



**AUDIT REPORT
ON
THE ACCOUNTS OF
UNION COUNCILS
DISTRICT MIRPURKHAS
AUDIT YEAR 2013-14**

AUDITOR-GENERAL OF PAKISTAN

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS	i
Preface	ii
EXECUTIVE SUMMARY	iii
SUMMARY TABLES AND CHARTS.....	vi
Table 1: Audit Work Statistics.....	vi
Table 2: Audit Observations	vi
Table 3: Outcome Statistics	vii
Table 4: Irregularities pointed out	viii
CHAPTER-1	1
1. Union Councils, District Mirpurkhas	1
1.1 Introduction	1
1.2 AUDIT PARAS	3
1.2.1 Non-production of Record.....	4
1.2.3 Internal Control Weakness	5
ANNEXURE	6

ABBREVIATIONS AND ACRONYMS

DAC	Departmental Accounts Committee
MFDAC	Memorandum for Department Accounts Committee
TMA	Taluka Municipal Administration
DG	Director General
LGD	Local Government Department
UC	Union Council
PAO	Principal Accounting Officer
CMA	Constitutional Miscellaneous Application
GFR	General Financial Rule

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 Union Councils of District Mirpurkhas for the year 2011-12 & 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 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 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 report significant findings to the relevant stakeholders. This office also conducts performance audit of programmes / projects.

Each Union Council in District Mirpurkhas conducts its operations as per Sindh Local Government Ordinance, 1979. The Secretary is the Principal Accounting Officer (PAO). The financial provisions of the Sindh Local Government Ordinance, 1979 require the establishment of Union Councils for which Annual Budget Statement is authorized by the Union Council/Administrator in the form of Budgetary Grants.

Audit of UCs District Mirpurkhas 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 UCs of District Mirpurkhas for the Financial Year 2011-12 & 2012-13 auditable expenditure under the jurisdiction was Rs 145.500 million, out of which an expenditure of Rs 145.000 million was audited which in terms of percentage, was 100%.

b. Recoveries at the Instance of Audit

No recovery was pointed out during the Audit.

c. Audit Methodology

Audit was performed through understanding of the business process of UCs 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, UCs has streamlined their work in accordance with rules & regulations.

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. Key Audit Findings of the Report

- i. Non-production of record amounting to Rs 74.384 million noted in one case.¹
- ii. Non-compliance of Rules noted in one case.²

Audit paras for the audit year 2013-14 involving procedural violations including internal control weaknesses, unsound asset management and irregularities not considered worth reporting are included in MFDAC (Annexure-A)

¹ Para 1.2.1.1

² Para 1.2.2.1

g. Recommendations

Audit recommends that the PAO/management of UCs should ensure to resolve the following issues:

- i. Production of record to audit for verification.
- ii. Appointment of internal Auditor.

SUMMARY TABLES AND CHARTS

Table 1: Audit Work Statistics

(Rupees in Million)

Sr.	Description	No.	Budget
1.	Total Entities in Audit Jurisdiction	41	143.500
2.	Total Entities Audited	41	143.500
3.	Audit & Inspection Reports	41	143.500
4.	Special Audit Reports	-	-
5.	Performance Audit Reports	-	-
6.	Other Reports (relating to UCs)	-	-

Table 2: Audit Observations

(Rupees in Million)

Sr. No.	Description	Amount under audit observation
1	Asset management	0
2	Financial management	0
3	Internal controls	0
4	Others	74.384
Total		74.384

Table 3: Outcome Statistics

(Rupees in Million)

Sr. No.	Description	Physical Assets	Civil Works	Receipt	Others	Total current year
1	Outlays audited	-	-	-	143.500	143.500
2	Amount placed under Audit observation / irregularities	-	-	-	74.384	74.384
3	Recoveries pointed out at the instance of Audit	-	-	-	-	-
4	Recoveries accepted / established at Audit instance	-	-	-	-	-
5	Recoveries realized at the instance of Audit	-	-	-	-	-

Table 4: Irregularities pointed out

(Rupees in million)

Sr. No.	Description	Amount under Audit observation
1	Violation of rules and regulations and principle of propriety and probity.	0
2	Reported cases of fraud, embezzlement, theft, misappropriations and misuse of public funds.	0
3	Quantification of weaknesses of internal controls system.	0
4	Recoveries, overpayments and loss to the government.	0
5	Non-production of record to Audit	74.384
6	Others, including cases of accidents, negligence etc.	0
	Total	74.384

