



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

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**AUDITOR-GENERAL OF PAKISTAN**

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## **ABBREVIATIONS AND ACRONYMS**

ADP	Annual Development Program
CC	Cement Concrete
CCB	Citizen Community Board
CMO	Chief Municipal Officer
CNG	Compressed Natural Gas
CPWD	Central Public Works Department
CTR	Central Treasury Rules
DAC	Departmental Accounts Committee
DGA	Director General Audit
EFW	Earth Filling Work
FD	Finance Department
GFR	General Financial Rules
IPSAS	International Public Sector Accounting Standards
LFA	Local Fund Audit
M&R	Maintenance & Repair
MEFDAC	Memorandum for Departmental Accounts Committee
NTN	National Tax Number
PAO	Principal Accounting Officer
POL	Petroleum Oil and Lubricants
PWD	Public Works Department
S&GAD	Services and General Administration Department
SFR	Sindh Financial Rules
SLGO	Sindh Local Government Ordinance
SPPRA	Sindh Public Procurement Regulatory Authority
SRO	Statutory Rules and Orders
TMA	Taluka / Town Municipal Administration
TMO	Taluka / Town Municipal Officer
TO (F)	Taluka/Town Officer (Finance)
TO (I&S)	Taluka/Town Officer (Infrastructure & Services)
TO (P&C)	Taluka/Town Officer (Planning & Coordination)
TO (R)	Taluka/Town Officer (Regulation)
TS	Technical Sanction
TSE	Technically Sanctioned Estimate

UC	Union Council
GoS	Government of Sindh
NIT	Notice Inviting Tender

## Preface

Articles 169 & 170 (2) of the Constitution of the Islamic Republic of Pakistan, 1973, read with Sections 8 and 12 of the Auditor General (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, require the Auditor General of Pakistan to conduct audit of the receipts and expenditure of the Secretary Local Government Department, Karachi Metropolitan Corporation, Karachi Water & Sewerage Board, Taluka / Town Municipal Administrations and Union Councils.

The report is based on audit of Taluka Municipal Administrations of District Umerkot for the year 2011-12. The Directorate General of Audit Local Councils Sindh, Karachi, conducted audit during 2012-13 on test check basis with a view to reporting significant findings to relevant stakeholders. The main body of Audit Report includes only the systemic issues and audit findings carrying value of Rs 1 million or more. Relatively less significant issues are listed in the Annexure-A of the Audit Report. The Audit observations listed in the Annexure-A shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observation will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

Audit findings indicate need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

The observations included in this Report have been finalized without written responses

The Audit Report is submitted to the Governor of the Sindh in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 116 of the Sindh Local Government Act 2013, for causing it to be laid before the Provincial Assembly of the Sindh.

Islamabad  
Dated:

**(Muhammad Akhtar Buland Rana)**  
**Auditor-General of Pakistan**





## **EXECUTIVE SUMMARY**

The DG Audit, Local Councils, Sindh, Karachi is responsible to carry out the audit of 119 Taluka / Town municipal Administrations. This Directorate General has a human resource of 33 officers and staff, resulting in 2,937 man days and annual budget amounted to Rs 67.096 million for the financial year 2011-12. The office has a mandate to conduct regularity audit (compliance with authority audit) on test check basis with a view to report significant findings to the relevant stakeholders. This office also conduct performance audit of programmes / projects.

Each Taluka Municipal Administration in District Umerkot is headed by a Taluka Administrator and District is headed by Chief Municipal Officer who carries out operations as per Sindh Local Government Ordinance, 1979. Taluka Administrative Officer is the Principal Accounting Officer (PAO) and acts as coordinating and administrative officer and is responsible to control land use, its division and development and to enforce all laws including Municipal Laws, Rules and Bye-laws.

Audit of TMAs District Umerkot was carried out with the view to ascertain that the expenditure was incurred with proper authorization, in conformity with laws, rules, regulations and economy was ensured in procurement of assets and hiring of services and to review, analyze and comment on various Government policies regarding different sectors.

