



**SPECIAL STUDY REPORT
ON
RECONCILIATION OF
ASSIGNMENT ACCOUNTS
DISTRICT ACCOUNTS OFFICE
HYDERABAD & SUKKUR
FOR THE FINANCIAL YEARS
2014-15 TO 2016-17**

AUDITOR-GENERAL OF PAKISTAN

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PREFACE

The Auditor-General of Pakistan conducts audits subject to Articles 169 and 170 (2) of the Constitution of the Islamic Republic of Pakistan 1973, read with sections 8 and 12 of the Auditor-General’s (Functions, Powers and Terms and Conditions of Service) Ordinance 2001. The Special Study of “Reconciliation of Assignment Accounts maintained with Treasury office Hyderabad and Sukkur” was carried out accordingly.

The Directorate General Audit Sindh conducted Special Study on “Reconciliation of Assignment Accounts (DAO Hyderabad and DAO Sukkur)” from February to May, 2018 for the Financial Years 2014-15, 2015-16 & 2016-17 with a view to report significant study findings. The audit examined the reconciliation process of assignment accounts maintained by various offices in DAO Hyderabad and Sukkur. In addition, special study also assessed whether the management complied with applicable laws, rules, and regulations. Special Study Report indicates specific actions that, if taken, could help the management to realize the objectives of the authority.

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

(Javaid Jehangir)
Auditor-General of Pakistan

Dated:

ABBREVIATIONS& ACRONYMS

ADP	Annual Development Program
AG	Accountant General
AGP	Auditor General of Pakistan
BER	Bid Evaluation Report
DAO	District Accounts Office
DDO	Drawing & Disbursing Officer
DG	Director General
DOP	Delegation of Powers
e.g	For Example
ECNEC	Executive Committee of National Economic Council
Hyd	Hyderabad
IBA	Institute of Business Administration
ISSAI	International Standards of Supreme Audit Institutions
LSOs	Local Support Organizations
NBP	National Bank of Pakistan
P&D	Planning & Development Department
SAI	Supreme Audit Institution
SBP	State Bank of Pakistan
SPPR	Sindh Public Procurement Rules
SPPRA	Sindh Public Procurement Regulatory Authority
SRSO	Sindh Rural Support Organization
TORs	Terms of reference
VOs	Village Organizations

EXECUTIVE SUMMARY

Directorate-General Audit Sindh carried out special study audit on “Reconciliation of Assignment Accounts (DAO Hyderabad and DAO Sukkur)” from February 2018 to May 2018. The main objective of the assignment was to review the reconciliation process of assignment accounts among Treasury office Hyderabad & Sukkur, Departments / offices, National Bank and State Bank and to assess the performance against the intended objectives, to review compliance with applicable rules, regulations and procedures. The special study audit was carried out in accordance with the International Standards of INTOSAI.

An assignment account is a separate bank account opened in favor of a designated authority, into which funds are released for specified purposes. An assignment account may be drawn on by the designated authority without the requirement for certification and authorization by the DAO/AG. Assignment account is a Government bank account established with the NBP, to provide independent drawing facility for nominated projects and other activities, within the prescribed limit. Each assignment account is established at designated branches of the NBP in fixed currency. In cases where a project or other activity receives both GoS funding and foreign donor funding, separate Rupee and \$US assignment accounts must be maintained.

Assignment accounts are established with the approval of Finance Department and in consultation of A.G. Each application for assignment accounts shall be considered on a case to case basis, although such accounts are typically established for development projects. Where assignment account expenditure is incurred from the Consolidated Fund, its funding must be included in the Schedule of Authorized Expenditure for a given financial year. Consequently, the balance remaining in each assignment account at the end of each financial year must lapse (i.e. not carried forward to the next year). All expenditures incurred using an assignment account must be classified according to the Chart of Accounts. (i.e. to the relevant object, function, fund and entity to which the transaction relates). The nature of expenditure, incurring entity or source of funding does not change, simply because it has been incurred under an assignment account facility. Assignment accounts will be included in the overall cash balance of the Government for the purposes of financial reporting and bank reconciliation.

The main findings of the Special Study are:

1. The management of the DAOs has not reconciled assignment accounts with National Bank of Pakistan / State Bank of Pakistan as a result there was a huge variation pointed out between payment made / reimbursed by State Bank of Pakistan from Sindh Govt. Non Food Account No. 1 and expenditure booked by DAO offices in SAP system.
2. Post audit by DAOs were not conducted.
3. Non -booking/non-reconciliation of expenditure into SAP system on account of US dollar assignment account made through direct payment by donor agencies to the vendors.

The audit recommends:

1. The management of Treasury offices should make reconciliations of assignment accounts with National Bank and State Bank of Pakistan on regular basis to sort out variation noticed by audit.
2. The management should take efforts for post audit of the monthly accounts submitted by the departments.
3. The management should take steps to book expenditure on account of direct payments made by the donor agencies to vendors.

1. INTRODUCTION

The Directorate General Audit Sindh carried out study of reconciliation audit on “Reconciliation of Assignment Account (DAO Hyderabad and DAO Sukkur)”.

