



**AUDIT REPORT  
ON  
THE ACCOUNTS OF  
CHIEF OFFICER, DISTRICT COUNCIL &  
TALUKA MUNICIPAL ADMINISTRATIONS  
DISTRICT MATIARI  
AUDIT YEAR 2013-14**

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**AUDITOR-GENERAL OF PAKISTAN**

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## **ABBREVIATIONS AND ACRONYMS**

CMA	Constitutional Miscellaneous Application
CTR	Central Treasury Rules
DAC	Departmental Accounts Committee
FD	Finance Department
GFR	General Financial Rules
IPSAS	International Public Sector Accounting Standards
M&R	Maintenance & Repair
MFDAC	Memorandum for Departmental Accounts Committee
NIT	Notice Inviting Tender
NTN	National Tax Number
PAO	Principal Accounting Officer
PAC	Public Accounts Committee
POL	Petroleum Oil and Lubricants
PWD	Public Works Department
PVC	Polyvinyl Chloride
S&GAD	Services and General Administration Department
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
GoS	Government of Sindh
NIT	Notice Inviting Tender
WIP	Work in Progress
WO	Work Oder

## **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 Matiari for the year 2012-13. The Directorate General of Audit Local Councils Sindh, Karachi, conducted audit during 2013-14 on test check basis with a view to reporting significant findings to relevant stakeholders. 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 observations 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.

Observations included in this Report have been finalized without written responses.

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

Islamabad  
Dated:

**(Muhammad Akhtar Buland Rana)**  
**Auditor-General of Pakistan**

## **EXECUTIVE SUMMARY**

The DG Audit, Local Councils, Sindh, Karachi is responsible to carry out the audit of Taluka / Town municipal Administrations and Union Councils. This Directorate General has a human resource of 33 officers and staff, resulting in 9,672 man days. Annual budget amounting to Rs 91.490 million was allocated to this office for the financial year 2013-14. The office has a mandate to conduct regularity audit (compliance with authority audit) on test check basis with a view to reporting significant findings to the relevant stakeholders. This office also conducts performance audit of programmes / projects.

Each Taluka Municipal Administration in District Matiari is headed by a Taluka Administrator and District Municipal Administration 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 of District Matiari was carried out with the view to ascertaining that the expenditure was incurred with proper authorization, in conformity with laws, rules, regulations and economy was ensured in procurement of assets and hiring of services and to review, analyse 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 Matiari for the Financial Year 2012-13, auditable expenditure under the jurisdiction was Rs 994.409 million, out of which an expenditure of Rs 426.443 million was audited which in terms of percentage, was 43%.

## **b. Recoveries at the Instance of Audit**

Recovery of Rs 6.332 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 6.332 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 04 cases - Rs 92.385 million.<sup>1</sup>
- ii. Non- Production of record was noted in 03 cases - Rs 25.292 million.<sup>2</sup>
- iii. Non-Compliance of Rules was noted in 04 cases - Rs 74.429 million.<sup>3</sup>
- iv. Internal Control Weaknesses were noted in 01 case - Rs 4.646 million.<sup>4</sup>

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<sup>1</sup> Para 1.2.2.1, 1.2.2.2, 1.2.2.3, 1.2.5.1

<sup>2</sup> Para 1.2.1.1

<sup>3</sup> Para 1.2.4.1, 1.2.4.2, 1.2.4.3

<sup>4</sup> Para 1.2.8.1

Audit paras for the audit year 2012-13 involving procedural violations including internal control weaknesses and irregularities not considered worth reporting to the PAC are included in MFDAC (Annexure-A).

**g. Recommendations**

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

- i. The TMA needs to comply with the Public Procurement Rules for economical and rational purchase of goods and services.
- ii. Inquiries need to be held to fix responsibility for fraud, misappropriation, losses, theft and wasteful expenditure.
- iii. The PAO needs to make efforts for expediting the realization of various Government receipts.
- iv. The PAO needs to take appropriate action against non-production of record.



