, it was observed that excess payment of Rs.129.23 million was made to contractors due to excess consumption of steel and bricks beyond the ratio provided in the sanctioned estimate/design. The details are tabulated as under:

(Rs. in Million)

S.No	Name of Office	Remarks	AIR Para No	Amount
1	Executive Engineer Highways Division Sukkur	Excess qty. of 15,580 cft RCC was utilized against the steel utilized	10	5.875
2	Executive Engineer, Provincial Buildings Division Health Works (Upper Sindh), Larkano	Qty. of steel claimed more than the approved ratio of RCC executed	4	116.559
3	Executive Engineer, Highways Division, Dadu	Diff. cost of Pacca bricks claimed more than the utilized qty. as per the executed qty. in Cft	1	0.067
4	Executive Engineer, Provincial Highways Division, Mirpurkhas	Qty. of steel claimed more than the approved ratio of RCC executed	6	0.123
5	Executive Engineer, District Building Division, Badin	Qty. of steel claimed more than the approved ratio of RCC executed	5	0.124
6	Executive Engineer, Provincial Buildings Division Health Works (Upper Sindh), Larkano	Diff. cost of Pacca bricks claimed more than the utilized qty. as per the executed qty. in Cft	5	6.482
Total				129.230

Audit is of the view that by allowing excess consumption of material beyond the required ratio, resulted in loss to the government exchequer.

The matter was reported to the management during December, 2022 to June, 2023. The office at Sr. No.4 replied that the excess consumption of steel was made due to the requirements for newly construction of 5ft. & 3ft. span culverts. The estimated cost of the work was Rs. 109.800 million against which an expenditure of Rs. 109.375 million was incurred which was within the estimated cost. Further, higher consumption of steel was due to the design of component of item and as per the site requirements. The reply is not tenable as the extra quantities of the items were not sanctioned nor were these provided in the material statement. No replies were received in case of other offices.

Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit requires providing material statement in each case supported with revised design and estimates in order to verify the approved quantities.

DP#31

6.5.3 Non-recovery of outstanding dues from contractor – Rs. 12.912 million

As per the minutes of meeting held on 16th of March 2022 chaired by Deputy Commissioner Sukkur, it was pointed out that an over payment of Rs. 20.00 million was made to contractor under the scheme 'Reconditioning of road from Sindh Small Industries to Gulshan-e-Iqbal, Qureshi Village.

During the audit of the Executive Engineer Highways Division, Sukkur for the Financial Year 2021-22, it was revealed through the minutes of meeting that an overpayment of Rs. 20 million was made to the contractor out of which Rs. 12.912 million was still outstanding. The details are tabulated as under:

(Rs. in Million)

RA	item	Qty	Rate	Amount	Recovered
21 08-06-22	Paver Blocks	19655	199	3.912	3.661
	Earth work for road embankment	805,243	6700	5.395	0
22 09-06-22	Paver Blocks	7655	199	1.523	2.388
	Earth work for road embankment	650243	6700	4.357	1.038
Recovered amount					7.088
Outstanding dues					12.912

Audit is of the view that the non-recovery of excess payment reflects financial negligence, thus causing loss of public exchequer.

The matter was reported to the management in December, 2022 to June, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023. DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends expeditious recovery / adoption of remedial measures.

DP#31

6.5.4 Unjustified release of funds to the Karachi Bar Association – Rs. 50.000 million

According to Para 145 of the General Financial Rules, Volume-I, “Purchases should be made in most economical manner in accordance with the definite requirements of the public service. At the same time care should be taken not to purchase stores in advance of actual requirement, if such purchase is likely to prove unprofitable to government.”

During the audit of the Secretary, Works & Services Department, Government of Sindh, Karachi for the Financial Year 2021-2022, it was observed that the management transferred funds amounting to Rs. 50.000 million as grant-in-aid to the Karachi Bar Association. The funds were transferred from the Law Parliamentary Affairs & Criminal Prosecution Department, Government of Sindh to the Secretary, Works & Services Department, Government of Sindh for construction of the Lawyer’s Club after fulfilment of all the codal formalities. Further, the Secretary Works & Services Department accorded approval for advance payment to the Karachi Bar Association vide No. E&A(W&S) Acctt/2021-2022 dated 31st May, 2022 without execution, supervision and monitoring of the construction work of the club. The detail is tabulated as under:

(Rs. in Million)

Cheque No. & Date	Name of vendor	Name of Payee	Advance payment
No.4498964 Dated 10-06-2022	Grant in Aid for construction of Lawyer’s Club, Karachi	General Secretary, Karachi Bar Association	50.000

Audit is of the view that provision of Grant-in-aid to the ‘Karachi Bar Association’ for construction of private club, being run on commercial purposes, was unjustified.

The matter was reported to the management during December, 2022 to June, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter.

DP#42

6.5.5 Payment to the contractor on the non-executed work - Rs. 22.394 million

According to Para-209 (d) of C.P.W.A 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. He will also work out and enter in the measurement book the figures for the ‘Contents or Area’ column.”

During the audit of the Executive Engineer, Machinery Maintenance Division Khairpur @ Shikarpur, for the Financial Year 2021-22, it was observed that in the 9th running account bill, the contractor was allowed payment for the items i.e. murum and providing and fixing paving blocks but later in the subsequent RA bill, the payment of these items was shown in negative values which implied that the earlier payment was made without actual execution of work. Further, the management summed up

both the amounts of both RA bills instead of subtracting the overpayment from the current bill payment. This resulted in excess payment of Rs. 22.394 (11.197x2) million. The details are tabulated as under:

(Rs. in Million)

Name of work	Name of Contractor	V.#/Date	R.A#	Update Amount	Bill Amount
W/R road from N-55 jail choranghi to malir chowk via shahi bagh court complex shikarpur	M/S Abdul Hameed Banghlani	26/22.3.22	9 th R.A Part-A	96.854	-39.079
			Part-B	14.105	-13.675
Total				110.959	25.404

Audit is of the view that undue benefit was extended to the contractor. Thus, the above lapse on the part of the management indicates absence of operational oversight.

The matter was reported to the management during December, 2022 to June, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / recovery of excess payment.

DP#65

6.5.6 Unjustified payment in advance against the items without adjustment - Rs. 4.596 million

According to Para-209 (d) of C.P.W.A 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. He will also work out and enter in the measurement book the figures for the 'Contents or Area' column."

According to Para 145 of the General Financial Rules Volume-I, "Purchases should be made in most economical manner in accordance with the definite requirements of the public service. At the same time, care should be taken not to purchase stores in advance of actual requirement, if such purchase is likely to prove unprofitable to government."

During the audit of the Executive Engineer, Provincial Buildings Division Health Works (Upper Sindh), Larkana for the Financial Year(s) 2020-2022, it was observed that in 1st R.A bill, the quantities of various items of work, i.e., excavation, stone pitching, C.C Brick or stone ballast and escalation allowed on cement bags were paid in excess which were reduces in the 2nd RA bill without adjusting the excess amount of Rs.4.596 million already paid in excess in 1st RA bill. The details are tabulated as under:

Items	Qty. allowed in 1 st RA bill	Qty. rectified in 2 nd RA bill
Excavation of work	117,250 Cft.	27000 Cft.
Stone pitching	46,900 Cft.	10800 Cft.
C.C Brick or stone ballast	11,725 Cft.	2700 Cft.
Escalation on cement	2,908 bags	238 bags
Excess payment		Rs. 4.596 Million

Audit is of the view that undue benefit was extended to the contractor by adjusting excess quantities of items without reflecting the same in the prescribed column of R.A bill, which caused loss to the public exchequer.

The matter was reported to the management during December, 2022 to June, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends inquiry into the matter.

DP#48

6.5.7 Irregular execution of deposit work funded through petroleum levy without authorization of the Finance Department – Rs. 64.870 million

As defined in CPWA Code, “The term ‘Deposit Works’ is applied to works of construction or repair cost of which is met, not out of Government funds, but out of funds from non-Government sources, which may either be deposited in cash or otherwise placed at the disposal of the Divisional Officer. Works executed for municipalities and other public bodies fall under this category when the cost is chargeable either to cash deposits made for the purpose, or to their credit balances at treasuries.”

During the audit of the Executive Engineer, District Highway Division Sanghar, for the Financial Year 2021-22, it was observed that deposit work funded through ‘Petroleum Levy’ amounting to Rs. 64.870 million was executed without the permission of the Finance Department. IN this regard, the development cost centre SN6973 was used for payments using deposit head G10113 but linked challans were not shown to verify the actual amount credited to the same.

Audit is of the view that the expenditure against the deposit work without the authorization of the Finance Department stands irregular.

The matter was reported to the management during December, 2022 to June, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends conducting an inquiry into the matter / taking remedial measures.

DP#53

6.5.8 Mis-procurement due to award of works against cancelled NIT – Rs. 96.693 million

According to Para 2 of the SPPRA letter No. PPMS CELL/FH/0102/537-19-0001/ 19/1764 dated 29th December, 2020 to the management regarding tendering process, “It is transpired that procuring agency has failed to observe Rule-17 (2), 18 & 21(1) as well as finalize BER within bid validity period (original and extended) therefore, bid shall stand cancelled in terms of Rule-38 (5) of SPP Rules, 2020, read with Rule-49 of SPP Rules, 2010. The procuring agency is therefore, required to take appropriate action as per the applicable SPP Rules, 2010 to avoid mis-procurement.”

During the audit of the Executive Engineer, Highways Division, Dadu for the Financial Year 2021-2022, it was observed that the management awarded works for Rs. 96.693 million against the NIT No.TC/G-55/XEN/DADU/15 dated 21-05-2020 whereby following violations were noticed:

- i. The management did not upload newspapers clippings on PPMS in violation of Rule-17(2).
- ii. The procuring agency uploaded Bid Evaluation Report on 11-12-2020, 13-12-2020, 16-12-2020, 17-12-2020, 18-12-2020 and 19-12-2020 respectively after expiry of the original bid validity period calculated from the date of opening of bids i.e., 10-06-2020 as mentioned in NIT.
- iii. As per the NIT and bidding documents, the bids were to be opened on 10-06-2020, but as per Bid Evaluation Report, the bids were opened on 16-07-2020, which was in violation of Rule-41(1) and tantamount to mis-procurement.
- iv. In violation of Rule-21(1), only Bill of Quantities were uploaded on PPMS instead of the complete Bidding Documents.
- v. Bidder’s Qualification Reports (BQRs) were uploaded on PPMS for the lowest evaluated bidders only instead of all the participating bidders.
- vi. The SPPRA cancelled the entire NIT of 297 schemes on 29th December 2020 due to the non-compliance of the above violations; however, the management continued with the procurement process and awarded the works to the tune of Rs. 96.693 million to 05 bidders. The details are given in **Annex-2 of Chapter -06**.

Audit is of the view that award of works against the cancelled NIT and prior to the redressal of the infirmities identified by the SPPRA is held irregular.

The matter was reported to the management during December, 2022 to June, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends conducting an inquiry into the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide para number 6.5.31 having financial impact of Rs. 36.700 million. Recurrence of same irregularity is a matter of serious concern.

DP#61

6.5.9 Excess payment to the contractor on paving blocks - Rs. 5.243 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 the audit of the Executive Engineer, Machinery Maintenance Division Khairpur @ Shikarpur, for the Financial Year 2021-2022, it was observed that the management made a payment of Rs.48.898 for an item of laying and fixing paving blocks of 60 mm at a rate of Rs.223.77 per sq.ft, whereas the applicable rate for 60 mm paver block (natural colour) was Rs. 199.77 per sq.ft. Audit noted that the management mistakenly applied the rate of coloured paver blocks instead of the applicable rate for the natural paver blocks. This resulted in an excess payment of Rs. 5.243 million. The details are tabulated as under:

(Rs. in Million)

Name of work	Name of Contractor	V.#/Date	Amount paid	Sch. Rate	Bill Rate	Excess	Qty	Excess Amount
M&R Kandhkot to thul road mile 0/0-0/2	M/S HWB and Co	11/14.4.22 1 st R.A	4.569	199.777	223.97	24.20	20,400	0.493
Maintenance & Repair of various road of Jacobabad City	M/s New Ashique Ali	8/18.5.22 4 th R.A	44.329	199.77	223.97	24.20	197,924	4.750
Total			48.898					5.243

Audit is of the view that excess payment was made against the paving blocks due to incorrect application of rate.

The matter was reported to the management during December, 2022 to June, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends recovery of the excess payment made.

DP#66

6.5.10 Irregular award of work due to inclusion of premium on carriage – Rs. 635.839 million

As per Para-711 of Public Works Department Manual, “The officer competent to sanction tender for the execution of extra items of work not provided in the tender subject to the condition that the amount of the extra item together with the amount of the tender does not exceed the amount of sanctioned estimates.”

As per SPPRA Guidelines for procurement 11.3.3, “Cost of cartage is not paid separately as same is adjusted in the quoted premium but cost of escalation on materials is paid separately as per consumption.”

During the audit of the following offices of Works & Services Department, Government of Sindh for the Financial Year 2021-22 and 2022-23, it was observed that Rs. 635.839 million was paid unjustifiably against extra ‘lead’ on execution of various items of work. In some instances, premium was also paid against the item carriage in violation of CSR 2012 and SPPRA. The details are tabulated as under:

(Rs. in Million)

S.No	Name of Office	Particulars	Financial Year	AIR Para No	Amount
1	Executive Engineer Provincial Buildings, Division, Larkana	Premium paid on extra lead (carriage)	2021-22	1	2.399
2	Executive Engineer, Provincial Buildings Division Health Works (Upper Sindh), Larkana	Item of borrow pit earth excavated for 82,908 %cft whereas extra lead was allowed for the quantity of earth was 91,716 %cft, resulting in excess payment of lead for 8,808 %cft.	2021-22	11	1.063
3	Executive Engineer, District Building Division, Badin	Lead chart was not available to justify quantity of borrow pit against which extra lead was allowed	2021-22	1	6.231
4	Executive Engineer District Highway Division Umerkot	Lead chart was not available	2021-22	4	2.225
5	Executive Engineer, Provincial Highways Division Sanghar	The cost of items included amount of carriage as composite items, Later, premium upto 20% was allowed	2021-22	12	614.085

		on the BOQ on the composite items which included inbuilt amount of carriage			
6	Executive Engineer, Provincial Highways Division, Sukkur	Lead chart was not prepared	2022-23	12	9.836
				Total	635.839

Audit of the view that inclusion of premium on carriage in the composite item was not admissible as per the schedule of carriage. The contractor was required to adjust amount of carriage in the premium quoted instead of charging premium on carriage already inbuilt in composite items. Thus, the management did not exercise due diligence while making payment against the extra lead, which resulted in undue favor to the contractor besides, causing loss to the public exchequer.

The matter was reported to the management during December, 2022 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / recovery of the excess payment.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide para number 6.5.15 having financial impact of Rs. 2.287 million. Recurrence of same irregularity is a matter of serious concern.

DP#25,64,118

6.5.11 Non-transparent tendering process - Rs. 1,394.797 million

According to Rule-4 of the 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 the audit of the following offices of the Works & Services Department, Government of Sindh for the Financial Year 2021-22, it was observed that tenders amounting to Rs. 1,394.797 million were called, wherein the tendering process was found to be non-transparent. The details are tabulated as under:

(Rs. in Million)

S.No	Name of Office	Violation	Financial Year	AIR Para No	Amount
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1	Executive Engineer Highways Division Sukkur	Same hand writing in all bids and little difference in the quoted bids	2021-22	2	367.081
2	Executive Engineer, Highways Division, Dadu	Call deposit obtained on 29.05.2020 but Detailed Working Estimates prepared on 11.06.2020	2021-22	4	13.872
3	Executive Engineer, Highways Division, Dadu	Invitation of tenders prior to preparation of Detailed Working Estimates and approval from the Superintendent Engineer	2021-22	3	1,013.844
Total					1,394.797

Audit is of the view that due to the above-mentioned reasons, chances of collusive practice in the tendering process cannot be ruled out.

The matter was reported to the management during December, 2022 to June, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends conducting an inquiry into the matter / fixing of responsibility on the person(s) at fault.

DP#06

6.5.12 Non-recovery of Stamp Duty – Rs. 35.230 million

According to section 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 @ 0.35 paisa per hundred rupees of the value of the agreement or against tender cost.”

During the audit of the various offices of Works & Services Department, for the Financial Years 2021-2022 and 2022-23, it was observed that various contracts were awarded to different contractors, but Stamp Duty @ 0.35%, was either not obtained or was found short of the due amount. Hence, due to the non-obtaining of due amount of Stamp Duty, the government sustained loss of Rs. 35.230 million. The details are given in **Annex-3 of Chapter -06**.

Audit is of the view that due to the non-recovery of Stamp Duty, the government exchequer was deprived of potential revenue.

The matter was reported to the management during December, 2022 to November, 2023. The management @ Sr. No.11, 16 18, 20, 23 & 24 replied that the stamp duty at the rate of 0.35% had been

recovered. The replies of Sr. No. 11, 16, 20 & 23 are not tenable as no documentary evidence was provided. In support of reply, the management @ Sr. No.18, did not provide documentary evidence for Rs. 0.733 million whereas, no documentary evidence was produced for an amount of Rs. 0.512 million by the office @ Sr. No.24. No replies were received in case of other offices.

Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends prompt recovery of Stamp Duty.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 and 2022-23 vide para numbers 6.5.20 & 6.5.56 having financial impact of Rs. 61.268 million. Recurrence of same irregularity is a matter of serious concern.

DP#8,67,148

6.5.13 Non-recovery of Secured Advances – Rs. 387.589 million

As per para 9.3(02)(a) of Regulations for Procurement of Works 2013, “Secured Advance wherever allowed, should be strictly in conformity with the rules and procedure in addition to the condition mentioned below: -(i) on verification and certification of quality, quantity and market rates of the material by the Assistant Engineer/Engineer’s representative; (ii) contractor has to furnish the Indenture Bond (Annexure I); (iii) secured advance shall be paid to the contractor on the quantities brought 387.and properly stored at site of work. Full quantities of materials for entire work/contract should not be advanced; (iv) Recoveries of advances so made should be made from his bills for work done as the materials are used, the necessary deductions be made whenever the items of work in which are used are billed for, or shall be recovered in full within 90 days, even if unutilized; (v) New secured advance should not be allowed until and unless the previous advance, if any, stands fully recovered (vi) advance amount is calculated on the basis of 75% of the market value of that material.”

During the audit of the following offices of the Works & Services Department for the Financial Year 2021-22 and 2022-23, it was observed that an amount of Rs. 387.589 million was paid as Secured Advance against the material supplied to various contractors, but the same was not recovered despite lapse of a considerable time. The detail is as under:

(Rs. in Million)

S.No	Name of Office	Financial Year	AIR Para No	Recovery Amount
1	Executive Engineer Provincial Buildings, Division, Sukkur	2021-22	1	4.399

2	Executive Engineer Provincial Buildings, Division, Larkana	2021-22	2	16.89
3	Executive Engineer, Provincial Building Division Lower Sindh Hyderabad	2021-22	6	52.3
4	Executive Engineer, Provincial Building Division-III, Karachi	2022-23	5	314
			Total	387.589

Audit is of the view that non-recovery of secured advance in violation of rules is held irregular.

The matter was reported to the management during December, 2022 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends conducting an inquiry into the matter.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide para number 6.5.18 having financial impact of Rs. 178.202 million. Recurrence of same irregularity is a matter of serious concern.

DP#09,100

6.5.14 Irregular / unjustified payment of secured advances - Rs. 613.065 million

As per standard Form of Bidding Documents issued by SPPRA, "The contractor shall be entitled to receive Secured Advance from the procuring agency against an Indenture Bond in P.W. Account Form 31 (Fin R. Form No.2) in respect of non-perishable materials brought at site but not yet incorporated in the permanent works and sum payable for such materials on site shall not exceed 75% of the landed cost of imported materials, of ex-factory / ex-warehouse price of locally manufactured or produced materials, or market price of standard materials. Detail account of advance must be kept in part-II of running account bill. The Secured Advance may be permitted only against materials / quantities anticipated to be consumed / utilized on the work within a period of 3 months from the date of issue of secured advance."

During the audit of the Executive Engineer, Provincial Building Division-II, Karachi for the Financial Year 2022-23, it was observed that an amount of Rs. 613.065 million was paid to various contractors as secured advances against cost of material. The details are given as under:

(Rs. in Million)

Sr.#	Name of Work	Name of Contractor	Amount
01.	Establishment & Rehab Centre foe senior citizens in Distt. Korangi	M/s. Firm Enterprises	3.900
02.	Const. of Anti-Corruption Complex in Karachi	M/s. Al-Naveed Enterprises	88.950

03.	Const. of 75 apartment for Dy. Secretary at Gulistan-e-Johar Karachi	M/s. Pakistan Civil & Electric work Karachi	185.804
04.	Rahab & renovation of Karachi Fish Harbour	M/s. Pakistan Civil & Electric work Karachi	334.411
Total			613.065

The following issues were observed in each case:

- i. The work at Sr.No.1, it was observed that 2nd and 3rd secured advances were paid without recovery of previous advance. Further, no documentary evidences/ invoices were available in the record to support the claim nor was the procedure of recovery followed within 90 days.
- ii. In case of work at Sr.No.2, the management paid secured advance on M.S Steel for 549 tons amounting to Rs. 88.950 million in three consecutive RA bills which comes to about 96% of the total steel required for the work. Furthermore, no any item of work was executed despite lapse of about 09 months which reflects that the payment was made to draw only advances.
- iii. Similarly in case of work at Sr.No.3, the management made payment of Rs.185.804 million against total quantity of steel (i.e., 675 Tons) required for various floors up to 3rd RA bill without recovering the already paid secured advance.
- iv. Finally in the last work, the management made advance payment in three R.A bills amounting to Rs. 334.41 million without execution of different items of BoQ and th same was not adjusted till the closing of the financial year. The details are given in **Annex-4 of Chapter -06.**

Audit is of the view that payment of multiple secured advances were made in the month of June without recovering the already paid amount which reflects that the amount was paid for consuming budget in order to give undue favor the contractors.