An assignment account is a separate bank account opened in favor of a designated authority, into which funds are released for specified purposes. An assignment account may be drawn on by the delegated authority without the requirement for certification and authorization by the DAO/AG. Assignment account is a Government bank account established with the NBP, to provide independent drawing facility for nominated projects and other activities, within the prescribed limitation. Each assignment account is established at designated branches of the NBP in fixed currency. In cases where a project or other activity receives both GoS funding and foreign donor funding, separate Rupee and \$US assignment accounts must be maintained.

1.1 General Policies:

Assignment accounts are established with the approval of Finance Department and in consultation of AG. Each application for assignment accounts shall be considered on a case to case basis, although such accounts are typically established for development projects. Where assignment account expenditure is incurred from the Consolidated Fund, its funding must be included in the Schedule of Authorized Expenditure for a given financial year. Consequently, the balance remaining in each assignment account at the end of each financial year must lapse (i.e. not carried forward to the next year). All expenditures incurred using an assignment account must be classified according to the Chart of Accounts. (i.e. to the relevant object, function, fund and entity to which the transaction relates). The nature of expenditure, incurring entity or source of funding does not change, simply because it has been incurred under an assignment account facility. Assignment accounts must not be used for the collection and recording of receipts.

Assignment accounts will be included in the overall cash balance of the Government for the purposes of financial reporting and bank reconciliation.

1.2 Accounting Policies:

Expenditure in relation to assignment accounts will be recognized in the accounts when cheques have been drawn by the cheque signatory (i.e. upon endorsement of cheques).

1.3 Detailed Procedures:

Detailed procedures and associated controls for the operation of assignment accounts, including the following stages of processing:

- Establishment of assignment account
- Releases of funds
- Processing of payments
- Recording of expenditure
- Cheque endorsement procedure
- Year end procedure
- Reconciliation of Expenditure with Treasuries/Banks
- Reporting

The key controls for observing in respect of assignment account transactions are:

- signing of cheques drawn on the account, by the authorized cheque signatory, and countersigned by an co-signatory from the responsible ministry or department
- funds control exercised on each payment, by the NBP and by the DAO
- reconciliation of assignment account monthly balances to the bank
- lapsing of available funds released into assignment accounts, at the end of the financial year.

1.4 Reconciliation:

On a monthly basis the NBP shall send a bank scroll to the AG/AGPR for the bank account that it maintains. Using the information contained in the bank statement the AG/AGPR shall prepare a reconciliation statement of the reported assignment account expenditures to the bank balance. The reconciliation shall consist of:

- opening assignment account balance as per bank statement
- *less* reported expenditures for the month by DAO
- *less* payments in bank statement but not advised by DDO
- *plus* unclear cheques
- *equals* closing assignment account balance per bank statement

Any unreported payments by the DDO identified in this reconciliation shall be verified with them, and appropriate adjusting entries made to bring the accounting records up to date, and reconciled to the bank statement.

1.5 Reporting:

To provide a consolidated summary of assignment account balances used in the bank reconciliation described above, each DAO / treasury office shall submit details of assignment account balances to their relevant AG at the end of each month.

1.6 Expenditure:

The DAO viz financial year-wise expenditure as per SAP position are as under:

Year	DAO Hyderabad As per SAP	DAO Sukkur As per SAP	Total Expenditure As per SAP
2014-15	6,249,448,578	342,487,339	6,591,935,917
2015-16	2,364,011,395	456,143,199	2,820,154,594
2016-17	9,483,445,038	520,410,036	10,003,855,074
Total	18,096,905,011	1,319,040,574	19,415,945,585

2. STUDY OBJECTIVES:

Special Study objective is to ascertain as to whether reconciliation of assignment accounts has been carried out properly.

3. AUDIT SCOPE AND METHODOLOGY

3.1 The Scope of Study was:

- 3.1.1 To review the reconciliation process of Assignment Accounts maintained by various Entities through DAO Hyderabad and Sukkur.
- 3.1.2 Study the Treasury offices functions, objectives towards reconciliation of assignment accounts and achievement thereon for the financial years 2014-15 to 2016-17.
- 3.1.3 The location of audit was DAO, Hyderabad and DAO Sukkur Station.

3.2 The methodology of study was:

- 3.2.1 Understanding the Treasury management on reconciliation of assignment account and its operations.
- 3.2.2 Developing audit objective and audit program;
- 3.2.3 Performing special study procedures to assess efficiency, economy and effectiveness;
- 3.2.4 Evaluating results; and
- 3.2.5 Reporting.

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Financial Management

4.1.1 Understatement of expenditure by DAOs Rs9,229.859 million

As per APPM 20.4 Accounting for project Expenditure 10.4.1.1 The books of account required to be kept by DAO/AG/AGPR offices, as specified in chapter 4 of this Manual 'Expenditures', namely the Appropriation Register, Sub-Ledger and General Ledger shall include all transaction details associated with development projects refer Section 4.4). 10.4.1.2 The transactions recorded for development projects at DAO/AG/AGPR level shall be coded according to the Chart of Accounts, and provide sufficient detail to allow object wise reporting for each development project.