## SUMMARY TABLES & CHARTS

**Table 1: Audit Work Statistics**

(Rupees in Million)

Sr.	Description	No.	Budget
1.	Total Entities (PAOs) in Audit Jurisdiction	05	994.409
2.	Total Entities (PAOs) Audited	03	426.443
3.	Audit & Inspection Reports	03	426.443
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	92.385
2	Financial Management	0
3	Internal controls	4.646
4	Violation of rules	75.429
5	Others	25.292
<b>Total</b>		<b>197.752</b>

**Table 3: Outcome Statistics**

(Rupees in Million)

<b>Sr.</b>	<b>Description</b>	<b>Expenditure on Acquiring Physical Assets (Procurement)</b>	<b>Salary</b>	<b>Non-Salary</b>	<b>Civil Works</b>	<b>Receipts (Revenue Targets)</b>	<b>Total Current year</b>	<b>Total Last year</b>
1.	Outlays Audited	0	117.141	30.494	278.807	147.636	436.443	396.279
2.	Amount Placed under Audit Observation	0	29.710	17.660	144.050	6.332	197.752	94.632
3.	Recoveries Pointed Out at the instance of Audit	0	0	0		6.332	6.332	5.531
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-

**Table 4: Irregularities Pointed Out**

(Rupees in Million)

<b>Sr.</b>	<b>Description</b>	<b>Amount Placed under Audit Observation</b>
1	Violation of Rules and regulations and violation of principle of propriety and probity in public operations.	69.099
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	92.385
3	Accounting Errors (accounting policy departure from NAM <sup>1</sup> , 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.	4.464
5	Recoveries and overpayments, representing cases of establishment overpayment or misappropriations of public monies	6.332
6	Non-production of record.	25.292
7	Others, including cases of accidents, negligence etc.	0
<b>Total</b>		<b>197.572</b>

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<sup>1</sup> 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, Matiari

### 1.1.1 Introduction

As per 1998 population census, the population of District Matiari is 0.515 million. District Matiari comprises of One Chief Officer, District council Matiari and three TMAs namely Matiari, Hala and New Saheedabad and Business of TMAs is run through the Administrator, TO (I&S), TO (Finance), TO (P&C) and TO (Regulations) under Sindh Local Government Ordinance, 1979. The functions of TMAs are as following:

