



**AUDIT REPORT
ON
THE ACCOUNTS OF
CHIEF OFFICER, DISTRICT COUNCIL &
TALUKA MUNICIPAL ADMINISTRATIONS
DISTRICT LARKANA
AUDIT YEAR 2012-13**

AUDITOR-GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Programme
BTS	Base Trans-receiver Station
CC	Cement Concrete
CCB	Citizen Community Board
CMO	Chief Municipal Officer
CNG	Natural Gas
CPWD	Central Public Works Department
CTR	Central Treasury Rules
DAC	Departmental Accounts Committee
DGA	Director General Audit
EFW	Earth Filling Work
FD	Finance Department
GFR	General Financial Rules
HTC	High Temperature Cutout
IPSAS	International Public Sector Accounting Standards
LFA	Local Fund Audit
LTC	Low Temperature Cutout
M&R	Maintenance & Repair
MEFDAC	Memorandum for Departmental Accounts Committee
NIT	Notice Inviting Tender
NSUSC	North Sindh Urban Services Corporation
NTN	National Tax Number
PAO	Principal Accounting Officer
POL	Petroleum Oil and Lubricants
PWD	Public Works Department
S&GAD	Services and General Administration Department
SAMA	Services and Assets Management Agreement.
SFR	Sindh Financial Rules
SLGO	Sindh Local Government Ordinance
SPPRA	Sindh Public Procurement Regulatory Authority
SRO	Statutory Rules and Orders
TMA	Taluka / Town Municipal Administration
TMO	Taluka / Town Municipal Officer

TO (F)	Taluka/Town Officer (Finance)
TO (I&S)	Taluka/Town Officer (Infrastructure & Services)
TO (P&C)	Taluka/Town Officer (Planning & Coordination)
TO (R)	Taluka/Town Officer (Regulation)
TS	Technical Sanction
TSE	Technically Sanctioned Estimate
UC	Union Council

Preface

Articles 169 & 170 (2) of the Constitution of the Islamic Republic of Pakistan, 1973, read with Sections 8 and 12 of the Auditor General (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, require the Auditor General of Pakistan to conduct audit of the receipts and expenditure of the Secretary Local Government Department, Karachi Metropolitan Corporation, Karachi Water & Sewerage Board, Taluka / Town Municipal Administrations and Union Councils.

The report is based on audit of Taluka Municipal Administrations of District Larkana for the year 2011-12. The Directorate General of Audit Local Councils Sindh, Karachi, conducted audit during 2012-13 on test check basis with a view to reporting significant findings to relevant stakeholders. The main body of Audit Report includes only the systemic issues and audit findings carrying value of Rs 1 million or more. Relatively less significant issues are listed in the Annexure-A of the Audit Report. The Audit observations listed in the Annexure-A shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observation will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

Audit findings indicate need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

The observations included in this Report have been finalized without written response.

The Audit Report is submitted to the Governor of the Sindh in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 116 of the Sindh Local Government Act 2013, for causing it to be laid before the Provincial Assembly of the Sindh.

Islamabad
Dated:

(Muhammad Akhtar Buland Rana)
Auditor-General of Pakistan

EXECUTIVE SUMMARY

The DG Audit, Local Councils, Sindh, Karachi is responsible to carry out the audit of 119 Taluka / Town municipal Administrations. This Directorate General has a human resource of 33 officers and staff, resulting in 2,937 man days and annual budget amounted to Rs 67.096 million for the financial year 2011-12. The office has a mandate to conduct regularity audit (compliance with authority audit) on test check basis with a view to report significant findings to the relevant stakeholders. This office also conduct performance audit of programmes / projects.

Each Taluka Municipal Administration in District Larkana is headed by a Taluka Administrator and District is headed by Chief Municipal Officer who carries out operations as per Sindh Local Government Ordinance, 1979. Taluka Administrative Officer is the Principal Accounting Officer (PAO) and acts as coordinating and administrative officer and is responsible to control land use, its division and development and to enforce all laws including Municipal Laws, Rules and Bye-laws.

Audit of TMAs District Larkana was carried out with the view to ascertain that the expenditure was incurred with proper authorization, in conformity with laws, rules, regulations and economy was ensured in procurement of assets and hiring of services and to review, analyze and comment on various Government policies regarding different sectors.

Audit of receipts was conducted to verify that the assessment, collection, reconciliation and allocation of revenue was made in accordance with laws and that there was no leakage of revenue and also that revenue did not remain outside Government account.

a. Scope of Audit

Out of total budget of the District Larkana for the Financial Year 2011-12, auditable expenditure under the jurisdiction was Rs 681.420 million, out of which an expenditure of Rs 460.728 million was audited which in terms of percentage, was 68%. Total receipts of the TMAs for the financial year 2011-2012 was Rs 194.871 million out of this, an amount of Rs 148.989 million was audited which was 76% of the total amount.

b. Recoveries at the instance of audit

Recovery of Rs 148.989 million was pointed out during the audit but no recovery was affected till the time of compilation of this Report. Total recoverable amount of Rs 148.989 million was not in the notice of the executive before audit.

c. Audit Methodology

Audit was performed through understanding of the business process of TMAs with respect to internal control structure, prioritization of risk areas determining significance and identification of key internal controls. This helped auditors in understanding the systems, procedures, environment, and the audited entity before starting field activity. The audit used intensive application of desk audit techniques facilitated through compiled data and review of permanent files/record. Desk Audit facilitated identification of high risk areas for substantive testing in the field.

d. Audit Impact

On the pointation of audit, TMAs have streamlined their work in accordance with rules & regulations and made efforts for realization of outstanding dues.

e. Comment on Internal Control and Internal Audit Department

Several loopholes in the internal control system were noticed during the audit years. Major internal control weaknesses have been reported in Chapter-1. Moreover, other internal control weaknesses have been incorporated in Annexure-A.