Audit of receipts was conducted to verify that the assessment, collection, reconciliation and allocation of revenue was made in accordance with laws and that there was no leakage of revenue and also that revenue did not remain outside Government account.

### **a. Scope of Audit**

Out of total budget of the District Umerkot for the Financial Year 2011-12, auditable expenditure under the jurisdiction was Rs 572.365 million, out of which an expenditure of Rs 213.472 million which in terms of percentage, was 37%. Total receipts of the TMAs for the financial year 2011-2012 was Rs 4.306 million out of this, an amount of Rs 2.732 million was audited which was 63% of the total amount.

**b. Recoveries at the instance of audit**

Recovery of Rs 2.732 million was pointed out during the audit but no recovery was affected till the time of compilation of this Report. Total recoverable amount of Rs 2.732 million was not in the notice of the executive before audit.

**c. Audit Methodology**

Audit performed through understanding of the business process of TMAs with respect to internal control structure, prioritization of risk areas determining significance and identification of key internal controls. This helped auditors in understanding the systems, procedures, environment, and the audited entity before starting field activity. The audit used intensive application of desk audit techniques facilitated through compiled data and review of permanent files/record. Desk Audit facilitated identification of high risk areas for substantive testing in the field.

**d. Audit Impact**

On the pointation of audit, TMAs have streamlined their work in accordance with rules & regulations and made efforts for realization of outstanding dues.

**e. Comment on Internal Control and Internal Audit Department**

Several loopholes in the internal control system were noticed during the audit years. Major internal control weaknesses have been reported in Chapter-1. Moreover, other internal control weaknesses have been incorporated in Annexure-A.

**f. The key audit findings of the report**

- i. Non-Compliance was noted in 03 cases - Rs 52.149 million.<sup>1</sup>
- ii. Internal Control Weaknesses were noted in 01 cases-R 2.732 million cases.<sup>2</sup>

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<sup>1</sup> Para 1.2.1.1, 1.2.1.2, 1.2.1.3

<sup>2</sup> Para 1.2.2.1

Audit paras for the audit year 2011-12 involving procedural violations including internal control weaknesses and irregularities not considered worth reporting to the PAC are included in MEFDAC (Annexure-A).

**g. Recommendations**

Audit recommends the Taluka Municipal Administrations (TMAs) to focus on the following issues:

- i. Head of the Taluka Municipal Administrations needs to conduct physical stock taking of fixed and current assets.
- ii. The TMA needs to comply with the Public Procurement Rules for economical and rational purchase of goods and services.
- iii. Inquiries need to be held to fix responsibility for fraud, misappropriation, losses, theft and wasteful expenditure.
- iv. The PAO needs to make efforts for expediting the realization of various Government receipts.
- v. The PAO and their teams need to ensure implementation of proper monitoring system.
- vi. The PAO needs to take appropriate action against non-production of record.
- vii. The PAO needs to rationalize their budget with respect to utilization.



## SUMMARY TABLES & CHARTS

**Table 1: Audit Work Statistics**

(Rupees in Million)

<b>Sr.</b>	<b>Description</b>	<b>No.</b>	<b>Budget</b>
1.	Total Entities (PAOs) in Audit Jurisdiction	05	572.365
2.	Total Entities (PAOs) Audited	01	213.472
3.	Audit & Inspection Reports	01	213.472
4.	Special Audit Reports	-	-
5.	Performance Audit Reports	-	-
6.	Other Reports (relating to TMAs)	-	-

**Table 2: Audit observations Classified by Categories**

(Rupees in Million)

<b>Sr.</b>	<b>Description</b>	<b>Amount under audit observation</b>
1	Asset Management	0
2	Financial Management	0
3	Internal controls	2.732
4	Violation of rules	52.149
5	Others	0
<b>Total</b>		<b>54.881</b>

**Table 3: Outcome Statistics**

(Rupees in Million)