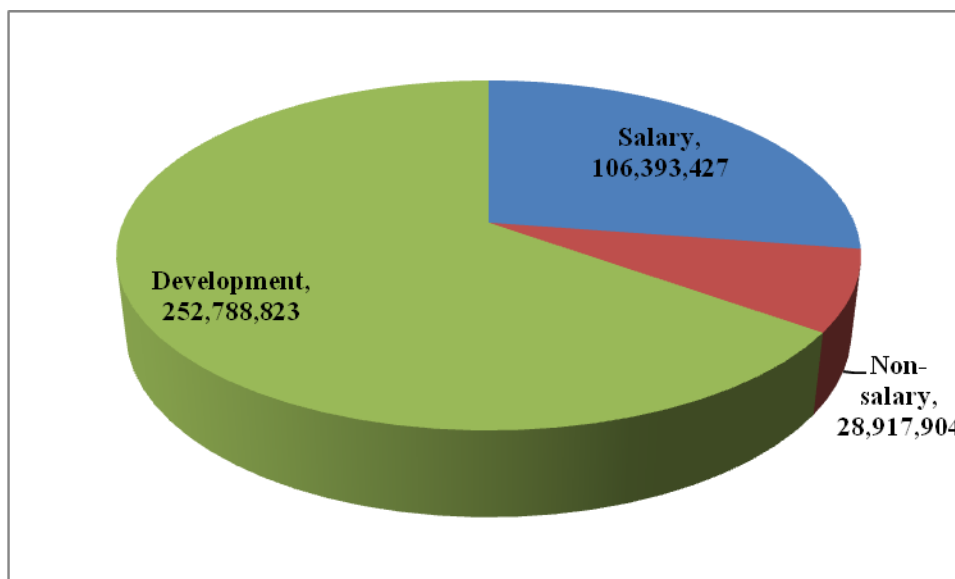
1. Prepare spatial plans for the Town including plans for land use, zoning and functions for which TMA is responsible.
2. Exercise control over land-use, land-subdivision, land development and zoning by public and private sectors for any purpose, including agriculture, industry, commerce markets, shopping and other employment centres, 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 TMA's	Nature of Expenditure	Original Grant	Suppl: Grant	Revised/Fin al Grant	Actual Expenditure	(+) Excess (-) Saving
1	Chief Officer, District Council, Matiari	Salary	14,458,370	0	14,458,370	14,458,370	0
		Non-Salary	6,859,531	0	6,859,531	6,859,531	0
		<b>Sub-Total</b>	<b>21,317,901</b>	<b>0</b>	<b>21,317,901</b>	<b>21,317,901</b>	<b>0</b>
		Development	14,222,659	0	14,222,659	14,222,659	0
		<b>Total</b>	<b>35,540,560</b>	<b>0</b>	<b>35,540,560</b>	<b>35,540,560</b>	<b>0</b>
2	TMA Matiari	Salary	71,652,074	0	71,652,074	60,904,263	-10,747,811
		Non-Salary	10,512,500	0	10,512,500	8,935,625	-1,576,875
		<b>Sub-Total</b>	<b>82,164,574</b>	<b>0</b>	<b>82,164,574</b>	<b>69,839,888</b>	<b>-12,324,686</b>
		Development	173,455,027	0	173,455,027	147,436,773	-26,018,254
		<b>Total</b>	<b>255,619,601</b>	<b>0</b>	<b>255,619,601</b>	<b>217,276,661</b>	<b>-38,342,940</b>
3	TMA New Saeedabad	Salary	34,551,283	0	31,030,794	31,030,794	0
		Non-Salary	25,748,000	0	13,122,748	13,122,748	0
		<b>Sub-Total</b>	<b>60,299,283</b>	<b>0</b>	<b>44,153,542</b>	<b>44,153,542</b>	<b>0</b>
		Development	104,257,324	0	91,129,391	91,129,391	0
		<b>Total</b>	<b>164,556,607</b>	<b>0</b>	<b>135,282,933</b>	<b>135,282,933</b>	<b>0</b>
<b>Total Salary</b>			<b>120,661,727</b>	<b>0</b>	<b>117,141,238</b>	<b>106,393,427</b>	<b>-10,747,811</b>
<b>Total Non-Salary</b>			<b>43,120,031</b>	<b>0</b>	<b>30,494,779</b>	<b>28,917,904</b>	<b>-1,576,875</b>
<b>Total Non-Development</b>			<b>163,781,758</b>	<b>0</b>	<b>147,636,017</b>	<b>135,311,331</b>	<b>-12,324,686</b>
<b>Total Development</b>			<b>291,935,010</b>	<b>0</b>	<b>278,807,077</b>	<b>252,788,823</b>	<b>-26,018,254</b>
<b>Grand Total</b>			<b>455,716,768</b>	<b>0</b>	<b>426,443,094</b>	<b>388,100,154</b>	<b>-38,342,940</b>

### Expenditure 2012-13



Original budget of Taluka and Chief Officer District Council Matiari, Rs 455.717 million was allocated, TMA, Matiari and Chief Officer District Council Matiari under various grants and no supplementary grants/re-appropriation was provided. The revised/final budget of these TMAs was Rs 426.443 million. The total expenditure incurred by concerned TMAs during 2012-13 was Rs 388.100 million as detailed above.