During Special Study on Reconciliation of Assignment Accounts maintained through District Accounts Office, Hyderabad and Sukkur for the financial year(s) 2014-15 to 2016-17, it was observed that understatement of expenditure of Rs9,229.859 million was charged by DAOs, resulted excess payment of the same amount was made by State Bank of Pakistan on account of assignment accounts over and above the expenditure booked in SAP system. Thus a huge variation in expenditure booked by DAO offices and payment charged by SBP to Sindh Government under Non-food Account No.1 seemed doubtful and reasons could not be known to audit. The details are as under:

(Rupees in millions)

Expenditure as per SAP and SBP for the year(s) 2014-15 to 2016-17			
Entity	Exp. As per SAP	Exp. Charged by SBP	Understatement by DAOs
DAO, Hyd	18,096.905	27,212.044	9,115.139
DAO, Sukkur	1,376.888	1,491.608	114.720
		Total	9,229.859

Due to poor financial management and weak internal controls system, non-reconciliation of expenditures between DAOs and State Bank of Pakistan took place.

The matter was pointed out to the management in May 2018, but no reply was received. Despite efforts, no DAC meeting was convened by the PAO.

Audit recommends that remedial measures may be taken to reconcile figures between DAOs and State Bank of Pakistan under intimation to audit.

Memo # 1 & 1

4.1.2 Non-reconciliation of expenditure of Rs18,611.917 million

As per Office Memorandum issued by FD (Budget wing) vide No.F.2(1)BR-II/2007-88 dated 17.1.2012 Revised Accounting Procedure for Revolving Fund Accounts. (XX) “The controlling Ministries/Divisions...The controlling departments of the Provincial Governments will similarly reconcile the expenditure on foreign aided projects with the AG/Provincial Finance Department. In case of non-reconciliation by 21st of the following month, Provincial AGs to advise the donor through the EAD to take the appropriate action as per the donors “Financial Management Guidelines”.

During Special Study on Reconciliation of Assignment Accounts maintained through District Accounts Office, Hyderabad and Sukkur for the financial year(s) 2014-15 to 2016-17, it was observed that expenditure incurred on Assignment Accounts of Rs18,611.917 million but reconciliation of expenditure was not made by the Department with AG/DAO and NBP. The details are attached as (Annex-A).

The matter was pointed out to the management in May 2018, but no reply was received. Despite efforts, no DAC meeting was convened by the PAO.

Audit recommends that reconciliation of expenditure may be made under intimation to audit.

Memo #13,6,4 & 24

4.1.3 Non conducting of post audit of assignment accounts by DAO Rs19,473.793 million

As per Office Memorandum issued by FD (Budget wing) vide No.F.2(1)BR-II/2007-88 dated 17.1.2012 “post audit of assignment account will be conducted by DAO/AG after submission of monthly account”.

During special study on Reconciliation of Assignment Account maintained through District Accounts Office, Hyderabad and Sukkur for the financial year(s) 2014-15 to 2016-17, it was observed that expenditure of Rs19,473.793 million was incurred through Assignment Accounts but the post audit of assignment accounts was not conducted. Hence, chances of violations of rules and regulations could not be ruled out.

The details are as under:

Expenditure as per SAP by DAO, Hyderabad and Sukkur for the year(s) 2014-15 to 2016-17	
Office	Rupees in million
DAO, Hyderabad	18,096.905
DAO, Sukkur	1,376.888
Total	19,473.793

In absence of post audit, expenditure incurred / endorsed could not be authenticated which indicates prevalence of weak internal controls.

The matter was pointed out to the management in May 2018, but no reply was received. Despite efforts, no DAC meeting was convened by the PAO.

- Audit recommends that remedial measures may be taken for conducting of post audit under intimation to audit.
- Internal controls may be strengthened to avoid recurrence of similar incidents in future.

Memo #9 & 2

4.1.4 Unauthorized endorsement of cheques without budget authorisation of Finance Department- of Rs3,584.325 million

As per para vi of AG office letter vide No. AGS/AAC/Assign-Account/CS/2011-12 that the balance in the existing non-lapsable Assignment Accounts, if any remaining un-spent on June 30, will not be available without its revival through fresh budgetary ceiling.

During special study on Reconciliation of Assignment Account maintained through District Accounts Office, Hyderabad and Sukkur for the financial year(s) 2014-15 to 2016-17, it was observed that cheques of foreign currency funds of Rs.3,584.325 million pertaining to previous financial year were endorsed by DAO, Hyderabad in next financial year without approval of the Finance Department. Hence cheques endorsed without approval of Finance Department stand unauthorized.

Details are as under:

(Rupees in million)

Sr. No.	Name of the Office	IDA Credit No.	Closing date	Closing Balance of Foreign Currency Funds
1	SIAPEP	5604-PK	01-07-2015	1,721.962
2	-do-	-do-	01-07-2016	1,298.887
3	SIDA, Hyderabad	5556-PK	-do-	563.476
Total				3,584.325

Prevalence of weak internal control resulted expenditure incurred without approval of Finance Department.

The matter was pointed out to the management in May 2018, but no reply was received. Despite efforts, no DAC meeting was convened by the PAO.

Audit recommends that investigation of the matter for fixation of responsibility.

Memo #22

4.1.5. Difference in balances between Bank statement and cash book of Rs19.160 million

As per APPM (Bank Reconciliation), 6.5.3.1 On receiving the Monthly Main Designated Branch Statement from the Main Designated Branch, the delegated officer in the Account Section of the AO/AG/AGPR shall reconcile the daily balances of receipts and expenditures with its own records (Sub Ledger/General Ledger), including the daily balances as reported on the daily bank scrolls. Further, 6.5.3.2 The delegated officer shall investigate individual items only where the daily balances do not agree and shall take into account the main reasons of any differences (e.g. misclassification).

