

**GOVERNMENT OF SINDH  
LOCAL GOVERNMENT AND RURAL DEVELOPMENT  
DEPARTMENT**

**Dated, the 11<sup>th</sup> November, 2004**

**NOTIFICATION**

No.RO(R&C)/Misc/4-20/03/9056 In exercise of the powers conferred by section 191 read with item 13 of part I of the Fifth Schedule of the Sindh Local Government Ordinance, 2001, the Government of Sindh proposes to make the following rules which is hereby published as required by sub section (2) of section 191 of the said ordinance for the information of all persons likely to be affected thereby, and notice is hereby given that objections and suggestions if any with respect thereof, may be sent to the Additional Chief Secretary of Government of Sindh, Local Government Department, Karachi, within a period of seven days of the publication in the official gazette, which shall be taken into consideration after the expiry of the said period:-

**1. Short, Title, Extent and Commencement**

- (1) These rules may be called the Sindh Local Government (Internal Audit) Rules, 2004.
- (2) They shall apply to all District Governments including City Government, Taluka and Town Municipal Administration here in after referred to as the council.
- (3) They shall come into force at once.

**2. Definitions :-** In these rules, unless there is anything repugnant to the subject or context:-

- (1) **“Audited Entity”** means an office or organization of a Local Government;
- (2) **“Control”** means the policies, procedures, practices and organizational structures in place, designed to provide reasonable assurance that the objectives of a Local Government are achieved effectively and efficiently and to avert detect and correct undesirable events well in time;
- (3) **“Control Risk”** includes the risk of an error that could be material, individually or in combination with other errors, is

not prevented or detected and corrected within the timeframe specified for such correction by the internal control system;

- (4) **“Control Systems”** includes the controls established and maintained by a Local Government for an audited entity defined in these rules to collect, record and process data and report the resulting information;
- (5) **“Economy”** means acquiring resources at the competitive lowest cost without compromising the quality with records to the objective of a Local Government;
- (6) **“Efficiency”** means the relationship of inputs to outputs in terms of optimum utilization of resources.
- (7) **“Executive”** includes all officers of a Local Government who have been assigned to discharge the respective affairs of a Local Government;
- (8) **“Governance”** means a leadership process through which the Executives set and oversee implementation of the policies, designed to achieve better performance of functions and ensure accountability.
- (9) **“Government Organizations”** means all administrative departments and sub ordinate offices under the direct or indirect control of the Government;
- (10) **“Internal Audit”** means an independent and objective assurance, appraisal and consulting activity designed to add value and improve the operations of a Local Government to achieve the objectives of its policy by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes;
- (11) **“Internal Auditor”** means the Internal Auditor appointed to conduct internal audit of an audited entity under these rules;
- (12) **“Ordinance”** means the Sindh Local Government Ordinance 2001;
- (13) **“Principal Accounting Officer”** includes District Coordination Officer in the case of a District or City Government, Taluka and Town Municipal Officer in the case

of a Taluka and Town Municipal Administration, and any other officer authorized to exercise the powers of the Principal Accounting Officer;

- (14) **“Quality Services and Standards Office”** means the Office working under the control of Internal Auditor and responsible for conducting internal audit and other ancillary functions as specified in these rules.
- (15) **“Risk”** means the degree to which operations of a Local Government are exposed to breaches in ethics, financial indiscipline or loss, inappropriate disclosure of data or ineffective use of resources and includes an act or event which would have an adverse effect on Local Government office and its systems.
- (16) **“Risk Management”** means systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, acting on and communicating risk issues and includes designing and implementing strategic plans and processes to manage risk issues at a level acceptable to a Local Government;

