



**AUDIT REPORT
ON
THE ACCOUNTS OF
UNION COUNCILS
DISTRICT TANDO ALLAHYAR
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 Tando Allahyar.....	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
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 Tando Allahyar 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 Tando Allahyar 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 Tando Allahyar 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 Tando Allahyar for the Financial Year 2011-12 & 2012-13 auditable expenditure under the jurisdiction was Rs 48.000 million, out of which an expenditure of Rs 48.000 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 noted in one case.¹
- ii. Internal Control weakness amounting to Rs 14.106 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. Fixing responsibility on officer(s) at fault for payment 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	20	48.000
2.	Total Entities Audited	20	48.000
3.	Audit & Inspection Reports	20	48.000
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	14.106
4	Others	0
Total		14.106

Table 3: Outcome Statistics

(Rupees in Million)

Sr. No.	Description	Physical Assets	Civil Works	Receipt	Others	Total current year
1	Outlays audited	-	-	-	48.000	48.000
2	Amount placed under Audit observation / irregularities	-	-	-	14.106	14.106
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.	14.106
4	Recoveries, overpayments and loss to the government.	0
5	Non-production of record to Audit	0
6	Others, including cases of accidents, negligence etc.	0
	Total	14.106

CHAPTER-1

1. Union Councils, District Tando Allahyar

1.1 Introduction

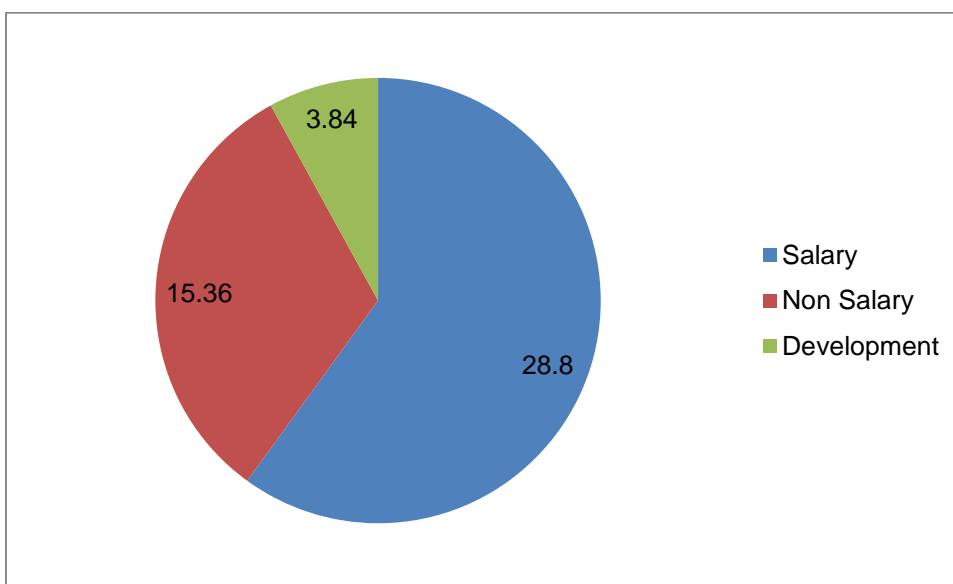
Each Union Councils of District Tando Allahyar consists of Secretary and Administrator. Each UC Tando Allahyar comprises one Drawing and Disbursing Officer i.e. Secretary. The main functions of UCs are as follows:-

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	28.800	28.800	0
Non-salary	15.36	15.36	0
Development	3.840	3.840	0
Total	48.000	48.000	0



As per the Budget Books for the year 2011-12 & 2012-13 of 21 UCs of District Tando Allahyar, the original and final budget was Rs 48.000 million. Against the final budget, total expenditure incurred by the UCs during the financial year 2011-12 & 2012-13 was Rs 48.000 million.

1.2 AUDIT PARAS

1.2.1 Non-production of Record

1.2.1.1 Non-production of Record

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

Further, the Constitutional provision was stressed upon by the Orders of the 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 Tando Allahyar failed to produce relevant record to audit related to new appointments, sanctioned / working strength, salary / contingent bills and bank statements, during the year 2011-12, 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-1,1,1,1,1,1,1,1,1,1,1,1,1,1,1,1,1,1,1,1,1,1,1,1]

1.2.3. Internal Control Weakness

1.2.3.1 Payments through Open Cheques - Rs 14.106 Million

Rule 147 of CTR, states that, “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 Tando Allahyar, made payments of Rs 12.252 million to various suppliers/firms through open cheques instead of crossed cheques, during 2012-13, in violation of above rule. Detail provided in Annexure-C.