During special study on Reconciliation of Assignment Account maintained through District Accounts Office, Hyderabad and Sukkur for the financial year(s) 2014-15 to 2016-17, while reviewing record of Assignment Account of Sindh Irrigation Drainage Authority (SIDA), Hyderabad during 2015-16, it was observed that difference of Rs19.160 millions was found between cash book and bank statement. The reasons for variation was not known to audit.

Details are as under:

Rupees in million				
Sr. No.	Entity	Bank Statement	Cash Book	Difference
1	SIDA , Hyderabad	563.477	544.317	19.160

The difference between bank balance and Cash book resulted into poor financial management and weak internal controls adopted in the entity.

The matter was pointed out to the management in May 2018, but no reply was received. Despite efforts, no DAC meeting was convened by the PAO.

Audit recommends that remedial measures may be taken to detect differences between bank and cash book under intimation to audit.

Memo # 26

4.1.6 Unauthorised cash withdrawal from bank through open cheque-Rs4.911 million

As per Rule-303 of Treasury Rules, contingent bill for payment to suppliers etc. which cannot be met from the permanent imprest may be endorsed for payment to the party concerned and the DDOs are suggested that in case of payments to the Suppliers may be issued through crossed cheques in the name of firms concerned. This will avoid un-necessary delays and risk involved in the drawl and disbursement of cash.

During Special Study on Reconciliation of Assignment Account maintained through District Accounts Office, Sukkur for the financial year(s) 2014-15 to 2016-17, it was observed that Village Organizations/Local Support Organizations issued open cheques of Rs4.911 million instead of issuing crossed-cheques to the vendors. The audit shows concern that Sindh Rural Support Organization, Sukkur being a DDO/paying authority not taken steps to stop cash withdrawal to ensure transparency. Thus chances of utilization of funds for other than intended purposes could not be ruled out. This resulted into un-authorized withdrawal of cash from bank through open cheque for Rs4.911 million instead of cross cheque.

The details are as under:

(Amount in Rupees)

Bank	A/c. No.	Cheque Date	Amount
ABL (Garhi Yasin)	0010015816400017	23.07.2014	472,000
-do-	-do-	01.09.2014	812,800
-do-	-do-	01.10. 2014	1,036,900
-do-	-do-	13.11.2014	946,284
-do-	-do-	18.03.2015	658,905
-do-	-do-	14.04.2015	207,856
-do-	-do-	16.04.2015	776,457
Total			4,911,202

While making payment through open cheque chances of misappropriation cannot be ruled out.

The matter was pointed out to the management in May 2018, but no reply was received. Despite efforts, no DAC meeting was convened by the PAO.

The audit recommends that un-authorized withdrawal of cash from bank through open cheque for Rs4.911 million may be probed and internal controls be put in place to deter such practice in future.

Memo# 17

4.1.7 Unauthorized transfer of funds from Assignment account of-Rs1,472.986 million

As per Office Memorandum issued by FD (Budget wing) vide No.F.2(1)BR-II/2007-88 dated 17.1.2012 Revised Accounting Procedure for Revolving Fund Accounts. (XV) "The Finance Manager of the respective Projects...Cash payments or funds transfers from Assignment Accounts to any DDO-account or any other account for the sake of onwards disbursement shall be strictly prohibited".

During Special Study on Reconciliation of Assignment Account maintained through District Accounts Office, Hyderabad for the financial year(s) 2014-15 to 2016-17, it was observed that funds of Rs1,472.986 million transferred from Assignment account to various bank accounts of sub-offices and paid to NBP, Fatima Jinnah Branch Hyderabad for further disbursement instead of issuance of cheque to actual payee details attached as (Annex-B).

The payment made through sub-offices instead of vender indicates prevalence of weak financial management practices within the organization.

The matter was pointed out to the management in May 2018, but no reply was received. Despite efforts, no DAC meeting was convened by the PAO.

This resulted in to un-authorized transfer of funds of Rs1,479.073 million to bank accounts instead of payees.

Memo # 20

4.1.8 Unauthorized advance payment to various organizations/ firms-Rs150.079 million

According to Rule 290 of Central Treasury Rules Volume-I, no money shall be drawn from Government Treasury until and unless it is required for immediate disbursement or need.

During Special Study on Reconciliation of Assignment Account maintained through District Accounts Office, Hyderabad and Sukkur for the financial year(s) 2014-15 to 2016-17, it was observed that IBA, Sukkur and SRSO, Sukkur paid advances to various Venders of Rs150.079 without necessary adjustment which needs clarification(Annexure-C).

The advance payment indicates prevalence of weak internal controls.

The matter was pointed out to the management in May 2018, but no reply was received. Despite efforts, no DAC meeting was convened by the PAO.

Audit recommends that investigation of the mater for fixing of responsibility and verification of vouchers if adjusted.

Memo # 13 & 22

4.1.9 Non-production of record Rs 24,827.800 million

According to Section 14 (2) & (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, states that the officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with reasonable expedition. Further, any person or authority hindering

the auditorial functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under Efficiency & Discipline Rules.