**3. Appointment, Qualification, Terms and Conditions of Service of the Internal Auditor:**

- (1) The Nazim of each District or City District Government and Taluka and Town Administration, as the case may be, may appoint any person as Internal Auditor having such qualifications, in such manner and on such terms and conditions as may be determined by Government on the recommendation of council concern;
- (2) The qualifications, pay and allowances, tenure in office and other terms and conditions of service of the Internal Auditor shall be prescribed by the Government on the recommendation of the Council;
- (3) The Internal Auditor and his staff shall be the employees of the Local Government concerned.
- (4) The Internal Auditor shall not hold another office in a Local Government, in which he serves as head of the quality services and standard offices, except where the holding of the additional office would not compromise the discharge of functions as an Internal Auditor;

- (5) The employees of the Quality Services and Standards Office shall receive instructions from Internal Auditor only, who shall be responsible to the Principal Accounting Officer, Nazim and the Council;
- (6) The Internal Auditor shall not be removed or suspended except with the approval of the Council;

#### **4. Professional Independence and Objectivity**

- (1) The internal auditor shall serve as the principal support officer to the Nazim concerned and shall provide information and make recommendation to the Principal Accounting Officer, Nazim, council and heads of the audited entities;
- (2) The internal Auditor shall have direct access to the Nazim and the Principal Accounting Officer in the discharge of his assigned functions;
- (3) The scope of work of the Internal Auditor shall include a broad range of advisory services, gathering information on all functions of the Local Government, including evaluation of design and systems of organization and formulation of advice with the objective to build quality and ensure timely delivery of services;
- (4) The opinions, views, assessment, valuation and recommendations of the Internal Auditor shall be an advisory and consulting activity, designed to add value and improve the operations of the Local Government and shall be given due consideration and weight while taking corrective measures/actions;
- (5) The Internal Auditor shall discharge all functions, and act in accordance with the provisions of the Ordinance and these rules without any outside influence. The independence and professional work of the Internal Auditor and his staff shall not be subject to interference, obstruction and scrutiny by any executive authority of the Local Government;
- (6) The professional work of the Internal Auditor shall be based on objective criteria and he shall perform his professional work impartially and fairly.

- (7) The Internal Auditor and his office shall not interfere in the functioning of the a Local Government and any other office or body;

## **5. Guidelines**

- (1) The Internal Auditor shall help the Local Government to accomplish all its major policy objectives by bringing systematic and discipline approach to the process of evaluation to improve the effectiveness of risk management control systems and governance processes;
- (2) The Internal Auditor may issue appropriate guidelines, strictly consistent with the provisions of the ordinance and these rules and such guidelines may include advice on modifications of existing systems and procedures, introduction of new systems, procedures, and forms for carrying out the purposes of these rules;
- (3) The Nazims may, with the approval of the Council, enlarge or restrict the scope of the objectives, or change, amend, alter, vary or modify the systematic and disciplined approach for the required evaluation and improvement of the effectiveness of risk management, control and governance processes;

## **6. Obligation to conduct Internal Audit**

- (1) The internal audit shall be a continuous management function of a Local Government.
- (2) Subject to restrictions imposed in respect of clarified or secret information, the Internal Auditor shall have access at all reasonable times to relevant documents, minutes, files, books, papers, accounts and vouchers of the Local Government offices and shall be entitled to obtained from the executives such information and explanations which are necessary for the performance of his functions.
- (3) The Quality Services and Standards Office shall be responsible for the safety of the records and its custody ensuring that it is not destroyed, mutilated, damaged or tampered with in any manner.

**7. Functions, Duties and Responsibilities of the Internal Auditor:**

- (1) The Internal Auditor shall examine, *inter alia*, whether the audited entity is provided with-
  - i. mechanisms to ensure compliance with the policies, laws, rules and regulations and effective systems of internal control to achieve its objectives;
  - ii. strategies to manage risks and measures to manage resources economically, efficiently, and effectively;
  - iii. procedures to safeguard the assets of the Local Government;
  - iv. reliable information systems including that of accounting information and financial management;
  - v. mechanisms to prevent and detect fraud, abuse and waste of public resources;
  - vi. effective procedures for the rectification of deficiencies in the operations and systems of the Local Government identified by the Internal Auditor;
  - vii. mechanisms for citizens participation in performance evaluation of Local Government; and
  - viii. mechanisms for redressal of the grievance of the citizens in accordance with section 188 of the Ordinance.
  