Sr.	Description	Expenditure on Acquiring Physical Assets (Procurement)	Salary	Non-Salary	Civil Works	Receipts (Revenue Targets)	Total Current year	Total Last year
1.	Outlays Audited	0	102.446	23.055	53.794	4.306	*183.621	-N/A-
2.	Amount Placed under Audit Observation of Audit	0	0	5.730	46.419	2.732	54.881	-N/A-
3.	Recoveries Pointed Out at the instance of Audit	0	0	0	0	2.732	2.732	-N/A-
4.	Recoveries Accepted /Established at the instance of Audit	0	0	0	0	0	0	-N/A-
5.	Recoveries Realized at the instance of Audit	0	0	0	0	0	0	-N/A-

\*The amount mentioned against serial No. 1 in column of "Total Current Year" is the sum of Expenditure and Receipts whereas the total expenditure is Rs 179.315 million for the current year.

**Table 4: Irregularities pointed out**

(Rupees in Million)

<b>Sr.</b>	<b>Description</b>	<b>Amount Placed under Audit Observation</b>
1	Violation of Rules and regulations and violation of principle of propriety and probity in public operations.	52.149
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	0
3	Accounting Errors (accounting policy departure from NAM <sup>1</sup> , misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	0
4	Quantification of weaknesses of internal control systems.	2.732
5	Recoveries and overpayments, representing cases of establishment overpayment or misappropriations of public monies	0
6	Non-production of record.	0
7	Others, including cases of accidents, negligence etc.	0
<b>Total</b>		<b>54.881</b>

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<sup>1</sup> The Accounting Policies and Procedures prescribed by the Auditor General of Pakistan which are IPSAS (Cash) compliant.





## **CHAPTER-1**

### **1.1 CHIEF OFFICER, DISTRICT COUNCIL AND TALUKA MUNICIPAL ADMINISTRATIONS, UMERKOT**

#### **1.1.1 INTRODUCTION**

As per 1998 population census, the population of District Umerkot is 1.700 million. District Umerkot comprises of on Chief Officer, District Council and Four TMAs namely Umerkot, Kunri, Pithoro & Samaro. Business of TMAs is run through the Administrator, TO (I&S), TO (Finance), TO (P&C) and TO (Regulations) under Sindh Local Government Ordinance, 1979. The functions of TMAs are as following:

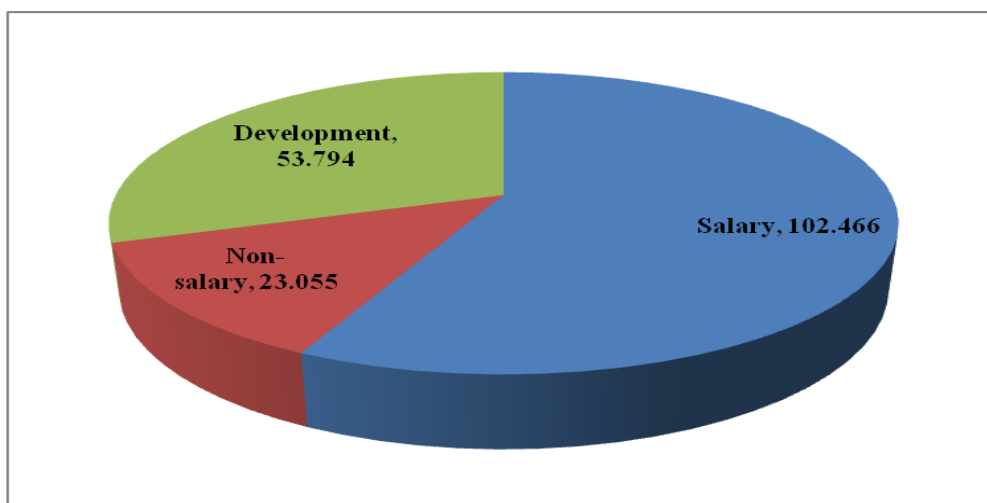
1. Prepare spatial plans for the Town including plans for land use, zoning and functions for which TMA is responsible.
2. Exercise control over land-use, land-subdivision, land development and zoning by public and private sectors for any purpose, including agriculture, industry, commerce markets, shopping and other employment centers, residential, recreation, parks, entertainment, passenger and transport freight and transit stations.
3. Enforce all municipal laws, rules and bye-laws governing TMA's functioning.
4. Prepare budget, long term and annual municipal development programmes in collaboration with the Union Councils.
5. Collect approved taxes, cesses, user fees, rates, rents, tolls, charges, fines and penalties.
6. Manage properties, assets and funds vested in the Town Municipal Administration.
7. Develop and manage schemes, including site development in collaboration with Union Administration.
8. Issue notice for committing any municipal offence by any person and initiate legal proceedings for commission of such offence or failure to comply with the directions contained in such notice.
9. Prosecute, sue and follow up criminal, civil and recovery proceedings against violators of Municipal Laws in the courts of competent jurisdiction.
10. Maintain municipal records and archives.