CHAPTER-1

1. Union Councils, District Mirpurkhas

1.1 Introduction

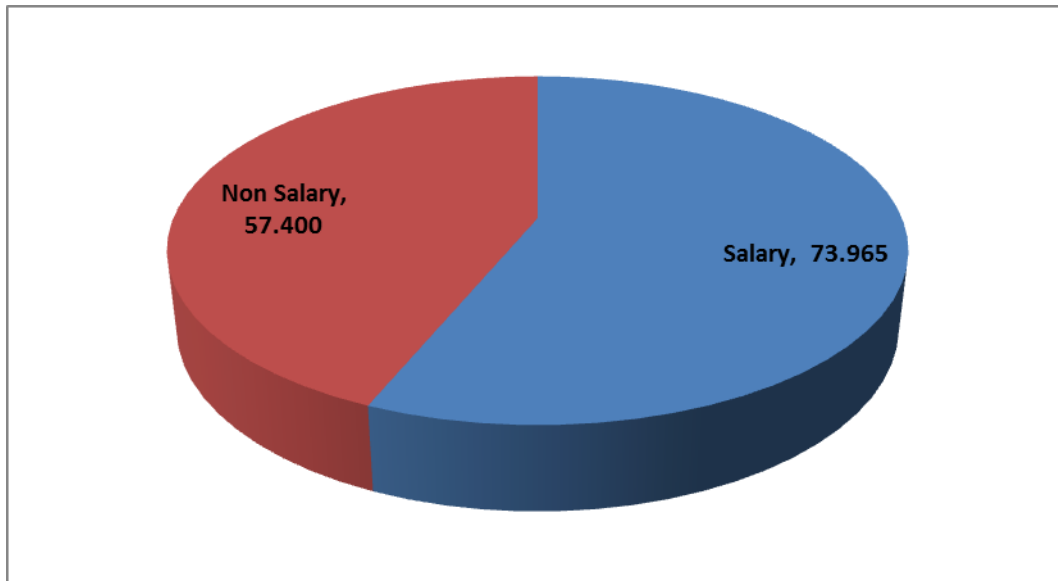
Each Union Councils of District Mirpurkhas consists of Secretary and Administrator. Each UC Mirpurkhas comprises one Drawing and Disbursing Officer i.e. Secretary. The main functions of UCs are as follows:-

1. to collect and maintain statistical information for socio-economic surveys;
2. to consolidate village and neighbourhood development needs and prioritise them into union-wide development proposals with the approval of the Union Council and make recommendations thereof to the District Government or Taluka Municipal Administration, as the case may be;
3. to identify deficiencies in the delivery of services and make recommendations for improvement thereof to the Taluka Municipal Administration;
4. to register births, deaths and marriages and issue certificates thereof;
5. to make proposals to the Union Council for levy of rates and fees specified in the Second Schedule and to collect such rates and fees within the Union;
6. to execute the projects of the approved Union Annual Development Plan by contracting out to the private sector in the manner as may be prescribed and to obtain support of the Taluka Municipal Administration or District Government for such execution; and to assist the Village Councils or, as the case may be, Neighbourhood Councils in the Union to execute development projects.

1.1.1 Comments on Budget and Accounts (Variance Analysis)

(Rupees in Million)

2011-12 & 2012-13	Budget	Expenditure	% (+) Excess (-) Savings
Salary	86.100	86.100	0
Non-salary	57.400	57.400	0
Development	-	-	-
Total	143.500	143.500	0



As per the Budget Books for the year 2011-12 & 2012-13 of 41 UCs of District Mirpurkhas, the original and final budget was Rs 143.500 million. Against the final budget, total expenditure incurred by the UCs during the financial year 2011-12 & 2012-13 was Rs 143.500 million.

1.2 AUDIT PARAS

1.2.1 Non-production of Record

1.2.1.1 Non-production of Record Rs – 74.384 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 Honorable Supreme Court of Pakistan dated 07-05-2013 given in CMA No.2376/2013, “where the amount is charged on the Consolidated Fund or relates to the Public Accounts of the Federation or of the Provinces, the same may be audited by the Auditor- General without exception”.

The management of various Union Councils of District Mirpurkhas failed to produce establishment record to audit, during the year 2011-12 & 2012-13, in violation of above rule. Detail provided in Annexure-B.

Audit was of the view that due to non-provision of record, the authenticity, validity, accuracy and genuineness of expenditure could not be verified which constituted weak financial management.

Matter was reported during January 2014, but managements failed to provide departmental point of views. 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 non-provision of record, under intimation to audit.

