



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

AUDITOR-GENERAL OF PAKISTAN

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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
CTR	Central Treasury Rules

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 Naushahro Feroze 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 reporting significant findings to the relevant stakeholders. This office also conducts performance audit of programmes / projects.

Each Union Council in District Naushahro Feroze conducts its operations as per Sindh Local Government Ordinance, 1979. The Secretary, LGD 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 Naushahro Feroze 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, 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 Naushahro Feroze for the Financial Year 2011-12 & 2012-13 auditable expenditure under the jurisdiction was Rs 172.565 million, out of which an expenditure of Rs 145.496 million was audited which in terms of percentage, was 84%.

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 noted in one case - Rs 84.482 million.¹
- ii. Internal Control Weakness noted in one case - Rs 3.726 million.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. Fixing responsibility on officer(s) at fault for making payments through open cheques.

SUMMARY TABLES AND CHARTS

Table 1: Audit Work Statistics

(Rupees in Million)

Sr.	Description	No.	Budget
1.	Total Entities in Audit Jurisdiction	51	172.565
2.	Total Entities Audited	43	145.496
3.	Audit & Inspection Reports	43	145.496
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	3.726
4	Others	84.482
Total		88.208

Table 3: Outcome Statistics

(Rupees in Million)

Sr. No.	Description	Physical Assets	Civil Works	Receipt	Others	Total current year
1	Outlays audited	-	-	-	145.496	145.496
2	Amount placed under Audit observation / irregularities	-	-	-	88.208	88.208
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.	3.726
4	Recoveries, overpayments and loss to the government.	0
5	Non-production of record to Audit	84.482
6	Others, including cases of accidents, negligence etc.	0
	Total	88.208

CHAPTER-1

1. Union Councils, District Naushahro Feroze

1.1 Introduction

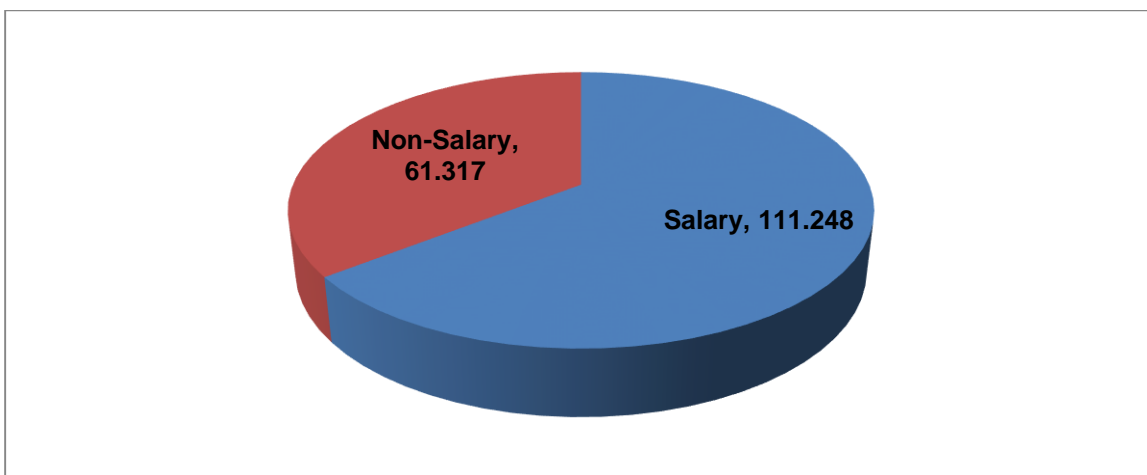
Each Union Councils of District Naushahro Feroze consists of Secretary and Administrator. Each UC Naushahro Feroze comprises one Drawing and Disbursing Officer i.e. Secretary. The main functions of UCs are as follows:

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 (-) Saving
Salary	111.248	111.248	0%
Non-salary	34.248	34.248	0%
Development	0	0	0%
Total	145.496	145.496	0%



As per the Budget Books for the year 2011-12 & 2012-13 of fifty one UCs of Naushahro Feroze, the original and final budget was Rs 172.565 million. Against the final budget, total expenditure incurred by the UCs during the financial year 2011-12 & 2012-13 was Rs 172.565 million.