## 1.1.2 Comments on Budget and Accounts (Variance Analysis)

(Amount in Rupees)

Sr.	Name of TMAs	Nature of Expenditure	Original Grant	Suppl: Grant	Revised/Final Grant	Actual Expenditure	(+) Excess (-) Saving
1	TMA, Umerkot	Salary	128,083,000	0	128,083,000	102,466,400	-25,616,600
		Non-Salary	25,617,000	0	25,617,000	23,055,300	-2,561,700
		<b>Sub-Total</b>	<b>153,700,000</b>	<b>0</b>	<b>153,700,000</b>	<b>125,521,700</b>	<b>-28,178,300</b>
		<b>Development</b>	<b>59,772,000</b>	<b>0</b>	<b>59,772,000</b>	<b>53,794,800</b>	<b>-5,977,200</b>
		<b>Total</b>	<b>213,472,000</b>	<b>0</b>	<b>213,472,000</b>	<b>179,316,500</b>	<b>-34,155,500</b>
		<b>Salary</b>	<b>128,083,000</b>	<b>0</b>	<b>128,083,000</b>	<b>102,466,400</b>	<b>-25,616,600</b>
		<b>Non-Salary</b>	<b>25,617,000</b>	<b>0</b>	<b>25,617,000</b>	<b>23,055,300</b>	<b>-2,561,700</b>
		<b>Non-Development</b>	<b>153,700,000</b>	<b>0</b>	<b>153,700,000</b>	<b>125,521,700</b>	<b>-28,178,300</b>
		<b>Development</b>	<b>59,772,000</b>	<b>0</b>	<b>59,772,000</b>	<b>53,794,800</b>	<b>-5,977,200</b>
		<b>Grand Total</b>	<b>213,472,000</b>	<b>0</b>	<b>213,472,000</b>	<b>179,316,500</b>	<b>-34,155,500</b>

Expenditure 2011-12



Original budget Rs 213.472 million was allocated to TMA Umerkot, under various grants and no supplementary grants/re-appropriation was provided. The revised/final budget of this TMA was Rs 213.472 million. The total expenditure incurred by concerned TMA during 2011-12 was Rs 179.316 million as detailed above.

The Variance analysis of the Revised/Final Grant and Actual Expenditure for the Financial Year 2011-12 depicted that there was a saving of Rs 34.155 million.

### **1.1.3 Brief comments on the status of compliance with PAC Directives**

The audit reports of pertaining to following years have been submitted Governor of Sindh. Detail of PAC meeting is given below:

<b>Audit Year</b>	<b>No. of Paras</b>	<b>Status of PAC Meetings</b>
2011-12	Nil	Nil

As indicated in the above table, no PAC meeting was convened to discuss the audit report of TMAs Umerkot.

## **1.2 AUDIT PARAS**

**Taluka Municipal Administration, Umerkot**

## 1.2.1 Non-Compliance

### 1.2.1.1 Less Allocation of Development Budget for CCB Schemes Rs 32.281 Million

Section 119 for CCB schemes” vide Section 109(6) of SLGO 2001, states that, “The development budget shall be prioritized in accordance with the bottom up planning system as laid down in Section 119 (a) provided that not less than twenty five percent of the development budget”.