[AIR Para: 2,2,2,2,2,2,2,2,2,2,2,2,2,2,2,2,2,1,1,1,1,1,1,1,1,1,2,2,2,2,1,1,2,1,2,2,2,2,2,
2,2,2,1,1,2,2,1,2,2,1,1,2,2,2,1,2,2,2,2,2,2,3,2,1,2,2,2,2,1,2,2,1,2,2,1,2,2,1,2]

1.2.3 Internal Control Weakness

1.2.3.1 Non Appointment of Internal Auditor

Rule-13 of G.F.R Vol-I, states that, ‘‘Controlling Officer is required to carry out the internal audit and inspection on the accounts of Sub-ordinate office at the close of each financial year to detect the error and irregularities to safeguard against waste and loss of Public money and store, the store result of such inspection be incorporated in the form of an Inspection report and reply of which be endorsed to audit’’.

The management of various Union Councils of District Mirpurkhas, failed to appoint internal auditor, during 2011-12 & 2012-13, for conducting of internal audit, in violation of above rule. Detail provided in Annexure-C.

Audit was of the view that managements failure to appoint internal auditor resulted into non-authenticity of expenditure which constituted weak financial management.

Matter was reported during January 2014, but managements failed to provide departmental point of views. The PAO failed to convene the DAC meeting to discuss audit para despite pursuance by audit.

Audit recommends fixing responsibility on account of non-appointment of internal auditor by managements, under intimation to audit.

[AIR Para: 5,5]

ANNEXURE

Annexure-A

MFDAC

(Amount in Rupees)

Sr. No.	Name of UC	AIR Para No.	Description	Nature of Observation	Amount
1	Mir Khuda Bux	1	Improper maintenance of cash book	Irregularity	0
2	Tando Jan Mohammad	4	Annual physical verification of stock and stores not conducted	Irregularity	0
3	Paban	3	Non appointment of Internal Auditor	Irregularity	0
4	Soofan Shah	2	Improper maintenance of Cash Book	Irregularity	0
5	Digri	4	Annual physical verification of stock and stores not conducted	Irregularity	0
6	Kangoro	3	Non appointment of Internal Auditor	Irregularity	0
7	Tando Jan Muhammad	3	Annual physical verification of stock and stores not conducted	Irregularity	0
8	Khan	1	Improper maintenance of Cash Book	Irregularity	0
9	Mirpur Old	4	Non appointment of Internal Auditor	Irregularity	0
10	Turak Ali Mari	3	Annual physical verification of stock and stores not conducted	Irregularity	0
11	Ahori	1	Improper maintenance of Cash Book	Irregularity	0
12	Dilawar Hussain	4	Non appointment of Internal Auditor	Irregularity	0
13	Fazal Bhambhro	3	Annual physical verification of stock and stores not conducted	Irregularity	0

(Amount in Rupees)

Sr. No.	Name of UC	AIR Para No.	Description	Nature of Observation	Amount
14	Jhudo	4	Non appointment of Internal Auditor	Irregularity	0
15	Naukot	1	Improper maintenance of Cash Book	Irregularity	0
16	Roshanabad	3	Annual physical verification of stock and stores not conducted	Irregularity	0

Non-Production of Record

(Amount in Rupees)

Sr #	Name of UC	AIR #	Description	2011-12	2012-13	Total
1	Digri	2	Service Books of staff posted in UC	402,732	618,516	1,021,248
2	Kangoro	2	Service Books of staff posted in UC	1,558,416	1,842,312	3,400,728
3	Mir Khuda Bux	2	Service Books of staff posted in UC	684,144	684,144	1,368,288
4	Paban	1	Service Books of staff posted in UC	693,648	818,928	1,512,576
5	Soofan Shah	1	Service Books of staff posted in UC	939,588	438,048	1,377,636
6	Tando Jan Muhammad	2	Service Books of staff posted in UC	559,896	501,840	1,061,736
7	Khan	2	Service Books of staff posted in UC	636,480	939,540	1,576,020
8	Mirpur Old	1	Service Books of staff posted in UC	2,735,640	2,735,640	5,471,280
9	Turak Ali Mari	2	Service Books of staff posted in UC	634,668	848,760	1,483,428
10	Ahori	2	Service Books of staff posted in UC	321,324	848,760	1,170,084
11	Dilawar Hussain	1	Service Books of staff posted in UC	535,824	555,864	1,091,688
12	Fazal Bhambro	1	Service Books of staff posted in UC	1,792,512	2,108,952	3,901,464
13	Jhudo	2	Service Books of staff posted in UC	539,710	637,476	1,177,186
14	Naukot	2	Service Books of staff posted in UC	487,368	499,848	987,216
15	Roshanabad	2	Service Books of staff posted in UC	1,175,568	1,425,360	2,600,928
16	Bhurgari	1	Service Books of staff posted in UC	639,588	1,042,140	1,681,728