The Variance Analysis of the Revised/Final Grant and Actual Expenditure for the Financial Year 2012-13 depicted that there was a saving of Rs 38.342 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 to Governor of Sindh. Detail of PAC meetings is given below:

<b>Audit Year</b>	<b>No. of Paras</b>	<b>Status of PAC Meetings</b>
2012-13	Nil	Nil

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

## **1.2 AUDIT PARAS**

**Chief Officer, District Council, Matiari**



## **1.2.1 Non-Production**

### **1.2.1.1 Non-Production of Record**

Article 170(2) of the Constitution of the Islamic Republic of Pakistan, states that, “The audit of accounts of the Federal and of the Provincial Government and the accounts of any authority or body established by, or under the control of, the federal or Provincial Government shall be conducted by the Auditor General, who shall determine the nature and extent of such audit”.

Further, the Constitutional provision was stressed upon by the Orders of the Honourable 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”.

Chief Officer, District Council, Matiari, failed to provide relevant record of 78 newly appointed officers/officials during 2012-13, to the audit, in violation of the above rule.

Matter was reported during January 2014, 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: 1]

**Taluka Municipal Administration, Matiari**

## **1.2.2 Fraud / Misappropriation**

### **1.2.2.1 Embezzlement on account of Development Works – Rs 45.914 Million**

Para-23 of General Financial Rules Volume – I, states 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 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”.

TMA, Matiari, incurred an expenditure of Rs 45.914 million, on several development schemes, during 2012-13, the tender documents were left blank and the estimates were prepared by the TMO instead of TO (I&S) and 60% amount of the estimated cost was paid to contractors within four days after awarding of work order on recording of flat measurement, in violation of the above rule. Detail provided in Annexure-B.

Audit was of the view that due to non-observance of rules and procedure, the audit could not verify the authenticity, accuracy, validity and genuineness of expenditure incurred on development schemes which constituted weak financial management.

The matter was reported during January, 2014, 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 embezzlement.

[AIR Paras: 2, 5, 6, 7, 10, 11, 12]

### **1.2.2.2 Embezzlement on accounts of works not executed - Rs 22.787 Million**

Para-23 of General Financial Rules Volume – I, states 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 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”.

TMA, Matiari, incurred an expenditure of Rs 22.787 million, on various development schemes, during 2012-13, without adopting proper competitive procedure i.e. call deposits were made (03) days after opening of tenders and an amount of Rs 1.793 million, was paid to contractors against the supplies and works which were not physically executed and M.Bs of the same were also cancelled, in violation of the above rule. Detail provided in Annexure-C.

Audit was of the view that due to non-observance of rules and procedure, the audit could not verify the authenticity, accuracy, validity and genuineness of expenditure incurred on development schemes which constituted weak financial management.

The matter was reported during January, 2014 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 embezzlement.

[AIR Paras: 3, 4, 13, 14, 15]

### 1.2.2.3 Embezzlement on Account of Purchases - Rs 0.300 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, Matiari, incurred an expenditure of Rs 0.300 million, during 2012-13, on account of purchase of Hand Pumps but neither the evidence of purchases was produced nor recorded in relevant stock register along with list of distribution, in violation of above rules. Detail is as under:

(Amount in Rupees)

Cheque No.	Date	Payee	Head of Account	Amount
5063	16-08-2012	M/s Irshad G.Store Matiari	Hand Pumps	100,000
5092	28-08-2012	M/s Irshad Ahmed Memon	Hand Pumps	100,000
1655569	10-12-2012	M/s Amjad Memon	Hand Pumps	100,000
<b>Total</b>				<b>300,000</b>

Audit was of the view that due to non-observance of rules and procedure, the audit could not verify the authenticity, accuracy, validity and genuineness of expenditure incurred on development schemes which constituted weak financial management.

The matter was reported during January, 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 irregular expenditure without supporting record, under intimation to audit.

[AIR Para: 17]

### **1.2.3 Non-Production**

#### **1.2.3.1 Non-Production of Record - Rs 5.292 Million**

Article 170(2) of the Constitution of the Islamic Republic of Pakistan, states that, “The audit of accounts of the Federal and of the Provincial Government and the accounts of any authority or body established by, or under the control of, the federal or Provincial Government shall be conducted by the Auditor General, who shall determine the nature and extent of such audit”.