f. The key audit findings of the report

- i. Fraud / Misappropriation was noted in 02 cases - Rs 68.836 million.¹
- ii. Non- Production of record was noted in 02 cases - Rs 84.171 million.²
- iii. Non-Compliance was noted in 04 cases - Rs 11.859 million.³
- iv. Internal Control Weaknesses were noted in 05 cases - Rs 156.451 million.⁴

¹ Para 1.2.1.1, 1.2.5.1

² Para 1.2.2.1, 1.2.6.1

³ Para 1.2.3.1, 1.2.3.2, 1.2.7.1, 1.2.7.2

⁴ Para 1.2.4.1, 1.2.4.2, 1.2.4.3, 1.2.8.1, 1.2.8.2

Audit paras for the audit year 2011-12 involving procedural violations including internal control weaknesses and irregularities not considered worth reporting to the PAC are included in MEFDAC (Annexure-A).

g. Recommendations

Audit recommends the Taluka Municipal Administrations (TMAs) to focus on the following issues:

- i. Head of the Taluka Municipal Administrations needs to conduct physical stock taking of fixed and current assets.
- ii. The TMA needs to comply with the Public Procurement Rules for economical and rational purchase of goods and services.
- iii. Inquiries need to be held to fix responsibility for fraud, misappropriation, losses, theft and wasteful expenditure.
- iv. The PAO needs to make efforts for expediting the realization of various Government receipts.
- v. The PAO and their teams need to ensure implementation of proper monitoring system.
- vi. The PAO needs to take appropriate action against non-production of record.
- vii. The PAO needs to rationalize their budget with respect to utilization.

SUMMARY TABLES & CHARTS

Table 1: Audit Work Statistics

(Rupees in Million)

Sr.	Description	No.	Budget
1.	Total Entities (PAOs) in Audit Jurisdiction	06	681.420
2.	Total Entities (PAOs) Audited	02	460.728
3.	Audit & Inspection Reports	02	460.728
4.	Special Audit Reports	-	-
5.	Performance Audit Reports	-	-
6.	Other Reports (relating to TMAs)	-	-

Table 2: Audit observations Classified by Categories

(Rupees in Million)

Sr.	Description	Amount under audit observation
1	Asset Management	0
2	Financial Management	68.836
3	Internal controls	156.451
4	Violation of rules	11.859
5	Others	84.171
Total		321.317

Table 3: Outcome Statistics

(Rupees in Million)

Sr.	Description	Expenditure on Acquiring Physical Assets (Procurement)	Salary	Non-Salary	Civil Works	Receipts (Revenue Targets)	Total Current year	Total Last year
1.	Outlays Audited	0	134.489	206.411	108.794	194.871	*644.565	-N/A-
2.	Amount Placed under Audit Observation of Audit	0	12.000	75.076	85.252	148.989	321.317	-N/A-
3.	Recoveries Pointed Out at the instance of Audit	0	0	0	0	148.989	148.989	-N/A-
4.	Recoveries Accepted /Established at the instance of Audit	0	0	0	0	0	0	-N/A-
5.	Recoveries Realized at the instance of Audit	0	0	0	0	0	0	-N/A-

*The amount mentioned against serial No. 1 in column of "Total Current Year" is the sum of Expenditure and Receipts whereas the total expenditure is Rs 449.695 million for the current year.

Table 4: Irregularities pointed out

(Rupees in Million)		
Sr.	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations and violation of principle of propriety and probity in public operations.	11.859
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	68.836
3	Accounting Errors (accounting policy departure from NAM ¹ , misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	0
4	Quantification of weaknesses of internal control systems.	7.462
5	Recoveries and overpayments, representing cases of establishment overpayment or misappropriations of public monies	148.989
6	Non-production of record.	84.171
7	Others, including cases of accidents, negligence etc.	0
Total		321.317

¹ The Accounting Policies and Procedures prescribed by the Auditor General of Pakistan which are IPSAS (Cash) compliant.

CHAPTER-1

1.1 CHIEF OFFICER, DISTRICT COUNCIL AND TALUKA MUNICIPAL ADMINISTRATIONS, LARKANA

1.1.1 INTRODUCTION

As per 1998 population census, the population of District LARKANA is 1.927 million. District Larkana comprises of One Chief Officer, District Council and Four TMAs namely Larkana City, Ratodero, Bakrani and Dokri. Business of TMAs is run through the Administrator and four officers namely TO (I&S), TO (Finance), TO (P&C) and TO (Regulations) under Sindh Local Government Ordinance, 1979. The functions of TMAs are as following:

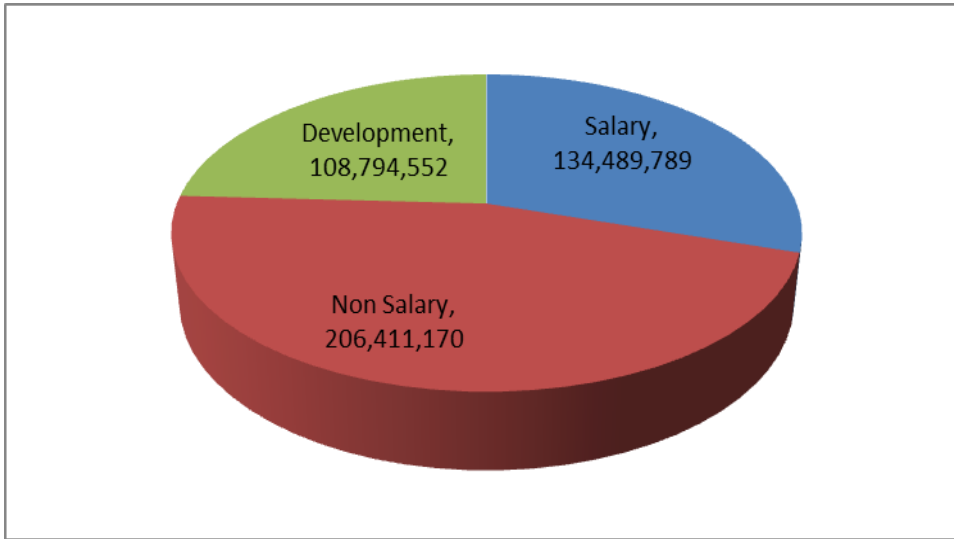
1. Prepare spatial plans for the Town including plans for land use, zoning and functions for which TMA is responsible.
2. Exercise control over land-use, land-subdivision, land development and zoning by public and private sectors for any purpose, including agriculture, industry, commerce markets, shopping and other employment centers, residential, recreation, parks, entertainment, passenger and transport freight and transit stations.
3. Enforce all municipal laws, rules and bye-laws governing TMA's functioning.
4. Prepare budget, long term and annual municipal development programmes in collaboration with the Union Councils.
5. Collect approved taxes, cesses, user fees, rates, rents, tolls, charges, fines and penalties.
6. Manage properties, assets and funds vested in the Town Municipal Administration.
7. Develop and manage schemes, including site development in collaboration with Union Administration.
8. 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.
9. Prosecute, sue and follow up criminal, civil and recovery proceedings against violators of Municipal Laws in the courts of competent jurisdiction.
10. Maintain municipal records and archives.

