

P158769

Received
31/12/2019



**Financial Attest Audit Report
on the Accounts of
Multi-Sectoral Action for Nutrition Project (MSAN)
Nutrition Sensitive Agriculture Project (A4N)
Agriculture Department
Government of Sindh
Sponsored by The World Bank
Grant Account No. TFOA 5202
For the Financial Year 2018-19**

Auditor General of Pakistan Islamabad

PART-II

COVERING LETTER TO THE MANAGEMNET LETTER EXECUTIVE SUMMARY MANAGEMENT LETTER

1. Introduction
2. Audit Objectives
3. Audit Scope and Methodology
4. AUDIT FINDINGS & RECOMMENDATIONS
 - 4.1 Financial management
 - 4.2 Human Resources Management
 - 4.3 Others
 - 4.4 Overall Assessment
5. CONCLUSION

ACKNOWLEDGEMENT

ANNEX: Bank Statement



DEPARTMENT OF AUDITOR GENERAL OF PAKISTAN
OFFICE OF THE DIRECTOR GENERAL AUDIT SINDH
1st Floor, Pakistan Audit & Accounts Complex Gulshan-e-Iqbal,
Block-11, Main University Road, Karachi
Ph: 021-99244751 Fax: 021-34664626

No. DGAS/CS-V/FAP/MSAN/2018-19/

Dated: 13-12-2019

The Project Director,
Multi Sectoral Action for Nutrition,
Bungalow No. F-64, KDA Scheme No.5,
Kehkashan Clifton,
Karachi

SUBJECT MANAGEMNT LETTER IN RESPECT OF THE NUTRITION SENSITIVE
AGRICULTURE PROJECT (A4N), KARACHI

We have recently completed our audit of the financial statements of Nutrition Sensitive Agriculture Project (A4N), Karachi, funded by World Bank Grant agreement TFOA 5202 for the year 30th June, 2019. In planning and performing our audit of the financial statements of the project, we considered internal controls and other issues in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

During our audit, we noted certain matters involving internal controls and other operational matters that are presented in the report for your consideration. These comments and recommendations, all of which have been discussed with the Project Management, are intended to improve internal controls and policies which will result in cost controls and operating efficiencies.


(Fateh Muhammad Qureshi)
Director General

Copy to the Secretary, Agriculture Department, Government of Sindh, Sindh Secretariat, Karachi along with the Financial Attest Audit Report, for information and necessary action.

(Fateh Muhammad Qureshi)
Director General

EXECUTIVE SUMMARY

The Director General of Audit Sindh conducted an audit of the Nutrition Sensitive Agriculture Project, Karachi, in October 2019 for the year ended 30th June 2019. The main objectives of the audit were to express an opinion on financial statements of the Project, to assess whether the Project was managed with due regard to economy, efficiency and effectiveness, to review Project's performance against the intended objectives, to review compliance with applicable rules, regulations and procedures. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI) with the view to reporting significant findings to stakeholders. In addition, audit also assessed, on test check basis whether the management complied with applicable laws, rules and regulations in managing the Project.

During the audit we observed that there was non-utilization of funds and the budget was not prepared as per new chart of accounts. It was also observed that the project was started late and Human Resources were not hired as per PC-I requirement.

Audit recommends that budgeted funds may be fully utilized in order to achieve desired objectives of the project. The audit also recommends that new chart of accounts may be adopted while preparing budget and incurring expenditure, Human Resources may be appointed as per requirement of PC-I in order to achieve goals and objectives of the project

1. INTRODUCTION

The Directorate General Audit, Sindh conducted audit of Nutrition Sensitive Agriculture Project (A4N), Karachi Grant# TFOA 5202 during the month of October 2019 for the year ended June 30th, 2019. The main objectives of the audit were to express an opinion on financial statements of the Project, to assess whether the Project was managed with due regard to economy, efficiency and effectiveness, to review Project's performance against the intended objectives, to review compliance with applicable rules, regulations and procedures. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI).