Further, the Constitutional provision was stressed upon by the Orders of the Honourable 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, Matiari, incurred an expenditure of Rs 5.292 million on several on-going, development schemes, during 2012-13, but failed to provide relevant record to audit, in violation of the above rule. Detail provided in Annexure-D.

Audit was of the view that due to non-provision of relevant record. The audit could not verify the authenticity, accuracy, validity and genuineness of expenditure incurred on on-going development schemes which constituted weak financial management.

The matter was reported during January, 2014 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: 1]

## **1.2.4 Non-Compliance**

### **1.2.4.1 Non-Posting of Tender on SPPRA Website - Rs 62.000 Million**

SPPRA Rule 17, 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, Matiari, awarded development schemes of Rs 62.000 million to various contractors, during 2012-13, through N.I.T but failed to post Tenders on SPPRA website, in violation of above rule. Detail provided in Annexure-E.

Audit was of the view that non-posting of Tenders on SPPRA website resulted into non transparency in public spending and non-achievement of competitive rates which constituted weak financial management.

The matter was reported during January, 2014 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 concerned officers/officials at fault on account of non-posting of tenders on SPPRA website, under intimation to audit.

[AIR Para: 26]

### **1.2.4.2 Non-Transparency in Government Spending - Rs 6.297 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, Matiari, incurred an expenditure of Rs 6.297 million, during 2012-13, on account of purchase of POL for official vehicles but neither relevant Log Books, History

Sheets , Petrol Account Registers were maintained nor expenditure was justified, in violation of the above rule.

Audit was of the view that expenditure incurred on account of purchase of POL without maintenance relevant registers/ accounts, resulted into non transparency in spending from public funds which constituted weak financial management.

The matter was reported during January, 2014 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 officers/officials at fault on account of irregular purchase of POL without supporting record and same may be prepared to justify expenditure, under intimation to audit.

[AIR Para: 34]

#### **1.2.4.3 Non-Achievement of Targeted Receipts - Rs 6.332 Million**

Section 60 (1) of SLGO 1979, states that, “A council may levy in the prescribed manner any of the taxes, fees, rates, tolls, and fees mentioned in Schedule IV”.

Further, Para-28 of GFR Vol-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, Matiari, failed to realize estimated revenue of Rs 6.332 million during 2012-13, in violation of the above rules. Detail provided in Annexure-F.

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

The matter was reported during January, 2014 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 laxity of management to realize targeted revenues.

[AIR Paras: 20, 21]

**Taluka Municipal Administration, New Saeedabad**



## **1.2.5 Fraud / Misappropriation**

### **1.2.5.1 Embezzlement on account of cash withdrawal from bank Rs 23.378 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, New Saeedabad City, TMO/T.O & T.O (Finance) withdrew Rs 23.378 million, during 2012-13, through various cheques from the bank accounts but there was no evidence of utilization of the amount, in violation of above rules. Detail provided in Annexure-G.

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.

The matter was reported during January, 2014 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 Paras: 1, 2]

## **1.2.6 Non-Production**

### **1.2.6.1 Non-Production of Record - Rs 20.000 Million**

Article 170(2) of the Constitution of the Islamic Republic of Pakistan, states that, “The audit of accounts of the Federal and of the Provincial Government and the accounts of any authority or body established by, or under the control of, the federal or Provincial

Government shall be conducted by the Auditor General, who shall determine the nature and extent of such audit”.

Further, the Constitutional provision was stressed upon by the Orders of the Honourable 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, New Saeedabad, incurred an expenditure of Rs 20.000 million, on account of MPA Funds, during 2012-13, but failed to provide relevant record to audit, in violation of the above rule.

Audit was of the view that due to non-observance of rules and procedure, the audit could not verify the authenticity, accuracy, validity and genuineness of expenditure incurred on development schemes which constituted weak financial management.