1.1.2 Comments on Budget and Accounts (Variance Analysis)

(Amount in Rupees)

Sr.	Name of TMAs	Nature of Expenditure	Original Grant	Suppl: Grant	Revised/Final Grant	Actual Expenditure	(+) Excess (-) Saving
1	TMA LARKANA City	Salary	97,358,000	0	97,358,000	97,110,554	247,446
		Non-Salary	77,213,800	0	77,213,800	72,890,249	4,323,551
		Sub-Total	174,571,800	0	174,571,800	170,000,803	4,570,997
		Development	62,900,000	0	62,900,000	56,437,552	6,462,448
		Total	237,471,800	0	237,471,800	226,438,355	11,033,445
2	TMA Ratodero	Salary	37,379,235	0	37,379,235	37,379,235	0
		Non-Salary	133,520,921	0	133,520,921	133,520,921	0
		Sub-Total	170,900,156	0	170,900,156	170,900,156	0
		Development	52,357,000	0	52,357,000	52,357,000	0
		Total	222,257,156	0	222,257,156	222,257,156	0
		Salary	134,737,235	0	134,737,235	134,489,789	247,446
		Non-Salary	210,734,721	0	210,734,721	206,411,170	4,323,551
		Non-Development	345,471,956	0	345,471,956	340,900,959	4,570,997
		Development	115,257,000	0	115,257,000	108,794,552	6,462,448
		Grand Total	460,728,956	0	460,728,956	449,695,511	11,033,445

Expenditure 2011-12



Original budget of Rs 460.728 million was allocated to TMAs Larkana City and Ratodero under various grants and no supplementary grants/re-appropriation was provided. The revised/final budget of these TMAs was Rs 460.728 million. The total expenditure incurred by concerned TMAs during 2011-12 was Rs 449.695 million as detailed above.

The Variance analysis of the Revised/Final Grant and Actual Expenditure for the Financial Year 2011-12 depicted that there was a saving of Rs 11.033 million.

1.1.3 Brief comments on the status of compliance with PAC Directives

The audit reports of pertaining to following years have been submitted Governor of Sindh. Detail of PAC meeting is given below:

Audit Year	No. of Paras	Status of PAC Meetings
2011-12	Nil	Nil

As indicated in the above table, no PAC meeting was convened to discuss the audit report of TMAs Larkana.

1.2 AUDIT PARAS

Taluka Municipal Administration, Larkana City

1.2.1 Fraud / Misappropriation

1.2.1.1 Doubtful Expenditure on Account of Purchases - Rs 3.686 Million

Para 155 of GFR Volume-I read with Para 113 of SFR Volume-I, states that, “A reliable list, inventory or account of all stores in the custody of government officers should be maintained in a form prescribed by competent authority, to enable a ready verification of stores and check of accounts at any time and transactions must be recorded in it as they occur”.

Further, Rule 10 of GFR, states that, “Every officer authorized to incur expenditure from the public fund should observe high standards of financial propriety”.

TMA, Larkana city, incurred an expenditure of Rs 3.686 million, during 2011-12, on account of purchase of Hand Pumps & Street Light accessories but there was no evidence of purchases entered in stock register as well as record related to distribution of said items, in violation of above rules. Detail is as under:

(Amount in Rupees)

Sr.	Particulars	Name of Supplier	Amount
1	Purchase of Hand Pumps	M/s Arslan & Co.	1,200,000
2	Purchase of Street Light accessories	-do-	2,486,680
Total			3,686,680

Audit is of the view that in absence of relevant record, authenticity of expenditure could not be verified and chances of misappropriation of public funds cannot be ruled out which constitute weak financial management.

Non production of record to audit constitutes the weak internal control.

The matter was reported during June, 2013 but management failed to provide departmental point of view. The PAO failed to convene the DAC meeting to discuss audit paras despite pursuance by audit.

Audit recommends fixing responsibility for incurring expenditure without supporting record and same be prepared to justify the expenditure, under intimation to audit.

[AIR Paras: 22, 25]

1.2.2 Non-Production

1.2.2.1 Non-Production of Record - Rs 62.000 Million

Article 170(2) of the Constitution of the Islamic Republic of Pakistan, inserted vide Constitution (Eighteenth Amendment) Act, 2010 w.e.f. April 19, 2010, states that, “The audit of accounts of the Federal and of the Provincial Government and the accounts of any authority or body established by, or under the control of, the federal or Provincial Government shall be conducted by the Auditor General, who shall determine the nature and extent of such audit”.

Further, the Constitutional provision was stressed upon by the Orders of the Honorable Supreme Court of Pakistan dated 07-05-2013 given in CMA No.2376/2013, “where the amount is charged on the Consolidated Fund or relates to the Public Accounts of the Federation or of the Provinces, the same may be audited by the Auditor- General without exception”.