The matter was reported to the management during July 2023 to November 2023, but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

DP#173

6.5.15 Excess payment of Secured Advance – Rs. 13.127 million

According to Para 9.3 (2) (a) of the Procurement Regulations (Works), 2011, “Secured Advance on the written request of the contractor whose contract is for finished work is allowed to a contractor on the basis of non-perishable/non-combustible materials

brought and properly stocked/stored to site of work. Secured advance as a good practice is avoided/discouraged. However, wherever allowed, it should be strictly in conformity with the rules and procedure in addition to the condition: - (iii) secured advance shall be paid to the contractor on the quantities brought and properly stored at site of work. Full quantities of materials for entire work / contract should not be advanced; (vi) advance amount is calculated on the basis of 75% of the market value of that material.”

During the audit of the following offices of Works and Services Department Government of Sindh for the Financial Year 2022-23, it was observed that an amount of Rs. 13.127 million was paid as secured advance against the material supplied in excess of the advance due. Moreover, neither Indenture Bond in P.W. Account Form No.31 nor detailed report of consumption account of materials was available on the record. The concerned AEN also did not certify that such material was brought at site. Further, the amount of secured advance was paid in the month of June which reflected that funds were merely utilized to consume budget. The details are tabulated as under:

(Rs. in Million)

Sr.#	Name of Office	Year	Particulars	AIR Para #	Amount
1	Executive Engineer, Provincial Building-II Karachi	2022-23	Secured advance @90% was paid instead of due 75% value of the items	5	2.835
2	Executive Engineer, Prov. Building Mirpurkhas	2022-23	Secured advance 100% was paid instead of due 75% value of the items	04	5.982
3	Executive Engineer, Provincial Buildings Division, Shaheed Benazirabad	2022-23	Secured advance 100% was paid instead of due 75% value of the items	05	2.250
4	Executive Engineer, District Buildings Division, Hyderabad	2022-23	Secured advance paid without Indenture Bond, detailed consumption account of materials and recovery of advance	03	2.060
Total					13.127

The matter was reported to the management during July, 2023 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification for allowing excess advance without subsequent recovery.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 6.5.32 having financial impact of Rs. 67.500 million. Recurrence of same irregularity is a matter of serious concern.

DP#184

6.5.16 Irregular award of work below 30% of Engineer’s Estimate - Rs. 69.961 million

According to Para 02 of the Sindh Public Procurement Regulatory Authority Notification No.Dir(A&F)/ SPPRA/Policy-03/2019-20/0488 dated 28th August, 2019, “The procuring agencies while considering bid(s) which are more than 30% below the Engineer’s Estimate or Composite Schedule of Rates are advised to obtain the breakup of BOQ item’s rates from bidder and ensure quality of works and also seek concurrence/approval from the Finance Department, before approving tender.”

During the audit of the Executive Engineer, Machinery Maintenance Division Khairpur @ Shikarpur for the Financial Year 2021-22, it was observed that work amounting to Rs. 69.961 million was awarded which was more than 30% below the estimated amount. Further, as per the policy, neither breakup of BOQ item rates was obtained from the bidder nor consultation of the Finance Department, Government of Sindh was solicited before the award of work. The details are as under:

(Rs. in Million)

CV.No/dt	Name of Contractor	Name of Work	W.O/dt	Bill Amount	30% below deduction
01/11.4.22, 9th RA	M/S A.Qayoom Mazari	Improvement of road from Ali Dad Mazari along chandool Bund mile 0/0-5/0	648/17.7.20	69.961	20.988

Audit holds the view that approval of bids 30% below the limit from Engineer’s Estimate without obtaining breakup of BOQ item rates from the bidder and without approval of the Finance Department, Government of Sindh creates doubts at the quality of work.

The matter was reported to the management during December, 2022 to June, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide para number 6.5.22 having financial impact of Rs. 119.330 million. Recurrence of same irregularity is a matter of serious concern.

DP#28

6.5.17 Unauthorized execution of works beyond jurisdiction – Rs. 2,519.141 million

As per Appendix 18-A of Sindh Financial Rules Vol-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 the audit of the various offices of Works & Services Department, Government of Sindh for the Financial Year 2021-22 and 2022-23, it was observed that the management executed various schemes at a cost of Rs. 2,519.141 million which were required to be executed by other government departments. No NOC was obtained for carrying out the works from the concerned agencies. The details are given in **Annex-5 of Chapter -06**.

Audit is of the view that due to the execution of the works beyond jurisdiction and without obtaining NOC from the departments concerned, chances of duplicate execution of works by different agencies cannot be ruled out.

The matter was reported to the management during December, 2022 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 6.5.2 having financial impact of Rs. 825.687 million. Recurrence of same irregularity is a matter of serious concern.

DP#4,10,120,194

6.5.18 Abandonment of works by contractors without forfeiture of Security Deposit - Rs. 464.861 million

As per SPPRA Rule 35 (1), "The following shall result in blacklisting of suppliers, contractors, or consultants, individually or collectively as part of consortium (d) willful failure to perform in accordance with the terms of one or more than one contract; (e) failure to remedy underperforming contracts, as identified by the procuring agency, where underperforming is due to the fault of the contractor, supplier or consultant."

During the audit of the following offices of Works & Services Department, Government of Sindh for the Financial Year 2021-22 and 2022-23, it was observed that the management awarded various works

of Rs. 464.861 million to the contractors, which were abandoned by the latter. However, the management did not take action against the defaulting contractors including the forfeiture of the security deposit. The details are tabulated as under:

(Rs. in Million)

S.No	Name of Office	Financial Year	AIR Para No	Amount
1	Executive Engineer Building Division Shikarpur	2021-22	1	53.701
2	Executive Engineer Highway Qambar Shahdadkot	2021-22	1	32.185
3	Executive Engineer Provincial Coastal Highway Division Hyderabad	2022-23	2	378.975
				464.861

Audit is of the view that the management neither safeguarded the government interests by forfeiture of the security deposits nor backlisted the firms. Thus, the above lapse on the part of the management indicates improper supervision.

The matter was reported to the management during December, 2022 to November, 2023. The management @ Sr. No.3 replied that major portion of the road had been completed but the remaining portion of the same was sub-judice and would be completed after the decision from the Honourable Court. The reply is not tenable as the management admitted that the work was abandoned by the contractor. Further, the management did not furnish reasons of stoppage of work. No replies were received in case of other offices.

Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 6.5.3 having financial impact of Rs. 11.827 million. Recurrence of same irregularity is a matter of serious concern.

DP#11,110

6.5.19 Non-adjustment / clearance of Public Works advances – Rs. 48.389 million

As per para-668 of Federal Treasury Rules, “Advances granted under special orders of competent authority to the Government officers for departmental or allied purposes may be drawn on the responsibility and receipt of the Government officers for whom they are sanctioned, subject

to adjustment by submission of detailed accounts supported by vouchers or by refund, as may be necessary.” Further, as per Para-360 of CPWA code states “items in the Misc. Public works Advances account 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 until ordered to be written-off.”

During the audit of the various offices of Works & Services Department, Government of Sindh Financial Year 2021-22 and 2022-23, it was observed that Rs. 48.389 million was lying outstanding in Form-70 since long against Public Works advances but the same were not adjusted / cleared since long. The details are given in **Annex-6 of Chapter -06**.

Audit is of the view that the non-adjustment/clearance of the outstanding advances resulted in non-execution of works besides, blockage of public money.

The matter was reported to the management during December, 2022 to November, 2023. The management @ Sr. No.7 replied that the sum of Rs.6.239 million was kept in Form-78 pertaining to old deposit works and the same was credited to the Govt. through transfer entry dated 04-09-2023. The reply is not tenable as neither documentary evidence of transfer entry was produced nor accounting treatment in monthly account was shown. The management @ Sr. No.8 replied that the amount of Rs.15.178 million was not correct and the actual amount was Rs.13.500 million. The procurement against the same was under process and work would be awarded after finalization of the bidding process. The reply is not tenable as the management failed to utilize the same despite lapse of considerable time. No replies were received in case of other offices.

Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends efforts may be put in to adjust/clear the outstanding advances at the earliest.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para numbers 6.5.4 & 6.5.5 having financial impact of Rs.182.892 million. Recurrence of same irregularity is a matter of serious concern.

DP#12, 13, 79, 82, 192, 137, 158

6.5.20 Excess payment due to calculation error – Rs. 18.312 million

As per Para-17 of C.P.W.A code, “The Divisional Officer, as the primary disbursing officer of division, is responsible not only for the financial regularity of the transactions of the whole division but

also for the maintenance of the accounts of the transactions correctly and in accordance with the rules in force.”

During the audit of following of Works & Services Department, Government of Sindh for the Financial Year 2021-22 and 2022-23, it was observed that excess payment amounting to Rs. 18.312 million was made against the work done due to calculation error. The details are tabulated as under:

(Rs. in Million)

Sr.#	Name of Office	Particulars	Financial Year	AIR Para #	Amount
1	Executive Engineer District Building Division Mithi	Excess in totaling	2021-22	7	6.276
2	Executive Engineer Highways Division Sukkur	Excess refund of security deposit due to calculation error	2021-22	18	0.134
3	Executive Engineer, Provincial Highways Division, Mirpurkhas	Excess payment due to wrong calculation against difference cost of material	2021-22	12	0.798
4	Executive Engineer Provincial Highways Division, Mirpurkhas	Wrong calculations in the bills	2022-23	02	2.537
5	Executive Engineer, District Highways Umerkot	Excess payment due to calculation error	2022-23	09	0.490
6	Executive Engineer, Provincial Building Health works Division (Upper Sindh), Larkana	Excess payment due to calculation error	2022-23	02	1.190
7	Executive Engineer, District Building Mithi	Excess payment due to calculation error	2022-23	10	2.812
8	Executive Engineer Provincial Buildings Division, Mirpurkhas	Overpaid to the contractor due to calculation error	2022-23	06	4.075
Total					18.312

Audit is of the view that the excess payment against the work done resulted in loss to the public exchequer.

The matter was reported to the management during December, 2022 to November, 2023. The management @ Sr. No.4 admitted that the calculation error was made in the bill and the rectified details would be provided to Audit. No replies were received in case of other offices.

Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends recovery of the excess amount / taking remedial measures.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 6.5.7 having financial impact of Rs. 11.193 million. Recurrence of same irregularity is a matter of serious concern.

DP#14,114,151,207

6.5.21 Excess expenditure over and above 5% of Technical Sanction – Rs. 889.656 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 the audit of the various offices of Works & Services Department, for the Financial Year 2021-22 and 2022-23, it was observed that an expenditure amounting to Rs. 889.656 million was made over & above 5% of the estimated cost of various works without approval of the revised estimates. The details are given in **Annex-7 of Chapter -06**.

Audit is of the opinion that the works executed without approval of the revised Technical Sanction resulted in an irregular expenditure.

The matter was reported to the management during December, 2022 to November, 2023. The management @ Sr. No.10 replied that the revised detailed working estimates of the works had already been got sanctioned from the competent authority. The reply is not tenable as no documentary evidence was produced. The management @ Sr. No.11 replied that in terms of article 11.3.3 of the SPPRA Guidelines/ Regulations for Procurement of Works, the accepted tenders were well within the prescribed limit of 20%. The reply is not tenable as the executed works were beyond permissible limit of 5% of the original T.S. No replies were received in case of other offices.

Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends providing revised Technical Sanction / fixing of responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 and 2022-23 vide para numbers 6.5.9 and 6.5.22 having financial impact of Rs. 1,543.977 million. Recurrence of same irregularity is a matter of serious concern.

DP#15,74

6.5.22 Irregular award of tender without prior issuance of bid documents - Rs. 7.376 million

As per SPPRA guidelines 2.3, "Procuring agencies must realize the importance of fairness, integrity, transparency and good governance in the procurement process while engaging in procurements and shall ensure that procurements are priced so as not to adversely affect the economic and financial viability of the project."

During the audit of the Executive Engineer, Highways Division, Umerkot for the Financial Year 2022-23, it was observed that bidding documents were issued to M/s. S.K Dars & M/s. Mian Jan Muhammad, but as per the bid evaluation report, the work, 'Construction of Road from Umerkot Chhor Road to Village Ismail Bajeer Mile 0/0-0/3 (0.60 Kms) Phase-I' was awarded to M/s. Phasram for an amount of Rs. 7.376 million without prior issuance of bidding documents.

Audit is of the view that award of work to the contractor without prior issuance of bid documents stands irregular.

The matter was reported to the management during July, 2023 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends conducting an inquiry into the matter.

DP#169

6.5.23 Irregular payment due to lumpsum measurements - Rs. 36.424 million

As per SPPRA guidelines 6.2.2 (2), "Procuring agency shall prepare the Bill of Quantities appropriate to the works. The basis of payment will be the actual quantities of work ordered and carried out, as measured by the contractor and verified by the Engineer and valued at the rates and prices tendered in the bill of the quantities."

During the audit of the following offices of Works & Services Department, Government of Sindh, for the Financial Year 2022-23, it was observed that an amount of Rs. 36.424 million was paid to contractors on lumpsum basis instead against the detailed measurement as required under the BOQ. The details are tabulated as under:

(Rs. in Million)

Sr.#	Name of Office	Year	Particulars	AIR #	Amount
1	Executive Engineer, Provincial Building-II Karachi	2022-23	Lumpsum measurement of quantities instead	20	6.965

2	Executive engineer, District Highways Umerkot	2022-23	of detail measurement	6	5.281
3	Executive engineer Machinery & Maintenance Division Umerkot	2022-23	Difference cost of material on lump sum basis	7	24.178
Total					36.424

Audit is of the view that instead of allowing escalation for each component of work separately, the department paid for all the components due to which quantity of material used i.e., stone metal, crush bajri, pit sand & bricks claimed, and quantity of steel utilized etc. could not be authenticated. Further, preparation of RA bill on lumpsum measurements and without carry forwarding work done quantities of the previous bill reflects that the instant payment was made in advance hastily in the month of June. This reflects negligent operational oversight on the part of the management.

The matter was reported to the management during July, 2023 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends providing component wise cost of escalation paid along with material statement to ascertain the genuineness of the claim.

DP#166

6.5.24 Irregular refund of Security Deposit – Rs. 405.004 million

As per Rule 7.12.3(i) of SPPRA, Procurement Regulation (Works), “Security Deposit can be released in either of following ways: (a) On completion of the works; half the total amount retained is refunded to the contractor and half when the defects liability period has passed and the engineer has certified that all defects notified to the contractor before the end of this period have been attended to his satisfaction; (b) Full amount be released after completion of defect liability period.”

During the audit of the various offices of Works & Services Department, Government of Sindh for the F.Y 2021-22 and 2022-23, it was observed that security deposit amounting to Rs. 405.004 million was refunded during the execution of work and prior to completion of defect liability period. In some cases, excess refund of security deposit was also observed. The details are given in **Annex-8 of Chapter -06**.

Audit is of the view that release of security deposit before completion of work and defect liability period is negligence on the part of the management.

The matter was reported to the management during December, 2022 to November, 2023. The management @ Sr. No.1 replied that the amount of Rs. 162.118 million had been transferred to XEN Provincial Highways Khairpur on bifurcation of division along with the list of names of contractors. The reply is not tenable as the Security Deposit amount was unjustifiably transferred to the DDO account of XEN Provincial Highway Khairpur instead of transferring the same to the contractors upon completion of works. The management @ Sr. No.14 replied that the security deposit of each work was released after expiry of the defect liability period. However, no documentary evidences were produced. No reply was received from the remaining offices.

Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / taking remedial measures.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 and 2022-23 vide para numbers 6.5.12 and 6.5.10 having financial impact of Rs. 693.133 million. Recurrence of same irregularity is a matter of serious concern.

DP#16,99,206

6.5.25 Less deduction of Security Deposit - Rs. 1,721.730 million

According to the clause-10.1 of Procurement Regulations (Works), "Performance Security of the standard bidding document approved by government regarding large civil work exceeding Rs. 50.000 million, the contractor shall provide Performance Security to the procuring agency in the prescribed form. The Performance Security shall be 5% of the Contract Price stated in the Letter of Acceptance. Besides obtaining 5% as Performance Security, the Security Deposit at rate of 5% will also be deducted from running bills, thus amount equal to 10% of the Contract Price is obtained from contractor, i.e., 5% as performance security and 5% security deposit as retention money. Deductions from interim/running bills will be made from successful bidder after the bidder has furnished the required performance security and signed the contract agreement."

As per Para-89 of CPWA Code "Security, for the fulfillment of the contract, should invariably be taken from the contractors. The security may be taken in form of cash deposit, deposit of interest-bearing securities, deduction of 10% from the payment to be made on the work done or personal bond of two persons of known probity and wealth."

During the audit of the various offices of Works & Services Department, for the Financial Year 2021-22 and 2022-23, it was observed that various works were awarded to contractors, but Security

Deposit/Performance security amounting to Rs. 1,721.73 million was either not or less deducted from the bills of the contractors. Further, no evidence was provided regarding retention of Call Deposit equivalent to performance security amount. The details are given in **Annex-9 of Chapter -06**.

Audit is of the view that the above discrepancies regarding the security deposit reflects extending an undue favor to the contractors besides non-safeguarding of the government interests.

The matter was reported to the management during December, 2022 to November 2023. The management @ Sr. No.10 replied that the Security Deposit was deducted as per rules. The management @ Sr. No.12 replied that bid security was fixed at 5% vide NIT dated 02-05-2023, but subsequently, the was reduced to 2% through this office corrigendum dated 21-01-2022. The replies of both offices are not tenable as the cumulative Security (performance & security deposit) obtained from the contractors was less than @ 10%. The management @ Sr. No.14 replied that the earnest money was obtained to judge the seriousness of the contractor as M/s Arman Developers quoted most advantageous Bid. So, the minor deviation was ignored in public interest. The reply is not tenable as the management accepted the contention of Audit. No replies were received in case of other offices.

Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends earliest recovery of the security deposit / taking remedial measures.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 and 2022-23 vide para number 6.5.11 and 6.5.18 having financial impact of Rs. 656.736 million. Recurrence of same irregularity is a matter of serious concern.

DP#21,23,33,77,89,165,178,221

6.5.26 Irregular payment at higher rates than approved CSR rates – Rs. 17.461 million

According to para 8(4) of Schedule of Rates - 2012, “The schedule of rate may be found in adequate to carry out certain item of works. In such cases, the only competent body to review the position is the standing rate committee. All such cases should therefore, be referred to the secretary, standing rate committee, for decision of the committee.”

During the audit of the following offices of Works & Services Department, for the Financial Year 2021-22 and 2022-23, it was observed that various items of works were executed at higher rates than the approved CSR 2012 rates, which resulted in an excess payment of Rs. 17.461 million. The details are as under:

(Rs. in Million)

S.No	Name of Office	Particulars	Financial Year	AIR #	Amount
1	Executive Engineer, Provincial Building Division Lower Sindh Hyderabad	Supply of Steel	2021-22	3	16.686
2	Executive Engineer District Highways Division, Tando Muhammad Khan	Providing Surface dressing 1 st Coat, Asphalt 1-1/2 thick, Providing Sand Cushion, Paving blocks 197x97x60mmm	2022-23	7	0.775
				Total	17.461

Audit is of the view that due to execution of items at higher rates than the approved rates, resulted in irregular payment.

The matter was reported to the management during December, 2022 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide para number 6.5.10 having financial impact of Rs. 556.571 million. Recurrence of same irregularity is a matter of serious concern.

DP#22,162

6.5.27 Non-completion of work as per PWD specification due to reduced rate payment - Rs. 982.257 million

According to Clause 8 Reduced Rates of the standard bidding document for the works, “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 the audit of the various offices of Works & Services Department, for the Financial Year 2021-22 and 2022-23, it was observed that the payment for various items of work costing Rs. 982.257

million was allowed on reduced rates to the contractors without execution of the ancillary items. The details are given in **Annex-10 of Chapter -06**.

Audit is of the view that part rate payment was made on the pretext of supply of material included in BOQ items. No provision of secured advance procedure was invoked. The management was required to carry out the work as composite item but payment made at part rate which implies that either the payment was made in advance without provision in the contract agreements only to avoid lapse of budget or partial /defective execution of work was carried out.

The matter was reported to the management during December, 2022 to November, 2023. The management @ Sr.No.12 & 13 replied that the Executive Engineer was fully competent to make payment at reduced rate till completion of the item according to approved specification. After completion of the item, the payment was made to the contractor at full rate. The replies of both the offices are not tenable as no documentary evidence was produced. No replies were received in case of other offices.

Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification for the payment on reduced rates / fixing responsibility on the persons at fault.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 6.5.53 having financial impact of Rs. 60.060 million. Recurrence of same irregularity is a matter of serious concern.

DP#29,26,70,150,160,102

6.5.28 Abnormal delay in execution of schemes

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 the audit of the various offices of the Works & Services Department, Government of Sindh for the Financial Years 2021-2022 and 2022-23, it was observed that various works for Rs. 3,459.858 million were awarded to the contractors but the same were not completed despite the lapse of 02-15 years. The details are given in **Annex-11 of Chapter -06**.

Audit is of the view that the non-completion of the schemes within the stipulated time reflects negligence and poor performance on part of the management, consequently increasing the cost of the scheme.

The matter was reported to the management during December, 2022 to November, 2023. The management @ Sr.No.14, 16, 17 & 18 replied that due to non-timely release of funds, the schemes faced delay in execution which was beyond the control of the management. The reply is not tenable as documentary evidences of releases of funds were not produced. No replies were received in case of other offices.

Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification for the inordinate delay in the completion of the schemes.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide para number 6.5.33. Recurrence of same irregularity is a matter of serious concern.

DP#30,121,155

6.5.29 Irregular approval of district ADP schemes beyond delegated financial powers – Rs. 854.903 million

According to notification No. SO(C-IV)SGA&CD/4-54(B)/11 dated 29th November, 2011 issued by Services General Administration & Co-ordination Department, "The Government of Sindh is pleased to constitute District Development Committees (DDCs) for the purpose of implementation of District Development Schemes for which Deputy Commissioner will be the Chairman of the committee and DDC shall have the power to approve the development schemes of the district upto Rs.20 million. The Deputy Commissioner shall be the Project Director of the Development schemes."

During the audit of the following offices of Works & Services Department, for the Financial Year 2021-2022 and 2022-23, it was observed that various schemes amounting to Rs. 854.903 million were approved by the District Development Committee (DDC), headed by the Deputy Commissioners, beyond the delegated financial authority i.e., Rs.20.00 million for each scheme. The details are tabulated as under:

(Rs. in Million)

S.No	Name of Office	Financial Year	AIR Para #	Amount
1	Executive Engineer, District Highway Division Sanghar	2021-22	3	346.55
2	Executive Engineer District Building Division Mithi	2021-22	1	384.994
3	Executive Engineer, Highways Division, Badin	2022-23	2	123.359
Total				854.903

Audit is of the view that the management transgressed the financial powers which resulted in an irregular approval and execution of schemes.