The matter was reported during January, 2014 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: 13]

## **1.2.7 Non-Compliance**

### **1.2.7.1 Expenditure without Calling Open Tenders – Rs 0.800 Million**

SPPRA Rule 17, 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, Saeedabad, awarded development scheme to contractors of amounting to Rs 0.800 million, during 2011-12, without calling open tenders, in violation of above rule. Detail is as under:

(Amount in Rupees)

<b>W.No. MPA</b>	<b>Name of work</b>	<b>Contractor</b>	<b>Estimate</b>
01/2012	M& R / Construction of Disposal Point no.2	M/s contractors	800,000

Audit is of the view that expenditure without calling open tenders resulted into non transparency in public spending and non-achievement of competitive rates which constitutes weak financial management.

The matter was reported during January, 2014 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 management of TMA for non-calling of open tenders on SPPRA website.

[AIR Para: 10]

## 1.2.8 Internal Control Weakness

### 1.2.8.1 Non-Completion of work - Rs 4.646 Million

Para 10(1) of GFR Volume-1, states that, “Every public officer is expected to exercise same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money”.

TMA, New Saeedabad, incurred expenditure of Rs 4.646 million i.e. 92% of total cost, for the construction of Fish Market which remained incomplete due to non-allocation of 8% budget during 2013-14, resultantly, public was deprived of the benefit from project, in violation of the above rule.

(Amount in Rupees)

W.O.#	Work	Contractor	Est Cost	Expenditure incurred	Allocation during 2013-14
TMA/1178/2010-12 dt 05-01-2011	Construction of Fish Market	M/s Shakeel Ahmed Kaimkhani	5,000,000	4,645,825	0

Audit was of the view that improper planning and budgeting resulted into non-completion of project which constituted weak financial management and internal control.

The matter was reported during January, 2014 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 of responsibility on account of wasteful expenditure and non-utilization of facility.

[AIR Para: 5]

# ANNEXURES

## Annexure-A

### Memorandum for Departmental Accounts Committee (MFDAC) Paras

(Amount in Rupees)

Sr.	Name of entity	Para	Description	Amount
1	Chief Officer District Council	2	Non-accountal of stock & store	946,696
2	-do-	3	non recovery of income tax	3,787
3	-do-	6	Expenditure from irrelevant head	607,000
4	TMA, Matiari	19	Doubtful payment to for purchase of laptop	95447
5	-do-	24	Non recovery of income tax	306,077
6	TMA, Saeedabad	27	Recovery / non-deduction of professional tax	24,000
7	-do-	29	Less recovery of rent of government shops	380,617

**Annexure-B****Detail of Embezzlement**

(Amount in Rupees)

<b>AIR Para</b>	<b>Contractor</b>	<b>Work</b>	<b>Amount</b>	<b>WO dt 10-12-2012, Payment on 14-12-2013</b>	<b>%</b>
2	Abdul Hakeem	Construction of CC Block & Surface Drain@ various Places of UC Odero Lal Station	10,000,000	6322295	63%
5	Abdul Qayoom	Construction of CC Block & Surface Drain@ various Places of UC Faqeer Nooh Hotyani	9,952,522	6351897	64%
6	J.K Company	Extension/ Improvement of Main Road City Matiari	9,493,964		
7	Kalwar Engineering Co.	Const: of CC Block and Surface Drain @ various Places of UC Odero Lal Village	9,453,268	6049144	64%
10	Asif Ali Shah	execution of various development schemes	3,338,035		
11	Asif Shah	Repair & Renovation of Dargah Sakhi Hashim Shah Matiari	2,499,040	1747151	70%
12	Syed Munawar Shah (SMS Co)	Execution of various development schemes	1,176,948		
<b>Total</b>			<b>45,913,777</b>		

## Annexure-C

### Detail of Irregular Expenditure by Splitting up Work Orders

(Amount in Rupees)