During Special Study on Reconciliation of Assignment Account maintained through District Accounts Office, Hyderabad and Sukkur for the financial year(s) 2014-15 to 2016-17, it was observed that various entities who were operating Assignment Accounts incurred expenditure of Rs24,827.800 million but requisite record relating to expenditure was not produced to audit by DAOs (Annex-D).

Non production of record indicates prevalence of weak internal controls.

The matter was pointed out to the management in May 2018, but no reply was received. Despite efforts, no DAC meeting was convened by the PAO.

Audit recommends that steps may be made for immediate production of record besides initiation of E&D proceedings against the person(s) at fault.

Memo # 21,12,10,2,3,11,8,3,4,10, & 9

4.2 Monitoring and Evaluation

4.2.1 Non submission of statement of account to DAO/AG by the DDO Rs18,264.653 million

Rule as per para: (XIX) of Revised Accounting Procedure for revolving fund account (Foreign Aid Assignment account) followed by letter of FD GOP vide Letter No. F.2(1)DR.II/2007-88 dated January, 17 2012 and P&D GOS letter No. P&D/FAID/Proc-I/20-2011 dated February, 2 2012 states that “In order to record expenditure upon issue of cheques, the concerned Project Authority/DDO shall ensure that the copy of the schedule in the format of Annex A is received to the concerned AGPR/AG office on daily basis (or as the cheques are drawn department on the volume). The copy of the schedule will also be sent to the NBP by the DDO. The project Authority/DDO shall also provide/submit a statement of account to AGPR/AG on monthly basis.”

During Special Study on Reconciliation of Assignment Account of District Accounts Office, Sukkur for the financial year(s) 2014-15 to 2016-17, it was observed while reviewing record of various entities, it was observed that DDOs had not submitted a statement of account Rs18,264.654 million to DAO/AG on monthly basis as per criteria mentioned above. Thus due to non submission of monthly account to AG Sindh the reconciliation of expenditure could not be authenticated (Annex-E).

The matter was pointed out to the management in May 2018, but no reply was received. Despite efforts, no DAC meeting was convened by the PAO.

Audit recommends that non submission of monthly statement of account to DAO/AG Sindh needs to be clarified to audit.

Memo # 8,18 & 25

4.2.2 Irregular expenditure due to non-Submission of copy of schedule to DAO/AG/NBP of Rs3,162.642 million

As per Office Memorandum issued by FD (Budget wing) vide No.F.2(1)BR-II/2007-88 dated 17.1.2012 Revised Accounting Procedure for Revolving Fund Accounts. (XIX) “In order to record expenditure upon issue of cheques the concerned project Authority DDO shall ensure that the copy of the schedule in the format at Annex-A is received to the concerned AGPR/AG office on daily basis (or as the cheques are drawn depending on the volume). The copy of the schedule will also be sent to the NBP by the DDO. The project Authority/DDO shall also provide/submit a statement of account to AG on monthly basis”.

During special study on Reconciliation of Assignment Account maintained through District Accounts Office, Hyderabad and Sukkur for the financial year(s) 2014-15 to 2016-17, it was observed that expenditure incurred of Rs3,162.642 million under Assignment accounts by DDOs but copy of schedule did not sent to DAO/AG/NBP as per criteria (Annex-F).

The matter was pointed out to the management in May 2018, but no reply was received. Despite efforts, no DAC meeting was convened by the PAO.

Audit recommends that Non submission of copy of schedule to AG/NBP needs to be clarified to audit.

Memo # 5,12 & 16

4.2.3 Un-authorized endorsement of cheques-Rs1,044.424 million

As per Direction of Finance Department regarding last date of issuance of Token will be 15th June, of every financial year, which can be changed from time to time. According to Rule 290 of Central Treasury Rules Volume-I, no money shall be drawn from Government Treasury until and unless it is required for immediate disbursement or need. Further according to Para 28 of General Financial Rules Volume-I, no amount due to Government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable, the orders of the competent authority for their adjustment must be sought.

During Special Study audit on Reconciliation of Assignment Account maintained through District Accounts Office, Hyderabad for the year 2014-15 to 2016-17, while reviewing record of various Assignment Accounts of DAO, Hyderabad, it was observed that cheques Rs1,044.424 million were endorsed by DAO Hyderabad after deadline fixed by the Finance Department i.e. after 15th June 2016 and 2017. Hence cheques endorsed without approval Finance Department stands unauthorized (Annex-G).

The matter was pointed out to the management in May 2018, but no reply was received. Despite efforts, no DAC meeting was convened by the PAO.

The audit recommends that non implementation of direction of Finance Department may be explained.

Memo #28

4.2.4 Irregular Expenditure of Foreign Aided Projects without endorsement of cheques by DAO-Rs97.223 million

According to Rule 290 of Central Treasury Rules Volume-I, no money shall be drawn from Government Treasury until and unless it is required for immediate disbursement or need. Further according to Para 28 of General Financial Rules Volume-I, no amount due to Government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable, the orders of the competent authority for their adjustment must be sought.

