



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

AUDITOR-GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Programme
CC	Cement Concrete
CCB	Citizen Community Board
CMA	Constitutional Miscellenous Application
CMO	Chief Municipal Officer
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
IPSAS	International Public Sector Accounting Standard
IPSAS	International Public Sector Accounting Standards
M&R	Maintenance & Repair
MEFDAC	Memorandum for Departmental Accounts Committee
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
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 (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 Shaheed Benazirabad 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 Shaheed Benazirabad 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 Shaheed Benazirabad 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 Shaheed Benazirabad for the Financial Year 2011-12, auditable expenditure under the jurisdiction was Rs 654.620 million, out of which an expenditure of Rs 344.403 million was audited which in terms of percentage, was 53%. Total receipts of the TMAs for the financial year 2011-2012 was Rs 30.253 million out of this, an amount of Rs 25.208 million was audited which was 83% of the total amount.

b. Recoveries at the instance of audit

Recovery of Rs 25.208 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 25.208 million was not in the notice of the executive before audit.

c. Audit Methodology

Audit 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. Non- Production of record was noted in 01 case - Rs 35.167 million.¹
- ii. Internal Control Weaknesses were noted in 04 cases-Rs 85.742 million cases.²

¹ Para 1.2.1.1

² Para 1.2.2.1, 1.2.2.2, 1.2.2.3, 1.2.2.4

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	05	654.620
2.	Total Entities (PAOs) Audited	01	344.403
3.	Audit & Inspection Reports	01	344.403
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	0
3	Internal controls	85.742
4	Violation of rules	0
5	Others	35.167
Total		120.909

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	102.930	139.697	53.817	30.253	*326.697	-N/A-
2.	Amount Placed under Audit Observation of Audit	0	43.389	52.312	0	25.208	120.909	-N/A-
3.	Recoveries Pointed Out at the instance of Audit	0	-0	0	0	25.208	25.208	-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 296.444 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.	0
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	0
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.	60.534
5	Recoveries and overpayments, representing cases of establishment overpayment or misappropriations of public monies	25.208
6	Non-production of record.	35.167
7	Others, including cases of accidents, negligence etc.	0
Total		120.909

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, SHAHEED BENAZIRABAD

1.1.1 INTRODUCTION

As of 2010, the population of District Shaheed Benazirabad is 2.300 million. District Shaheed Benazirabad comprises of one Chief Officer, District Council and Four TMAs namely Shaheed Benazirabad City, Sakrand, Dolatpur and Daur. 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:

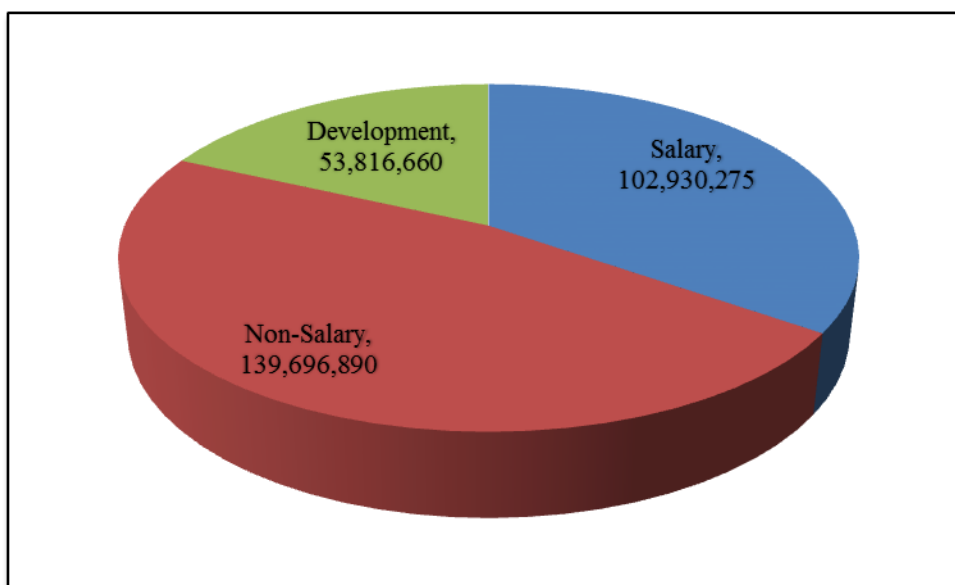
1. Prepare spatial plans for the Town including plans for land use, zoning and functions for which TMA is responsible.
2. Exercise control over land-use, land-subdivision, land development and zoning by public and private sectors for any purpose, including agriculture, industry, commerce markets, shopping 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)

Name of TMAs	Nature of Expenditure	Original Grant	Suppl: Grant	Revised/Final Grant	Actual Expenditure	(+) Excess (-) Saving
TMA, Shaheed Benazirabad	Salary	110,420,000	0	110,420,000	102,930,275	-7,489,725
	Non-Salary	140,958,300	0	140,958,300	139,696,890	-1,261,410
	Sub-Total	251,378,300	0	251,378,300	242,627,165	-8,751,135
	Development	93,025,000	0	93,025,000	53,816,660	-39,208,340
	Total	344,403,300	0	344,403,300	296,443,825	-47,959,475

Expenditure 2011-12



Original budget Rs 344.403 million was allocated to TMAs of District Shaheed Benazirabad, under various grants and no supplementary grants/re-appropriation was provided. The revised/final budget of these TMAs was Rs 344.403 million. The total expenditure incurred by concerned TMAs during 2011-12 was Rs 296.443 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 47.595 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 Shaheed Benazirabad.