The Nutrition Sensitive Agriculture Project (A4N) is an initiative of the Agriculture Government Department, Government of Sindh, which has been conceived as an additional component of the Sindh Inter-Sectoral Nutrition Support Program (NSP). The project objective is to improve the quality and diversity of diets in target households through nutrition sensitive agriculture. It will do this by introducing diverse production systems in target households, improving the quality of production, and introducing techniques to store and process food to smoothen consumption.

1.1 Objectives of the Project:

- i. The objective of the project is to improve the quality and diversity of diet through nutrition sensitive agriculture.
- ii. Introducing diverse production system in targeted household, improving the quality of production, and introducing techniques to store and process food to smoothen consumption.
- iii. The project's primary aim is to increase food supply for the producing households, it will provide avenues to poor farming community, landless and women-headed household involved with agriculture including livestock to support in improvement of their nutrition.

1.2 Financing of the Project

To finance the entire program over a period of three years, it is proposed that 13.62 % of the cost may be contributed by Government of Sindh under Annual Development Plan and the 86.38% by the World Bank. Total cost of the project is US \$5.789 million, share of World Bank and share of GoS is USD 5.00 million and USD 0.788 million respectively.

2. AUDIT OBJECTIVES

The major objectives of the audit were:

- Ascertain whether the Project Financial Statements give true and fair picture of project accounts.

- Review project's performance against intended objectives.
- Review compliance with applicable rules, regulations and procedures.

3. AUDIT SCOPE AND METHODOLOGY

Nutrition Sensitive Agriculture Project under Umbrella of Multi-Sectoral Action of Nutrition (MSAN) under grant agreement# TFOA 5202, audit was conducted during the month of October, 2019 for the Period from 11th October, 2018 to 30th June, 2019 in accordance with the International Standards of Supreme Audit Institutions (ISSAI) as adopted by the Auditor General of Pakistan.

The assignment was a certification audit in which samples from areas of expenditure and transactions including procurement, consultation services, operating expenses, recurring cost were selected to ascertain whether the financial Statements of the project give true and fair picture. The accounts have been audited in accordance with the instructions, guidelines issued by the Auditor General of Pakistan. The results of examination have been incorporated in each observation, under the heading "Audit Findings".

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Financial Management

4.1.1 Non-utilization of funds – Rs83.44 million

According to Article 84 of Audit code, it is an essential function of the Audit to bring to light not only cases of clear irregularities but every matter which in its judgment appears to involve improper expenditure or waste of public money or stores, even though the accounts may be in order.

During audit of the accounts of Nutrition Sensitive Agriculture Project (A4N) for financial year 2018-19, it was observed that an amount of Rs 86.630 million was released but Rs 3.19 million was spent during the period resulting non-utilization of funds of Rs 83.44 million. Non-utilization of funds leads to slow achievement of desired results. Details are as under:

(Rs in millions)		
Budget Released	Expenditure during the year	Non-utilization of funds
86.630	3.19	83.44

Audit is of the view that non-utilization of funds could be cause of delay in achievement of desired results of the project.

Audit recommends that all released funds may be utilized in order to achieve desired goals and objectives of the project in stipulated time.

(OM#01)

4.1.2 Non-preparation of budget as per new chart of accounts

According to APPM 17.2.3.6 “All expenditures incurred using an assignment account or PLA 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 or PLA facility”.

During audit of the accounts of Nutrition Sensitive Agriculture Project (A4N) for financial year 2018-19, it was observed that budget was not prepared according to new chart of accounts approved by Auditor General of Pakistan. Entire expenditure in SAP system was booked in one head of account “Others (A12470).

Audit is of the view that non-adherence to chart of accounts in preparation of budget and incurring expenditure is violation of rules.

Audit recommends that chart of accounts approved by AGP may be followed.

(OM#03)

4.2 Human Resources Management

4.2.1 Non-appointing of Human Resources as per PC-I requirement

According to PC-I following staff was required to be appointed for the project:

- i. MP&ER Specialist
- ii. Social Development Specialist
- iii. Fund Manager
- iv. Nutrition Specialist
- v. Training Management Specialist
- vi. Deputy PD

During audit of the accounts of Nutrition Sensitive Agriculture Project (A4N) for financial year 2018-19, it was observed that above mentioned staff was not appointed in violation of the PC-I requirement of human resources.