During special study audit on Reconciliation of Assignment Account maintained through District Accounts Office, Hyderabad for the year 2014-15 to 2016-17, while reviewing record of Assignment Account # 4138699687 (FC) for 2016-17) Titled Sindh Resilience Project Hyderabad, it was observed that cheques of Rs97.223 million were issued on account of foreign currency funds without endorsement. Hence cheques issued/ payment made without endorsement stands unauthorized. Also, the expenditure into SAP system was not included and thus expenditure was understated.

The details are as under:

Sr. No.	Entity	Total Expenditure 2015-16	Cheques Endorsed	Un-endorsed cheques
1	SIAPEP	423.074	325.851	97.223

The matter was pointed out to the management in May 2018, but no reply was received. Despite efforts, no DAC meeting was convened by the PAO.

The audit recommends that non implementation of direction of Finance Department may be explained.

Memo # 23

4.3 INTERNAL CONTROLS:

During Special Study on Reconciliation of Assignment Account of District Accounts Office, Hyderabad and Sukkur for the financial year(s) 2014-15 to 2016-17, it was observed that internal Controls was not exist for assignment accounts regarding Bookeeping system, no proper mechanism for intimation to higher authorities regarding accounts, reconciliation of expenditure not found, improper endorsement of cheques, no proper corodination regarding reconciliation of expentirue check between NBP and Statement Bank and audited entity, no segregation of duties found. Audit recommends that the segregation of duties be ensured to point out the errors and omission in asset management, and a proper segregation of duties and maintenance of record may be made in audited entity.

5. CONCLUSION

The main findings of the Special Study are:

1. The management of the DAOs has not reconciled assignment accounts with National Bank of Pakistan / State Bank of Pakistan as a result there was a huge variation pointed out between payment made / reimbursed by State Bank of Pakistan from Sindh Govt. Non Food Account No. 1 and expenditure booked by DAO offices in SAP system.
2. Post audit by Treasury offices were not conducted.
3. Non -booking/non-reconciliation of expenditure into SAP system on account of US dollar assignment account made through direct payment by donor agencies to the vendors.

The audit mainly recommends:

1. The management of Treasury offices should make reconciliations of assignment accounts with National Bank and State Bank of Pakistan on regular basis i.e., monthly basis.
2. The management should take efforts for post audit of the monthly accounts submitted by the departments.
3. The management should take steps to book expenditure on account of direct payment made by the donor agencies to vendors.

ACKNOWLEDGEMENT

We wish to express our appreciation to the management and staff of District Accounts office, Hyderabad and Sukkur for the assistance and cooperation extended to the auditors during this assignment.

ANNEXURES

Annexure-A

Direct Payment Year	Currency Amount*PKR rate	Non-reconciliation with	Amount
2014-15 to 2016-17	US\$ (1,571,018*104.625)	DAO, Hyderabad	164,368,544
	GBP (173,380*145.330)	DAO, Hyderabad	25,197,402
	EUR (13,590*121.248)	DAO, Hyderabad	1,647,760
	PKR	DAO, Hyderabad	265,950,900
		Sub-total	457,164,606
Year	Expenditure	Non reconciliation with	Amount
2016-17	Expenditure as per SAP	NBP by DDO	57,847,000
		Sub-total	57,847,000
Year	Expenditure	Non reconciliation with	Amount
2014-15	Expenditure as per SAP	DAO, Hyderabad	6,249,448,578
2015-16	Expenditure as per SAP	DAO, Hyderabad	2,364,011,395
2016-17	Expenditure as per SAP	DAO, Hyderabad	9,483,445,038
		Sub-total	18,096,905,011
		G. Total	18,611,916,617

Annexure-B

S.No.	Cheque#/Dt	Paid to	Entity/C.Center	Amount
1	228454/6.6.17	NBP, Fatima Jinnah, Hyd	HB-5053	0.501
2	228452/6.6.17	-do-	HB-5053	250.322
3	228463/6.6.17	-do-	HB-5053	214.310
4	228451/1.6.17	-do-	HB-5053	4.998
5	228439/30.5.17	-do-	HB-5053	1.478
6	228440/1.6.17	-do-	HB-0644	142.897
7	228441/1.6.17	-do-	HB-5053	88.597
8	228448/1.6.17	-do-	HB-5053	108.406
9	228434/30.5.17	-do-	HB-5053	0.974
10	228443/1.6.17	-do-	HB-0644	9.956
11	228450/1.6.17	-do-	HB-5053	261.419
12	228467/7.6.17	-do-	HB-0644	1.073
Sub-total				1,084.931
1	293341/9.6.17	A/c No. 79006141	MUET, Jamshoro AA No.012615-0	1.385
2	296410/10.6.17	Public School Hyd	Public School Hyd, AA No. 1139532567	1.272
3	296405/7.6.17	Public School Hyd	Public School Hyd, AA No. 1139532567	2.903
4	228428/25.5.17	various district offices	National Prog for FP AA No. 12579-7	49.501
5	228428/24/5/17	-do-	National Prog for FP AA No. 12579-7	84.684
7	228457/6.6.17	-do-	National Prog for FP AA No. 12579-7	3.186
8	228459/6.6.17	-do-	National Prog for FP AA No. 12579-7	1.277
9	228456/6.6.17	-do-	National Prog for FP AA No. 12579-7	4.045
10	228467/7.6.17	-do-	National Prog for FP AA No. 12579-7	1.073
11	2056002.6.17	MUET, Jamshoro A/c No.7900349801	MUET AA No.012615-0	1.237
12	195724/7.6.17	Principal KAET	Sindh Agri Uni Tando Jam A/c No.12656-0	1.00
13	228451/1.6.17	various district offices	National Prog for FP AA No. 12579-7	4.998
14	228440/1/6/17	-do-	National Prog for FP AA No. 12579-7	142.897
15	228441/1.6.17	-do-	National Prog for FP AA No. 12579-7	88.597
			Sub-total	388.055
G.Total				1,472.986