TMA, Larkana city, incurred an amount of Rs 62.000 million, during 2011-12, on account of salaries and development schemes, but failed to access of record to audit, in violation of the above rule. Detail is as under:

(Rupees in Million)

Sr.	Detail of record	Amount
1	Vouchers of development/ Non development bills	50.000
2	Vouchers of salary bills	12.000
Total		62.000

Audit is of the view that due to non-provision of record authenticity of expenditure stands doubtful and chances of misappropriation from public funds cannot be ruled out.

Non production of record to audit constitutes the weak internal control.

The matter was reported during June, 2013 but management failed to provide departmental point of view. The PAO failed to convene the DAC meeting to discuss audit para despite pursuance by audit.

Audit recommends fixing responsibility on account of non-provision of record.

[AIR Para: 14]

1.2.3 Non-Compliance

1.2.3.1 Non-Posting of Bid Evaluation Report

Rule 10 of Sindh Public Procurement Rules 2010, states that, “The procuring agency shall, immediately upon award of contract, make the evaluation report of the bid, and the contract agreement to public through hoisting on the Authority’s website as well as on procuring agency’s website, if the procuring agency has such a website.

TMA, Larkana city, awarded development schemes to various contractors of Rs 19.200 million, during 2011-12, through NIT No.Engr Br/TMAL/282 dated 13-04-2011, but failed to post evaluation report on SPPRA website, in violation of above rule.

Audit is of the view that non-posting of evaluation report resulted into non transparency in public spending and non-achievement of competitive rates which constitutes weak financial management.

Non-posting of bid evaluation report constitutes weak internal control.

Matter was reported during June, 2013. The management vide its reply dated 23-07-2013, agreed to audit point of view. The PAO failed to convene DAC meeting to discuss audit para despite pursuance by audit.

Audit recommends fixing responsibility on management of TMA for non-posting of evaluation report on SPPRA website.

[AIR Para: 20]

1.2.3.2 Non-Transparency in Government Spending - Rs 4.476 Million

Rule 20 of the Staff Car Rules 1980, as amended in 2001, states that, “The log book, History Sheet, and Petrol Account Register shall be maintained for each official vehicle”.

TMA, Larkana city, incurred an expenditure of Rs 4.476 million, during 2011-12, on purchase of POL for official vehicles but the log books, history sheets and petrol account registers were not maintained to justify the expenditure, in violation of the above rule.

Audit is of the view that expenditure incurred on POL without preparation of log books, history sheets and petrol consumption account resulted into non transparency in spending from public funds which constitute weak financial management.

The expenditure on POL without preparation of log books which constitutes weak internal control.

Matter was reported during June, 2013, but management failed to provide departmental point of view. The PAO failed to convene the DAC meeting to discuss audit para despite pursuance by audit.

Audit recommends fixing responsibility for incurring expenditure without supporting record and same be prepared to justify the expenditure, under intimation to audit.

[AIR Para: 19]

1.2.4 Internal Control Weaknesses

1.2.4.1 Non-Recovery of Targeted Revenue - Rs 143.587 Million

Para 28 of GFR Volume-I , states that, “No amount due to government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable orders of the competent authority for their adjustment must be sought”.

TMA, Larkana city, failed to achieve targeted revenue of Rs 143.587 million, during 2011-12, from various agencies, in violation of the above rule, Detail provided in Annexure-B.

Audit is of the view that non recovery of revenue resulted into short receipt of authority which constitutes weak financial management.

Non recovery of government revenue constitutes weak internal control.

Matter was reported during June, 2013, but no departmental point of view was provided. The PAO failed to convene DAC meeting to discuss audit para despite pursuance by audit.

Audit recommends fixing responsibility on the official(s) at fault, under intimation to audit.

[AIR Para: 2]

1.2.4.2 Un-authorized Award of works - Rs 4.882 Million

Rule 12 (1) of SPPRA 2010, states that, “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”.

TMA, Larkana city, incurred an amount of Rs 4.882 million, during 2011-12, by awarding various works by splitting-up sanction orders to avoid the sanction of competent authority, in violation of the above rule. Detail provided in Annexure-C.

Audit is of the view that non-compliance of the prescribed procedure by SPPRA resulted into non-obtaining of competitive rates and non-transparency in public spending which constitutes weak financial management.

The non-observance of rules as per delegated financial powers constitutes weak internal control.

The matter was reported during June, 2013 but management failed to provide departmental point of view. The PAO failed to convene the DAC meeting to discuss audit para despite pursuance by audit.

Audit recommends fixing responsibility on account of unauthorized expenditure.

[AIR Para: 17]

1.2.4.3 Un-authorized Expenditure - Rs 1.300 Million

Rule 3 (v) of Sindh District Government and Taluka/Town Municipal Administration (Budget) Rules, 2002, states that, “TMO is responsible for ensuring that funds allocated are spent on the activities for which the money was provided”.

TMA, Larkana city, incurred an expenditure of Rs 1.300 million, during 2011-12, for development of schools which were not in the purview of authority, in violation of above rule. Detail provided in Annexure-D.

Audit is of the view that due to utilization of TMA funds on scheme outside the purview of authority resulted into loss of Rs 1.300 million which constitutes weak financial management.

Expenditure on other development schemes outside the purview of authority deprived the agency to complete ongoing schemes within the area of responsibility which constitutes weak internal control.

The matter was reported during June, 2013 but management failed to provide departmental point of view. The PAO failed to convene the DAC meeting to discuss audit para despite pursuance by audit.

Audit recommends investigation to fix responsibility for un- authorized utilization of funds.

[AIR Para: 15]

Taluka Municipal Administration, Ratodero

1.2.5 Fraud / Misappropriation

1.2.5.1 Doubtful Expenditure - Rs 65.150 Million

Rule 17 (1) of Sindh Public Procurement Rules, 2010, states that, “Procurements over one hundred thousand rupees and up to one million rupees shall be advertised by timely notifications on the Authority’s website and may in print media in the manner and format prescribed in these rules”.