The matter was reported to the management during December, 2022 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends providing formal approval of the specified schemes from the PDWP / responsibility may be fixed on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 6.5.40 having financial impact of Rs. 929.914 million. Recurrence of same irregularity is a matter of serious concern.

DP#32,124

6.5.30 Irregular expenditure on non-schedule item without rate analysis - Rs. 454.488 million

According to Para 8(3) of Introduction under Schedule of Rates-2012, “Non-scheduled items in all engineering field are unavoidable. Hence Superintendent Engineer and Chief Engineer of the department may sanction the rate analysis for non-scheduled items upto Rs. 1000/-per slandered unit and the rates exceeding this amount shall be sanctioned by the Chief Engineer/officers exercising powers of Chief Engineer.”

During the audit of the various offices of the Works & Services Department, Government of Sindh for the Financial Year 2021-22 and 2022-23, it was observed that an expenditure of Rs. 454.488 million was incurred on various non-scheduled items without conducting market rate analysis and seeking approval of the Superintendent/Chief Engineer. The details are given in **Annex-12 of Chapter -06.**

Audit is of the view that in the absence of rate analysis as well as approval of the same from the Superintendent/Chief Engineer, the expenditure stands irregular.

The matter was reported to the management during December, 2022 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

DP#37,117,156

6.5.31 Irregular execution of work in deviation of estimate - Rs. 2,222.567 million

Para-527 of Public Works Departmental Manual, Volume-I, states, "No work shall begin unless proper detailed design and estimate have been sanctioned; allotment of funds made and order for its commencement issued by the competent authority."

According to Para -528 of Public Works Departmental Manual, "No material alteration in 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 the audit of the various offices of Works & Services Department, Government of Sindh, for the Financial Year 2021-22 and 2022-23, it was observed that an expenditure of Rs. 2,222.567 million was made against works on various items but abnormal variations in the execution of items were noticed as compared to the original estimates. The details are given in **Annex-13 of Chapter -06**.

Audit is of the view that non-execution of several items/components of works as well as excess execution of items in other works without making alteration in design, reflects deviation from the approved estimate, thus rendering the execution of works irregular.

The matter was reported to the management during December, 2022 to November, 2023. The management @ Sr.No.5, 6 & 7 replied that the quantities of items were not executed in excess of estimates. The replies are not tenable as no documentary evidences were provided. The management @ Sr.No.15 replied that due to hike in the prices of POL, the cost of material i.e., Bitumen, Stone, Asphalt had exceeded. Therefore, due to site requirements, the essential components of item had been executed to keep the expenditure within the estimated cost. The reply is not tenable as no documentary evidence regarding change in design was provided to justify the variation in quantities. The management @ Sr. No.23 replied that the variations were initiated by the Engineer in terms of clause No.13.1 (c) of the contract agreement. In this connection, revised estimate of each work had been got sanctioned from the competent authority. The reply is not tenable as the same was not supported with the documentary evidences. No replies were received in case of other offices.

Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit requires providing revised technical sanction alongwith designs to verify the work done quantities.

Note: The issue was reported earlier also in the Audit Reports for Audit Years 2021-22 and 2022-23 vide para numbers 6.5.26 and 6.5.8 having financial impact of Rs. 1,478.648 million. Recurrence of same irregularity is a matter of serious concern.

DP#27,38,58, 91,101, 111,153,154,209

6.5.32 Unjustified reduction in executed quantities in the succeeding bill – Rs. 4.879 million

According to Para-209 (d) of C.P.W.A 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. He will also work out and enter in the measurement book the figures for the ‘Contents or Area’ column.”

During the audit of the following offices of Works & Services Department, Government of Sindh, for the Financial Year 2022-23, it was observed that an amount of Rs. 4.879 million was paid to the contractors against various works, but the quantities of the various items of works were reduced in the succeeding bills which were already measured and paid in the respective previous RA bills. The detail is tabulated as under:

(Rs. in Million)

Sr.#	Name of Office	Year	Particulars	AIR Para #	Amount
1	Executive Engineer, Provincial Building Division, Health Works Lower Sindh, Hyderabad	2022-23	Quantities of the various items of work were reduced in the succeeding bill which were already measured and paid in the last RA bill claimed during the last financial year	2	3.864
2	Executive Engineer, Highway Division, Badin	2022-23	Excess measurement was made in 4 th Running Account bill to give advance payments which were adjusted in 5 th Running Account bill	8	1.015
Total					4.879

Audit is of the view that bills were paid without proper measurement and later on, the executed quantities mentioned in the bills were adjusted in the succeeding bills. This reflects that overpayment was made by recording the exaggerated measurements to give benefit to the contractor.

The matter was reported to the management during July, 2023 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

DP#94,198

6.5.33 Unauthorized payment of various allowances - Rs. 12.090 million

As per Rule 23 of G.F.R. Vol-I, "Every Government officer should realize fully that he will be held responsible for any loss sustained by the Government through fraud or negligence on his part or on the part of any other officer to the extent to which it may be proved that he contributed through his own negligence or action."

During the audit of the following offices of Works & Services Department, Govt. of Sindh for the Financial Year 2022-23, it was observed that an amount of Rs. 12.090 million was paid to officers/officials on account of various allowances beyond their entitlement. The details are tabulated as under:

(Rs. in Million)

S.No	Name of Office	Particulars	AIR Para #	Year	Amount
1	Executive Engineer, Provincial Highway, Sukkur	Differential and personal allowance	15	2022-23	10.757
2	Executive Engineer, Provincial Building-III Karachi	Session allowance paid to officials without their entitlement as it is admissible to judiciary.	09		1.043
3	Executive Engineer, Provincial Highway, Hyderabad	Unjustified salary and conveyance allowance	11		0.176
4	Secretary, Works & Services Department, Government of Sindh, Karachi	Adhoc Allowances 2016, 2017, 2019, 2020 & 2021	01		0.114
				Total	12.090

Audit is of the view that payments made beyond the entitlement reflects weak internal controls.

The matter was reported to the management during July, 2023 to November, 2023. The management @ Sr. No.3 replied that out of excess payment of Rs.0.176 million, an amount of Rs.22,176/- had been recovered from the incumbent. However, remaining excess amount of Rs.154,170/- was not justified as the employee had drawn pay during the month of September, 2022. The reply is not tenable as the evidence of recovery from the employee provided did not pertain to the audit period. Furthermore, LPC and evidence of transfer of salary were also not provided. No replies were received in case of other offices.

Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends expeditious recovery / taking remedial measures.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2021-22 vide para number 6.5.6 having financial impact of Rs. 1.948 million. Recurrence of same irregularity is a matter of serious concern.

6.5.34 Excess execution of items beyond admissibility as compared to auxiliary items – Rs. 151.768 million

According to Rule-44 of CPWA code, “The Divisional Officer is the primary disbursing officer of the division and all realizations and payments on Government account made by his subordinates are made on his behalf and on his responsibility.”

During the audit of the following offices of the Works & Services Department, Government of Sindh for the Financial Year 2022-23, it was observed that the quantities of various items were executed in excess of the ratio of allied items as provided in the estimate/T.S. This resulted in additional burden of Rs.151.768 million to the exchequer on account of excess consumption. The details are tabulated as under:

(Rs. in Million)

Sr.#	Name of Office	Particulars	Year	AIR Para #	Amount
01	Executive Engineer, Provincial Highway Hyderabad	Paid differential cost of material against cement bags beyond its admissibility	2022-23	06	0.255
		Paid on execution of mild steel by disregarding the estimated ratio of steel to RCC		09	15.145
		Excess payment of Paver blocks due to re-revised estimates despite completion of scheme as per physical progress report.		12	1.937
02	Executive Engineer, Building-1 Karachi	Steel utilized over estimated quantity in the estimates without any change in design/specification		07	91.268
03	Executive Engineer, Provincial Highway Larkana	Base course quantity more than sub-base quantity		06	17.431
04	Executive Engineer, Provincial Highway Dadu	Allowed excess quantity of the items of work 1 st Coat & Premix Carpet than the due quantity as compared to the quantity of base course		11	4.873
05	Executive Engineer, Building Division, Tharparkar @ Mithi	RCC work was executed 30% above the estimates, whereas the steel was utilized 24% below the estimates in contravention to the Steel to RCC ratio provided in the estimates.		05	20.859
				Total	151.768

Audit is of the view that execution of items does not commensurate with the quantity of related items provided in the estimate which shows that excess consumption of material was done to give an undue favor to the contractor.

The matter was reported to the management during July, 2023 to November, 2023. The management @ Sr. No.1 on account of AIR Para No.6 replied that no excess payment was made on account of cement bags, as the ratio on cement was 9.6 bags in paver blocks and 13 bags in footpath work. The reply is not tenable as the same was not in conformity with the 9th R.A bill where escalation ratio on account of cement bags was found to be 12.67 bags instead of 13 in C.C Plain 1:3:6. Further, approved material statement of the concerned scheme was not provided to authenticate the required quantity of cement bags. In respect of AIR No.9, the management replied that no excess payment was made on account of steel as the same was made as per the approved ratio in RCC. The reply is not tenable as the approved material statement was not provided to authenticate the permissible ratio of steel in RCC. In respect of AIR No.12, the management replied that the estimate of the scheme was revised as the quantities in the original estimate were approximate. Whereas, the actual execution was 5.47% in excess than the original quantities which was within permissible limit of SPPRA. The reply is not tenable as the copy of revised estimate was not provided. The management @ Sr. No.4 replied that the Executive Engineer was fully competent to make alterations according to the site requirements. Moreover, the expenditure was within the revised T.S. The management did not produce revised T.S and the material statement to authenticate excess consumption of material. No replies were received in case of other offices.

Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends conducting an inquiry into the mater.

DP#68,210

6.5.35 Irregular refund of lapsed deposit – Rs. 15.310 million

Para 399 (III) Central Public Works Accounts Code, “Balances unclaimed for more than three complete account years should be credited to government as lapsed deposit.”

During the audit of the various offices of Works & Services Department, Government of Sindh for the Financial Years 2021-22 and 2022-23, it was observed that security deposits amounting to Rs. 15.310 million were refunded to various contractors after the lapse of more than three years of completion of works. The details are given in **Annex-14 of Chapter -06**.

Audit is of the view that unclaimed balances for more than three years were required to be credited to government as lapsed deposit, but refund of security deposits in violation of this rule reflects financial irregularity.

The matter was reported to the management during December, 2022 to November, 2023. The management @ Sr.No.10 replied that the balances of P.W Deposits cannot be treated as un-claimed balances, as the contractors were applying repeatedly for release their security deposits. However, after confirmation of the work by the AEN concerned that the work was free of defects, the security deposit was released to the contractors. The reply is not tenable as the security was released after 05 to 13 years of completion whereas defect liability period ends after 03 months of completion. No replies were received in case of other offices.

Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / taking remedial measures.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 6.5.13 having financial impact of Rs. 73.727 million. Recurrence of same irregularity is a matter of serious concern.

DP#16,73,190,191

6.5.36 Overpayment due to allowing excess rate in estimate of base course – Rs. 1.008 million

According to the CSR, 2012 “The composite rate of Item No.13 (A): Preparing base course was Rs.5,252.41 % Cft.”

During the audit of the Executive Engineer, Provincial Highways Division, Badin for the Financial Year 2022-2023, it was observed that the management approved composite rate for base course for an amount of Rs.14,271.36/- % Cft. (consisting of three items). Further, carriage of stone metal from the quarry for 100 Cft. was allowed for an amount of Rs.2,338.91/- per 133 Cft. instead of 100 Cft. in the composite rate. On scrutiny, audit noted that composite rate for these three items firmed up to Rs.7,942.16/- % Cft. instead of Rs.14,271.36 Cft. This resulted in overpayment of Rs. 1.008 million including premium @ 14.95%. The details are given in **Annex-15 of Chapter -06**.

Audit is of the view that undue benefit was extended to the contractor on account of excess approval of rate in the estimate against the item which resulted in a loss to the public exchequer.

The matter was reported to the management during July, 2023 to November, 2023. The management replied that the approved rate of base course item w.e.f. 01-03-2023 was Rs.10,809.77. Further, the carriage on base course item was applied on the loose quantity of aggregates which was approved in the rate analysis of the item. Therefore, the amount of base course (interim relief) with carriage had been incorporated in the detailed working estimate. The reply is not tenable as the approved rate

analysis and lead chart was not provided. The management also did not comment on the application of rate at 133 Cft. instead of 100 Cft.

Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter.

DP#80

6.5.37 Splitting of work to avoid tender - Rs. 33.675 million

Rule 12 (1) of SPPR 2010, “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. Rule 17 (1) ibid provides that procurements over three hundred thousand rupees and up to two 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 the rules.”

During the audit of the following offices of Works & Services Department, for the Financial Years 2021-22 and 2022-23, it was observed that various similar works amounting to Rs. 33.675 million were awarded by splitting just below the limit of Rs.300,000/- to avoid the tendering process in violation of SPPRA rule. The details are tabulated as under:

(Rs. in Million)

Sr.#	Name of Office	Year	Particulars	AIR Para #	Amount
1	Executive Engineer, Buildings Division, Mirpurkhas	2021-22	Split-up of work just below the limit of Rs. 0.300 million to avoid tender	1	1.847
2	Executive Engineer Provincial Buildings, Division, Larkana	2021-22		9	4.417
3	Executive Engineer, Provincial Building-II Karachi	2022-23		14	12.584
4	Executive Engineer, Provincial Building Shaheed Benizarabad	2022-23		14	12.583
5	Provincial Highways Division Dadu	2022-23		10	2.244
Total					33.675

Audit is of the view that due to splitting of expenditure, the government was deprived of the most competitive rates which would have been obtained through tendering process.

The matter was reported to the management during December, 2022 to November, 2023. The management @ Sr. No.5 replied that the amount under observation pertained to various head of accounts for which no joint tender was required to be invited. Hence, quotations were invited separately for each head of account to the extent of powers delegated under SPPRA Rule 2010. The reply is not tenable as no documentary evidences were produced in support of the reply. No replies were received in case of other offices.

Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification along with regularization of the expenditure.

Note: The issue was reported earlier also in the Audit Reports for Audit Year 2021-22 and 2022-23 vide para numbers 6.5.8 and 6.5.16 having financial impact of Rs. 5,844.155 million. Recurrence of same irregularity is a matter of serious concern.

DP#3,84,188,

6.5.38 Irregular award of works on non-responsive bids - Rs. 3.221 million

According to the Board of Revenue, Government of Sindh, E-Stamping Challans, online stamp duty challan of Rs.0.478 million was generated on 22-06-2023 and payment was made on 23-06-2023. Subsequently, the contract agreement was executed as on 23-06-2023.

During the audit of the Executive Engineer, Provincial Highways Division, Badin for the Financial Year 2022-2023, it was observed that the management made payment of Rs. 5.725 million prior to award of works and execution of the contract agreements. As per the record, all the bids received for the work were rejected due to non-responsive status but despite this, the management opened the bids on 25-05-2023. Audit also observed that the electronic stamp duty challan of Rs.0.478 million dated 22-06-2023, was deposited on 23-06-2023. This proved that no contract was executed till 23-06-2023 whereas, the management had made payment of Rs. 3.221 million against 1st R.A bill on 13-06-2023. The detail is given as follows:

(Rs. in Million)

Bill No. & Date	Name of work & contractor	Amount of bill
1 st RA dated 13-06-2023	Construction of road from Buharo Budho Qambrani road to Dhani Bux Babar via Pandhi Khaskheli (Asphalt) (M/s. Khokhar & Brothers)	3.221

Audit is of the view that award of work against non-responsive bids and further payment to contractor prior to the execution of contract reflects that the procurement process was non-transparent and the payment was made in haste in order to avoid lapse of funds.

The matter was reported to the management during July, 2023 to November, 2023. The management replied that the work had begun prior to execution of contract agreement due to emergent nature of work. However, the observation dully noted for future compliance. The reply was not tenable as the management endorsed the audit point of view of execution of work prior to signing of contract agreement. Furthermore, the management did not comment in respect of award of work despite of non-responsive bids.

Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends conducting an inquiry into the matter.

DP#92

6.5.39 Irregular execution of work beyond 15% of the original contract amount – Rs. 959.892 million

According to SPPRA, 2013, “Repeat Orders means, procurement of additional quantities of the item(s) from the original contractor or supplier, where, after the items originally envisaged for the project or scheme have been procured through open competitive bidding and such additional quantities of the same item(s) of goods or works are needed to meet the requirements of the project or scheme provided that the cost of additional quantities of items shall not exceed 15% of the original contract amount.”

During the audit of various offices of Works & Services Department, Government of Sindh for the Financial Year 2022-23, it was observed that works were awarded at a cost of Rs. 2,750.127 million. Later on, cost and scope of the works were enhanced to Rs. 3,710.021 million with an increase of Rs. 959.892 million i.e., 34% & above beyond the permissible limit of 15% of the original work in violation of the above rule. The details are given in **Annex-16 of Chapter -06**.

Audit is of the view that the quantities exceeded over and above the prescribed 15% of the work order, consequently separate tender was required to be floated. Thus, the execution of work beyond 15% limit without fresh tender is irregular.

The matter was reported to the management during July, 2023 to November, 2023. The management @ Sr. No.6 replied that due to hike of prices of material, the differential cost of material paid to the contractors for the quantities of work carried out as per the approved rates. Further, the quantities of work were well within the scope of original contract and there was no change in the scope of work originally sanctioned. The management @ Sr. No.7 replied that the increase in contract price was due to the escalations allowed on various items as per the approved rates whereas, the bid offered by the

contractor above the original sanctioned estimate was within the permissible ceiling of 20% ceiling. The reply of both the offices is not tenable as the scope of works were revised beyond the permissible limit of 15% of the original contract. No replies were received in case of other offices.

Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit requires justification besides, fixing responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Reports for Audit Year 2021-22 and 2022-23 vide para numbers 6.5.29 and 6.5.30 having financial impact of Rs. 1,512.543 million. Recurrence of same irregularity is a matter of serious concern.

DP#97,112,152

6.5.40 Non-transparent award of contract of new Chief Minister Secretariat Karachi - Rs. 1,020.491 million

According to Rule 44 of Sindh Public Procurement (SPP) Rules, 2010, "No procuring agency shall introduce any condition which discriminates among bidders. In ascertaining the discriminatory nature of any condition reference shall be made to the ordinary practices of that trade, manufacturing, construction business or service to which that particular procurement is related."

According to Clause 2.16 (i), (iv) & (v) of Sindh Public Procurement Guidelines (Works), 2013, "Successful experience as prime contractor in the execution of at least one to three projects of similar nature and complexity comparable to the proposed contract(s) and similar site/ geographical condition within last five year. Annual turnover for construction be either equal or twice the estimated cost of Project. No compromise shall be made on key personnel, academic qualification and experience. History of excessive contract arbitrations and litigation resulting in decision against the applicant can be considered sufficient grounds for dis-classification."

During the audit of the Building Division-I, Karachi, for the Financial Year 2022-23, it was observed that contract for "Construction of New Building for Chief Minister Secretariat, Karachi Sindh (Basement 1 & 2, Ground + 3 Storey Building along with Helipad) amounting to Rs.1,020.491 million was awarded to M/s Pakistan Civil & Electrical Works vide letter No.TC/G-55/PBD-1/2021-22/W.O/1861 dated 24-02-2022, while other three bidders were technically disqualified. Audit observed the following irregularities in the procurement process:

1. The management inserted discriminatory conditions as mandatory eligibility criteria, which not only limited the competition as only 04 bidders out of 09 submitted bidding documents but favoured only one specified contractor. The details are given in **Annex-17 of Chapter -06**.

2. All other 03 bidders were declared disqualified by awarding zero or a few marks against the criteria of experience, personnel capabilities and financial resources citing the reason that they had not attached the relevant documents with the technical bids. However, as per documents available, successful bidder M/s Pakistan Civil & Electrical Works also did not fulfill the qualification criteria for experience of similar nature of works. Further, the latter was found engaged in litigation against Government of Sindh, which also proves the disqualification basis.
3. One of the bidders M/s Noor Muhammad & Sons had filed a complaint dated 17-01-2022 against the disqualification according to which, the bidder claimed to have submitted all the required documents and experience certificate, but the same were not considered by the evaluation committee. Further, no meeting of CRC was held despite the fact that CRC had to meet within 07 days of receipt of complaint.
4. Financial bid was opened on 15-01-2022 and the only bidder declared technically qualified was awarded above contract on the basis of comparison of his bid amount (Rs.1,020.491 million) with estimated cost (Rs.1,116 million with cost of Non-Scheduled items was Rs.948.181 million). However, comparison with estimated cost seemed to be compromised on the reasons that the bidder quoted exactly same amount against more than 55 Non-scheduled items.

Audit is of the view that the work was awarded to an ineligible bidder in violation of SPPRA rules which resulted in non-transparent bidding process.

The matter was reported to the management during July, 2023 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends inquiry, fixing of the responsibility on the person(s) at fault and other remedial measures.

DP#103

6.5.41 Unauthorized allowing of excess rate on steel without approval of the Standing Rates Committee - Rs. 219.564 million

According to Para 1 of the Introduction to the Schedule of Rates (Composite) for Finished Items of Works 2012, "The Standing Rates Committee, Sindh introduces the Schedule of Rates General for Finished Items of works, Volume III, Part II & V, 2012 replacing the same publication of 2004, it gives a broad base to all the Departments for framing the detailed estimates of work. Composite item rates being based on market rates of material and labour are subject to revision from time to time."

Further, according to Para 7 of *ibid*, "All works shall be executed adoption composite rates as per this Schedule and material shall be produced by the contractor on their own."

In pursuance of the decision of the provincial cabinet taken in its meeting dated 11-10-2022, the government has notified the interim relief on various 129 material items vide notification No. SO(Admn-I)/P&D/12(165)/2018 includes item at Sr. # 02 Steel (MS Bars Deformed) @ Rs.228,500 per ton, while the previous interim relief amount was Rs.186,000 per ton.

During the audit of the Building Division-I, Karachi for the Financial Year 2022-23, it was observed that the Chief Engineer (Buildings) Karachi, Government of Sindh allowed excess rates for steel (Steel MS Bars Deformed-60) by converting schedule item into market item without approval of the Standing Rates Committee which resulted in unauthorized payment of Rs. 219.564 million.