1.2 AUDIT PARAS

1.2.2. Internal Control Weakness

1.2.2.1 Payments through Open Cheques - Rs 3.726 Million

As per Rule 147 of CTR “The cheques for more than Rs.200/- drawn in favour of Corporate of Local Bodies, firms, private persons or Government servants (in respect of their personal claims) shall always be crossed”.

The management of various Union Councils of District Naushahro Feroze, made payments of Rs 12.252 million, through open cheques instead of crossed cheques to various suppliers/firms, during 2011-12 & 2012-13, in violation of above rule. Detail provided in Annexure-C.

Audit was of the view that payments amounting to Rs 3.726 million through open cheques to the suppliers / firms, resultantly it was not confirmed whether the payment were actually made or otherwise 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 officer/official(s) at fault on account of payment through open cheques, under intimation to audit.

[AIR Paras: 2,2,2,2,2,2]

ANNEXURE

Annexure-A

Memorandum for departmental accounts Committee (MFDAC) Paras

(Rupees in Million)

Sr.	Name of UC	AIR Para No.	Description	Nature of Observation	Amount
1	Abran	3	Improper Maintenance of cash book	Irregularity	0
2	Bhirya City	4	Annual Physical Verification of Stocks & Stores not Conducted	Irregularity	0
3	Bhorti	5	Internal Audit and Inspection not Conducted by the Controlling Officer	Irregularity	0
4	Daris	3	Improper Maintenance of Cash Book	Irregularity	0
5	Darya Khan Mari	4	Annual Physical Verification of Stocks & Stores not Conducted	Irregularity	0
6	Deparja	5	Internal Audit and Inspection not Conducted by the Controlling Officer	Irregularity	0
7	Ghanghra	3	Improper Maintenance of Cash Book	Irregularity	0
8	Jam Noorullah	4	Annual Physical Verification of Stocks & Stores not Conducted	Irregularity	0
9	Jatoi	5	Internal Audit and Inspection not Conducted by the Controlling Officer	Irregularity	0
10	Jendo Rajper	2	Non-accountal of Misc. Items	Irregularity	0.932
11	Kahkat	3	Improper Maintenance of Cash Book	Irregularity	0
12	Khai Qasim	4	Annual Physical Verification of Stocks & Stores not Conducted	Irregularity	0
13	Khair Wah	5	Internal Audit And Inspection Not Conducted By The Controlling Officer	Irregularity	0

ANNEXURE-B

Non Production of Record

(Rupees in Million)

Sr #	Name of UC	Year	AIR Para#	Description	Amount
1	Abad	2011-12	1	Pay bills / slips of employees / officers	0.848
	Abad	2012-13	1	Pay bills / slips of employees / officers	1.175
Sub-Total					2.023
2	Abran	2011-12	1	Pay bills / slips of employees / officers	1.393
	Abran	2012-13	1	Pay bills / slips of employees / officers	1.171
Sub-Total					2.564
3	Bharya city	2011-12	1	Pay bills / slips of employees / officers	1.011
	Bharya city	2012-13	1	Pay bills / slips of employees / officers	0.918
Sub-Total					1.929
4	Bhorti	2011-12	1	Pay bills / slips of employees / officers	1.046
	Bhorti	2012-13	1	Pay bills / slips of employees / officers	1.148
Sub-Total					2.194
5	Chaheen	2011-12	1	Pay bills / slips of employees / officers	0.535
	Chaheen	2012-13	1	Pay bills / slips of employees / officers	0.88
Sub-Total					1.415
6	Daris	2011-12	1	Pay bills / slips of employees / officers	1.131
	Daris	2012-13	1	Pay bills / slips of employees / officers	1.141
Sub-Total					2.272
7	Darya khan mari	2011-12	1	Pay bills / slips of employees / officers	0.749
	Darya khan mari	2012-13	1	Pay bills / slips of employees / officers	1.046
Sub-Total					1.795
8	Deparja	2011-12	1	Pay bills / slips of employees / officers	1.323
	Deparja	2012-13	1	Pay bills / slips of employees / officers	1.204
Sub-Total					2.527
9	Dalipota	2011-12	1	Pay bills / slips of employees / officers	0.94
	Dalipota	2012-13	1	Pay bills / slips of employees / officers	1.099
Sub-Total					2.039