Further, Para 10 of GFR Vol-I, states that, “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 benefits of a particular person or community”.

TMA, Ratodero, incurred an expenditure of Rs 65.150 million, during 2011-12, on various development schemes on the basis of fake advertisement vide NIT No.TMAR/1583 of 2011 dated 21-05-2011 without posting on SPPRA website, in violation of above rules.

Audit is of the view that relevant record transpires that tender documents, comparative statements were found blank and work orders were found unsigned, hence, the chances of embezzlement cannot be ruled out which constitute weak financial management.

Non observance of prescribed procedure constitutes weak internal control.

The matter was reported during July, 2013 but management failed to provide departmental point of view. The PAO failed to convene the DAC meeting to discuss audit para despite pursuance by audit

Audit recommends that matter needs to be investigated to fix the responsibility upon person(s) at fault for loss to government.

[AIR Para: 3]

1.2.6 Non-Production

1.2.6.1 Non-Production of Record - Rs 22.171 Million

Article 170(2) of the Constitution of the Islamic Republic of Pakistan, inserted vide Constitution (Eighteenth Amendment) Act, 2010 w.e.f. April 19, 2010, states that,

“The audit of accounts of the Federal and of the Provincial Government and the accounts of any authority or body established by, or under the control of, the federal or Provincial Government shall be conducted by the Auditor General, who shall determine the nature and extent of such audit”.

Further, the Constitutional provision was stressed upon by the Orders of the Honorable Supreme Court of Pakistan dated 07-05-2013 given in CMA No.2376/2013, “where the amount is charged on the Consolidated Fund or relates to the Public Accounts of the Federation or of the Provinces, the same may be audited by the Auditor- General without exception”.

TMA Ratodero, incurred an amount of Rs 22.171 million, during 2011-12, on various development schemes but failed to provide access of record to audit, in violation of the above rule. Detail provided in Annexure-E.

Audit is of the view that due to non-provision of record authenticity of expenditure is doubtful and chances of misappropriation of public funds cannot be ruled out.

The matter was reported during July, 2013 but management failed to provide departmental point of view. The PAO failed to convene the DAC meeting to discuss audit para despite pursuance by audit

Audit recommends fixing responsibility on account of non-provision of record.

[AIR Para: 2]

1.2.7 Non-Compliance

1.2.7.1 Non-Transparency in Government Spending - Rs 5.614 Million

Rule 20 of the Staff Car Rules 1980, as amended in 2001, states that, “The log book, History Sheet, and Petrol Account Register shall be maintained for each official vehicle”.

TMA, Ratodero, incurred an expenditure of Rs 5.614 million, during 2011-12, on purchase of POL for official vehicles but the log books, history sheets and petrol account registers were not maintained to justify the expenditure, in violation of the above rule. Detail provided in Annexure-F.

Audit is of the view that expenditure incurred on POL without preparation of log books, history sheets and petrol consumption account resulted into non transparency in spending from public funds which constitute weak financial management.

The expenditure on POL without preparation of log books which constitutes weak internal control.

Matter was reported during July 2013, but management failed to provide departmental point of view. The PAO failed to convene the DAC meeting to discuss audit para despite pursuance by audit.

Audit recommends fixing responsibility for incurring expenditure without supporting record and same be prepared to justify the expenditure, under intimation to audit.

[AIR Para: 22]

1.2.7.2 Un-authorized Expenditure - Rs 1.769 Million

Rule 17 (1) of Sindh Public Procurement Rules, 2010, states that, “Procurements over one hundred thousand rupees and up to one million rupees shall be advertised by timely notifications on the Authority’s website and may in print media in the manner and format prescribed in these rules”.

TMA, Ratodero, incurred an expenditure of Rs 1.769 million, during 2011-12, without calling open tender, in violation of the above rule. Detail provided in Annexure-G.

Audit is of the view that management failed to invite open tender resulting into non transparency in public spending and non-achievement of competitive rates which constitutes weak financial management.

Non-pursuance of SPPRA rules 2010 constitutes weak internal control.

The matter was reported during July, 2013, but management failed to provide departmental point of view. PAO failed to convene the DAC meeting to discuss audit para despite pursuance by audit.

Audit recommends fixing responsibility on departments on account of non-transparency in awarding of contracts and failure in obtaining competitive rates.

[AIR Para: 11]

1.2.8 Internal Control Weaknesses

1.2.8.1 Non-Achievement of Targeted Receipts - Rs 5.489 Million

Para 28 of GFR Volume-I, states that, “No government amount should be left outstanding without sufficient reason and where any dues appear to be irrecoverable, the order of competent authority for its adjustment must be obtained”.

TMA, Ratodero, levied taxes on different accounts for the estimated recovery, during 2011-12, but failed to achieve the target of Rs 5.489 million and serious efforts were not taken by authority to realize the estimated revenue, in violation of above rule. Detail provided in Annexure-H.

Audit is of the view that due to non-realization of estimated receipts authority was deprived of genuine public revenue which constitutes weak financial management.

Non-realization of targeted revenue constitutes weak internal control.

The matter was reported during July, 2013, but management failed to provide departmental point of view. PAO failed to convene the DAC meeting to discuss audit para despite pursuance by audit.

Audit recommends fixing responsibility on account of laxity of management to realize targeted revenues.

[AIR Para: 21]

1.2.8.2 Doubtful Expenditure - Rs 1.193 Million

Para 32 (2) of the Local Government Accounts Manual, states that, “Every bill shall be pre-audited by the Accounts Office. The pre-audit shall ensure that the bill has been sanctioned and that funds are available to make payment. The pre-audit shall also involve scrutinizing the bill to identify possible fraud and irregularities”.