- (2) Without prejudice to the generality of the above, the functions of the Internal Auditor include:-
  - i. evaluation of adherence to laws regulations and approved policies and procedures;
  - ii. evaluation of the institutional processes, including human resource management, information flows, office accountability mechanisms of a Local Government to safeguard resources against fraud, waste abuse and mismanagement;

- iii. reviewing of systems of internal control and evaluate systems and processes of the Local Government and making recommendations for improvements to promote orderly, economical, efficient and effective operations. towards improvements;
- iv. investigation of specific matters as directed by the Nazim or as recommended by the Council;
- v. using citizen based inputs concerning service delivery, institutional processes and actual performance;
- vi. interaction with other stakeholders to update performance indicators and standards of service delivery; and
- vii. any other ancillary task assigned by the Nazim or Council.

(3) The Internal Auditor shall ensure that-

- i. the internal audit is conducted in a manner consistent with the highest Ethical Standards;
- ii. the Nazim and the principal Accounting Officer of a Local Government as the Audited Entity are fully and currently informed concerning frauds, abuses and deficiencies relating to the implementation of polices administered or financed by the Audited Entity and shall recommend corrective actions concerning such problems, abuses, deficiencies and report on the progress made in this regard.

## **8. Reporting**

- (1) The Internal Auditor shall present an Annual Report on the performance of his office to the Nazim with a copy to the Council.
- (2) The Internal Auditor shall, according to the annual audit programme, conduct detailed internal audits of selected offices and present his findings through periodic reports to the Nazim with a copy to the Council.

**9. Follow-Up on the reported findings.**

- (1) Not later than two months after an internal audit report is issued, the Internal Auditor shall follow-up on reported findings in order to ascertain whether the corrective action were taken, and the desired results have been achieved or not.
- (2) The Quality Services and Standards Office shall inform the Nazim and the Principal Accounting Officer on the status of the follow-up on the supervision of the programme, activity, function or organizational unit audited.
- (3) If a follow-up report is issued, the Internal Auditor shall submit the report to the Nazim as well as the Principal Accounting Officer.
- (4) The follow-up report shall be provided upon request to any legislative, executive, judicial body, or and external auditor after approval by the Nazim.

**10. Access of Information to Public:**

- (1) Audit working papers and reports shall be public records to the extent that they do not include information specifically made confidential pursuant to laws in force.
- (2) Nothing in this rule shall be construed to authorize the public disclosure of information specifically prohibited from disclosure by any law or relating to an ongoing criminal investigation.

**11. Duties and Responsibilities of the Nazims and the Principal Accounting Officer in Respect of Internal Audit**

- (1) The Nazim and the Principal Accounting Officer of a Local Government shall take measures to restructure the existing inspection, monitoring and evaluation functions of the respective Local Government on the recommendations of the Internal Auditor, provided such restructuring is consistent with the laws and rules in force.
- (2) The Nazim and the Principal Accounting Officer shall ensure that the rights and privileges granted to the Internal Auditor

under these Rules are not infringed upon by an act of any officer or staff under their administrative control.

- (3) Any person hindering or obstructing the work of Quality Services and Standards Office in the performance of its functions or denying or willfully delaying access to information required by the Quality Services and Standards Office under these Rules shall be subject to action under the relevant law for the time being in force.

## **12. Reporting a Criminal Offense**

In the event that the internal audit of an Organization raises a basis to believe that a criminal offence has been committed, the Quality Services and Standards Office shall bring the matter to the notice of the Principal Accounting Officer and the Nazim without delay.

**Secretary to Government of Sindh**