Annexure-C

(Rupees in million)

Sr. No.	Cheque No. & date	Payees Name	Particulars	Amount
1	121207 to 12 dt 13.12.14	All 06 LSO/VO	Advance payment to various village / local support organizations	19.481
2	121261-66 dt. 16.3.16	-do-	-do-	5.997
3	147503 dt. 9.5.2015	M/s Ali Nawaz & Co.	Advance payment on 7th RA bill on Public School Sukkur	6.134
4	147515 dt.9.5.15	M/s Maqbool Ahmed & Co	Advance on girls hostel	6.00
5	147516 dt.9.5.15	-do-	Advance on girls hostel	6.606
6	147534 dt.3.9.15	M/s Shafi Enterprise Karachi	50% advance payment after 9th RA bill on for boys hostel IBA Sukkur	9.169
7	170404dt. 8.1.16	-do-	50% advance payment after 10th RA bill on for boys hostel IBA Sukkur	10.768
8	185703 dt. 1.4.16	-do-	50% advance payment after 12th RA bill on for boys hostel IBA Sukkur	10.00
9	185745 dt. 3.6.16	M/s Pak Carpet Industries Pvt. Ltd	75% advance for purchase of carpet tiles	0.991
10	185771 dt.3.6.16	M/s Al-Shafi Enterprise	50% Advance payment for 8th RA bill for junior residency	5.314
11	147558 dt. 16.11.	M/s Ali Nawaz & Co	Advance for 8th RA at PS Sukkur	1.076
12	147562 dt. 6.11.15	M/s Maqbool Ahmed & Co.	Advance for 18th RA bill against girls hostel at IBA Sukkur	8.381
13	147571 dt. 20.11.15	-do-	Advance for 6th RA bill for construction of Dadu	7.949
14	147532 dt. 3.9.15	M/s Ali Nawaz & Co.	50% Advance payment on submission of 7th R&M PS Sukkur	5.400
15	147533 dt. 3.9.15	M/s Al-Shafi Enterprise	50% advance payment on submission of bills of boys hostel	8.481

(Rupees in million)

Sr. No.	Cheque No. & date	Payees Name	Particulars	Amount
16	101696 dt.11.11.14	M/s Maqbool Ahmed & Co	Advance payment on account of running bills	4.612
17	1011698 dt.17.11.2014	M/s Maqbool Ahmed & Co	Advance payment on account of running bills	4.594
18	11901 dt 18.11.2014	M/s Maqbool Ahmed & Co	Advance payment on account of running bills	7.724
19	119101 dt.18.11.14	M/s Maqbool Ahmed & Co	Advance payment on account of running bills	7.725
20	119121 dt.21.02.15	M/s Maqbool Ahmed & Co	Advance payment on account of running bills	6.475
21	119122 dt.21.02.15	M/s Maqbool Ahmed & Co	Advance payment on account of running bills	7.202
Total				150.079

Annexure-D

S.No.	Cheque#/Dt	Entity	Non production of:	Amount
1	205590/28.2.17	MUET, Jamshoro	Income tax challans	1,349,540
2	293310/8.6.17	MUET, Jamshoro	-do-	283,251
3	29.33.29/8.6.17	MUET, Jamshoro	-do-	282,330
4	205595/18.5.17	MUET, Jamshoro	-do-	988,015
5	293301/2.6.17	MUET, Jamshoro	-do-	1,855,924
6	293336/4.6.17	MUET, Jamshoro	-do-	49,089
7	293347/12.6.17	MUET, Jamshoro	-do-	1,367,149
8	293360/12.6.17	MUET, Jamshoro	-do-	318,209
9	293332/12.6.17	MUET, Jamshoro	-do-	262,683
10	293328/12.6.17	MUET, Jamshoro	-do-	437,198
11	293323/12.6.17	MUET, Jamshoro	-do-	696,877
12	293319/12.6.17	MUET, Jamshoro	-do-	349,789
			Sub-total	8,240,054
13	2284194/4.5.17	HB-0644 and HB-0006	Establishment record	7.903
			Sub-total	7.903
14	228421/8.5.17	HB-0644	Establishment record	253,750,390
15	228421/8.5.17	HB-0006	-do-	331,324,908
16	228421/8.5.17	HB-0006	-do-	1,658,375
17	228421/8.5.17	HB-0006	-do-	45,440,000
18	228421/8.5.17	HB-5053 HB-0002	-do-	22,424,500
19	228421/8.5.17	HB-0644 HB-0006	-do-	112,594,415
20	228421/8.5.17	HB-5053 HB-0002	-do-	118,507,165
21	228421/8.5.17	HB-5053 HB-0002	-do-	98,041,150
22	228421/8.5.17	HB-5053 HB-0002	-do-	27,857,270
23	228421/8.5.17	HB-0644 HB-0006	-do-	455,694,246
			Sub-total	1,467,292,419
24	-	All Assignment accounts of DAO, Hyderabad	Exp. Statement, Bank Statement, Cash Book for the year(s) 2014-2015	6,249,448,578
25	-	-do-	Exp. Statement, Bank Statement, Cash Book for the year(s) 2015-2016	2,364,011,395
26	-	-do-	Exp. Statement, Bank Statement, Cash Book for the year(s) 2016-2017	9,483,445,038
			Sub-total	18,096,905,011
27	-	DAO, Hyderabad	Various Record	-
28	-	HD5816	Missing Cheques	303,935,360
29	-	HD5816	-do-	63,691,644
30	-	HD9485	-do-	7,108,395
31	-	HD9561	-do-	286,307
32	-	HD9581	-do-	55,483,871
33	-	HD9581	-do-	82,702,703