TMA, Ratodero, incurred an expenditure of Rs 1.193 million, during 2011-12, to various contractors / suppliers without pre-audit of bills by LFA, FD, resulted into doubtful expenditure, in violation of above rule. Details provided in Annexure-I.

Audit is of the view that management directly authorized the claims of contractors without pre-audited conducted by LFA which constitutes non-transparency in public exchequer and weak financial management.

Non observance of prescribed procedure constitutes weak internal control.

The matter was reported during July, 2013, but management failed to provide departmental point of view. The PAO failed to convene the DAC meeting to discuss audit para despite pursuance by audit.

Audit recommends fixing responsibility on officials (s) at fault for authorizing doubtful payments without pre-audit.

[AIR Para: 26]

ANNEXURES

Memorandum for Departmental Accounts Committee (MFDAC) Paras

(Amount in Rupees)

Sr.	Name of Formation	AP No.	Title of Para	Amount of Audit Observation
1	TMA, Larkana City	1	Non deduction of sales tax.	785,021
2	-do-	2	Loss to government by short recovery of tender fee.	378,350
3	-do-	3	Less deduction and deposit of income tax.	637,702
4	-do-	4	Doubtful award of liveries contract.	905,000
5	TMA, Ratodero	1	Non imposition of penalty.	150,000
6	-do-	2	Irregular Expenditure on non-schedule items.	679,500
7	-do-	3	Unauthorized appointment of 230 employees	0

Details of Less Recovery of Government Revenue

(Amount in Rupees)

Sr.	Description	Target	Recovery	Less Collection
1	Revenue Receipt (Taxes)	309,267,857	183,592,172	125,675,685
2	Fees	17,197,145	5,917,337	11,279,808
3	Rent	7,400,948	5,742,034	1,658,914
4	Other Receipt	1,581,173	593,179	987,994
5	Capital Receipt	6,713,000	2,728,613	3,984,387
Total		342,160,123	198,573,335	143,586,788

Annexure-C

Details of Expenditure by Splitting up of Work Orders

(Amount in Rupees)

S. No.	V. No.	V. Date	Head of A/C	Item	Gross Amount
1	102	12/08/11	Purchase of Hand Pump & Other items	Supply of Hand Pumps	100,000
2	160	11/06/12	-Do-	-Do-	100,000
3	230	14/06/12	-Do-	-Do-	100,000
4	238	14/06/12	-Do-	-Do-	100,000
5	242	14/06/12	-Do-	-Do-	100,000
6	202	25/05/12	-Do-	-Do-	100,000
7	203	25/05/12	-Do-	-Do-	100,000
8	218	25/05/12	-Do-	-Do-	100,000
9	99	15/12/12	-Do-	-Do-	100,000
10	143	Ni	-Do-	-Do-	100,000
11	154	14/03/12	-Do-	-Do-	100,000
12	93	01/11/11	-Do-	-Do-	100,000
13	107	12/08/11	-Do-	Supply of Sewing Machine	99,200
14	158	11/06/12	-Do-	-Do-	100,000
15	159	11/06/12	-Do-	-Do-	100,000
16	237	04/06/12	-Do-	-Do-	100,000
17	239	14/06/12	-Do-	-Do-	100,000
18	240	14/06/12	-Do-	-Do-	100,000
19	109	10/02/12	-Do-	-Do-	99,200
20	152	14/03/12	-Do-	-Do-	99,200
21	153	14/03/12	-Do-	-Do-	99,200
22	92	01/11/11	-Do-	-Do-	99,200
23	127	03/11/11	-Do-	-Do-	99,200
24	118	03/11/11	Electric material	Tango lights, wire	100,000
25	105	12/08/11	-Do-	Tango lights, main switch, wire	99,900
26	106	12/08/11	-Do-	Tango lights, main switch, wire Spoon light	99,800
27	104	12/08/11	-Do-	Tango lights, saver, wire etc	99,200
28	161	11/06/12	-Do-	Tango lights, Spoon light, tube light, Wire	100,000
29	162	11/06/12	-Do-	Tango lights, Spoon light, tube light, Wire	99,900
30	163	11/06/12	-Do-	Tango lights, Spoon light, tube light, Wire	98,800
31	164	11/06/12	-Do-	Tango lights, Spoon light, tube light, Wire	99,300
32	165	11/06/12	-Do-	Tango lights, Spoon light, tube light, Wire	98,900
33	234	14/06/12	-Do-	Tango lights, Spoon light, tube light, Wire	99,800
34	236	14/06/12	-Do-	Tango lights, Spoon light, tube	99,800

(Amount in Rupees)

S. No.	V. No.	V. Date	Head of A/C	Item	Gross Amount
				light, Wire	
35	241	14/06/12	-Do-	Tango lights, Spoon light, tube light, Wire	99,800
36	195	25/05/12	-Do-	Tango lights, Spoon light, tube light, Wire	99,900
37	196	25/05/12	-Do-	Tango lights, Spoon light, tube light, Wire	99,800
38	198	25/05/12	-Do-	Tango lights, Spoon light, tube light, Wire	98,800
39	112	10/02/12	-Do-	Tango lights, Spoon light, tube light, Wire	100,000
40	113	10/02/12	-Do-	Tango lights, Spoon light, tube light, Wire	100,000
41	114	10/02/12	-Do-	Tango lights, Spoon light, tube light, Wire	99,600
42	115	10/02/12	-Do-	Tango lights, Spoon light, tube light, Wire	99,880
43	116	NIL	-Do-	Tango lights, Spoon light, tube light, Wire	99,900
44	117	10/02/12	-Do-	Tango lights, Spoon light, tube light, Wire	99,700
45	118	NIL	-Do-	Tango lights, Spoon light, tube light, Wire	99,900
46	119	NIL	-Do-	Tango lights, Spoon light, tube light, Wire	99,800
47	130	17/02/12	-Do-	Tango lights, Spoon light, tube light, Wire	100,000
48	103	12/08/11	-Do-	tube light, saver, wire etc	95,500
49	128	03/11/11	-Do-	Tango lights, main switch, wire Spoon light	98,700
TOTAL					4,881,880