Audit is of the view that undue benefit was extended to the contractor by allowing schedule item as non-schedule item which resulted in loss to the Government.

The matter was reported to the management during July, 2023 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault

DP#104

6.5.42 Irregular award of remaining work without forfeiting security deposit - Rs. 23.892 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."

(i) During the audit of the Executive Engineer, District Highways Division, Mirpurkhas for the Financial Year 2022-23, it was observed that payment of Rs. 4.998 million was made to another contractor against the remaining work. Details are as under:

- i. Status of previous work done was not provided in the new technical sanction.
- ii. Reason of abandoning the work incomplete was also not available in record.
- iii. Detail of Security deposit and call deposit, if forfeited was also not available on record.
- iv. The management did not blacklist the contractor for abandon the work.

DP#116

(ii)

(Rs. in Million)

CV.NO/dt	Name of Contractor	Name of Work	W.O/dt	Amount
158/15.6.23	M/S Akhtar Raza	M&R from Rabbu to village mir Tarique Talpur mile 0/0-0/2 (Remaining portion)	865/10.5.22	4.998

During the audit of the Executive Engineer, Highways Division, Sukkur for the Financial Year 2021-22, it was observed that a payment of Rs. 18.894 million was made to M/s Naseem Ahmed Shah for road and stone pitching work against the ADP scheme, but the contract was earlier already to M/S JS Construction Co. The details are tabulated as under:

Construction of pre-stressed bridge 825 Rft Soomra Pahnwari to Hussain Bali Police Pickate.M/S JS Construction CO: W/O# 331 04-03-15 Chq#4361490 dt28-04-22 Rs735470			
Parts	Awarded cost	Revised 825 Rft	As per Bill
Road work	18,675,574	6,789,340	3,485,309
Culverts 03Nos	3,143,751		
Culverts 10Rft	1,702,583		
stone pitching	8,345,734		
600Rft Bridge	133,500,000	183,562,500	183,562,500
	165,367,642	190,351,840	187,047,809
Construction of pre-stressed bridge 825 Rft Soomra Pahnwari to Hussain Bali Police Pickate.M/S Naseem Ahmed Shah W/O# 1885 09-08-21 Chq#4400288 dt15-06-22 Rs11,581,396			
Parts	Awarded cost		As per Bill
Road work			8,338,744
Culverts 03Nos			0
Culverts 10Rft			0
stone pitching			10,555,640
600Rft Bridge			0
	18.888		18.894

Audit is of the view that award of same work to an another contractor without cancellation of the earlier work based on risk and cost factor is held as an irregularity.

The matter was reported to the management during July, 2023 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

DP#62

6.5.43 Unjustified execution of work within short duration - Rs. 202.202 million

Para-17 of C.P.W.A code, “The Divisional officer, as the primary disbursing officer of division, is responsible not only for the financial regularity of the transactions of the whole division but also for the maintenance of the accounts of the transactions correctly and in accordance with the rules in force.”

During the audit of the following offices of Works & Services Department, Government of Sindh for the Financial Year 2022-23, it was observed that an expenditure of Rs. 202.202 million was made against the following works and executed within 01 to 07 days of the award of works. The detail is as under:

(Rs. in Million)

S.No	Name of Office	Particulars	AIR Para #	Year	Amount
01	Executive Engineer, Provincial Highways Division Naushero Feroze	Works executed within 1-7 days & without Measurement in R.A. Bill	08	2022-23	17.180
02	Executive Engineer, Provincial Highway Division, Dadu	Executed within 3-6 days & without Measurement in R.A. Bill	03	2022-23	164.979
03	Executive Engineer, Provincial Building Shaheed Benizarabad	Works executed within 1-4 days of work orders & without Measurement in R.A. Bills	01	2022-23	7.318
04	Executive Engineer, District Building Mithi	Works executed within 1 day of work order and MB recorded next day in R.A. Bills	07	2022-23	12.725
				Total	202.202

Audit is of the view that the payments made in very short period of time after issuance of work order in the month of June implies that payment was made only to avoid lapse of budget without actual execution of work.

The matter was reported to the management during July, 2023 to November, 2023. The management @ Sr. No.1 & 2 replied that contractors mobilized their extra machinery and labor considering volume of work due to closing of the fiscal year. Further, the payment was made on account of work done at the site. The reply is not tenable as the execution of work at different locations along with recording of measurements within short span of time cannot be justified. No replies were received in case of other offices.

Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends conducting an inquiry to ascertain the facts.

DP#122,174

6.5.44 Non-auction of redundant heavy Vehicles / Machinery

As per Rule-26 of General 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 Government account."

During the audit of the following offices of Works & Services Department, Government of Sindh for the Financial Year 2022-23, it was observed that redundant heavy machinery and vehicles, including off-Road Heavy vehicles and other materials were lying redundant since long, but the management failed to auction the same. The details are given in **Annex-18 of Chapter -06**.

S.No	Name of Office	AIR Para #	Year
1	Executive Engineer, District Highways Division, Shaheed Benazirabad	09	2022-23
2	Executive Engineer, Provincial Highway Division, Larkana	15	2022-23

Audit is of the view that due to non-auction of redundant heavy machinery and vehicles, loss was caused to the government exchequer.

The matter was reported to the management during July, 2023 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends taking proactive measures for auction of redundant heavy machinery and the revenue realized may be deposited into government treasury.

DP#125,212

6.5.45 Non-deduction of Sindh Sales Tax - Rs.96.768 million

As per SRB letter dated 29-08-2019, "Sindh sales tax on service providers contractors/vendors deducted/withhold and deposit on payment bills of for all civil works including Civil work/construction works & repair of all government building works and similar other works @5% of the value of the bill and deduct all other taxable services at the applicable rate of tax prescribed in 2nd schedule to the Act 2011."

During the audit of various offices of Works & Services Department, Government of Sindh for the Financial Year 2021-22 and 2022-23, it was observed that payments were made to various contractors, but the Sindh Sales Tax amounting to Rs. 96.768 million was not deducted from the bills at applicable rates. The details are given in **Annex-19 of Chapter -06**.

Audit is of the view that non-deduction of the taxes resulted in a loss of the government revenue.

The matter was reported to the management during December, 2022 to November, 2023. The management @ Sr.No.4 replied that the tax had been recovered & credited in the head of account B-02384. The management @ Sr.No.9 replied that tax @ 5% had been deducted as per rule. The management @ Sr. No.10 replied that as per the SRB, the SST was to be deducted at the rate of 5% instead of 13%. Hence no recovery was outstanding as the applicable rate had already been applied. The reply is not tenable as no documentary evidences of tax deduction was produced. The management @ Sr. No.11 replied that the schemes had been approved before 30th June, 2020 and thus exempted from SST, hence no recovery was made. The reply is not tenable as the schemes were approved after June 2020 i.e., 17-07-2020 & 15-07-2021, as evident from Administrative Approval produced. The management @ Sr. No.13 replied that the tax had been deducted. The reply is not tenable as the applicable rate of SST of 5% was not deducted in the R.A. bills. The management @ Sr. No.18 replied that as per loan agreement, applicable taxes are required to be paid from Government of Sindh share. The required funds were not fully released and the balance amount of SST was not paid. The demand for funds was made vide letter dated 23-02-2023 but the scheme was dropped from ADP 2023-24. The management accepted non-deduction of Sindh Sales Tax from the contractor's bills. No replies were received in case of other offices.

Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends to recover the outstanding amount at the earliest.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 6.5.21 having financial impact of Rs. 160.893 million. Recurrence of same irregularity is a matter of serious concern.

6.5.46 Less deduction of income tax - Rs. 2.538 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 the audit of the following offices of Works & Services Department, for the Financial Year 2022-23, it was observed that expenditure of Rs.396.036 million was incurred but income tax was deducted for Rs. 25.688 million instead of Rs. 28.226 million. This resulted in less deduction of Rs. 2.538 million. The details are tabulated as under:

(Rs. in Million)

S.No	Name of Office	AIR Para #	Year	Expenditure	IT Due	IT deducted	Difference
01	Executive Engineer, Provincial Building Division-III, Karachi	02	2022-23	65.503	4.913	4.675	0.238
02	Executive Engineer Provincial Highways Division, Mirpurkhas	07	2022-23	329.167	23.04	21.013	2.027
03	Project Director, Sindh Provincial Road Improvement Project, Hyderabad	4.2.2 FAP	2022-23	1.366	0.273	0.00	0.273
Total				396.036	28.226	25.688	2.538

Audit is of the view that non-recovery of Income Tax resulted in short realization of government revenue.

The matter was reported to the management during July, 2023 to November, 2023. The management @ Sr. No.2 replied that the tax had been deducted as per rules. The reply is not tenable as the tax was not deducted at applicable rate of 7% in each bill. The management at Sr.#3 replied that total the officer had already deposited Rs. 0.093 million while filing Income Tax return for the year 2022-23. The reply is not tenable as the no documentary evidences was produced. No replies were received in case of other offices.

Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends recovery of income tax / taking remedial measures.

DP#132,146

6.5.47 Non-credit of revenue received against dismantled material - Rs. 3.760 million

According to Rule-72 of CPWA code, "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. When a voucher exhibits any expenditure from which revenue may prima facie be expected to accrue as, for instance, when payment appears in a bill for removing material from a building or other work, either dismantled or undergoing repairs or for clearing jungle or cutting trees, a note should be recorded to indicate how the old materials removed or the trees cut, etc., have been disposed of and if sold, when the sale-proceeds will be credited to government."

During the audit of the Building Division-I, Karachi for the Financial Year 2022-23, it was observed that an amount of Rs. 3.760 million was deducted from contractor's bill as book value of the dismantled material (deodar wood, mild steel, sanitary fitting & fixture, fans, wiring etc.). However, recovered amount was not credited to the relevant receipt head of account, instead the same was retained in the main head 'A12403 Other building'. Further the proper valuation of the dismantled material was also not made by the management.

Audit is of the view that due to non-credit of revenue into the relevant receipt head of account, the amount of revenue could not be realized.

The matter was reported to the management during July, 2023 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends transfer entry of the deducted amount to relevant receipt head.

DP#133

6.5.48 Loss due to inclusion of income tax amount in rate analysis of non-schedule items - Rs. 26.07 million

As per Government of Sindh Composite Schedule of Rates-2012, the following percentage of profit and sundries shall only be allowed while preparing the rate analysis:

Sr. #	Particulars	% allowed as Overhead & Profit
01	% on all and Sundries	10%
02	% of contractor Profit	10%

During the audit of the Building Division-I, Karachi for the Financial Year 2022-23, it was observed that the Chief Engineer (Buildings) Karachi, Government of Sindh approved an estimate of Rs. 499.420 million (letter No dated 10-05-2022) which included non-schedule items of Rs. 347.593 million for the work "Construction of Residential Block for Grade 17,19 officers at GOR-I, Bath Island, Karachi". The management allowed additional allowance of 7.5% for Income Tax and 2% overhead in the rate analysis of the non-schedule items whereas as per Composite Schedule of Rates-2012, the percentage of profit and sundries were only allowed while preparing the rate analysis. Further, only indirect taxes could be charges as part of overheads whereas income tax was required to be paid by the contractor.

Audit is of the view that due to allowing 7.5% additional allowance against Income Tax, an excess payment of Rs. 26.07 million was allowed. Thus, undue benefit was extended to the contractor in violation of CSR.

The matter was reported to the management during July, 2023 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends forwarding estimates to the Composite Rates Committee for scrutiny/opinion.

DP#134

6.5.49 Non-crediting of call deposits into treasury – Rs. 519.006 million

According to Para-63 of CPWA Code, "When money is received by Government officers on behalf of the Government it should be at once brought to account. Furthermore, as per Rule-75 and Rule-76 of CPWA code, the officer in-charge of call deposit should keep a book in Form-4 in which all remittances to the treasury should be entered upon and account of call deposit transactions should be maintained in form-I of call deposit as regular arrangement."

During the audit of the various offices of Works & Services Department, Government of Sindh, for the Financial Year 2021-22 and 2022-23, it was observed that call deposits amounting to Rs. 519.006 million were retained but were not deposited in government treasury in violation of the prescribed rules. The details are given in **Annex-20 of Chapter -06**.

Audit is of the view that retaining government money i.e. call deposit instead of depositing into treasury resulted in violation of rules and procedures.

The matter was reported to the management during December, 2022 to November, 2023. The management @ Sr.No.1 & 7 replied that the amount of call deposit had been credited into Govt. Treasury through Challan. The reply is not tenable as no evidence was produced in support of the replies. No replies were received in case of other offices.

Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends prompt deposit of the amount as specified.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 6.5.31 having financial impact of Rs. 22.050 million. Recurrence of same irregularity is a matter of serious concern.

DP#20,144,191,203

6.5.50 Non-invitation of NITs in three newspapers – Rs. 733.700 million

As per SPPRA Rule 17(1A), “All procurement opportunities over one million rupees shall be advertised on the Authority’s website as well as in the newspapers as prescribed.”

Rule 17(1) & (2) & 50 of Sindh Public Procurement Rules, 2010, “Procurement over three hundred thousand rupees and up to two 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 the audit of the following offices of Works & Services Department, Government of Sindh, for the Financial Year 2022-23, it was observed that the various tenders for Rs.733.700 million were invited through NITs but the same were not printed in three newspapers as evident from the details provided on SPPRA website. The details are tabulated as under:

(Rs. in Million)

Sr.#	Name of Office	Year	Particulars	AIR Para #	Amount
1	Executive Engineer, District Highways Tando Muhammad Khan	2022-23	Non-publication of NIT in three newspapers	1	232.198
2	Executive Engineer, Provincial Building Division, Health Works Lower Sindh, Hyderabad	2022-23		6	183.502
3	Executive Engineer Provincial Buildings Division, Mirpurkhas	2022-23	NIT was advertised in only Sindhi Newspaper on 31-3- 202 BER was posted on 05-08- 2023 i.e., after two months of issuance of work order dated 15-05-2023, BERs of two schemes at Sr.#10 & 12 were not hoisted on website.	1	318.00
Total					733.7

Audit is of the opinion that award of works to the contractors without advertisement of tenders in three widely circulated newspapers stands irregular and chances of uneconomical procurement cannot be ruled out.

The matter was reported to the management during July, 2023 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends concocting an inquiry into the matter.

DP#161,205

6.5.51 Loss to Government due to variation in rates – Rs. 4.800 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 the audit of the Executive Engineer, Building Division Tharparkar for the Financial Year 2022-23, it was observed that rate analysis of non-schedule item of work “Solar P.V module with all accessories” with same specification of the following schemes was approved at two different rates without supporting documents. This resulted in loss of Rs. 4.80 million due to excess rate. The details are as under:

(Rs. in Million)

WO dt	Contractor	Work	Sanction/date	Qty	Rate	Amount
512 24- 5-22	M/s Mahesh Kumar	Installation of solar street lights in Islamkot	112 22-03-23	85 nos.	200,000	17.000
756 25- 5-23	M/s Hotchand Bhuro Mal	Installation of solar street lights in Tal: Kolai, Diplo, Chacharo	220 14-04-23	96 nos.	250,000	24.000
Excess				96 nos.	50,000	4.800

Audit is of the view that excess rate was allowed in estimate reflected that undue favour was given to contractor. Thus, award of contracts to different contractor for same specification of work at different rates resulted loss to government of Rs. 4.800 million.

The matter was reported to the management during July, 2023 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends conducting an inquiry into the matter.

DP#170

6.5.52 Unauthorized allowing of premium on non-schedule items - Rs. 3.433 million

According to SPPRA works guideline 11.3.3, “In case tenders are invited on the items of composite schedule of rates, where contractor has to quote the premium on schedule B, then its premium shall not to exceed Engineer’s estimate by 20%. If the premium quoted by the bidder is not within allowable limit of 20% then approval may be obtained from the Finance Department or the tender be floated afresh.”

As per serial#(i) of work order issued by Executive Engineer, Machinery & Maintenance Division Umerkot vide No. TC/G-55/715 of 2022 dated 10-06-2022, “No premium shall be allowed on non-schedule items.”

During the audit of the Executive Engineer, Machinery Maintenance Division Umerkot, for the Financial Year 2022-23, it was observed that management allowed premium on market items. Since premium was applicable on schedule items to cover difference of cost on scheduled rates 2012 whereas, in case of non-scheduled items, the rate analysis was required to be prepared on current market rates which included contractor profit, but in the instant case, premium was allowed on non-schedule items resulting in excess payment of Rs. 3.433 million. The details are given below:

(Rs. in Million)

CV	WO Dt	Name of work	Contractor	Item	Expenditure	Premium	Amount
D-20 13-6-23	715 10-6-22	W/R Samaro Kot Ghulam Muhammad road mile 0/0-9/4+330	Fazal Brothers	Direction board	8.600	19.95% above	1.716
D-22 13-6-23	716 10-6-22	W/R Samaro Umerkot road mile 0/0-24/7	Fazal Brothers	Direction board	8.600	19.96% above	1.717
Total							3.433

Audit is of the view that due to allowing premium on non-schedule items, the management made excess payment of Rs. 3.433 million thus extending undue benefit to the contractor.

The matter was reported to the management during July, 2023 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends recovery of excess payment / taking remedial measures.

DP#171

6.5.53 Award of works by collusive tendering – Rs. 13.538 million

As defined in para-2 (1)(q) of general provisions of SPPRA Rules, 2010, “Collusive Practice” means any arrangement between two or more parties to the procurement process or contract execution, designed to achieve with or without the knowledge of the procuring agency to establish prices at artificial, non-competitive levels for any wrongful gain.”

During the audit of the Executive Engineer, Provincial Buildings Division-II, Karachi, for the Financial Year 2022-23, it was observed that works amounting to Rs.13.538 million were awarded to the contractors against two schemes. Audit noted that all three contractors in each work, submitted their bids with identical documents and call deposits were also found to be in sequence issued on the same date and time. Further, in these cases, only three firms participated in each tender and the record of those two firms was not available with the management. The details are tabulated as under:

(Rs. in Million)

r.#	Name of Work	Name of bidder	CDR# & date	Amount	Amount of Tender
1.	M&R to different Barracks at Sindh Secretariate-4-A (Roof treatment work)	M/s Brother Business System	13 148093 dated 30.09.22	4 0,000	1.974
		M/s SAA Enterprises	14 148093 dated 30.09.22	4 0,000	
		M/s Kazi Associates	15 148093 dated 30.09.22	4 0,000	
2.	M&R to Barrak No.17 Sindh Secretariat 4-A, Karachi (Roof remaining External Works)	M/s Brother Business System	18 148098 dated 03.10.2022	3 2,000	1.564
		M/s SAA Enterprises	19 148098 dated 03.10.2022	3 2,000	
		M/s Kazi Associates	20 148098 dated 03.10.2022	3 2,000	
				Total	1.3538

Audit is of the view that the possibility of collusive tendering through pooling by the firms to win the tenders could not be ruled out.

The matter was reported to the management during July, 2023 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends conducting an inquiry into matter / fixing of responsibility on the person(s) at fault.

DP#183

6.5.54 Irregular award of work to un-qualified bidder - Rs. 420.798 million

As per Rule-42(1) Sindh Public Procurement Rules,2010 read with Rule 2 (x), "All bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the bidding documents." and "Mis-procurement means public procurement in

contravention of any provision of Sindh Public Procurement Act, 2010, any rule, regulation, order or instruction made there under or any other law in respect thereof, or relating to, public procurement.”

During the audit of the Executive Engineer, Provincial Buildings Division-II, Karachi for the Financial Year 2022-2023, it was observed that work “Construction of Anti-Corruption Complex at Karachi” amounting to Rs. 420.798 million was awarded to contractor M/s Naveed Enterprises and the rest of the bidders were disqualified on technical grounds. On scrutiny of technical proposals of the qualifying bidder, it was noted that the bidder was assigned exaggerated marks despite having several short comings. Audit analyzed the available documents based on which the bid was evaluated and found that the bidder did not qualify for the minimum marks 88/100. Furthermore, the approval of the bid & its sanction was not obtained from the Chief Engineer.

Audit is of the view that the work was awarded to an ineligible bidder by extending undue favor in order to facilitate award of contract to the firm. This resulted in non-transparent bidding process.

The matter was reported to the management during July, 2023 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit recommends conducting an inquiry / fixing of the responsibility on the person(s) at fault.

DP#186,187

6.5.55 Irregular adjustment of mobilization advance – Rs. 10.000 million

According to SPPRA (Works) 2(b)(v), “Advance including the interest shall be recovered in 5 equal installments from the 5 R.A bills and in case the number of bills is less than five (5), then 1/5 of the advance inclusive of the interest thereon shall be recovered from each bill and the balance together with interest be recovered from the final bill. It may be insured that there is sufficient amount in the final bill to enable recovery of the mobilization advance. When sufficient amount is not available in final bill, then amount is adjusted from deposits available with procuring agency or by any other means as the procuring agency may deem appropriate.”

During the audit of the Executive Engineer, Provincial Building Division, Health Works Lower Sindh, Hyderabad for the Financial Year 2022-23, it was observed that mobilization advance of Rs. 35.000 million was allowed to the contractor for the scheme Establishment of Paramedical and Nursing School at Syed Abdullah Shah Institute of Medical Sciences, Sehwan (ADP # 1168). Following irregularities were noted:

1. Mobilization Advance was allowed to contractor on 1st R.A bill against which recoveries were required to be made in 5 equal installments. However, the same was not adjusted completely up to the 6th R.A bill.
2. Second advance in shape of Secured Advance of Rs. 20.590 million was also allowed in 7th R.A bill (which was presented on same date as 6th R.A bill) against which remaining amount of Mobilization Advance of Rs.10 million was adjusted from the contractor's bill without any physical progress of work.

Audit is of the view that undue financial favor was extended to contractor by non-adjusting Mobilization Advance as per rules. Further, in presence of an mobilization advance, allowing of second advance and adjustment of first advance therein, stands irregular.

The matter was reported to the management during July, 2023 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

DP#199

6.5.56 Misclassified expenditure on account of POL – Rs. 99.452 million

According to letter No. FD(TR)9(25)/2(Hyderabad)/2018 dated 09th August, 2021, Government of Sindh, Finance Department, "There was no provision to issue POL from Object Code A12270-Others-Civil Works (Capital Component) from development scheme."