S.No.	Cheque#/Dt	Entity	Non production of:	Amount
34	-	HD9581	-do-	142,420,623
35	-	HD9581	-do-	109,150,084
36	-	HD9581	-do-	231,250,001
37	-	HD9581	-do-	119,794
			Sub-total	996,148,782
38	-	All Assignment accounts of DAO, Sukkur	Missing Cheques & Paid vouchers year 2015-16	456.143
			Sub-total	456.143
39	-	All Assignment accounts of DAO, Sukkur	Expenditure record 2014-15	342,487,339
40	-	-do-	Expenditure record 2015-16	456,143,199
41	-	-do-	Expenditure record 2016-17	578,257,036
	-	-do-	Sub-total	1,376,887,574
42	-	IBA, Sukkur	Exp. Statement, Bank Statement, Cash Book for the year(s) 2014-2015	312.546
43	-	IBA, Sukkur	Exp. Statement, Bank Statement, Cash Book for the year(s) 2015-2016	419.873
44	-	IBA, Sukkur	Exp. Statement, Bank Statement, Cash Book for the year(s) 2016-2017	476.721
			Sub-total	1,209.140
45	-	IBA, Sukkur	Record of Assignment Account	312.546
46	-	IBA, Sukkur	-do-	419.873
47	-	IBA, Sukkur	-do-	476.721
			Sub-total	1,209.140
			G.Total	24,827.800

Annexure-E

(Rupees in million)

Year	Entity	Particular	Amount
2014-15	Various DDOs	Expenditure as per SAP	6,249.449
2015-16	-do-	Expenditure as per SAP	2,364.011
2016-17	-do-	Expenditure as per SAP	9,483.445
		Sub-total	18,096.905
2014-15	SRSO, Sukkur	Expenditure as per SAP	29.942
2015-16	-do-	Expenditure as per SAP	36.270
2016-17	-do-	Expenditure as per SAP	43.689
		Sub-total	109.901
2016-17	PD, Establishment of Women University at Sukkur	Expenditure as per SAP	57.847
		Sub-total	57.847
		G.Total	18,264.653

Annexure-F

(Rupees in million)

Year	Entity	Particular	Amount
2015-16	All DDOS of assignment account of Hyd. (2015-16)	Expenditure as per SAP	2,364.011
		Sub-total	2,364.011
2014-15	IBA, Sukkur	Expenditure as per SAP	312.546
2015-16	IBA, Sukkur	Expenditure as per SAP	419.873
		Sub-total	732.419
2014-15	SRSO, Sukkur	Expenditure as per SAP	29.942
2015-16	SRSO, Sukkur	Expenditure as per SAP	36.270
		Sub-total	66.212
		G.Total	3,162.642

Annexure-G

Sr. No.	Assignment A/c#	Name of the Office	Cheque No.	Endorsement Date	Paid by on BBP	Amount
1	4118932920	SPRIP	197829	16.6.2016	22.6.2016	0.331
2	4118932920	SPRIP	197830	16.6.2016	23.6.16	0.017
3	4118932920	SPRIP	197832	17.6.2016	23.6.16	0.038
4	4118932920	SPRIP	197833	17.6.16	23.6.16	0.005
5	4118932920	SPRIP	197831	16.6.16	24.6.16	0.252
6	12579-7	NPFP & PHI	228475	19.6.17	N/A	112.594
7	12579-7	NPFP & PHI	228476	19.6.17	N/A	118.507
8	12579-7	NPFP & PHI	228477	19.6.17	N/A	98.041
9	12579-7	NPFP & PHI	228478	19.6.17	N/A	27.857
10	01942	PD Lining of Distributaries & Minors	194142 to 194159	16.6.16	N/A	0.655
11	01942	-do-	194160 to 194164	17.6.16	N/A	0.987
12	12571-2	SIDA	186113 to 26	16.6.16	N/A	8.474
13	A12470	SIDA (FC)	42917979 to 81	19.6.17	N/A	6.987
14	12579-7	NPFP&PHI	182294 to 182300	16.6.16	N/A	9.34
15	12579-7	NPFP&PHI	182299 & 205601-16	17.6.16	N/A	485.953
16	12579-7	NPFP&PHI	205619	22.6.16	N/A	164.386
17	12579-7	NPFP&PHI	205621	27.6.16	N/A	10.00
Total						1,044.424