Contractor	Work	Amount	WO dt 10-12-2012, Payment on 14-12-2013	%	1st observation	2nd Observation
Gul Bhaar Thaheem	Const: of CC Block and Surface Drain @ various Places of UC Bhatt Shah	10,000,000	6376291	64%	The Call deposits submitted by the 2 <sup>nd</sup> and 3 <sup>rd</sup> lowest bidders were made by bank on 10-12-2012 and tender was open on 07-12- 2012	Estimate prepared by TMO instead of TO(I&S)
NAD	Construction of CC Block & Surface Drain@ various Places of UC Shah Alam Shah Ji Waseen	9,994,934	6007349	60%	payment was made to contractor for defective work and without pre audit	Estimate prepared by TMO instead of TO(I&S)
Aftab Ahmed & Brothers	Const: of Surface Drain @ Village Sonu Khan Khushk UC Matiari	999,000			payment was made without execution of work as unsigned M. B	
Kalwar Engineering Co	Supply of G.I Pipes	959,898			TO (I&S) cancelled the M.B on the grounds that supply has not been received	
Shabir Ahmed Chandio	Const: of CC Block & Surface Drain @ Village Miyoon Machhi UC Sekhat	833,596			TO (I&S) cancelled the M.B on the grounds that scheme has not been executed	
<b>TOTAL</b>		<b>22,787,428</b>				

## Annexure-D

### Non-Production of Record

(Amount in Rupees)

Cheque No.	Date	Payee	Detail	Amount
5075	16-08-2012	M/s Atta Muhammad Shoro	1st & final bill of W-108 (bill of Rs. 258000/- Part Payment Rs.1,000,00/ Remaining Rs. 158000/-)	300,000
5076	16-08-2012	M/s Qadir Nawaz	3rd & Final bill of W-23 (bill of Rs. 149116/- Part Payment Rs.100,000/- Remaining Rs. 49,116/-)	173,390
5077	16-08-2012	M/s Sanaullah Memon	2nd & final bill of w-12 MPA PP	32,560
5078	16-08-2012	M/s Muhammad Ismail Abro	1st & final bill of W-124 (Part Payment Rs. 200,000/- Remaining Rs. 57,245)	299,122
5079	16-08-2012	M/s Al-Hadi Eng. Works	1st R/Bill of W-20 Remaining Payment Rs. 300,000/-	348,837
1655573	12-12-2012	M/s Ghulam Muhammad Khaskheli	1st R/Bill of w-12 Const. of CC Block & SD at Pirzada Mohalla Matiari (Bill of Rs. 420,678/- paid Rs. 250,000/- vide this cheque and balance Rs. 170,678/-)	489,161
1655575	12-12-2012	M/s Muhammad Ismail Abro	1st & final bill of W-80 Const. of CC Block & SD at UC ODL Station Matiari	299,074
1655579	13-12-2012	M/s Safety Builders	1st & final bill of W-102 Const. of CC Block at UC SASJW (bill of Rs. 256,830/- paid Rs. 100,000/- vide this cheque & Balance Rs. 156,830/-)	298,639
1655584	13-12-2012	M/s Ameer Ali Chandio	1st & final bill of W-61 Const. of Culvert at village Dodo Mangwanoo UC SASJW	200,000
1655593	16-12-2012	M/s Akram	02nd R/Bill of W-111 Const. of CC Block at Ali Sher Shah Gate to Main Road Matiari (Bill of Rs. 363438/- paid Rs. 200,000/- vide this cheque & Balance Rs. 163438/-)	422,602
1655594	16-12-2012	M/s Qadir Nawaz	3rd & final bill of W-25 Const. of CC Block & SD at Nasarpur	30,266
1655595	16-12-2012	M/s Atta Muhammad	1st & final bill of W-108 (Part Paid Rs. 100000/ vide cheque no. 5075 date 16-8-12 Remaining Rs. 158,000/- paid vide this cheque)	0
1655669	10-01-2013	M/s Muhammad Ismail Abro	1st & final bill of W-125 Const. of CC Block & SD at Goth Karim Dad Ghanghla UC ODL Station (Bill of Rs. 429,696/- Part Payment made Rs. 257,204/- Balance Rs. 172,492/-)	499,647
1655675	10-01-2013	M/s Qadir Nawaz	3rd & Final bill of W-23 (Part Paid Rs. 100,000/- vide cheque no. 5076 dated. 16-8-12 Remaining Rs. 49,116/- paid vide this cheque)	0
1655680	10-01-2013	M/s Safety Builders	1st & final bill of W-102 Const. of CC Block at UC SASJW (bill of Rs. 256,830/- paid Rs. 100,000/- vide cheque No. 165579 dated 13-12-12 & Balance Rs. 156,830/- paid vide this cheque)	0
1655695	16-01-2013	Mr. Arshad & Brothers	4th & final bill of W-01 Const. of SD/ Drainage System from ADS Naka to Kari Khad Matiari	66,062
1655697	21-01-2013	M/s Shafique Rahman	8th & final bill of W-03 (bill of Rs. 1576328/- already payment made Rs. 576,328/- vide cheque No. 6373137 dated 12-06-2012 Part payment Rs. 500,000/- vide this cheque and balance Rs.500,000/-)	1832,939
<b>TOTAL</b>				<b>5,292,299</b>