During the audit of the following offices of Works & Services Department, Government of Sindh, for the Financial Year 2022-23, it was observed that payment of Rs. 99.452 million was paid to various suppliers on account of POL for vehicles from budget of developments and maintenance & repair instead of POL head of account and charged from ADP heads. Further, invoices, log books, history sheets and petrol consumption account were not maintained. The details are tabulated as under:

(Rs. in Million)

Sr.#	Name of Office	Year	Particulars	AIR Para #	Amount
1	Executive Engineer, District Highways Benizarabad	2022-23	Irregular expenditure on POL from Development and M&R budget	06	2.838
2	Executive Engineer, Prov. Building Benizarabad	2022-23	Irregular expenditure on POL from Development budget	12	0.676
3	Executive Engineer, Provincial Building Division-II, Karachi	2022-23	Irregular expenditure on POL from Development and M&R budget	21	0.398

4	Executive Engineer, Provincial Building- II Karachi	2022-23	Charged from ADP cost centre KQ-5197 instead of expenditure booked in cost center KQ-0539 (M&R Work)	19	60.715
			Procurement of Furniture & Fixture from M&R of Buildings	27	34.825
Total					99.452

Audit is of the view that the management incurred expenditure on account of POL from development and M&R budget in violation of financial rules and instructions from the Finance Department.

The matter was reported to the management during July, 2023 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide para number 6.5.42 having financial impact of Rs. 144.226 million. Recurrence of same irregularity is a matter of serious concern.

DP#214, 215

6.5.57 Unjustified expenditure on M&R despite provision of funds through ADP schemes - Rs. 3.715 million.

As per progress report, Rehabilitation/Renovation of existing godowns in Sindh (Hyderabad and Sukkur regions) scheme approved vide SO(Dev)(i)(ii) dated 24.05.2012 includes various godowns in Shaheed Benazirabad, Naushero Feroze and Khairpur districts.

During the audit of the Executive Engineer, Provincial Buildings Division, Shaheed Benazirabad for the Financial Year 2022-23, it was observed that an expenditure amounting to Rs. 3.715 million was incurred on account of M&R of godowns whereas an ADP scheme namely 'Rehabilitation/Renovation of existing godowns in Sindh (Hyderabad and Sukkur regions)' was also being executed. The details are tabulated as under:

(Rs. in Million)

Name of work	Name of contractor	V#	Item executed	Total
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M/R to Grain Godown at Noorpur	M/s. GHC Builders & Developers	55	CC topping 2" thick i/c surface finishing	-
			Two coat of bitumen laid hot using 34	1.821
			Other items	-
M/R to Grain Godown at Kandiaro	M/s Rehman Engineering Works	56	CC topping 2" thick i/c surface finishing	-
			Two coat of bitumen laid hot using 34	0.862
M/R to Grain Godown at Paddidan	M/s. Abdul Jabbar Rajper	57	CC topping 2" thick i/c surface finishing	-
			Two coat of bitumen laid hot using 34	1.032
Total				3.715

Audit is of the view that expenditures incurred on M&R budget despite provision of funds through ADP scheme for same site, resulted in unjustified expenditure.

The matter was reported to the management during July, 2023 to November, 2023 but no reply was received. Despite written requests vide letters dated 08-08-2023, 14-12-2023 & 27-12-2023, DAC meeting was not convened by the PAO till the finalization of this report.

Audit seeks justification in the matter / fixing of responsibility on the person(s) at fault.

DP#218

Infrastructure Development for Providing Sanitation Facilities in Rural Areas

7.1 Introduction

In most developing countries all around the globe, inadequate sanitation facilities combined with poor hygiene awareness and practices are the major causes of death and disease. The problems associated with sanitation get worsened in the aftermath of natural disasters and calamities. Sindh, being a province of a developing country like Pakistan, is no exception to the threat of undermined sanitation facilities. In the rural areas of Sindh, the provision of this essential service is often a significant challenge and the provincial government through the Public Health Engineering and Rural Development Department (PHE & RDD) plays a pivotal role in addressing the issue. Sindh is the second biggest province of Pakistan in terms of population, wherein more than 55.500 million people are domiciled in both the rural and urban areas. The province stands at the crossroads of cultural heritage and pressing contemporary challenges. As the world collectively strives to achieve universal access to sanitation, rural Sindh emerges as a focal point regarding the provision of sustainable sanitation to the masses. While urban Sindh has witnessed significant development, the rural areas grapple with a stark contrast, particularly in terms of sanitation facilities. Inadequate sanitation in rural Sindh has brought forth severe health implications for the inhabitants. Contaminated water sources and improper waste disposal contribute to the spread of waterborne diseases, disproportionately affecting vulnerable communities. The burden of preventable illnesses intensifies the existing health disparities of the 22.975 million⁶ rural population. According to the Multiple Indicator Cluster Surveys (MICS), conducted by the United Nations in 2018-19, only 58.8% of Sindh's population have access to basic sanitation facilities⁷. Open defecation remains rampantly prevalent in many villages, perpetuating a cycle of poor health outcomes and hindering socio-economic progress. The obligation to enhance sanitation infrastructure in rural Sindh is not merely a regional concern; it is directly proportional to the broader international commitment towards the Sustainable Development Goals, 2030 of the United Nations.

As the international community collectively advocates for sustainable development, rural Sindh stands at a critical juncture in its quest for improved sanitation. In pursuance of meeting the challenges relevant to the sustainable provision of sanitation facilities, the Government of Sindh has initiated various infrastructure development initiatives. The instant report based upon Thematic Audit is an attempt to review the endeavors taken by the Public Health Engineering & Rural Development Department for the development of new schemes to enhance the quality of life for the rural population by dispensation of proper sanitation services and compliance with the Sustainable Development Goals, 2030 set by the United Nations.

7.2 Background

The genesis of the sanitation challenge in rural Sindh can be traced back to the historical evolution of societal structures and patterns of human settlement in the region. Traditionally characterized by agrarian economies and close-knit communities, rural Sindh faced minimal urbanization until recent decades. The swift influx of the village populace towards small towns adjacent to key highways and link roads ushered

⁶ <https://pwd.sindh.gov.pk/sindh>

⁷ <https://unpartnerportal.org>

in a challenging phenomenon associated with systematic waste management and sanitation. With the increase of settlements in rural areas, the absence of planned sanitation systems gave rise to haphazard waste disposal norms and reliance on open spaces for defecation. Open defecation contributes to soil and water pollution, which adversely affects the overall ecosystem. Further, this factor is detrimental to the agricultural sector, which is a crucial source of livelihood for the rural population. The dearth of effective policy and pragmatic planning in addressing the issue during the initial phase caused a complex situation as the population swelled by leaps and bounds. The creation of the United Nations in 1945 laid the foundation for international collaboration on global challenges, paving the way for discussions on fundamental human rights, including access to clean water and sanitation. In the aftermath of gaining global attention, the sanitation challenge was viewed more seriously by the relevant authorities in Sindh. The fact that inadequate sanitation not only posed health risks but also sabotaged economic development, prompted the Government to revamp the stereotype policies and strategies. The chartering of Sustainable Development Goals (SDGs) in 2015 further intensified the commitment to provide better sanitation services all over the world.

In this context, following the instructions of the Planning & Development Department, Government of Sindh for the preparation of PC-I for social sector project, the PHE & RDD initiated an umbrella project namely ‘Rehabilitation of Non-functional Water Supply and Drainage Schemes, Phase-I’ in March, 2014 with the total budgetary volume of Rs. 4,590.900 million. The PC-I was prepared on the basis of data and cost estimates provided by the field officers of the PHE & RD Department.

The schemes in the PC-I were aimed at making functional the infrastructures that were lying redundant because of gradual wear and tear, financial constraints and lack of technical expertise. Another major cause of the redundancy of these schemes can be attributed to the super floods and heavy torrential rains. The PC-I was further re-revised to the tune of Rs. 5,269.000 million in 2018. The revised completion date of the PC-I was extended to June, 2020 which was further extended upto June, 2024. The Phase-I of the PC-I comprised 194 drainage and sanitation schemes with a capital cost of Rs. 2,012.918 million.

7.3 Establishing the Audit Theme

7.3.1 Reasons of selection

The inadequate and bleak interventions on the part of the Government to provide sustainable sanitation facilities in rural Sindh, despite the allocation of hefty financial resources, have drastically affected the human development index. Consequently, the subject theme has been selected to review the policies and tangible efforts taken by the authorities concerned to bring forth notable progress and use of pragmatic tools in the context of real-world decisions.

Further, the issue conforms with the United Nations' Sustainable Development Goals (SDGs) i.e., Goals 6 and 11. The details are tabulated as under:

Theme	Relevance of the theme with SDGs	Targets
Infrastructure development for providing sanitation facilities in rural areas.	Goal 6 Ensure availability and sustainable management of water and sanitation for all.	6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations.

In order to align with the SDGs, the Government of Sindh has initiated several development schemes including an exclusive project namely ‘Rehabilitation of Non-functional Water Supply and

	Goal 11 Make cities and human settlements inclusive, safe, resilient and sustainable.	11(A) Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning.
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Drainage Schemes, Phase-I' to improve the sanitation infrastructure and provide a hygienic environment in the rural areas.

7.3.2 Purpose / Objectives

The purpose of this thematic audit is to identify the grey areas in the execution of the sanitation infrastructure schemes and to review how effective the measures taken by the authorities concerned have been to develop an efficient rural sanitation network for enhancing the lifestyle of the masses. The audit would cover the governance issues, gaps in planning and reasons for the non-achievement of the intended targets. The report shall be helpful to the Government of Sindh and the administrative department i.e., PHE & RDD in assessing the prevalent position regarding the attainment of the SDGs relevant to the theme. It will also be prolific to evaluate vital indexes pertaining to the socio-economic and human development in the selected rural areas. The findings narrated in the report are expected not only to sensitize the executive and the legislature to take necessary corrective measures in achieving the desired results but also to create awareness among the public.

7.3.3 Scope

The scope of this audit was to assess whether the huge expenditure against infrastructure development for providing sanitation facilities in rural areas of Sindh benefited the local population or otherwise. There are 194 drainage and sanitation schemes under the umbrella PC-I throughout the province. Initially, the PC-I comprised 215 drainage and sanitation schemes. In the revised PC-I the number of schemes was curtailed to 194 in 21 Divisional Offices. 17 new drainage schemes were proposed whereas, 38 drainage schemes were cancelled from the project on the basis of duplication as the same were already included in the district Annual Development Plan and few schemes were being executed by the Town Committees concerned. Keeping in view the vast numbers of these schemes, the scope of the instant audit has been limited to the major schemes in Ghotki, Khairpur, Sukkur, Dadu, Hyderabad, Jamshoro, Matiari, Tando Muhammad Khan and Sujawal districts. In pursuance of supplementing the audit task, a review of financial data from the provincial budget book and the combined physical / financial progress report submitted by the PHE & RDD was made.

The following Terms of Reference were chalked out for the thematic audit activity:

- To determine the effectiveness of governmental policies and measures taken towards the provision of proper sanitation facilities in rural areas.
- To assess the role and responsibilities of different government agencies and coordination among them.
- To review whether the National Framework of Pakistan, 2018 is aligned with SDGs.
- To evaluate the implementation status of the schemes in terms of cost and time overrun.
- To analyze gaps in the planning, implementation and monitoring phases of various schemes.
- To evaluate the non-achievement of targets set by the government despite the utilization of funds.
- To analyze the efforts taken by the government to engage the local communities to improve sanitation management through public awareness campaigns.

7.4 Legal Framework governing the Theme

The legal framework governing the theme is based upon the Sindh Sanitation Policy, 2017 chalked out by the Government of Sindh which is to be implemented through PHE & RD for the dispensation of better sanitation services all across the province. Target 3 of the policy aims at strengthening and implementing liquid waste management with sewer lines and covered/improved drains. The coverage threshold involves 85% and 60% in urban and rural areas respectively. In addition to this, Pakistan Approaches to Total Sanitation, 2010 (PATS) sets the National Sanitation Policy with the same objectives. The Sindh Sanitation Policy is directly in conformity with the goals of PATS and the United Nations SDGs for the optimum disposal of effluents and solid waste. The Sindh Environmental Protection Act, 2014 is also a fundamental document that is to be abided by in the implementation of the Sindh Sanitation Policy, 2017. Further, as per the Sindh Government Rules of Business, 1986 the PHE & RDD will perform the following functions relevant to the infrastructure development for providing sanitation facilities in rural areas:

- Execution of urban and rural water supply and drainage schemes (except the areas falling under KW&SB-Karachi and WASA-Hyderabad).
- District Annual Development Program schemes relevant to the department's mandate.
- Operation and maintenance of water supply and drainage schemes especially assigned to the department.

7.5 Stakeholders and Governmental Organizations identified as directly / indirectly involved

- Public Health Engineering & Rural Development Department.
- Finance Department, Government of Sindh.
- Planning and Development Department, Government of Sindh.
- Sindh Public Procurement Regularity Authority.
- Irrigation Department, Government of Sindh.
- Local Government Department.
- Water & Sanitation Agency, Hyderabad.
- District Administration.
- Sindh Environmental Protection Agency.
- The rural population of Sindh.

7.6 Role of Important Organizations

PHE & RD Department has the mandate to plan and execute schemes for sanitation in the province. The work is executed through Chief Engineers stationed at Hyderabad and Sukkur who execute all the development schemes through sub-ordinate offices involving Superintendent Engineers at circles and Executive Engineers at district levels.

The Finance Department manages the allocation of funds for the development schemes.

The Planning and Development Department, Government of Sindh is responsible for all development schemes, programs and proposals submitted by other departments and making

recommendations to the Government thereon. It monitors the progress of the schemes and makes their critical appraisal.

The rules of Sindh Public Procurement Regularity Authority are required to be followed with respect to the overall spendings and exercising financial propriety against the procurements made.

The District Administration is responsible for executing schemes under the periodic district development programs besides, overseeing coordination among various government departments. Further, the acquisition of land for the schemes is also one of the prime responsibilities of the respective District Administration.

The Sindh Environmental Protection Agency ensures the implementation of the environmental laws as stipulated in the Sindh Environmental Protection Act, 2014. It protects people and environment from significant health risks, sponsors / conducts research and enforces the prescribed regulations. The Agency provides sectoral guidelines indicating specific assessment requirements for planning, construction and operation of the projects.

7.7 Organization's Financials

The department of PHE & RD is a regular department of the Government of Sindh. The establishment charges are being paid from Demand No. SC21143 including the O&M expenditure for various ongoing treatment plants and relevant expenses. Whereas, the development expenditure is being charged through the department's development Demand No. SC12143 as well as by the District Government setup under Development Demand No. SC12167. The PC-I cost of the scheme 'Rehabilitation of Non-functional Water Supply and Drainage Schemes, Phase-I' under Audit's purview is Rs. 2,012.918 million. The project is funded by the Government of Sindh through Annual Development Programme.

7.8 Field Audit Activity

7.8.1 Methodology

The audit teams conducted the audit of the available data relevant to the various sanitation schemes under the subject umbrella PC-I while focusing on quantitative and qualitative aspects of the theme. During the desk audit following documents were reviewed:

- PC-I of the project.
- Technical sanctions of the works.
- Tender documents.
- Progress report of the schemes.
- Payment vouchers and MBs of various field formations.

Subsequent to the desk audit, the field audit teams visited the various formations responsible for the execution of schemes including the head office of PHE & RDD (Secretariat). The details and statistical data were obtained from the Secretariat which maintains the complete profile of the drainage and sanitation network. In addition to that, useful and relevant data from the field offices and the internet was also extracted to supplement the thematic audit exercise.

7.8.2 Audit Analysis

7.8.2.1 Review of Internal Controls

To determine the effectiveness of internal controls in pursuance of government policies and efforts towards rehabilitation of non-functional drainage schemes for hygiene services, the relevant documents

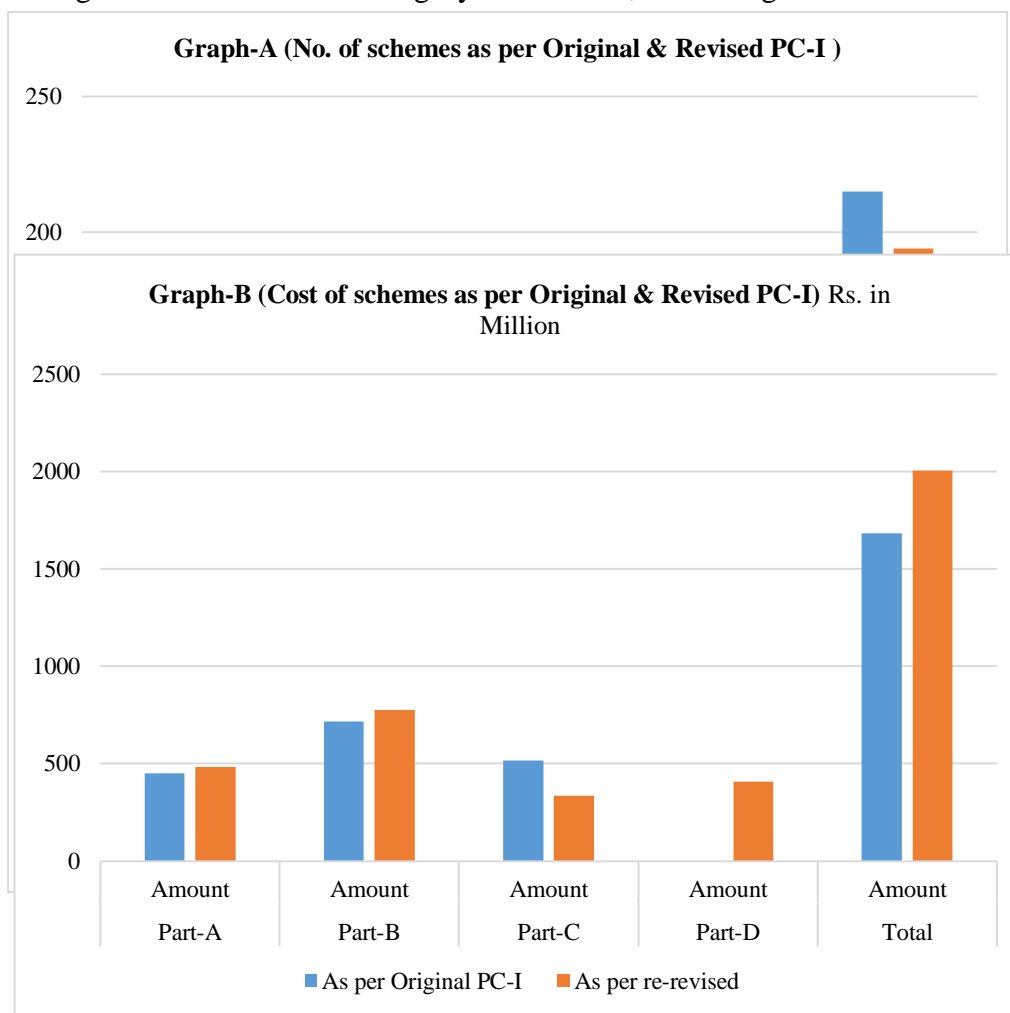
pertaining to various schemes of the project were scrutinized. The integral reason that rendered the internal controls weak was the inordinate delay in the completion of the schemes caused due to significant deviations from the original PC-I and the inability to take punitive action against the defaulting contractors. In terms of releasing funds, the ongoing schemes were not given due priority and budgetary allocations were irrationally made against fresh schemes. Owing to these factors it is evident that there existed significant shortcomings in operational supervision and effective budgetary management. There was a gap in systematic monitoring and execution between PHE & RDD and the engineering staff, which resulted in a time and cost overrun. Prior to the initiation of a scheme, prescribed surveys were not undertaken due to which several schemes were included in the PC-I which were already being executed through the ADP funds and other departments. Owing to this negligent supervision, duplicity of the schemes was observed. The durability factor was not given due priority, resultantly the condition of the sanitation infrastructure and drainage lines started to deteriorate within a short period of construction. Apart from this, integral SPPRA rules were not followed in true letter and spirit which resulted in procurement of additional quantities beyond the prescribed limits as per the technical sanctions. There was no internal audit mechanism being followed during the execution of the project as a whole.

7.8.2.2 Critical Review

In the purview of the facts narrated above, it can be emphatically inferred that the infrastructure development for providing sanitation facilities in rural areas plays an important role in healthy and robust living standards. In Sindh, while some progress has been achieved regarding rural sanitation improvement, numerous tough challenges are still prevalent that are required to be overcome for the optimum alignment with the SDGs. From a holistic perspective, the efforts towards addressing the issue of sanitation facilities for the rural areas of Sindh have been inadequate, demanding an increased proactive approach. This can be gauged from various delayed and incomplete schemes, which drastically hampered the accomplishment of the intended benefits i.e., proper drainage facilities, disposal of the sludge, eradication of diseases caused by wastewater like cholera, dysentery, hepatitis, typhoid, diarrhoea, cryptosporidium infections and gastroenteritis.