Annexure-D

Details of Expenditure Outside Jurisdiction of TMA

(Amount in Rupees)

S. No.	W.O. No.	W.O. Date	Work	Amount
1	617	26/06/2011	Provision of Electric Material for Girls higher Sec. School near Girls College Larkana	1,240,000
2	619	26/06/2011	Provision of Furniture for Primary School near Abbasi Kalhora office Larkana	60,000
Total				1,300,000

Details of Non-Production of Record

(Amount in Rupees)

Sr.	Cheque No.	Date	Head	Amount
1	62438554	11/07/2011	1 & FINALL BIL DRIAN BLOCK UC	3,773,575
2	62438555	11/07/2011	1 & FINALL BIL DRIAN BLOCK UC	467,114
3	62438575	02/08/2011	1 & FINALL BILL	419,543
4	62438576	02/08/2011	1 & FINALL BILL	661,122
5	62438584	13/08/2011	1 & FINAL BILL CC DRAIN BLOCK UC-	429,389
6	62438588	16/08/2011	1 & FINAL BILLCC DRAIN BLOCK NEAR NOONARI MOSQUE	167,743
7	62441008	26/08/2011	1& FINAL FOR CC DRAIN & BLOCK UC-	377,474
8	62441009	26/08/2011	1& FINAL FOR CC DRAIN & BLOCK UC-	376,375
9	62441011	26/08/2011	1& FINAL FOR CC DRAIN & BLOCK UC-II JUMO AGHAM	167,774
10	62441012	26/08/2011	1& FINAL FOR CC DRAIN & BLOCK UC-	171,550
11	62441014	26/08/2011	1 & FINAL BILL CC DRAIN BLOCK UC-I	197,942
13	62441031	08/09/2011	1ST & FINAL BILL CC DRAINS BLOCKS UC-1 R.DERO	167,605
16	62441071	11/10/2011	1ST & FINAL BILL FOR CC DRAIN BLOCK UC-	333,783
17	62441072	11/10/2011	1ST & FINAL BILL	251,857
18	62441073	11/10/2011	1ST & FINAL BILL FOR CC DRAIN BLOCK UC-	251,572
19	62441078	11/10/2011	1ST & FINAL BILL FOR CC DRAIN BLOCK CITY N. DERO	250,946
20	62444009	10/11/2011	1ST & FINAL BILL FOR CC DRAINS, BLOCKS FOR UC	384,803
21	62444010	10/11/2011	1ST & FINAL BILL FOR CC DRAINS, BLOCKS FOR UC	342,302
22	62444011	10/11/2011	1ST & FINAL BILL FOR CC DRAINS, BLOCKS FOR UC	460,716
23	62444012	10/11/2011	1ST & FINAL BILL FOR CC DRAINS, BLOCKS FOR UC-I	335,000

(Amount in Rupees)

Sr.	Cheque No.	Date	Head	Amount
			R.DERO	
24	62444013	10/11/2011	1ST & FINAL FOR CC DRAINS BLOCKS IN UC-I R.DERO	177,000
25	62444017	10/11/2011	1ST & FINAL FOR CC DRAINS BLOCKS IN UC-BUNGAL DERO	167,000
26	62444026	28/11/2011	1ST & FINAL BILL FOR CC DRAINS, BLOCK FOR UC-II R.DERO (PART PAY)	100,000
27	62444027	29/11/2011	1ST & FINAL BILL FOR CC DRAINS, BLOCK FOR UC-II R.DERO (PART PAY)	120,000
28	62444045	12/12/2011	1ST & FINAL BILL FOR CC DRAINS, BLOCK FOR UC-	825,000
29	62444046	20/12/2011	1ST & FINAL BILL FOR CC DRAINS, BLOCK FOR UC-	559,263
30	62444047	20/12/2011	1ST & FINAL BILL FOR CC DRAINS, BLOCK FOR UC-	563,154
31	62444048	20/12/2011	1ST & FINAL BILL FOR CC DRAINS, BLOCK FOR UC-	749,368
32	62444049	20/12/2011	1ST & FINAL BILL FOR CC DRAINS, BLOCK FOR UC-	656,026
33	62444050	20/12/2011	1ST & FINAL BILL FOR CC DRAINS, BLOCK FOR UC-	657,342
34	62444053	22/12/2011	1ST & FINAL BILL FOR CC DRAINS, BLOCK FOR UC-II R.DERO (PART PAY)	187,624
35	62444057	22/12/2011	1ST & FINAL BILL FOR CC DRAINS, BLOCK FOR UC-II R.DERO (PART PAY)	384,550
36	62444078	07/01/2012	1ST & FINAL BILL FOR CC DRAINS, BLOCK FOR R.DERO (PART PAY)	133,000
37	62444082	07/01/2012	1ST & FINAL BILL FOR EARTH FILLING CC DRAIN FOR VARIOUS UC OF R.DERO	665,000
38	62444084	07/01/2012	1ST & FINAL BILL FOR EARTH NFILLING OF UC	385,000
39	62444085	07/01/2012	1ST & FINAL BILL FOR EARTH NFILLING OF UC BEHMAN	512,660
40	62444087	07/01/2012	1ST & FINAL BILL FOR TROPICO LIGHTS FOR UC WARIS DINO MACHI	275,282
41	62444088	07/01/2012	1ST & FINAL BILL FOR CC DRAIN BLOCKS FOR UC	703,278

(Amount in Rupees)