(Rupees in Million)

Sr #	Name of UC	Year	AIR Para#	Description	Amount
10	Ghangra	2011-12	1	Pay bills / slips of employees / officers	0.891
	Ghangra	2012-13	1	Pay bills / slips of employees / officers	0.971
Sub-Total					1.862
11	Jamnoorullah	2011-12	1	Pay bills / slips of employees / officers	0.829
	Jamnoorullah	2012-13	1	Pay bills / slips of employees / officers	1.061
Sub-Total					1.89
12	Jatoi	2011-12	1	Pay bills / slips of employees / officers	1.429
	Jatoi	2012-13	1	Pay bills / slips of employees / officers	1.03
Sub-Total					2.459
13	Jeando rajpar	2011-12	1	Pay bills / slips of employees / officers	1.351
	Jeando rajpar	2012-13	1	Pay bills / slips of employees / officers	1.177
Sub-Total					2.528
14	Kehkat	2011-12	1	Pay bills / slips of employees / officers	1.303
	Kehkat	2012-13	1	Pay bills / slips of employees / officers	1.202
Sub-Total					2.505
15	Khai Qasim	2011-12	1	Pay bills / slips of employees / officers	1.259
	Khai Qasim	2012-13	1	Pay bills / slips of employees / officers	1.131
Sub-Total					2.390
16	Khair Wah	2011-12	1	Pay bills / slips of employees / officers	1.202
	Khair Wah	2012-13	1	Pay bills / slips of employees / officers	1.201
Sub-Total					2.403
17	Koor Hassan	2011-12	1	Pay bills / slips of employees / officers	0.826
	Koor Hassan	2012-13	1	Pay bills / slips of employees / officers	0.973
Sub-Total					1.799
18	Kot Bahadur	2011-12	1	Pay bills / slips of employees / officers	1.299
	Kot Bahadur	2012-13	1	Pay bills / slips of employees / officers	1.02
Sub-Total					2.319
19	Lalia	2011-12	1	Pay bills / slips of employees / officers	1.105
	Lalia	2012-13	1	Pay bills / slips of employees / officers	1.155
Sub-Total					2.260
20	Manahi	2011-12	1	Pay bills / slips of employees / officers	1.113
	Manahi	2012-13	1	Pay bills / slips of employees / officers	1.206
Sub-Total					2.319
21	Masur ji Wah	2011-12	1	Pay bills / slips of employees / officers	1.022

(Rupees in Million)