In this context, the original PC-I was approved for 215 drainage schemes divided into three categories (A, B and C) with a cost of Rs. 1,684.161 million. The category A pertained to the schemes where work was already in progress. Whereas, Category B and C included those schemes where work was to be initiated. These schemes were to be executed in 21 different Division Offices including Hyderabad, Badin, Matiari, Tando Muhammad Khan, Jamshoro, Thatta, Sujawal, Mirpurkhas, Sanghar, Tando Allahyar, Ghotki, Sukkur, Khairpur-I, Khairpur-II, Shaheed Benazirabad, Naushahro Feroze, Dadu, Jacobabad, Kambar @ Shahdadt, Shikarpur and Larkana. Further, no scheme was selected falling under the Divisional Offices of Karachi, Umerkot, Tharparkar and Kashmore. The graphical representation of data is as follows:

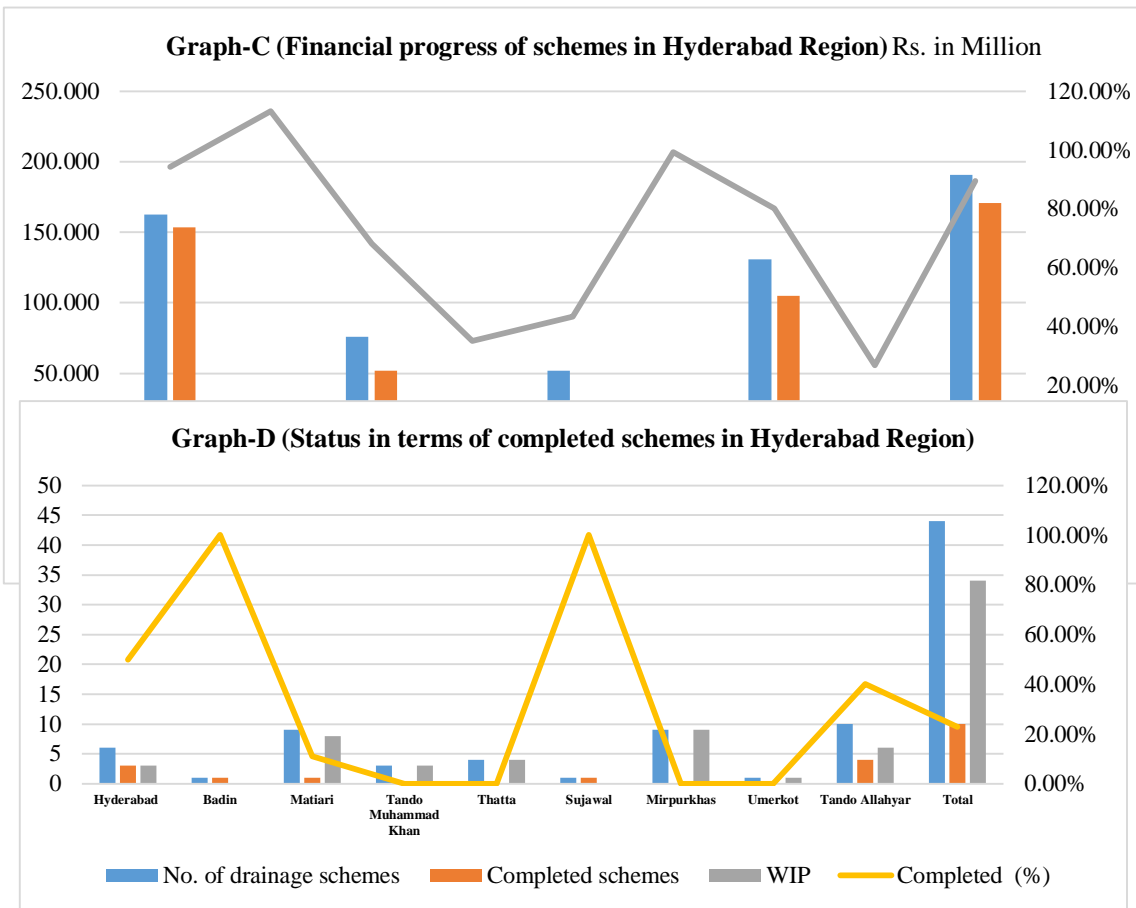
Whereas, in the revised PC-I, the quantity of the drainage schemes was curtailed to 194 schemes with a revised cost Rs. 2,006.051 million. 17 new drainage schemes were proposed through the introduction of Category D. Whereas, 38 drainage schemes were discarded on the basis



of duplication as the same were already included in the

district Annual Development Plan and few schemes were being executed by the Town Committees concerned. Further, the drainage scheme of Rustam @ Taluka Khanpur was not initiated due to falling in the urban area and no scheme was planned to be executed in District Jamshoro as per the revised PC-I. The graphical representation of data is as follows:

The execution of the project was made through two regional offices at Hyderabad and Sukkur headed by the respective Chief Engineers. The Chief Engineer, Hyderabad supervised 09 Divisional Offices. In Hyderabad Region overall, 44 drainage and sanitation schemes were planned in Phase-I for rehabilitation with the cost of Rs. 682.122 million. An expenditure of Rs. 537.745 million was incurred with 78.83% overall financial progress. The graphical representation of data is as follows:

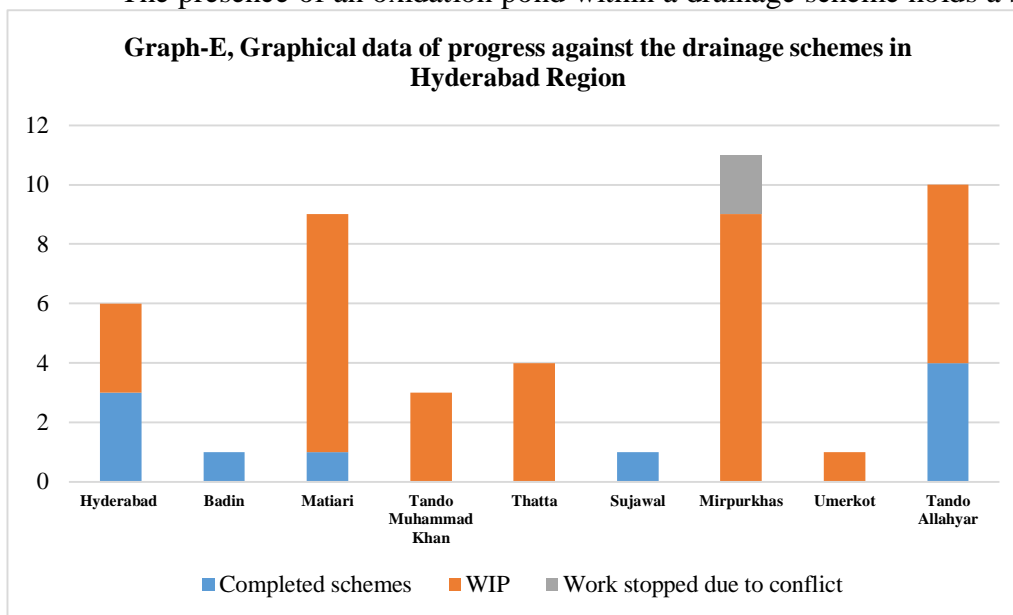


Out of 44 drainage schemes of Hyderabad Region, 10 schemes were completed

and work was under progress against 34 schemes. Despite almost 79% of overall expenditure against the allocated budget, the physical progress of the schemes remained 23%. This reflects a very dismal scenario in contrast to the expected benefits. Badin and Sujawal were the most prominent divisions where success ratio was 100% in terms of completed schemes. In Tando Muhammad Khan, Thatta, Mirpurkhas and Umerkot divisions the completion status reflected no progress at all despite the allocation of hefty budget. The graphical representation of data is as follows:

The work was stopped against the drainage scheme Haji Ahmed Bux Narejo @ Mirpurkhas division by the contractor. Similarly, the work against the drainage schemes Ghulam Shah Bagrani @ Tando Ghulam Hyder and Kamal Rashadani @ Tando Muhammad Khan remained suspended since June, 2016. In the purview of these factors the management did not make any concrete effort against the defaulting contractors owing to which the infrastructure constructed till yet was subjected to gradual deterioration. Further, the work against the drainage scheme Shah Bux Lashari in the Mirpurkhas division was stopped due to the dispute between the indigenous communities, thus reflecting due diligence was not exercised at the planning stage of the scheme. The graphical representation of data is as follows:

The presence of an oxidation pond within a drainage scheme holds a significant status. As



per the Water Commission Report, 2018 municipal sewage must be retained in oxidation ponds for a minimum of seven days for natural treatment of the wastewater. Hence, the ponds must be designed in such a way that the period between inflow and outflow is limited to a minimum of seven days. The construction of an oxidation pond in the drainage scheme of Rana Jagir district Umerkot was included in compliance with the instructions of the Water Commission, whereas despite completing the residual work, no contract was awarded for the construction of the same⁸. One of the main reasons behind this shortcoming was the absence of proactive coordination between the executing agencies and the respective District Administration, responsible for the acquisition of land for the oxidation ponds.

The drainage scheme Bachal Waryah @ Matiari division included the ‘Construction of compound wall and rehabilitation of existing oxidation ponds’ whereas despite incurring an expenditure of Rs. 6.409 million which was 75.34% of the estimated cost, the said work was not

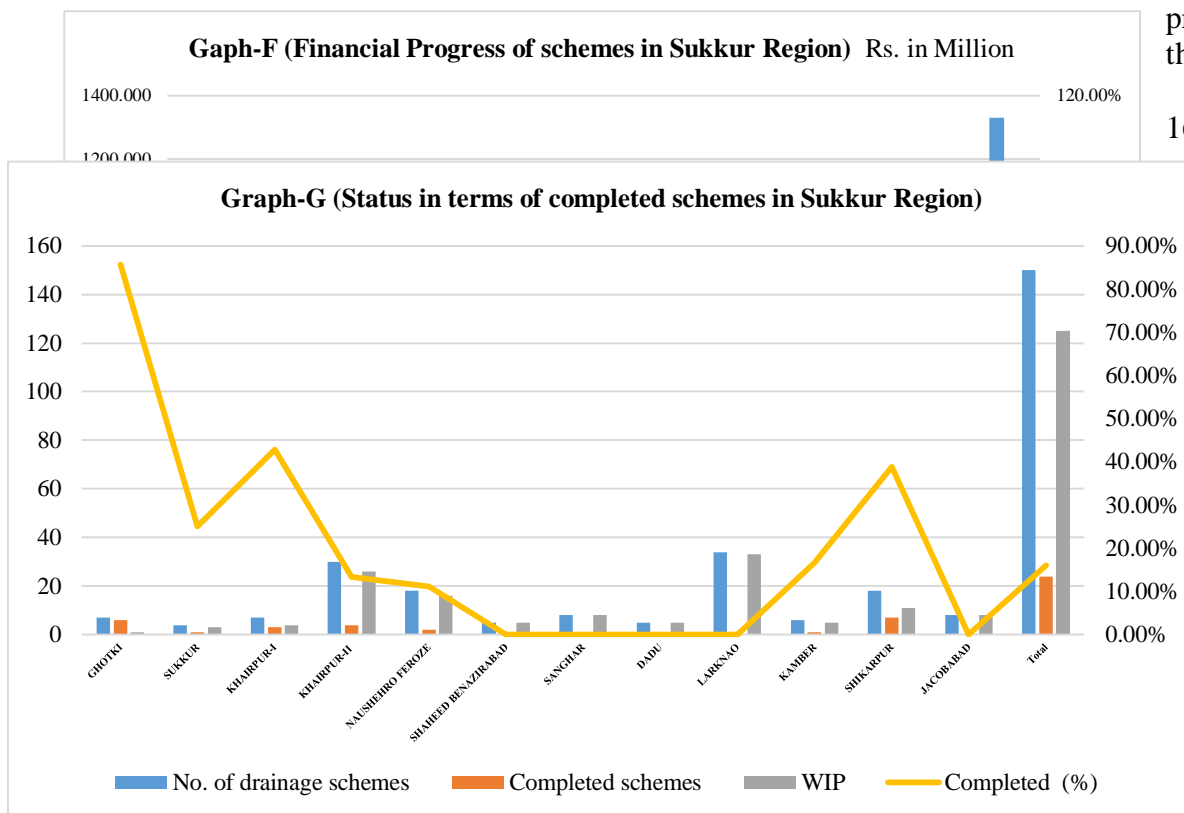
⁸ Page No. 38, Water Commission Report, 2018

initiated. The failure in timely utilization of funds in Hyderabad, Matiari and Tando Muhammad Khan divisions was the major reason for the delay in the completion of the 12 drainage schemes.

In Sukkur Region, 12 Divisional Offices were mandated for the execution of the project. Overall, 150 drainage and sanitation schemes were planned in Phase-I for rehabilitation with a cost of Rs. 1,330.796 million. An expenditure of Rs. 883.350 million was incurred with 66.38% overall financial progress. The graphical representation of data is as follows:

Despite almost 67% of overall expenditure made against the allocated budget, the physical progress of the schemes remained 16% in Sukkur Region.

Keeping in view these facts, it is evident that the

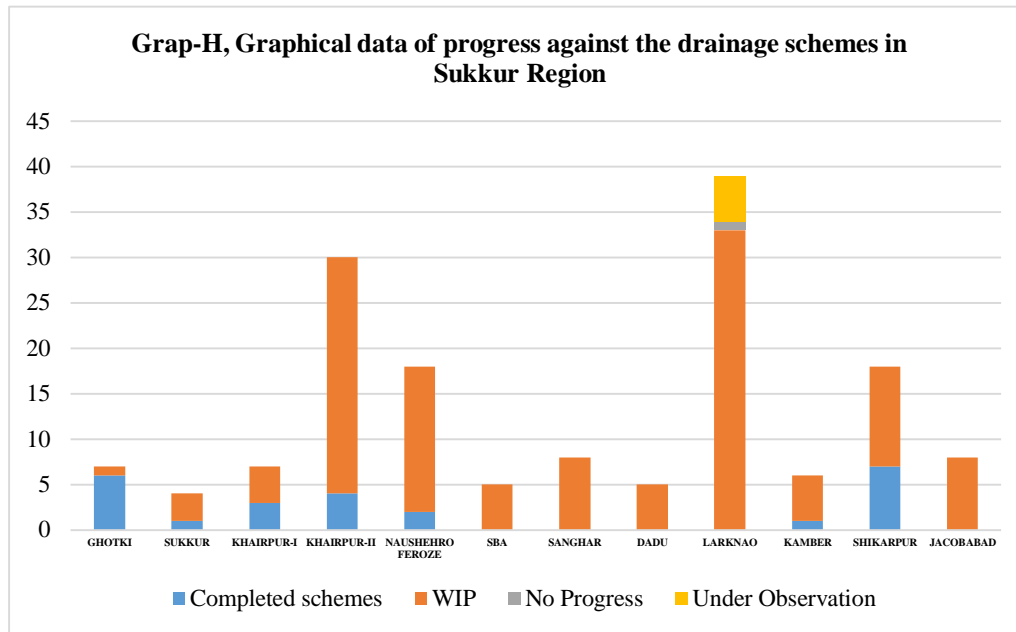


threshold of achievements in terms of mitigating the drainage and sanitation issues pose a cheerless scenario. The graphical representation of data is as follows:

Out of 150 drainage schemes in Sukkur Region, 24 schemes were completed and work was under progress against 125 schemes. The work on drainage scheme namely Lal Bux Lund in Larkana Division was not initiated altogether. Further, Ghotki division reflected a remarkable success ratio of 86%, however, in Shaheed Benazirabad, Sanghar, Dadu, Larkana and Jacobabad divisions no progress was observed in terms of completion of the schemes.

Further, the work against the drainage schemes of Gujher, Siddiq Abad and Wali dad Gabbar in Larkana Division was under observation by the Monitoring and Evaluation Cell, Government of Sindh.

In addition to the above, the work was stopped by the contractors on drainage schemes of Lal Bux Bugti and Abdul Karim Unner in Larkana Division and both the schemes are under observation of the Monitoring and Evaluation Cell, Government of Sindh. Further, an expenditure of Rs. 10.392 million was incurred against the drainage scheme Dilawar Khuhro @ Gambat despite being included in the list of the duplicate schemes by the department. This reflects lack of systematic coordination between the administrative and executive authorities. Similarly, the cost of the drainage schemes Rukrani, Umb and Manghan Wari @ Khairpur-II division was increased for an amount of Rs. 6.764 million which was beyond the permissible limit of the estimate, thus reflecting negligent financial oversight. The graphical representation of data is as follows:



The duplicity of the schemes in the PC-I revealed that there was a lack of proper planning and the absence of an efficient management system. This resulted in the delay of completion of the schemes as well.

Though, the objectives of the project seem very productive, but poor progress with respect to the completion of the schemes raises questions regarding their rehabilitation. The gap in setting targets and failure to achieve those on time reflects a lack of commitment. The non-completion of the sanitation schemes in rural Sindh not only compromises public health, but also undermines the essence of the relevant Sustainable Development Goals. The negative repercussions of incomplete sanitation projects are multifaceted. Beyond the financial losses incurred, the halt in these essential services widens health disparities. Incomplete projects become breeding grounds for health hazards, posing severe threats to the well-being of communities. In certain instances, it has been observed that the funds remained unutilized due to various reasons that include red-tapism, technical anomalies, weak feasibility reports and lengthy/time bound procedures of planning and development regarding the technical appraisal.

Another potential predicament associated with the dilapidated drainage and sanitation infrastructure is the environmental threat to the aquatic ecosystem and surroundings. An aquatic ecosystem comprises organisms that are dependent on each other and the habitat environment. The two main types of aquatic ecosystems are marine ecosystem and freshwater ecosystem. Aquatic ecosystems serve as natural sinks for the effluents to a prescribed limitation. In the absence of a well-developed sanitation system the sewage waste ultimately finds its way to the aquatic environment. This results in the degradation of the water quality and leads to the deterioration of aquatic environments. Water has a natural capacity to neutralize contamination, but when contamination becomes rampant, this capacity starts diminishing. When potential polluting effluents are released into a stream, a sequence of drastic ecological events occurs in time and distance. This leads to numerous environmental consequences like deterioration of the natural river system, affecting both the flora and fauna. Further, soil degradation is another cause of sewage wastewater. Soil degradation is a process by which one or more potential ecological functions of the soil are harmed or destroyed. The spillage of sewage water from the village habitat to the agricultural fields increases soil degradation and consequently, the current and future capacity of the land to produce rich yield reduces to a greater extent.

In short, the non-completion of the sanitation schemes in rural Sindh by the PHE & RDD represents a significant impediment to achieving the intended benefits. The critical analysis reveals governance challenges and delayed project completion. Urgent comprehensive reforms are imperative, including improved coordination, enhanced financial oversight and a culturally informed approach for the successful implementation of the project. Addressing these issues is not only pivotal for meeting international commitments but, more crucially, for safeguarding the health, dignity and economic prospects of the rural population in Sindh.

7.8.2.3 Significant Audit Observations

7.8.2.3.1 Unjustified execution of work on the duplicate scheme - Rs. 10.392 million

According to the re-revised PC-I, the scheme ‘Drainage Scheme Dilawar Khuhro – Khairpur-II’ was included in the ‘deleted’ category.

During the thematic audit of PHE & RDD Department, Govt. of Sindh for the Financial Year 2022-2023, it was observed that the drainage scheme ‘Dilawar Khuhro @ Khairpur-II’ was ‘deleted’ from the PC-I on the basis of ‘duplication’ as the work on the same had already been executed. Whereas, the progress report submitted by the department revealed that an expenditure of Rs. 10.392 million was further incurred against the scheme with 73.86% financial progress. The detail is tabulated as follows:

(Rs. in Million)

Name of Scheme	Category	Location	Estimate cost	Expenditure as on 30-06-2023	% Progress	Remarks
AIR Para No.01						
Drainage Scheme Dilawar Khuhro	B	Gambat	14.070	10.392	73.86%	Duplication
Total			14.070	10.392		

Audit is of the view that expenditure incurred twice against the identical scheme in the same location reflects inefficient supervision on the part of the management, which resulted in waste of the public exchequer.

The management during the DAC meeting held on 8th January, 2024 informed that certain schemes which were already executed by other agencies were deleted from the umbrella PC-1 to incur further expenditure. The DAC referred the matter to be examined in detail by a fact-finding committee headed by the Chief Engineer.

Audit recommends compliance with the DAC directives.

7.8.2.3.2 Wastage of infrastructure due to ill planning – Rs. 3.751 million

The project ‘Rehabilitation of Non-Functional Water Supply & Drainage Schemes’ was approved by the Government on 13.03.2014 for those schemes which required drastic rehabilitation and remained redundant because of gradual wear & tear and less provision of funds.

During the thematic audit of PHE & RDD Department, Govt. of Sindh for the Financial Year 2022-2023, it was observed that rehabilitation work against two drainage schemes was halted after incurring an expenditure of Rs.3.751 million. The details are tabulated as follows:

(Rs. in Million)

Sr. No.	Name of Scheme	Category	Location	Cost as per Approved Revised Estimate	Expenditure upto 30-06-2023	Remarks
AIR Para No.02						
01	Ghulam Shah Bagrani	A	T.G Hyder	5.560	1.234	Work stopped by contractor since June, 2016
02	Kamal Rashadani	A	T.M Khan	9.540	2.517	Work stopped by contractor since June, 2016
Total				15.100	3.751	-

Audit is of the view that the stoppage of rehabilitation work against the specified schemes reflects inefficient operational management as the expenditure made hitherto got wasted.

During the DAC held on 8th January, 2024 the matter was referred for examination in detail by a fact-finding committee headed by the Chief Engineer.

Audit recommends compliance with the DAC directives.

7.8.2.3.3 Irregular execution of works beyond 15% of contract cost - Rs. 6.764 million

According to Rule 16 (1) (e) of the Sindh Public Procurement Rules-2010, “Repeat orders means procurement of additional quantities of the item (s) from the original contractor or supplier, where, after the items originally envisaged for the project or scheme have been procured through open competitive bidding, and such additional quantities of the same item (s) of goods or works are needed to meet the requirements of the project or scheme;

Provided that:

(i) the cost of additional quantities of item (s) shall not exceed 15% of the original contract amount.”

During the thematic audit of PHE & RDD Department, Govt. of Sindh for the Financial Year 2022-2023, it was observed that the estimated cost of the schemes was Rs. 14.923 million against which an expenditure of Rs. 21.687 million was incurred. This resulted in excess expenditure of Rs. 6.764 million (i.e., 45.18%, 53.85% and 41.84%) beyond the original estimated cost. The details are tabulated as follows:

(Rs. in Million)

Name of scheme	Name of office	Estimate cost	Expenditure incurred	Excess expenditure	Excess (%)	Status
AIR Para No.03						
Drainage Scheme Rukrani	Khairpur-II	3.718	5.397	1.679	45.18%	completed
Drainage Scheme Umb	Khairpur-II	3.304	5.083	1.779	53.85%	completed
Drainage Scheme Manghan Wari	Khairpur-II	7.901	11.207	3.306	41.84%	completed
Total		14.923	21.687	6.764		

Audit is of the view that the execution of work beyond the prescribed limit of 15% and without calling fresh tender is irregular.

The DAC in its meeting held on 8th January, 2024 referred the case to a fact finding committee under the chairmanship of Chief Engineer to ascertain the facts as highlighted by Audit in the light of SPPRA Rules.

Audit recommends compliance with the DAC directives.

7.8.2.3.4 Non-execution of essential components of the scheme - Rs. 6.409 million

According to the re-revised PC-I of the project 'Rehabilitation of Non-Functional Water Supply & Drainage Schemes' the work on Bachal Waryah @ Matiari scheme included, 'Construction of compound wall and rehabilitation of existing Oxidation Pond'.