Sr.	Cheque No.	Date	Head	Amount
42	62445906	17/01/2012	1ST & FINAL BILL FOR SUPPLING OF UNIFORM FOR STAFF	667,240
43	62445907	17/01/2012	1ST & FINAL BILL	585,730
44	62445908	18/01/2012	1ST & FINAL BILL CC DRAIN BLOCKS FOR VILLAGE LASHARI UC BANGAL DERO PP	150,000
45	62445911	28/01/2012	1ST & FINAL BILL CC DRAIN BLOCKS FOR UC BEHMAN AND BANGAL DERO	435,905
46	62445912	28/01/2012	1ST & FINAL BILL FOR CC DRAIN BLOCKS FOR UC BEHMAN AND BANGAL DERO	344,843
47	62445913	28/01/2012	1ST & FINAL BILL FOR CC DRAIN BLOCKS FOR VILLAGE LASHARI UC BANGAL DERO	344,213
48	62445916	28/01/2012	1AR & FINAL EARTH FILLING FOR UC NAO DERO	332,626
49	62445936	07/02/2012	1ST & FINAL BILL	249,732
50	62445941	13/02/2012	1ST & FINAL BILL	167,664
51	62445943	13/02/2012	1ST & FINAL BILL CC DRAIN BLOCK RATODERO	100,000
52	62445982	21/04/2012	1ST & FINAL BILL CC DRAIN BLOCKS FOR RATO DERO CITY	171,768
53	62445984	21/04/2012	1ST & FINAL BILL CC BLOCKS FOR RATO DERO TOWN PART-I & II	169,772
54	62446741	25/06/2012	1ST & FINAL BILL CC DRAIN BLOCK FOR R.DERO CITY	157,178
55	62446744	25/06/2012	1ST & FINAL BILL CC DRAIN BLOCKS FOR VARIOUS MOHALLAHS OF R.DERO TOWN	335,875
56	62446758	26/06/2012	1ST & FINAL BILLS CC DRAINS BLOCKS FOR UC BEHMAN	150,000
Total				22,171,278

Detail of Non-transparency in Government Spending

(Amount in Rupees)

Sr.	Month	Supplier	Amount
1	07/ 2011	M/S Yaseen Filling Station Ratodero	584,524
2	08/ 2011	-do-	511,249
3	09/ 2011	-do-	628,663
4	10/ 2011	-do-	646,755
5	11/ 2011	-do-	651,535
6	12/ 2011	-do-	616,975
7	01/ 2012	-do-	610,830
8	02/ 2012	-do-	655,649
9	03/ 2012	-do-	708,235
Total			5,614,415

Annexure-G**Details of Expenditure without Calling Tender**

(Amount in Rupees)

Sr.	Cheque No. & date	Particular	Payee Name	Head	Amount
1	62438553/ 11/07/2011	Const: Of Gate At Ratodero Bye Pass	Shahid Akhtar Junejo	Works	1,062,149
2	62441019/ 05/09/2011	Purchase Of Tyre For Fire Birgade And Refuse Van	M/S Mehran Tyres Larkana	Pur: Tyre	137,514
3	62441025/ 06/09/2011	Supply D.Engine 8hp&Water Pump Complete	Mr. Tameer Hussain	Supply M&E	569,388
Total					1,769,051

Details of Non-Achievement of Revenue Target

(Amount in Rupees)

Sr.	Description	Budget Estimates for 2011-12		
		Ratodero	Naodero	Total
1	Approval of Building Plan	-	2,000	2,000
2	Retails Piri Fee	-	309,679	309,679
3	Beef/Slaughter Fee	-	42,228	42,228
4	Parking Fee	-	44,635	44,635
5	Dhar Fee	-	264,712	264,712
6	Rent of Shops	-	386,000	386,000
7	Rent Plots	-	43,380	43,380
8	Rent of Pacca Piri	47,748	23,683	71,431
9	Misc: Receipts	100,000	5,000	105,000
10	Drainage Fee	500,000	10,000	510,000
11	Sale of Refuse	5,000	5,000	10,000
12	Property Taxes	1,500,000	2,000,000	3,500,000
13	Road Cutting Charges	100,000	-	100,000
14	Enlistment/ Approval Fee	100,000	-	100,000
Total		2,352,748	3,136,317	5,489,065

Annexure-I**Detail of Expenditure outside Jurisdiction of Authority**

(Amount in Rupees)

Sr.	Description	To whom paid	Amount
1	Purchase of Fax Machine, HP Laser Jet 1212	M/s Win Soft Computer System Lrk	35,000
2	Office Stationary	M/s Lareb Book Store	18,710
3	Printer Toner HP Laser Jet	M/s Win Soft Computer System Lrk	5,300
4	Purchase of Diesel Oils 8HP (06 Nos)	Mr. Tanveer Ahmed Contractor	590,040
7	Purchase of Computer Material	M/s Win Soft Computer System Lrk	12,700
8	Purchase of Battery for office Generator	M/s Zameer Battery Service	17,000
9	Purchase / Supplying of Stationary	M/s Lareb Book Store	19,680
10	Purchase / Supplying of Computer Material	M/s Win Soft Computer System Lrk	19,000
11	Purchase / Supplying of Computer Material	M/s Win Soft Computer System Lrk	19,580
12	Purchase of Mono Block for Public Park	M/s Jameel Tubewell & Sanitary Store	9,800
13	Repair of Fire Brigade	M/s Meraj Electric Co.	100,000
14	Repair of Tractor Material Ford	M/s Al-Rehman Autos	19,900
15	Repair of Tractor Material Ford	M/s Al-Rehman Autos	19,460
16	Repair of Tractor Material Ford	M/s Noor Engineering Works	10,600
17	Supply of Tyres & Tubes	M/s Al-Hussaini Eng. Works	99,000
18	Supply for Tyres & Tubes for Tractor Dozer	M/s Al-Hussaini Eng. Works	99,000
19	Sanitation Material	M/s Zaid Iron Store	19,900
20	Sanitation Material	M/s Zaid Iron Store	19,480
21	Sanitation Material	M/s Zaid Iron Store	19,700
22	Sanitation Material	M/s Zaid Iron Store	19,650
23	Sanitation Material	M/s Zaid Iron Store	19,840
Total			1,193,340