Sr #	Name of UC	Year	AIR Para#	Description	Amount
	Masur ji Wah	2012-13	1	Pay bills / slips of employees / officers	1.146
Sub-Total					2.168
22	Mehrabpur 1	2011-12	1	Pay bills / slips of employees / officers	0.799
	Mehrabpur 1	2012-13	1	Pay bills / slips of employees / officers	0.799
Sub-Total					1.598
23	Moro 1	2011-12	1	Pay bills / slips of employees / officers	1.425
	Moro 1	2012-13	1	Pay bills / slips of employees / officers	1.143
Sub-Total					2.568
24	Moro II	2011-12	1	Pay bills / slips of employees / officers	1.402
	Moro II	2012-13	1	Pay bills / slips of employees / officers	1.143
				Rent agreement between the management and the owner of office premises.	0.05
Sub-Total					2.595
25	Moro III	2011-12	1	Pay bills / slips of employees / officers	1.175
	Moro III	2012-13	1	Pay bills / slips of employees / officers	1.195
Sub-Total					2.37
26	Naushahro Feroze	2011-12	1	Pay bills / slips of employees / officers	0.774
	Naushahro Feroze	2012-13	1	Pay bills / slips of employees / officers	1.104
Sub-Total					1.878
27	Noor pur	2011-12	1	Pay bills / slips of employees / officers	1.004
	Noor pur	2012-13	1	Pay bills / slips of employees / officers	1.052
Sub-Total					2.056
28	Palhano	2011-12	1	Pay bills / slips of employees / officers	1.307
	Palhano	2012-13	1	Pay bills / slips of employees / officers	1.138
Sub-Total					2.445
29	Phull	2011-12	1	Pay bills / slips of employees / officers	1.441
	Phull	2012-13	1	Pay bills / slips of employees / officers	1.143
Sub-Total					2.584
30	Tharu shah	2011-12	1	Pay bills / slips of employees / officers	1.109
	Tharu shah	2012-13	1	Pay bills / slips of employees / officers	1.134
Sub-Total					2.243
31	Bharya road	2012-13	1	Pay bills / slips of employees / officers	0.679
Sub-Total					0.679

(Rupees in Million)

Sr #	Name of UC	Year	AIR Para#	Description	Amount
32	Kamal dero	2012-13	1	Pay bills / slips of employees / officers	1.074
Sub-Total					1.074
33	Behlani	2011-12	1	Pay bills / slips of employees / officers	1.626
	Behlani	2012-13	1	Pay bills / slips of employees / officers	1.189
Sub-Total					2.815
34	Dhabro	2011-12	1	Pay bills / slips of employees / officers	1.348
	Dhabro	2012-13	1	Pay bills / slips of employees / officers	1.245
Sub-Total					2.593
35	Fatoo Bilal	2011-12	1	Pay bills / slips of employees / officers	1.044
	Fatoo Bilal	2012-13	1	Pay bills / slips of employees / officers	1.143
Sub-Total					2.187
36	Gachero	2011-12	1	Pay bills / slips of employees / officers	1.340
	Gachero	2012-13	1	Pay bills / slips of employees / officers	1.195
Sub-Total					2.535
37	Ghair Gaju	2011-12	1	Pay bills / slips of employees / officers	0.988
	Ghair Gaju	2012-13	1	Pay bills / slips of employees / officers	0.990
Sub-Total					1.978
38	Ghulam shah	2011-12	1	Pay bills / slips of employees / officers	0.878
	Ghulam shah	2012-13	1	Pay bills / slips of employees / officers	1.061
Sub-Total					1.939
39	Kotri m kabir	2011-12	1	Pay bills / slips of employees / officers	1.436
	Kotri m kabir	2012-13	1	Pay bills / slips of employees / officers	1.249
Sub-Total					2.685
Grand Total					84.482

ANNEXURE-C

Payment through open cheques

(Rupees in million)

Sr #	Name of UC	Para #	Year	Date	Cheque#	Amount
1	Lalia	2	2011-12	01-12-2011	596667	0.031
				24-12-2011	596668	0.025
				03-01-2012	596671	0.074
				20-01-2012	596672	0.074
				03-02-2012	596674	0.011
				10-02-2012	596675	0.074
				11-02-2012	596676	0.095
				11-02-2012	596677	0.020
				07-03-2012	596679	0.010
				07-03-2012	596680	0.023
				24-03-2012	596681	0.095
				24-03-2012	596682	0.025
				03-04-2012	596684	0.016
				18-04-2012	596685	0.095
				02-05-2012	596687	0.022
		21-05-2012	596688	0.095		
		04-06-2012	596690	0.037		
		12-07-2012	596694	0.033		
		08-08-2012	596698	0.022		
		16-08-2012	3462001	0.050		
		25-08-2012	596700	0.018		
		03-10-2012	3462003	0.033		
		03-10-2012	3462004	0.006		
		01-10-2012	3462008	0.001		
		22-10-2012	3462007	0.033		
		12-11-2012	3462009	0.095		
		18-12-2012	632702	0.033		
18-12-2012	632704	0.005				
01-02-2013	632707	0.034				
21-02-2013	632713	0.034				
03-04-2013	632716	0.036				
Sub-Total						1.255