**Annexure-E****Non-Posting of Tender on SPPRA Website**

(Rupees in Million)

<b>W.No. MPA</b>	<b>Name of work</b>	<b>Contractor</b>	<b>Estimate</b>
01/2012	Const: of CC Block & Surface drain at UC Bhatt Shah	M/s Gul Bhar Thaheem	10.000
02/2012	Const: of CC Block & Surface drain at Various places of UC Shah Alam Shah Jee Wasi	M/s NAD Engineering	10.000
03/2012	Const: of CC Block & Surface drain at UC Odero Village	M/s Kalwar Engineering	10.000
04/2012	Const: of CC Block & Surface drain at UC Faqeer Nooh Hotyani	M/s Abdul Qayoom	10.000
05/2012	Const: of CC Block & Surface drain at UC Odero Lal Station	M/s Abdul Hakeem	10.000
06/2012	Extension / improvement main road Matiari	M/S J.K Company	9.500
07/2012	Repair/ Renovation of Dargah Sakhi Hashim Shah city Matiari.	M/s Asif Shah Construction Co:	2.500
<b>TOTAL</b>			<b>62.000</b>



### Non-Achievement of Targeted Receipts

(Amount in Rupees)

<b>AIR Para</b>	<b>Name of fee/taxes</b>	<b>Amount</b>
20	Water Supply	4,482,404
21	License fee	86,250
	Certificate fee	300,000
	Map Fee	200,000
	Advertising Fee	143,750
	Plot Transfer fee	50,000
	Fee on Fair	50,000
	Slaughter Fee	20,000
	Road Cutting	1,000,000
<b>TOTAL</b>		<b>6,332,404</b>

**Annexure-G****Detail of Embezzlement**

(Amount in Rupees)

<b>S. No.</b>	<b>Cheque No.</b>	<b>Date</b>	<b>Bank &amp; Account No.</b>	<b>Amount Withdrawn</b>
1	1731961	10-05-2013	Sindh Bank (0402-024314-1000)	2,155,000
2	1731962	10-05-2013		2,154,000
3	1731963	14-05-2013		2,580,000
4	1731964	14-05-2013		1,070,000
5	1731966	15-05-2013		4,670,000
6	1731967	16-05-2013		4,360,000
7	1731968	17-05-2013		2,000,000
8	2543897	10-04-2013		500,000
9	NA	NA	NBP (2863-4)	1,939,477
10	2543891	29-03-2013	Sindh Bank (0402-024314-1000)	980,000
11	2543892	29-03-2013		970,000
<b>TOTAL</b>				<b>23,378,477</b>