TMA, Umerkot, allocated less development funds of Rs 32.281 million, for CCB schemes, during 2011-12, in violation of above rule. Detail is as under:

(Amount in Rupees)

Financial Year	Development Budget	25% Share of Development Budget	CCB Funds Allocation		CCB Funds Less Allocated
			Amount	%	
2011-12	129,125,000	32,281,250	0	0	32,281,250

Audit is of the view that management failed to observe rules for providing 25% of development budget to CCBs which constitute weak financial management.

Non-observance of laid down procedure resulted into less development carried out by CCBs which constitute weak internal control.

The matter was reported during June, 2013 but management failed to provide departmental point of view. The PAO failed to convene the DAC meeting to discuss audit para despite pursuance by audit.

Audit recommends investigation to fix responsibility on account of less allocation provided to CCBs.

[AIR Para: 14]

### 1.2.1.2 Un-authorized Work - Rs 14.283 Million

Directives of Planning & Development Division vide letter No. 21(40)/PIA/PC/200 dated 26th May 2007, states that, “the executing agency should start preparing the revised scheme immediately when it is known that the cost of the scheme is going to rise beyond permissible limit of 15%”.

TMA, Umerkot, executed different development schemes of Rs 19.192 million, during 2011-12, but actual expenditure incurred to Rs 33.475 million resulting into excess expenditure to Rs 14.283 million i.e ranging from 18% to 300% without preparing

revised schemes for fresh tender, in violation of above rule. Detail provided in Annexure-B.

Audit is of the view that incurrence of expenditure in excess of permissible limit provided resulted into unauthorized expenditure which constitutes weak financial management.

Non-observance of laid down procedure constitutes weak internal control.

Matter was reported during June, 2013 but management failed to provide departmental point of view. The PAO failed to convene the DAC meeting to discuss audit para despite pursuance by audit.

Audit recommends fixing responsibility on account of non-preparation of revised schemes.

[AIR Para: 4]

### **1.2.1.3 Non-Transparency in Government Spending - Rs 5.730 Million**

Rule 20 of the Staff Car Rules 1980, as amended in 2001, states that, “The log book, History Sheet, and Petrol Account Register shall be maintained for each official vehicle”.

TMA, Umerkot, incurred expenditure of Rs 5.730 million, during 2011-12, on purchase of POL for official vehicles, but failed to justify expenditure through maintaining of log books, history sheets and petrol consumption account registers were not maintained to justify the expenditure, in violation of the above rule. Detail provided in Annexure-C.

Audit is of the view that expenditure incurred on POL without preparation of log books, history sheets and petrol consumption account resulted into non transparency in spending from public funds and constitutes weak financial management.

The expenditure on POL without preparation of log books which constitutes weak internal control.

Matter was reported during June, 2013 but management failed to provide departmental point of view. The PAO failed to convene the DAC meeting to discuss audit para despite pursuance by audit.

Audit recommends fixing responsibility for incurring expenditure without supporting record and same be prepared to justify the expenditure, under intimation to audit.

[AIR Para: 22]

## **1.2.2 Internal Control Weaknesses**

### **1.2.2.1 Non-Imposition of Penalty - Rs 2.732 Million**

Clause 2 of the contract agreement, states that, “The time frame given for completion of the work is required to be observed and in case of failure/delay, penalty at the rate of 10% may be imposed on the total cost of the work”.

TMA, Umerkot, awarded various works of Rs 27.322 million, during 2011-12, but authority failed to impose penalty @ of 10% an amount of Rs 2.732 million, on account of non-completion of works in stipulated time period, in violation of the above rule. Detail provided in Annexure-D.

Audit is of the view that authority failed to observe imposition of penalty resulting into undue favour to contractor which constitutes weak financial management.

Non-imposition of penalty constitutes weak internal control.

The matter was reported during June, 2013 but management failed to provide departmental point of view. The PAO failed to convene the DAC meeting to discuss audit para despite pursuance by audit.

Audit recommends fixing responsibility on account of non-imposition of penalty, besides, same may be recovered, under intimation to audit.