(Rupees in million)

Sr #	Name of UC	Para #	Year	Date	Cheque#	Amount
2	Manahi	2	2011-12	01-12-2011	584395	0.015
				01-12-2011	584396	0.004
				01-12-2011	584398	0.092
				01-12-2011	584399	0.015
				24-12-2011	584400	0.025
				03-01-2012	617303	0.003
				03-01-2012	617304	0.050
				20-01-2012	617302	0.074
				10-02-2012	617306	0.074
				11-02-2012	617308	0.095
				07-03-2012	617310	0.013
				24-03-2012	617311	0.095
				24-03-2012	617312	0.020
				03-04-2012	617314	0.013
				19-04-2012	617315	0.095
				19-04-2012	617316	0.032
				03-05-2012	617318	0.013
				25-05-2012	617319	0.095
		04-06-2012	617321	0.013		
		06-06-2012	617322	0.016		
		16-07-2012	617327	0.022		
		09-08-2012	617329	0.013		
		09-08-2012	617330	0.008		
		25-08-2012	617332	0.021		
		25-08-2012	617333	0.018		
		04-10-2012	617335	0.030		
		23-10-2012	617337	0.071		
		24-10-2012	617338	0.095		
		18-12-2012	617340	0.030		
		01-02-2013	617342	0.030		
		01-02-2013	617343	0.016		
		18-02-2013	617345	0.022		
		05-04-2013	617347	0.030		
08-05-2013	617349	0.030				
Sub-Total						1.288

(Rupees in million)

Sr #	Name of UC	Para #	Year	Date	Cheque#	Amount		
3	Masurji Wah	2	2011-12	04-01-2012	698951	0.095		
				06-01-2012	698953	0.018		
				06-01-2012	698954	0.009		
				06-01-2012	698955	0.006		
				06-01-2012	698956	0.008		
				19-01-2012	698960	0.025		
				20-01-2012	698961	0.095		
				03-02-2012	698964	0.011		
				03-02-2012	698965	0.009		
				03-02-2012	698966	0.006		
				13-02-2012	698969	0.095		
				13-02-2012	698970	0.025		
				07-03-2012	698972	0.011		
				07-03-2012	698973	0.009		
				07-03-2012	698975	0.006		
				26-03-2012	698976	0.095		
				04-04-2012	698978	0.011		
				04-04-2012	698981	0.023		
				04-04-2012	698982	0.023		
				17-04-2012	698979	0.009		
				17-04-2012	698980	0.006		
				17-04-2012	698983	0.050		
				17-04-2012	698984	0.040		
				04-05-2012	698986	0.009		
				04-05-2012	698987	0.009		
				04-05-2012	698989	0.006		
				04-05-2012	698990	0.011		
				22-05-2012	698988	0.011		
		22-05-2012	698991	0.050				
		22-05-2012	698992	0.040				
				2	2012-13	10-07-2012	698995	0.011
						11-07-2012	698996	0.068
		29-08-2012	2638804			0.053		
		31-08-2012	699000			0.008		
		18-09-2012	2638802			0.008		
		03-10-2012	2638806			0.045		

(Rupees in million)

Sr #	Name of UC	Para #	Year	Date	Cheque#	Amount
				17-10-2012	2638807	0.020
				17-10-2012	2638808	0.081
				25-10-2012	2638809	0.010
				25-10-2012	2638811	0.050
				18-12-2012	2638813	0.008
Sub-Total						1.183
Grand Total						3.726