Audit is of the view that non-appointment of staff could lead to non-achievement of desired goals and objectives of the program.

Audit recommends that compliance to the PC-I may be made with regard to appointment of staff to achieve desired objectives of the project.

(OM#04)

4.3 Others

4.3.1 Late start of project

As per PC-I project was supposed to be commenced on 8th November, 2017 but it was started 11th October, 2018.

During audit of the accounts of Nutrition Sensitive Agriculture Project (A4N) for financial year 2018-19, it was observed that project Nutrition Sensitive Agriculture Project (A4N) was supposed to be started in November, 2017 but it was commenced in October, 2018 which resulted late start of the project about eleven months.

Audit is of the view that late start of the program could cause cost overrun.

Audit requires justification of late start of the program.

(OM#03)

4.4 OVERALL ASSESSMENT

- i. **Relevance:** The project is of critical importance improve the quality and diversity of diet through nutrition sensitive agriculture.
- ii. **Efficacy:** The project is useful in the sense that its objective is to introducing diverse production system in targeted household, improving the quality of production, and introducing techniques to store and process food to smoothen consumption.
- iii. **Efficiency:** The project was started late time overrun can occur.
- iv. **Economy:** As this is the just start of the project and economy of the project will be assessed in coming years.
- v. **Effectiveness:** As this is the just start of the project, effectiveness will be assessed in coming years.
- vi. **Compliance with Rules:** Compliance with rules and regulations was made except deviations as pointed out in the report.
- vii. **Performance Rating of Project:** Satisfactory
- viii. **Risk Rating of Project:** Low

5. Conclusion:

We have recently completed our audit of the financial statements of Project Director, Nutrition Sensitive Agriculture Project (A4N), Karachi for the year ended June 30, 2019. In planning and performing our audit of the financial statements of the project, we considered internal controls and other issues in order to determine various auditing procedures for the purpose of expressing our opinion on the financial statements.

During audit we noticed certain matters involving internal controls and other operational matters that are presented in foregoing paragraphs. These comments and recommendations, all of which have been discussed with Project Management, are intended to improve internal controls and policies, which will result in cost controls and operating efficiencies.

5.1 Key issue for the future:

- i. Non-utilization of funds
- ii. Non-preparation of budget as per chart of accounts
- iii. Late start of project
- iv. Non-appointing of Human Resources as per PC-I requirement

5.2 Recommendations

- i. Budgeted/released funds may be fully utilized in order to achieve desired objective of the project.
- ii. Chart of accounts may be adopted while preparing budget and incurring expenditure.
- iii. Human Resources may be appointed as per requirement of PC-I in order to achieve goals and objective of the project.

ACKNOWLEDGEMENT

We wish to express our appreciation to the Management and staff of Project Director, Nutrition Sensitive Agriculture Project (A4N) Karachi for the assistance and cooperation extended to the auditors during the course of this audit.



THE B.P.

National Bank of Pakistan

INCOME TAX BRANCH 0085

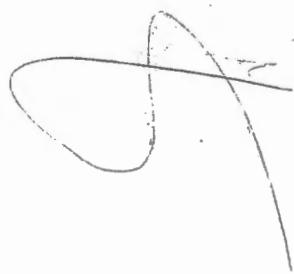
NUTRITION SENSITIVE AGRICULTURE PROJECT GOVT OF SINDH - TF-A5202-PK C/A 4150288647