[AIR Para: 15]



## **ANNEXURES**

**Memorandum for Departmental Accounts Committee (MFDAC) Paras**

(Rupees in Million)

<b>Sr.</b>	<b>Name of Formation</b>	<b>Para No</b>	<b>Title of Para</b>	<b>Amount of Audit Observation</b>
1	TMA Umerkot	16	Expenditure Incurred without Inviting Open Tenders	0.498
2	-do-	17	Non Recovery of Professional Tax	0.165
3	-do-	21	Non-recovery of sales tax	0.787
4	-do-	23	Doubtful expenditure on repair of vehicles	0.634
5	-do-	24	Non-deduction of income tax	0.172

**Annexure-B****Details of Unauthorized Work**

(Amount in Rupees)

<b>S#</b>	<b>F#dt</b>	<b>Name of Work</b>	<b>Amount</b>	<b>Amount Revise</b>	<b>Excess Expenditure</b>	<b>Excess (%)</b>
1	08/08-6-2011	Improvement of Road from Rama peer chowk to Mano Malhi Road,	4,259,000	5,768,162	1,509,162	35%
2	40/08-06-2011	Construction of Road from chatta palli to otaque ks atta palli,	3,656,000	4,323,200	667,200	18%
3	41/08-06-2011	Construction of road from Ibrahim dal to thar tail mori,	3,545,000	7,965,609	4,420,609	125%
4	46/08-06-2011	Construction of road from kunri bodar farm road to soofi nazar,	3,400,000	6234,618	2,834,618	83%
5	44/08-06-2011	Construction of road from kunri bodar farm road to village moosa kalar,	949,000	1,638,000	689,000	73%
6	45/15-06-2011	Construction of road from sadhori road to haji usman shahani,	1083,000	1832,800	749,800	69%
7	241/08-06-2011	Construction of chachro road to master suliman rahimoon,	800,000	3198,000	2,398,000	300%
8	245/08-06-2011	Brick pavement invarious streets, UC umerkot-I,	1,500,000	2,515,000	1,015,000	68%
<b>Total</b>			<b>19,192,000</b>	<b>33,475,389</b>	<b>14,283,389</b>	

### Details of Non-Transparency in Government Spending

(Amount in Rupees)

Bill No.	Date	Name of payee	Name of Item	Amount
Nil	Nil	TMA Fire bridged	POL Charges	716,250
Nil	Nil	-do-	POL Charges	716,250
Nil	Nil	-do-	POL Charges	1,432,500
Nil	Nil	-do-	POL Charges	10,765
Nil	Nil	-do-	POL Charges	35,220
Nil	Nil	Sanitation Vehicles & machines.	POL Charges	1,432,500
Nil	Nil	-do-	POL Charges	21,378
Nil	Nil	Pumps stations	POL Charges	17,370
Nil	Nil	-do-	POL Charges	6,915
Nil	Nil	Vehicle	POL Charges	166,464
Nil	Nil	Vehicles	POL Charges	1,174,388
<b>Total</b>				<b>5,730,000</b>

**Annexure-D****Details of Non-Imposition of Penalty**

(Amount in Rupees)

<b>Sr.</b>	<b>Name of Work</b>	<b>Due date of Completion</b>	<b>Actual Date of Completion</b>	<b>Delay in days</b>	<b>Amount</b>	<b>10 % Penalty</b>
1	Road from session court to khosa muhalla via district accounts office post office Umerkot	24-09-2011	15-06-2012	261	2,357,455	235,746
2	Improvement of Road from teen talwar to zero point,	15-06-2012	10/10/2012	115	9,955,945	995,595
3	Construction of Road from Ibrahim Dal to Thar tail mori,	14-12-2011	26-07-2012	201	7,748,167	774,817
4	Brick pavement in various streets in umerkot town,	22-09-2011	8/2/2012	148	2,483,833	248,383
5	Brick pavement road mohd rahim soomro UC Chhor,	22-09-2011	5/11/2011	46	717,128	71,713
6	Improvement of water supply scheme umerkot town,	14-09-2011	2/3/2012	168	3,509,500	350,950
7	Construction of road from more jhango road to abdul hakim grave yard	24-09-2011	12/2/2012	144	550,580	55,058
<b>Total</b>					<b>27,322,608</b>	<b>2,732,262</b>