(Amount in Rupees)

Sr #	Name of UC	AIR #	Description	2011-12	2012-13	Total
17	Dengan	2	Service Books of staff posted in UC	986,076	1,014,192	2,000,268
18	Hadi Bux Dhonkai	2	Service Books of staff posted in UC	751,980	1,555,320	2,307,300
19	Jawariasar	2	Service Books of staff posted in UC	446,832	462,312	909,144
20	Khudadad	2	Service Books of staff posted in UC	705,264	844,596	1,549,860
21	Kot Ghulam Muhammad	2	Service Books of staff posted in UC	699,144	700,644	1,399,788
22	Mir Ghulam Hussain Talpur	2	Service Books of staff posted in UC	863,652	1,007,904	1,871,556
23	Mir Imam Bux	2	Service Books of staff posted in UC	1,461,072	1,867,344	3,328,416
24	Doulatpur	3	Service Books of staff posted in UC	1,675,752	1,675,752	3,351,504
25	Jhulori	2	Service Books of staff posted in UC	992,052	1,463,868	2,455,920
26	Makkan	1	Service Books of staff posted in UC	1,020,024	1,052,664	2,072,688
27	Mir Wah Gorchani	2	Service Books of staff posted in UC	721,032	855,384	1,576,416
28	UC-2 Mirpurkhas	2	Service Books of staff posted in UC	393,588	638,184	1,031,772
29	UC-3 Mirpurkhas	2	Service Books of staff posted in UC	492,756	595,404	1,088,160
30	UC-4 Mirpurkhas	2	Service Books of staff posted in UC	394,404	466,956	861,360
31	UC-5 Mirpurkhas	1	Service Books of staff posted in UC	367,992	471,900	839,892
32	UC-6 Mirpurkhas	2	Service Books of staff posted in UC	331,884	349,260	681,144
33	UC-7 Mirpurkhas	2	Service Books of staff posted in UC	283,176	488,568	771,744

(Amount in Rupees)

Sr #	Name of UC	AIR #	Description	2011-12	2012-13	Total
34	UC-8 Mirpurkhas	1	Service Books of staff posted in UC	740,220	616,848	1,357,068
35	UC-1 Mirpurkhas	2	Service Books of staff posted in UC	505,512	324,912	830,424
36	Balochabad	2	Service Books of staff posted in UC	2,246,796	2,627,076	4,873,872
37	Girhore Sharif	1	Service Books of staff posted in UC	715,020	841,884	1,556,904
38	Haji Ismail Jo Goth	2	Service Books of staff posted in UC	447,948	579,360	1,027,308
39	Hingorno	2	Service Books of staff posted in UC	959,088	1,051,392	2,010,480
40	Kheraho	1	Service Books of staff posted in UC	601,788	605,112	1,206,900
41	Phullahdyoo	2	Service Books of staff posted in UC	1,270,308	1,270,308	2,540,616
TOTAL				34,410,466	39,973,272	74,383,738

NON APPOINTMENT OF INTERNAL AUDITOR

Sr #	Name of UC	AIR #
1	Digri	5
2	Kangoro	5
3	Mir Khuda Bux	5
4	Paban	5
5	Soofan Shah	5
6	Tando Jan Muhammad	5
7	Khan	5
8	Mirpur Old	5
9	Turak Ali Mari	5
10	Ahori	5
11	Dilawar Hussain	5
12	Fazal Bhambro	5
13	Jhudo	5
14	Naukot	5
15	Roshanabad	5
16	Bhurgari	5
17	Dengan	5
18	Hadi Bux Dhonkai	5
19	Jawariasar	5
20	Khudadad	5
21	Kot Ghulam Muhammad	5
22	Mir Ghulam Hussain Talpur	5
23	Mir Imam Bux	5
24	Doulatpur	5
25	Jhulori	5
26	Makkan	5
27	Mir Wah Gorchani	5
28	UC-1 Mirpurkhas	5
29	UC-2 Mirpurkhas	5
30	UC-3 Mirpurkhas	5
31	UC-4 Mirpurkhas	5
32	UC-5 Mirpurkhas	5
33	UC-6 Mirpurkhas	5
34	UC-7 Mirpurkhas	5
35	UC-8 Mirpurkhas	5
36	Balochabad	5
37	Girhore Sharif	5
38	Haji Ismail Jo Goth	5
39	Hingorno	5
40	Kheraho	5
41	Phullahdyoo	5