1.2 AUDIT PARAS

Taluka Municipal Administration, Shaheed Benazirabad

1.2.1 Non-Production

1.2.1.1 Non-Production of Record - Rs 35.167 Million

Article 170(2) of the Constitution of the Islamic Republic of Pakistan, inserted vide Constitution (Eighteenth Amendment) Act, 2010 w.e.f. 19-04-2010, 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 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, Shaheed Benazirabad, incurred an expenditure of Rs 35.167 million, during 2011-12, on account of Disaster Management, but failed to provide access of record to audit, in violation of the above rule.

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.

Matter was reported during May, 2013, but management failed to reply. 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: 16]

1.2.2 Internal Control Weaknesses

1.2.2.1 Non-Posting of 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, Shaheed Benazirabad, awarded development schemes to various contractors of Rs 26.200 million, during 2011-12, through 03 NITs but failed to post evaluation reports on SPPRA website, in violation of above rule. Detail provided in Annexure-B.

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

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

Matter was reported during May, 2013 but management failed to provide departmental 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 reports on SPPRA website.

[AIR Para: 17]

1.2.2.2 Un-justified Expenditure on Hiring Staff - Rs 43.389 Million

Para-88 of SFR Volume-I, states that, “Every Government 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 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, Shaheed Benazirabad, incurred an expenditure of Rs 43.389 million, during 2011-12, on salaries of hired 305 sanitary workers, over and above of sanction strength, in violation of above rule. Detail is as under:

(Amount in Rupees)

Appointed Sanitary Worker	Fixed Monthly Salary per Employee	Period Total Months	Paid Amount
305	11855	12	43,389,300

Audit is of the view that the services of 305 sanitary workers were hired when 140 regular staff was already available which resulted into wasteful expenditure and constitutes weak financial management.

Hiring of sanitary workers over and above of sanctioned strength constitutes weak internal control.

The matter was reported during May, 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 wasteful expenditure.

[AIR Para: 01]

1.2.2.3 Non-Achievement of Targeted Receipts - Rs 25.208 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, Shaheed Benazirabad, levied taxes on different accounts for the estimated recovery, during 2011-12, but failed to achieve the target of Rs 25.208 million and serious efforts were not taken by authority to realize the estimated revenue, in violation of above rule. Detail provided in Annexure-C.

Audit is of the view that due to non-realization of estimated receipts of Rs 25.208 million, authority was deprived of genuine public revenue which constitutes weak financial management.

Non-realization of targeted revenue constitutes weak internal control.

Matter was reported during May, 2013. The management vide its reply dated 23-07-2013, agreed to audit points of views. The PAO failed to convene DAC meeting to discuss audit paras despite pursuance by audit.

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

[AIR Paras: 2, 3, 4, 5]

1.2.2.4 Non-Transparency in Government Spending - Rs 17.145 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, Shaheed Benazirabad, incurred an expenditure of Rs 17.145 million, during 2011-12, on purchase of POL for official vehicles but the logbooks, history sheets and petrol account registers were not maintained to justify the expenditure, in violation of the above rule. Detail provided in Annexure-D.

Audit is of the view that expenditure incurred on POL without preparation of log book, 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 May, 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: 18]

ANNEXURES

Annexure-A**Memorandum for Departmental Accounts Committee (MFDAC) Paras**

(Amount in Rupees)

Unit	Sr.	Para	Caption	Amount
1	3	8	NON MAINTENANCE OF PRE-AUDIT REGISTER	296.443
2	5	11	IRREGULAR CASH PAYMENT INSTEAD CLOTHS AND LEVIERS	0.312

Details of Non-Posting of Evaluation Report

(Rupees in Million)

S. No.	NIT No & Date	Cost
1	T.O (I&S) 405 of 2011 dated 06-07-2011	2.400
2	T.O (I) 592 of 2011 dated 04-11-2011	2.400
3	E.M/M.E 818 of 2011 dated 13-02-2012	21.400
TOTAL		26.200

Details of Non-Achievement of Targeted Receipts

(Amount in Rupees)

Description	Target	Recovery	Less Collection
Khokha fee (Katchi Piri)	2,398,000	1,496,270	901,730
Property Tax	7,000,000	2,495,752	4,504,248
Parking Fees	3,142,000	1,764,205	1,377,795
Rent of Shops	5,000,000	2,842,827	2,157,173
Road Cutting Charges	5,000,000	546,671	4,453,329
Property Tax	7,000,000	2,495,752	4,504,248
Sale of Water	10,000,000	2,690,341	7,309,659
Total	39,540,000	14,331,818	25,208,182

Details of Non-Transparency in Government Spending

(Amount in Rupees)

S. No	Date	Voucher	Amount
1	23-07-2011	18	632,146
2	1/8/2011	10	630,715
3	20-8-2011	43	637,571
4	9/9/2011	6	692,890
5	17-9-2011	16	1,633,842
6	3/10/2011	8	1,392,494
7	18-10-2011	41	1,220,924
8	3/11/2011	21	744,111
9	23-11-2011	31	607,689
10	3/12/2011	3	625,932
11	20-12-2011	6	695,832
12	3/1/2012	6	741,907
13	18-1-2012	55	759,053
14	2/2/2012	6	740,369
15	17-2-2012	51	758,807
16	5/3/2012	5	725,792
17	16-3-2012	41	776,400
18	2/4/2012	9	730,114
19	13-4-2012	34	661,300
20	3/5/2012	2	881,869
21	17-5-2012	24	854,779
Total			17,144,536