Audit was of the view that payments amounting to Rs 14.106 million through open cheques to the suppliers / firms could not be authenticated whether the payment were actually made or otherwise which constituted weak financial management and internal control.

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 Para- 1, 1,1,1,1, 1,1,1,1,1, 1,1,1,1,1,1]

ANNEXURE

Annexure-A

MFDAC

(Amount in Rupees)

Sr. No.	Name of UC	AIR Para No.	Description	Nature of Observation	Amount
1	Began Jarwar	2	Non-deduction of Income Tax	Irregularity	835
2	Bukera Sharif	3	Loss Due to Non- deduction of Sales Tax	Irregularity	11,680
3	Chamber-II	2	Non- achievements of Targeted Receipts	Irregularity	15,000
4	Dad Khan Jarwar	5	Improper-maintenance of Government Cash Book	Irregularity	-
5	Dasori	6	Doubtful Expenditure Because of not Conducting Pre-audit of Bills	Irregularity	97,777
6	Dhinghano Bozdar	8	Non-deduction of General Provident Fund, Benevolent Fund and Group Insurance from the Staff	Irregularity	-
7	Jhando Mari	9	Non- production of Service Books of Staff	Irregularity	-
8	Mirabad	2	Non-deduction of Income Tax	Irregularity	1,088
9	Missan	3	Loss Due to Non-deduction of Sales Tax	Irregularity	2,984
10	Nasarpur	4	Non-achievements of Targeted Receipts	Irregularity	120,000
11	Pak Singhar	5	Improper-maintenance of Government Cash Book	Irregularity	-
12	Piyaro Lund	6	Doubtful Expenditure Because of not Conducting Pre-audit of Bills	Irregularity	104,634
13	Sanjar Chang	8	Non-deduction of General Provident Fund, Benevolent Fund and Group Insurance from the Staff	Irregularity	-
14	Shaikh Moosa	7	Non-production of Service Books of Staff	Irregularity	-
15	Tando Allahyar-II	2	Non-deduction of Income Tax	Irregularity	544

Non-Production of Record

S#	Year	Name of Union Councils, District Tando Allahyar
01	2011-2012	Missan Wadi
02	2011-2012	Tando Soomro
03	2011-2012	Dhinghano Bozdar
04	2011-2012	Tando Allahyar IV
05	2011-2012	Sanjar Channg
06	2011-2012	Piyaro Lund
07	2011-2012	Tando Allahyar II
08	2011-2012	Tando Allahyar I
09	2011-2012	Jhando Mari
10	2011-2012	Nasarpur
11	2011-2012	Pak Singhar
12	2011-2012	Mirabad
13	2011-2012	Dad Khan Jarwar
14	2011-2012	Began Jarwar
15	2011-2012	Dasori
16	2011-2012	Bukera Sharif
17	2011-2012	Tando Allahyar III
18	2011-2012	Chamber I
19	2011-2012	Shaikh Moosa
20	2011-2012	Chamber

Payments Made Though Open Cheques

(Amount in Rupees)

S#	Year	District	Union Council	Amount
01	2012-13	Tando Allahyar	Missan Wadi	744,049
02	2012-13	Tando Allahyar	Tando Soomro	961,048
03	2012-13	Tando Allahyar	Dhinghano Bozdar	413,355
04	2012-13	Tando Allahyar	Tando Allahyar IV	1,023,000
05	2012-13	Tando Allahyar	Sanjar Channng	725,837
06	2012-13	Tando Allahyar	Piyaro Lund	944,652
07	2012-13	Tando Allahyar	Tando Allahyar II	171,306
08	2012-13	Tando Allahyar	Tando Allahyar I	753,112
09	2012-13	Tando Allahyar	Jhando Mari	818,217
10	2012-13	Tando Allahyar	Nasarpur	517,628
11	2012-13	Tando Allahyar	Pak Singhar	626,801
12	2012-13	Tando Allahyar	Mirabad	600,000
13	2012-13	Tando Allahyar	Dad Khan Jarwar	931,676
14	2012-13	Tando Allahyar	Began Jarwar	1,058,872
15	2012-13	Tando Allahyar	Dasori	800,000
16	2012-13	Tando Allahyar	Bukera Sharif	1,101,821
17	2012-13	Tando Allahyar	Chamber II	790,950
18	2012-13	Tando Allahyar	Shaikh Moosa	1,124,017
Total				14,106,341