During the thematic audit of PHE & RDD Department, Govt. of Sindh for the Financial Year 2022-2023, it was observed that compound wall and oxidation pond were required to be constructed, however despite incurring an expenditure of Rs. 6.409 million, the work against the subject components had not been executed. The details are given in **Annex-1 of Chapter-07**.

Audit is of the view that the non-execution of work on the essential components of the scheme despite the spending of funds reflects inefficient operational supervision on the part of the management.

During the DAC meeting held on 8th January, 2024 the management informed that the schemes could not be executed due to the non-availability of land. DAC directed that strenuous efforts may be put in for the earliest completion of the oxidation ponds and the integral components of the schemes.

Audit recommends compliance with the DAC directives.

7.8.2.3.5 Non-utilization of funds despite releases – Rs. 25.981million

According to Rule 12 of the General Financial Rules 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 fund allotted to spending units are expended in the public interest and upon objects for which the money was provided.”

During the thematic audit of PHE & RDD Department, Govt. of Sindh for the Financial Year 2022-2023, it was observed that Rs. 154.773 million were released against the schemes out of which Rs. 128.792 million were utilized. This resulted in a failure to utilize Rs. 25.981 million despite the availability of funds. The details are tabulated as follows:

(Rs. in Million)

Sr. No.	Name of drainage schemes	Name of office	Estimated cost	Releases upto 30-06-2023	Expenditure upto 30-06-2023	Funds not utilized
AIR Para No.05						
1	Arzi Hakro	Matiari	12.124	11.203	8.893	2.310
2	Bachal Waryah	Matiari	8.621	7.650	6.409	1.241
3	Shah Alam Shah Ji Wasi	Matiari	5.995	6.737	2.167	4.570
4	Ali Muhammad Ismaili	Matiari	2.150	2.493	1.783	0.710
5	Khandu	Matiari	13.744	10.219	8.345	1.874
6	Old Saeedabad	Matiari	10.700	7.458	5.372	2.086
7	Darya Khan Talpur	Matiari	13.338	10.860	9.885	0.975
8	Hussain Khan Thoro	Hyderabad	29.239	31.475	29.816	1.659
9	Jaindo Halepota	Hyderabad	14.517	10.692	8.707	1.985
10	Main Office Building	Hyderabad	45.778	45.952	43.664	2.288
11	Ghulam Shah Bagrani	T.M. Khan	5.560	4.166	1.234	2.932
12	Kamal Rashidani	T.M. Khan	9.540	5.868	2.517	3.351
Total			171.306	154.773	128.792	25.981

Audit is of the view that failure in the utilization of funds despite releases reflects inefficient financial management due to which the public was deprived of intended benefits.

During the DAC meeting held on 8th January, 2024 the Divisional Officers were directed to put in vigorous efforts for the effective utilization of funds for timely completion of the project.

Audit recommends compliance with the DAC directives.

7.8.2.3.6 Time overrun of schemes due to non-completion in time – Rs. 146.300 million

According to the re-revised PC-I of the project ‘Rehabilitation of Non-Functional Water Supply & Drainage Schemes’, the date of completion was extended from 30-06-2020 to 30-06-2023.

During the thematic audit of PHE & RDD Department, Govt. of Sindh for the Financial Year 2022-2023, it was observed that the rehabilitation work against 52 drainage schemes in 10 Divisional Offices was executed with an expenditure of Rs. 350.915 million against the estimated cost of Rs. 497.215 million. This resulted in the non-completion of the remaining work having an impact of Rs. 146.300 million despite the lapse of extended targeted dates. The details are given in **Annex-2 of Chapter-07**.

Audit is of the view that the non-completion of schemes within the stipulated period caused time overrun and subsequently affected the overall progress of the project.

During the DAC meeting held on 8th January, 2024 the management replied that delay has been caused due to multiple reasons such as torrential rains, funding constraints and land acquisition issues. DAC directed that strenuous efforts may be put in for the earliest completion of the schemes by making proactive coordination with the District Administration.

Audit recommends compliance with the DAC directives and sharing of progress of the specified schemes.

7.9 Departmental Responses

The observations raised were discussed in the DAC meeting whereof, decisions against the respective paras were taken accordingly.

7.10 Recommendations

- The long-delayed project may be completed and finalized on priority.
- Land issues pertaining to oxidation ponds may be resolved at the earliest in co-ordination with District Administration.
- Execution of schemes should be in conformity with the approved estimates.
- Funds should be utilized effectively for optimum results.
- The coordination between the administrative authority and the divisional offices should be strengthened in order to avoid duplication of schemes.
- Penalties should be imposed against the defaulting contractors.
- No compromise should be made regarding the quality and standard of the infrastructure construction of the sanitation schemes.
- Periodic reports and journals should be published to remain cognizant of the latest statistical data which would help in the effective implementation of the project.
- Avenues should be explored to create a well-integrated partnerships among the stake holders where citizens, government, NGOs and media utilize their synergies for improved sanitary living conditions.

7.11 Conclusion

In conclusion, the rural sanitation sector in the province has to undergo a massive transformation. This requires a substantive shift in the approach of the institutions of sanitation and hygiene service delivery in rural areas. The thematic audit report on 'Infrastructure Development for Providing Sanitation Facilities

in Rural Sindh' underscores the critical challenges faced by the rural population in accessing proper sanitation facilities. The Government of Sindh has initiated several schemes for providing sanitation facilities to the rural community in pursuance of various national policies and the Sustainable Development Goals (SDGs 6 & 11). However, owing to operational and monitoring deficiencies, the intended benefits could not be achieved properly. The audit reveals a gap between the ambitious goals set by the Government and the ground-level implementation of the infrastructure projects providing sanitation facilities. The rural areas in the province, including both the villages and towns, depict a very dismal scenario as the streets and roads are persistently inundated with sewage wastewater. The rampant outbreak of waterborne diseases, and the prevalence of open defecation due to inadequate sanitation infrastructure highlight the urgency of addressing these issues. This report sheds light on various shortcomings, including delays in project completion, operational mismanagement and lapses in internal controls. The findings given above emphasize the need for comprehensive reforms in governance, coordination among executing agencies and adherence to best practices in procurement and project execution. Furthermore, there is a need for strict adherence to quality standards and timely utilization of funds to ensure completion of the schemes. The authorities concerned must start taking the sanitation and drainage issue seriously, contrary to which the living standard of the rural population will further deteriorate in terms of socio-economic and hygiene parameters. The PHE & RD Department must holistically appraise the sanitation policy for ascertaining the operational impediments besides, adopting pragmatic remedial measures to achieve maximum results.

Electrification of Off-grid Areas through Solar Technology in Schools and Villages

8.1 Introduction:

i. Background:

The persisting energy crisis in Pakistan has severely affected the socio-economic conditions of the masses. During peak load hours, people all around the country experience power outages of approximately 10 to 15 hours daily. This problem aggravates a great deal during the summers. The overall energy deficit stands at 9000 MWs⁹. The province of Sindh has also been encountering energy challenges like the rest of the nation. The ever-increasing energy requirements in Sindh, both at domestic and commercial levels, necessitate a strategic approach. The issue of resolving energy scarcity is one of the integral agendas of the Government of Sindh, whereof the adoption of parallel measures both on the demand and the supply side has become an imperative challenge. In this context, where the conventional mode of power generation is being pursued, the generation of electricity through renewable sources, particularly wind, solar and biogas has become the exigency of the day. To contribute towards the power generation capacity by extending the grid network, the Government of Sindh has initiated various Power Projects by mobilizing investment from the Private Sector as per the National Power Policy, 2002 and the Small Independent Power Producers Policy. At present the expansion of the electricity distribution network requires heavy funding and is marred by considerable time constraints. An alternate, cheaper and time-saving way of achieving the goal is to provide electricity through solar photovoltaic technology, which has been recognized as a sustainable and effective source of electricity generation all across developing countries. Sindh is blessed with adequate solar radiation on its land, having annual solar hours of approximately 8 - 10 per day. Using such high solar energy potential, it has been planned to provide electricity to off-grid schools and villages in the province through the initiation of a project namely 'Electrification of Off-grid Areas through Solar Technology in Schools and Villages'. The instant report is primarily focused on gauging the impact of the project regarding the installation of solar technology in the primary public schools situated in the selected rural areas.

ii. Role of Project:

The Sindh Government, through the Rural Development Department (RDD), has embarked on a comprehensive initiative aimed at electrifying off-grid areas using solar technology. The initiative aims to catalyze transformative change in the villages, fostering educational advancement and community development. This umbrella project was allocated a total budget of Rs.2,000 million, out of which Rs. 500 million was earmarked for the primary public schools. Out of the total allocated budget of Rs. 500 million, the funds worth Rs. 426.640 million were utilized from 2016-17 to 2022-23¹⁰ by the RDD. The fundamental

⁹ Pakistan Economic Survey 2021–22.

¹⁰ Utilization report and PC-I of the project.

focus of the project, outlined in the PC-I, was to bring alternate electricity to the primary public schools and villages situated in off-grid areas of Sindh. This had to be achieved through the implementation of stand-alone solar photovoltaic-based electricity systems. Further, reliance on solar energy will help in reducing CO₂, SO₂ and other gas emissions, consequently helping the local and global environment which is in line with the National Energy Efficiency and Conservation Policy, 2023.

8.2 Overview

The project recognizes the rich solar resources available in Sindh and intends to harness those for the benefit of communities that currently lack access to reliable electricity. By utilizing the high solar energy potential, the project seeks to electrify off-grid schools and villages in a sustainable and environmentally friendly manner. Sindh is in the grip of severe poverty, unemployment, law and order constraints with rural-urban division and numerous cheerless socio-economic factors. In the educational sector, Sindh's literacy rate is alarmingly low i.e., 61%¹¹. One of the integral reasons behind the low literacy rate is the poor infrastructure of the public sector schools that lack basic facilities including electricity. Due to this factor, the dropout rate is on the rise. The situation in rural areas is much worse. As the conventional modes of power generation continue, there is an intensive nationwide effort to harness renewable energy sources. In this perspective, the Rural Development Department took a pioneering step in 2015-16 by initiating the subject project. With a substantial investment of Rs. 2,000 million, this project sought to provide access to affordable energy by utilizing solar photovoltaic technology, specifically targeting off-grid villages and primary public schools. Based on the outcomes of the initial feasibility study the project focused on two possible options of single and two room designs for the electrification of schools. The project aimed to electrify a total of 3,415 schools, out of which 1,521 schools had one classroom and 1,894 schools had two classrooms.

Project deliverables and objectives:

The primary objectives of the project 'Electrification of Off-Grid Areas through Solar Technology in Schools and Villages' as envisaged in the PC-I were as follows:

- To Provide basic electricity to the remote and off-grid areas of the province for socio-economic uplift.
- To ensure electrification of the off-grid schools in rural areas of Sindh through solar panel systems.
- To implement initiatives that contribute to the betterment of the communities in the targeted areas.
- To bridge the persisting electricity demand-supply gap.
- To enhance the share of renewable energy in the overall energy mix in line with international obligations of the Kyoto Protocol.
- To create awareness for green energy technologies in line with the National Energy Conservation Policy, 2006 (Revised 2023).

¹¹ www.sindheducation.gov.pk

8.3 Scope and Methodology

i. Scope:

The integral focus of the instant Impact Audit is limited to scrutinizing the project's goals and objectives regarding the electrification of rural public schools. With a keen focus on the educational impact, the audit exercise aims to understand the efficacy of the implemented stand-alone solar photovoltaic electricity systems and evaluate how their installation has contributed to the transformation of educational environments specially in context of student enrollment rate. The audit exercise also strives to assess the tangible outcomes of the project while identifying areas that require further improvements. Given the expansive nature of the research scope, the audit task was strategically confined to five districts namely Dadu, Sanghar, Matiari, Tando Mohammed Khan and Hyderabad. This limitation ensures a focused and in-depth analysis, enabling a thorough examination of the project's impact on schools within these specific regions.

Condition With:

The substantial investment of Rs. 426.640 million facilitated the provision of electricity in off-grid and on-grid primary public schools. After the installation of the solar panel systems, a rise in enrollment rate was observed under certain conditions. During the field visits, 72 schools situated in Hyderabad, Matiari, Tando Muhammad Khan, Sanghar and Dadu districts were surveyed. By following the Time-series design, the results thereof represented a meagre, but positive correlation between the implementation of the initiative in the off-grid areas, whereof 2.71% increase in enrollment was observed, thus reflecting a certain level of performance.

Condition Without:

In the absence of the project, the primary schools situated in the selected areas would have continued to reflect more dismal and slow increase in the enrollment figures despite the presence of rival factors like increase in population, infrastructure development and preference to private schools. The survey also revealed that, prior to the initiation of the project, a considerable number of children used to waste their time in unproductive activities, resultantly there was an increased prevalence of numerous social vices among the non-school-going children.

ii. Methodology:

The audit was conducted based on the available data relevant to the electrification schemes of the rural primary public schools against which a questionnaire (open and closed-end) was developed while focusing on the quantitative and qualitative aspects. In pursuance of ascertaining the project's impact, the 'Time-series' method was adopted. The progressive enrollment data for three years before the inception of the project (2015-2018) was analysed and compared to the four years (2018-2022) of post-installation of the solar equipment in the targeted seventy-two schools of the five districts. The average difference in the enrollment rate of the two periods was compared in the five districts and the net impact was calculated accordingly.

Further, the following audit techniques were also utilized to supplement the exercise:

- Assessment of audit universe and random selection of schools based on vicinity's proximity.
- Review of PC-I and record scrutiny.
- Field visits and interviews with the stakeholders, including the school management to ascertain the qualitative factor.
- Examination of monitoring and installation reports.
- Review of relevant web-based data/information.

8.4 Findings:

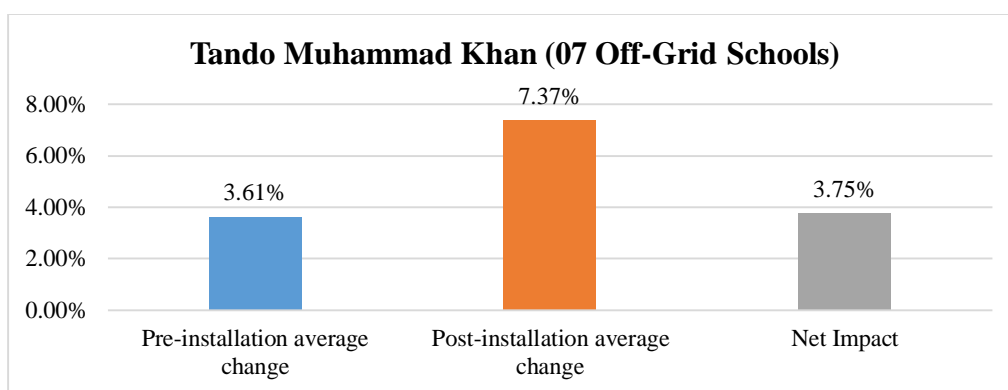
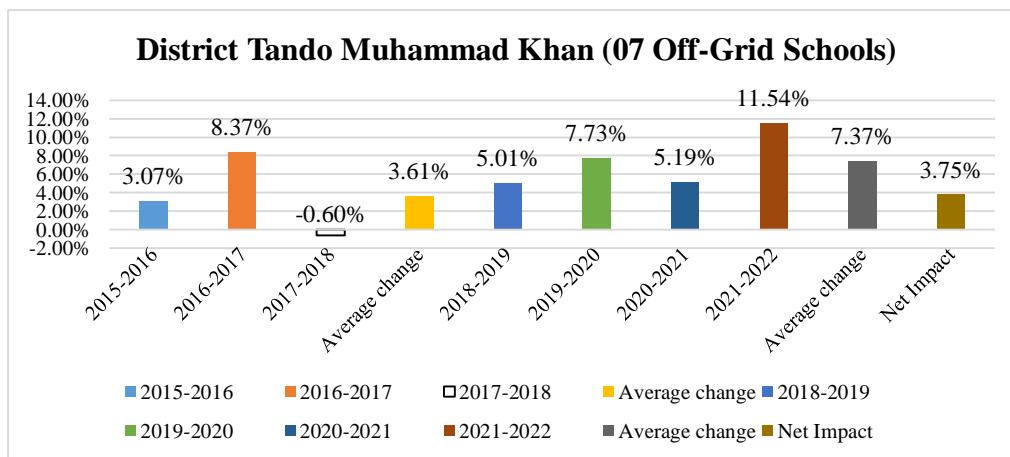
To assess the impact of the project, the audit team collected the data from the primary and secondary sources. The primary data was collected from field visits and questionnaires, whereas the secondary data was gathered from the executing agency.

The results extracted through the data were evaluated and compared with the help of graphs and tables to conclude the actual impact of the project. The commentary on the findings is summarized as follows:

District Tando Muhammad Khan:

The sample size of seven primary schools was selected for comparison of the pre-installation period (2015-2018) with the post-installation period (2018-2022). The data of the pre-installation period reflected an increasing trend in enrollment at an average rate of 3.61%. Since no project intervention occurred during this period, therefore this change was a result of rival factors. Similarly, an average change in the enrollment rate for the post-installation period (2018-2022) was calculated, which revealed a rise of 7.37%. The results showed a net impact of 3.75% in the enrollment rate in the targeted schools of the district by subtracting the average rate of the post-installation from that of the pre-installation period. The execution was purely carried out in off-grid areas where no electricity was supplied and energization by solar panel system had a promising impact on the enrollment factor.

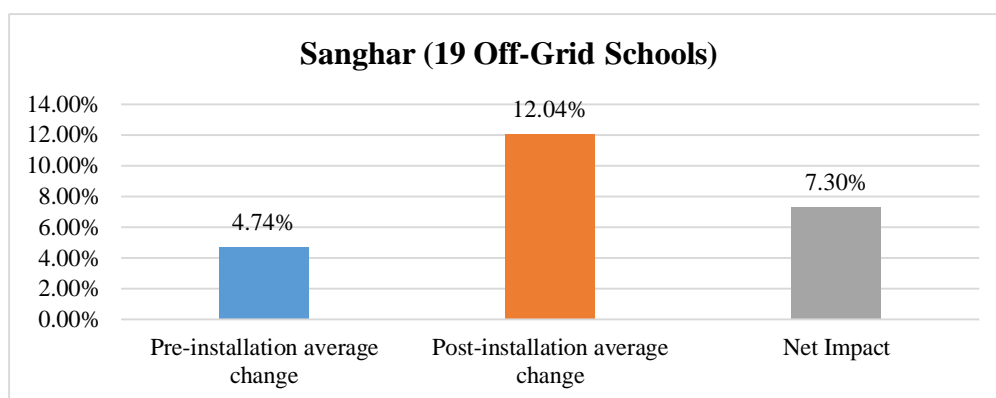
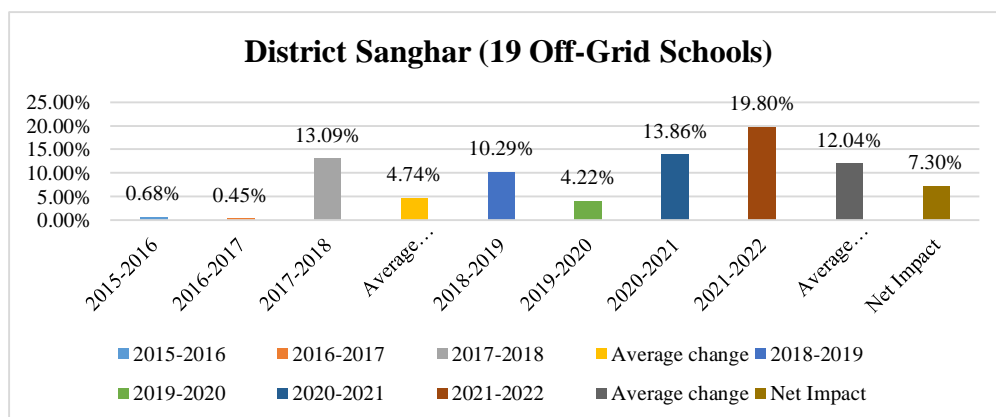
District Tando Muhammad Khan (07 Off-Grid schools)									
Pre- installation trend				Post- installation trend					Net Impact
2015-16	2016-17	2017-18	Average change	2018-19	2019-20	2020-21	2021-22	Average change	
3.07%	8.37%	-0.60%	3.61%	5.01%	7.73%	5.19%	11.54%	7.37%	3.75%



District Sanghar:

The data of 19 schools was selected for the analysis. The pre-installation period results revealed that there was an increase of 4.74% in the enrollment rate. Whereas, in the post-installation period, the figure rose to an average of 12.04%. Thus, a significant net impact of 7.30% in the enrollment rate was noticed in the targeted schools of this district as compared to the targeted schools of the other selected districts.

District Sanghar (19 Off-Grid schools)									
Pre- installation trend				Post- installation trend					Net Impact
2015-16	2016-17	2017-18	Average change	2018-19	2019-20	2020-21	2021-22	Average change	
0.68%	0.45%	13.09%	4.74%	10.29%	4.22%	13.86%	19.80%	12.04%	7.30%

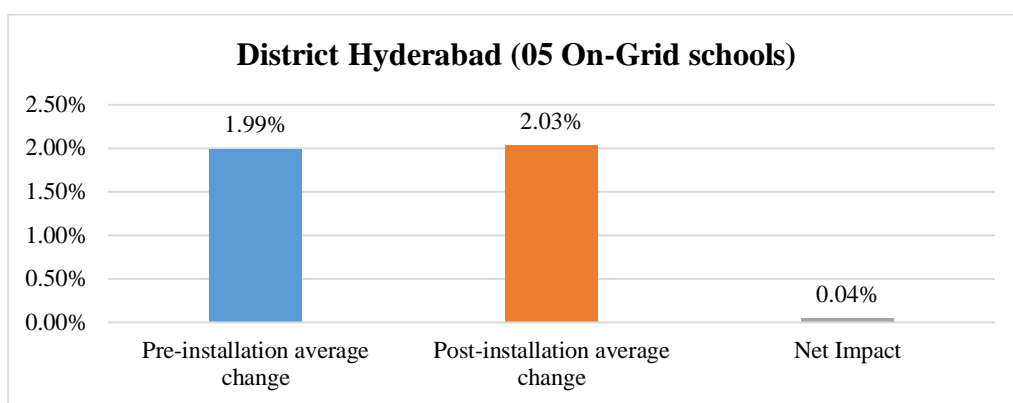
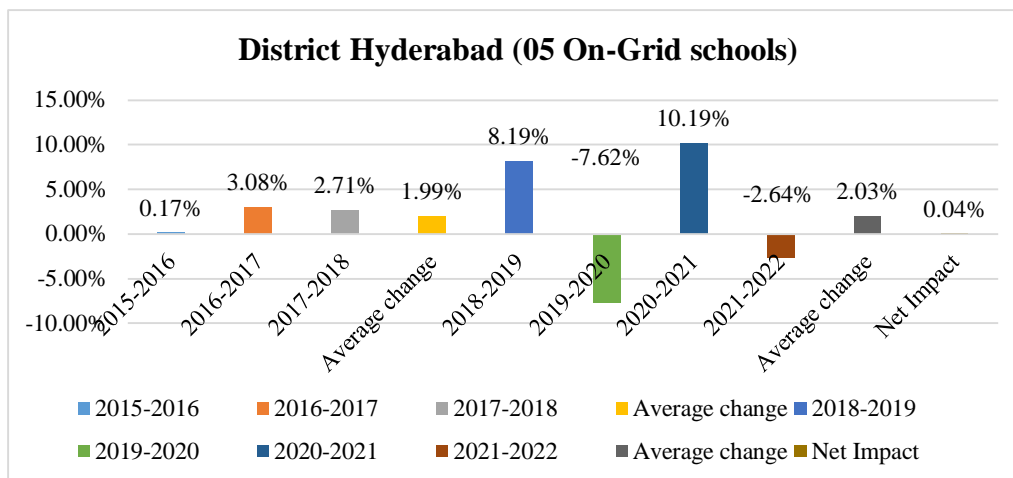


District Hyderabad:

The data of 05 schools was selected for analysis. The pre-installation and post-installation average enrollment rates were calculated as 1.99% and 2.03% respectively. The results showed a dismal impact of 0.04% increase in enrollment rate.