AS ON

30.06.2019

CHQDATE	CHEQUE/SBP BSC	DATE	DEPOSIT/RECEIPT			PAYMENT WITHDRAWL			BALANCE		
			LETTER NO	PAID BY	PKR	EXCHANGE	USD EQUIVA	PKR	EXCHANGE	USD EQUIVALE	PKR
		NBP	ACTUAL	RATE	NATIONAL	ACTUAL	RATE	(NATIONAL)	ACTUAL	RATE	EQUIVALENT
03.05.2018	NO.BKG.U-10 (ICA)/5494/827-2018	03.05.2018	86,628,300.00	115.5044	750,000.00		115.5044		86,628,300.00		750,000.00
26.04.2019	4133979	02.05.2019				110,738.00	115.5044	958.73	86,517,562.00		749,041.27
26.04.2019	4133980	03.05.2019				89,389.00	115.5044	773.90	86,428,173.00		748,267.36
02.05.2019	4133981	13.05.2019				235,023.00	115.5044	2,034.75	86,193,150.00		746,232.61
15.05.2019	4133987	22.05.2019				39,455.00	115.5044	341.59	86,153,695.00		745,891.02
13.05.2019	4133985	23.05.2019				10,512.00	115.5044	91.01	86,143,183.00		745,800.01
27.05.2019	4133997	31.05.2019				58,321.00	115.5044	504.92	86,084,862.00		745,295.09
27.05.2019	4133993	31.05.2019				662,681.00	115.5044	5,737.28	85,422,181.00		739,557.81
27.05.2019	4133995	31.05.2019				306,440.00	115.5044	2,653.06	85,115,741.00		736,904.75
02.05.2019	4133982*	31.05.2019				42,175.00	115.5044	365.14	85,073,566.00		736,539.61
15.05.2019	4133986	03.06.2019				9,380.00	115.5044	81.21	85,064,186.00		736,458.40
21.05.2019	4133990	13.06.2019				3,900.00	115.5044	33.76	85,060,286.00		736,424.64
22.05.2019	4133991	14.06.2019				22,500.00	115.5044	194.80	85,037,786.00		736,229.84
15.05.2019	4133989	14.06.2019				2,193.00	115.5044	18.99	85,035,593.00		736,210.85
15.05.2019	4133988	14.06.2016				7,080.00	115.5044	61.30	85,028,513.00		736,149.56
23.05.2019	4133992	19.06.2019				470.00	115.5044	4.07	85,028,043.00		736,145.49
12.06.2019	4134002	20.06.2019				41,295.00	115.5044	357.52	84,986,748.00		735,787.97
12.06.2019	4134001	25.06.2019				7,440.00	115.5044	64.41	84,979,308.00		735,723.56
30.05.2019	4133998	25.06.2019				148,709.00	115.5044	1,287.47	84,830,599.00		734,436.08
20.06.2019	4134014	27.06.2019				789,181.00	115.5044	6,832.48	84,041,418.00		727,603.61
20.06.2019	4134010	27.06.2019				307,563.00	115.5044	2,662.78	83,733,855.00		724,940.82
20.06.2019	4134004	27.06.2019				6,320.00	115.5044	54.72	83,727,535.00		724,886.11
21.06.2019	4134015	28.06.2019				181,364.00	115.5044	1,570.19	83,546,171.00		723,315.92
17.06.2019	4134003	29.06.2019				1,112.00	115.5044	9.63	83,545,059.00		723,306.29
30.05.2019	4133999	29.06.2019				26,686.00	115.5044	231.04	83,518,373.00		723,075.25
21.06.2019	4134016	29.06.2019				39,514.00	115.5044	342.10	83,478,859.00		722,733.15
27.05.2019	4133995	29.06.2019				2,270.00	115.5044	19.65	83,476,589.00		722,713.50
27.05.2019	4133994	29.06.2019				9,319.00	115.5044	80.68	83,467,270.00		722,632.82
20.06.2019	4134011	29.06.2019				2,270.00	115.5044	19.65	83,465,000.00		722,613.16
20.06.2019	4134013	29.06.2019				9,486.00	115.5044	82.13	83,455,514.00		722,531.04
30.05.2019	4134000	29.06.2019				8,265.00	115.5044	71.56	83,447,249.00		722,459.48

21.06.2019	4134018	29.06.2019				10,460.00	115,5044	90.56	83,436,789.00		722,368.92
------------	---------	------------	--	--	--	-----------	----------	-------	---------------	--	------------

A handwritten signature, likely belonging to the person whose name is listed in the table above, is written in black ink. The signature is fluid and cursive, appearing to begin with a large 'J' or 'G' and end with a 'Y' or similar flourish.