No significant impact of the project was observed in the Hyderabad District which could apparently be attributed to the reason that the solarization was also carried out in the on-grid schools which were already energized. This factor represented a major deviation from the objectives of the PC-I. Further, the targeted schools were located in one of the highly urbanized areas of the province, where other factors like population disparity, presence of public schools with enhanced facilities, preference for private schools etc. could have possibly contributed to such a dismal impact.

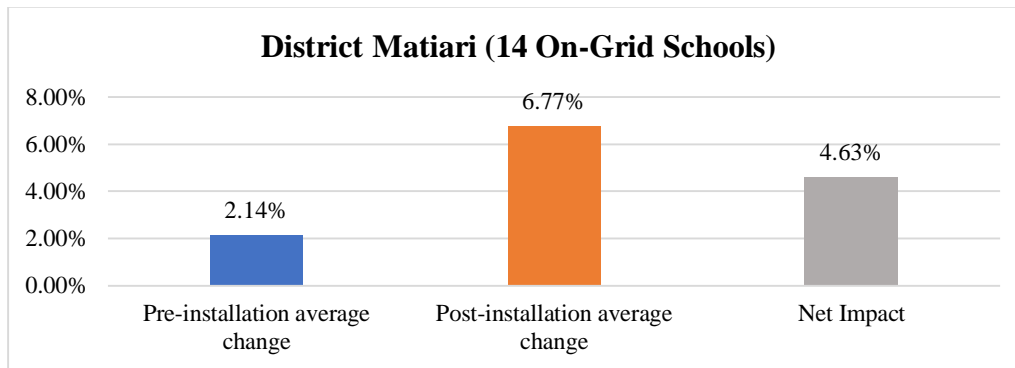
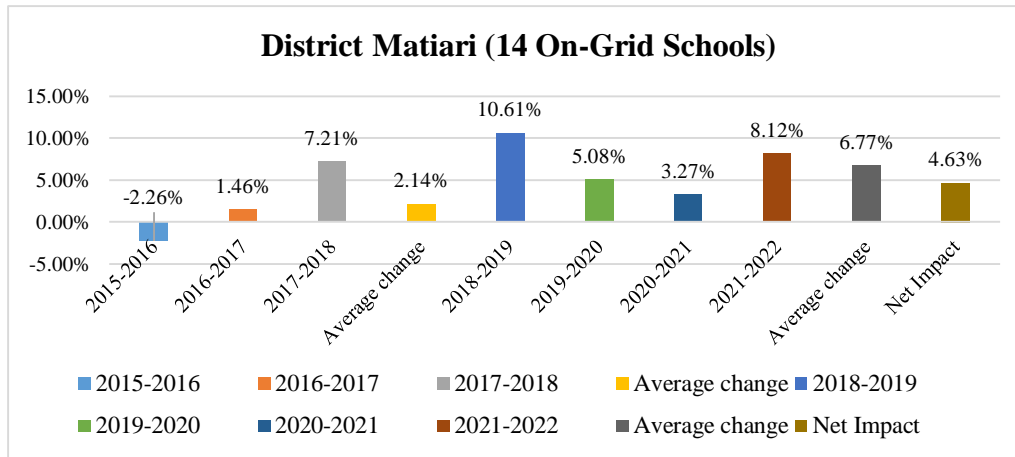
District Hyderabad (05 On-Grid schools)									
Pre-installation trend				Post-installation trend					Net Impact
2015-16	2016-17	2017-18	Average change	2018-19	2019-20	2020-21	2021-22	Average change	
0.17%	3.08%	2.71%	1.99%	8.19%	-7.62%	10.19%	-2.64%	2.03%	0.04%



District Matiari:

In Matiari District, the sample size of fourteen primary schools was taken for the post and pre-installation periods. Here, the project was also carried out in the on-grid areas instead of the off-grid locations in violation of the project’s design. The survey revealed that the enrollment had been increasing at an average rate of 2.14% in the pre-installation period whereas, the same rose to 6.77% in the post-installation period i.e., 2019-2022. Hence, the difference in the enrollment rate of the post and pre-installation period was 4.63%, thus reflecting a net positive impact in the relevant area. A significant impact was noticed in the enrollment rate of schools despite being in the on-grid areas. The possible reasons could be that the schools are located in the rural areas of the district where the continuous supply of electricity was frequently disrupted due to excessive load-shedding. This fact was also verified through survey forms where the school management categorically mentioned 10 to 12 hours of load-shedding in the district, whereas the installation of solar equipment guaranteed the uninterrupted supply of electricity and subsequently better enrollment figures were achieved.

District Matiari (14 On-Grid schools)									
Pre-installation trend				Post- installation trend					Net Impact
2015-16	2016-17	2017-18	Average change	2018-19	2019-20	2020-21	2021-22	Average change	
-2.26%	1.46%	7.21%	2.14%	10.61%	5.08%	3.27%	8.12%	6.77%	4.63%

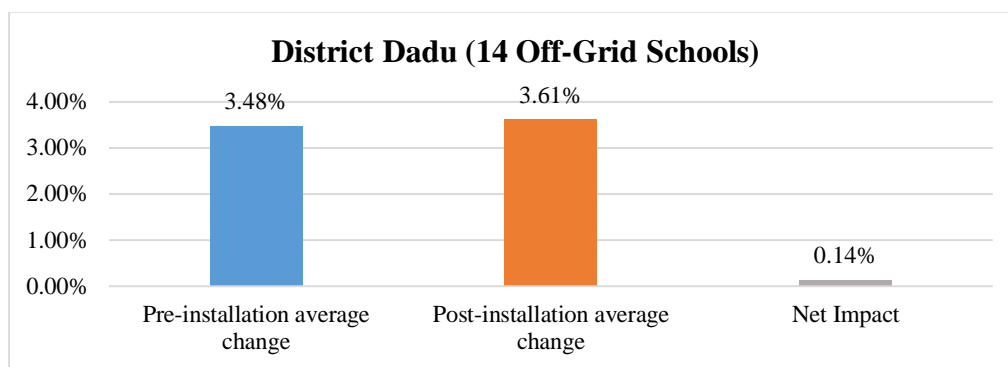
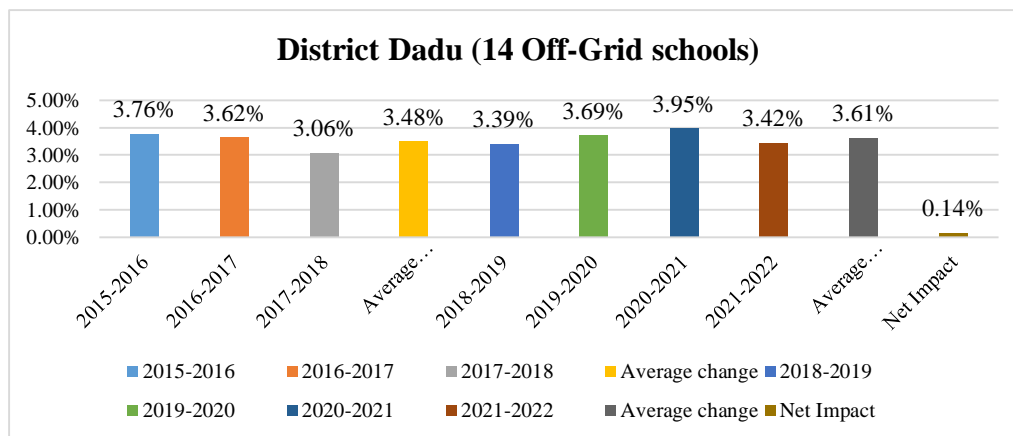


District Dadu:

A sample size of 27 schools was taken for data analysis. In Dadu District, the project was launched in both the off-grid as well as on-grid areas. Therefore, a sample size of 27 schools was selected which included 14 schools from off-grid and 13 schools from on-grid areas for gauging the impact in the respective categories.

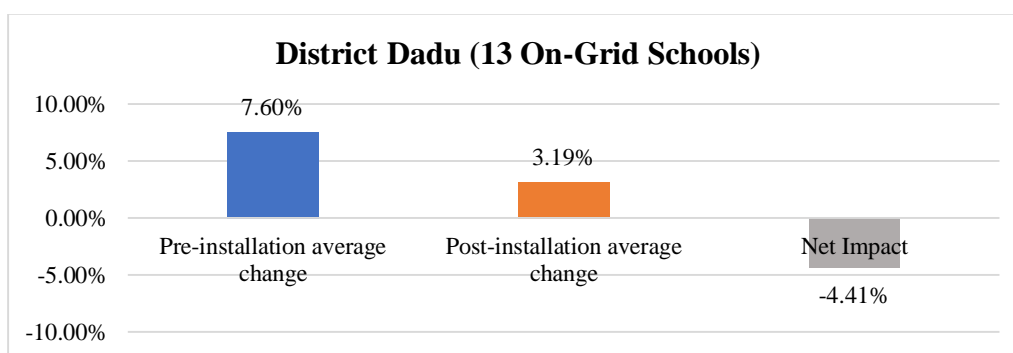
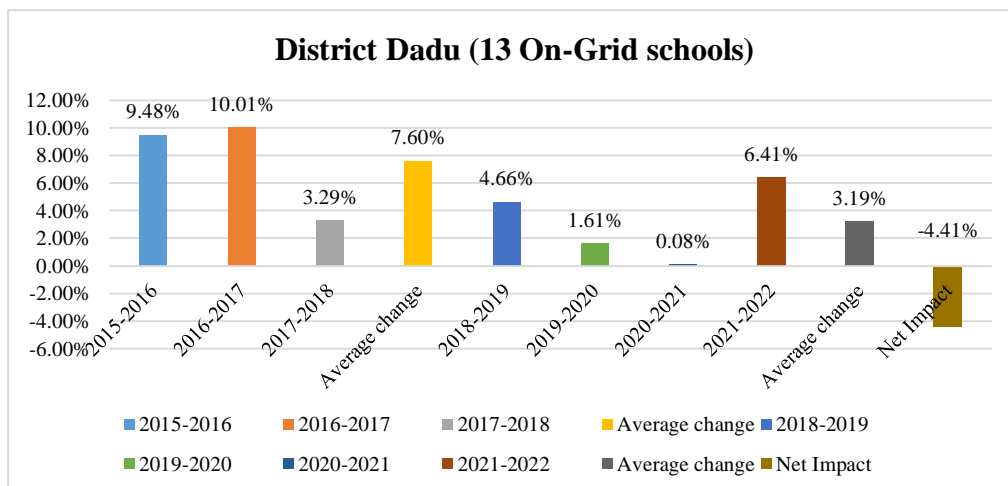
As per the analysis of the off-grid schools' data, the enrollment averagely increased by 3.48% during the pre-installation period, whereas an increase of 3.61% was recorded in the post-installation period. Thus, a meager impact of 0.14% was observed.

District Dadu (14 Off-Grid schools)									
Pre- installation trend				Post- installation trend					Net Impact
2015-16	2016-17	2017-18	Average change	2018-19	2019-20	2020-21	2021-22	Average change	
3.76%	3.62%	3.06%	3.48%	3.39%	3.69%	3.95%	3.42%	3.61%	0.14%

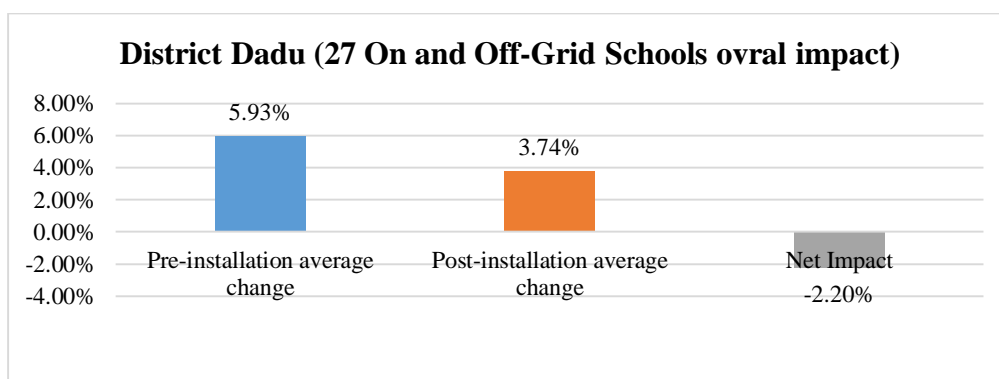


Similarly, the data of on-grid schools was analysed and it was found that the average enrollment rate during the pre-installation period was increased by 7.60%. Whereas, in the post-installation period, the same increased at an average rate of 3.19%. The results registered an overall decrease in the enrollment of 4.41%. This clearly shows that the project had no impact on the enrollment in the targeted schools which were located in the on-grid areas where other factors could have caused the decrease in enrollment rate such as migration, shifting to private schools etc. The overall net impact of -2.20% was registered in the district for on-grid and off-grid schools combined.

District Dadu (13 On-Grid schools)									
Pre- installation trend				Post- installation trend					Net Impact
2015-16	2016-17	2017-18	Average change	2018-19	2019-20	2020-21	2021-22	Average change	
9.48%	10.01%	3.29%	7.60%	4.66%	1.61%	0.08%	6.41%	3.19%	-4.41%



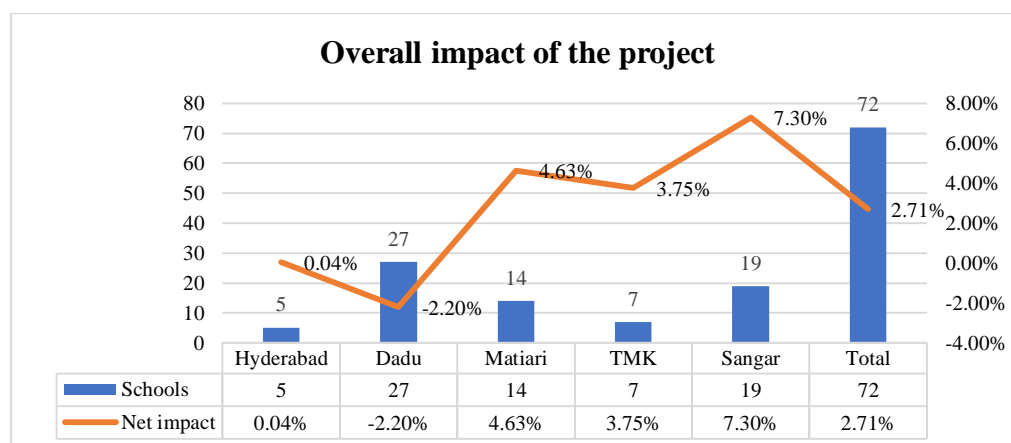
District Dadu (27 On and Off-Grid schools' overall impact)									
Pre- installation trend				Post- installation trend					Net Impact
2015-16	2016-17	2017-18	Average change	2018-19	2019-20	2020-21	2021-22	Average change	
7.54%	7.26%	3.00%	5.93%	4.26%	3.34%	2.19%	5.16%	3.74%	-2.20%



The overall impact of the project in the selected districts:

Based on the 'Time-series' module, the overall statistical data of 72 schools in 05 districts revealed that there was a net impact of 2.71% increase in the enrollment rate as a result of the project's intervention. Though the impact represents a nominal threshold, it is expected that the enrollment would witness gradual

and productive progress, provided that the electrification is strictly confined to the off-grid schools only as per the PC-I of the project.



Sr. No.	Name of districts	No. of Schools in sample	Net impact
1	Hyderabad	5	0.04%
2	Dadu	27	-2.20%
3	Matiari	14	4.63%
4	TMK	7	3.75%
5	Sangar	19	7.30%
Total		72	2.71%

The significant factors that have hampered the achievement of a desirable impact on the enrollment rate are discussed as follows:

Absence of security: In 16 schools of Dadu and Matiari districts the equipment was found stolen due to the absence of security measures. The management informed that owing to the redundancy of the backup batteries, electricity during the nighttime was not being supplied which resulted in the theft of the equipment. The security of the equipment was the responsibility of the school management, therefore consequent to their negligence the instances of theft occurred. The accumulative loss arising from the thefts of the equipment was Rs.8.164 million.

Improper sustainability plan: The PC-I of the project revealed that the warranty for repair and replacement of equipment was the responsibility of the supplier/contractor for three years after installation. However, after the expiry of the subject period, the operation and maintenance costs were supposed to be borne by the School Education & Literacy Department, Government of Sindh. The primary data obtained from the school management in the form of an open-ended questionnaire of 58 schools in Hyderabad, Matiari and Dadu districts revealed that the solar panel systems were non-functional in 38 schools due to damaged equipment and theft factor. In 20 schools, the systems were found to be partially functional due to total negligence of operation and maintenance.

Execution of the project contrary to the PC-I: The secondary data extracted from the executing agency was compared with the feasibility study for evaluating the success parameters of the project. The results of the data comparison revealed that solar panel systems were installed in 5 districts which were not part of the final PC-I.

The 754 schools (i.e., 25% of overall execution in 3,034 schools) were electrified in Dadu, Sanghar, Umerkot and Tharparkar districts as per the PC-I. Whereas, 2,280 schools (i.e., 75% of overall execution) in Hyderabad, Matiari, Tando Allahyar, Tando Muhammad Khan and Mirpurkhas districts were electrified contrary to the provisions stipulated in the PC-I. This reflects that a major deviation was made against the original approved plan, thus contributing to the ineffective and inefficient project management.

Non-achievement of objectives in some schools: Out of the 72 surveyed schools, a decline in enrollment rate was also observed in some schools. One of the integral reasons as per the school management behind this decrease was the redundancy of the solar panel systems that had not been functioning due to the absence of proper maintenance. It was apprised that subsequent to the installation of this facility, the enrollment started to show positive figures, but due to the gradual wear and tear of the equipment, a slight negative impact was noticed.

Electrification of on-grid schools: The solar panel systems were installed in 45 schools located in on-grid areas of Hyderabad, Matiari and Dadu districts contrary to the PC-I. Similarly, some of the solar systems were installed in on-grid municipal/urban areas. This resulted in an irregular expenditure of Rs. 26.045 million, thus reflecting serious drawbacks in the planning and operational supervision.

Summary of discussion with the Management:

The management in compliance with the Impact Audit findings, did not furnish any written reply however, formal discussions made with the school management and data of survey proformas concluded that the installation of solar panel systems was one of the significant factors that increased enrollment in most of the schools in off-grid areas. As per the contentions of numerous stakeholders, there was a strong demand for the enhancement of the technical capacity of the equipment installed. A serious apprehension was shown regarding the durability prospects of the solar panel systems.

In the purview of operation & maintenance, it was informed that the requisite funds from the School Education & Literacy Department, Government of Sindh were not being released to ensure the proper functioning of the solar panel systems. Owing to this factor, the project's utility was diminishing gradually.

As per the discussion with the management of RDD, it was revealed that the execution of the project in the locations contrary to the final PC-I was done subsequent to the approval of the competent forum. However, no concrete evidence in this respect was furnished.

8.5 Conclusion

In conclusion, the project emerges as a visionary initiative to mitigate the critical need for providing sustainable electricity to rural public schools. The education sector of Sindh has been facing uphill challenges in the shape of a low literacy rate and school infrastructure constraints. Through this project, an attempt was made to dilute the problems hampering the educational progress in the rural areas of Sindh in the aftermath of the diminishing enrollment rate by making educational premises more conducive to attracting the maximum number of students. The project, strategically deploying stand-alone solar photovoltaic (PV) electricity systems, aimed to elevate the educational landscape in underserved areas, contributing to broader development prospects. The Impact Audit, scrutinized the outcome and efficacy of the electrification initiative, shedding light on both the success and challenging factors. Overall, it was observed that the project did not achieve the flamboyant parameters in terms of the earmarked objectives,

as a meagre increase of 2.71% was noted in contrast to the post and pre-inception periods. The audit findings revealed significant deviations from the original project scope. Discrepancies in planning, irregular expenditure and complete absence of maintenance mechanism highlight the areas requiring robust response and corrective measures.

Moving forward, the Rural Development Department must address these findings promptly while ensuring alignment with the project's original objectives. The electrification project with its transformative potential, can only realize its full impact through the observance of diligent commitments, best financial practices and proactive sustainability actions.

Recommendations:

The following recommendations of this Impact Audit Report will help the management in the successful achievement of the objectives of the project:

- i) Concrete efforts should be made for the transmission of regular electricity to the off-grid areas to facilitate literacy prospects in the province of Sindh.
- ii) Schools falling within the off-grid areas as determined in the PC-I should only be electrified.
- iii) The procurements should be made without compromising the quality of the equipment to ensure their reliability and durability.
- iv) A robust mechanism of operation and maintenance should be ensured for photovoltaic electric systems.
- v) Concrete measures should be adopted to ensure the safety and security of the equipment.