



**AUDIT REPORT  
ON THE ACCOUNTS OF  
ASSISTANT DIRECTOR LOCAL  
GOVERNMENT, ELECTION & RURAL  
DEVELOPMENT DEPARTMENT AND  
SELECTED UNION COUNCILS**

**DISTRICT ABBOTTABAD  
KHYBER PAKHTUNKHWA**

**AUDIT YEAR 2015-16**

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**AUDITOR GENERAL OF PAKISTAN**

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## ABBREVIATIONS AND ACRONYMS

AP	Advance Para
DAC	Departmental Accounts Committee
DDO	Drawing and Disbursing Officer
GFR	General Financial Rules
LGA	Local Government Act
LGE&RDD	Local Government Election & Rural Development Department
MFDAC	Memorandum for Department Accounts Committee
MRC	Medical Reimbursement Claim
NAM	New Accounting Model
PAC	Principal Accounting Officer
PAO	Principal Accounting Officer
RDA	Regional Directorate Audit
UCs	Union Councils

## **Preface**

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections-8 and 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 and Section 168 of Local Government Act 2012 require the Auditor-General of Pakistan to conduct audit of the receipts and expenditure of Local Fund of Union Councils and Assistant Director Local Government.

The report is based on audit of the accounts of Assistant Director Local Government & Rural Development Department Abbottabad and 15 Union Councils of District Abbottabad for the Financial Year 2014-15. The Directorate General of Audit, District Governments, Khyber Pakhtunkhwa, Peshawar conducted audit on test check basis during 2015-16 with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and significant audit findings. Relatively less significant issues are listed in the Annexure-1 of the Audit Report. The Audit observations listed in the Annexure-1 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 Public Accounts Committee through the next year's Audit Report.

Audit findings indicate the 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 in the light of written replies of the Departments. DAC meetings could not be convened despite repeated requests.

The Audit Report is submitted to the Governor of Khyber Pakhtunkhwa in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 168 of Khyber Pakhtunkhwa Local Government Act 2012 to be laid before appropriate legislative forum.

**Islamabad**  
**Dated:**

**(Rana Assad Amin)**  
**Auditor General of Pakistan**

## **EXECUTIVE SUMMARY**

The Directorate General Audit, District Governments, Khyber Pakhtunkhwa, Peshawar, is responsible to conduct the audit of all Assistant Directors Local Government & Rural Development Department and Union Councils. Its Regional Directorate of Audit Abbottabad has audit jurisdiction of Assistant Director Local Government & Rural Development Department and UCs of six Districts i.e. Abbottabad, Haripur, Mansehra, Battagram, Kohistan and Tor Ghar.

The Regional Directorate has a human resource of 12 officers and staff, constituting 3,012 man days and a budget of about Rs 15.840 million was allocated to the Directorate during Audit Year 2015-16. It has the mandate to conduct financial attest audit, audit of sanctions, audit of compliance with authority and audit of receipts as well as the performance audit of entities, projects and programs. Accordingly, Regional Director Audit Abbottabad carried out audit of the accounts of Assistant Director Local Government & Rural Development Department and 15 UCs and audit findings included in the Audit Report.

Assistant Director Local Government & Rural Development Department and UCs District Abbottabad perform their operations under Khyber Pakhtunkhwa Local Government Act 2012. Administrative Secretary i.e. Secretary Local Government and Rural Development Department, Khyber Pakhtunkhwa is the Principal Accounting Officer for these local bodies. According to financial provisions of the Act the Secretary Local Government and Rural Development Department, Khyber Pakhtunkhwa authorizes the Annual Budget Statement for these local bodies in the form of budgetary grants.

### **a. Scope of audit**

There are 92 Union Councils in two Tehsils of District Abbottabad out of which the accounts of 15 Councils were examined in detail. These Union Councils were selected for detailed audit by excluding the last year audited entities, on the basis of random sample keeping in view the available man days. The details are as follows:

Out of the total expenditure of the Assistant Director Local Government & Rural Development Department and 15 UCs, District Abbottabad for the Financial Year 2014-15, the auditable expenditure under the jurisdiction of RDA was Rs30.809 million. Out of this, RDA Abbottabad audited an expenditure of Rs20.026 million which, in terms of percentage, was 65% of auditable expenditure.

The receipts of 15 Union Councils District Abbottabad, for the Financial Year 2014-15, were Rs 2.673 million. Out of this, RDA Abbottabad audited receipts of Rs 0.721 million which, in terms of percentage, was 27 % of auditable receipts.

The total expenditure and receipts of Assistant Director Local Government & Rural Development Department and 15 UCs, District Abbottabad, for the Financial Year 2014-15 were Rs33.482 million. Out of this, RDA Abbottabad audited the expenditure and receipts of Rs20.747 million.

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

Recoveries of Rs 0.029 million were pointed out during the audit, However, no recovery was affected till finalization of this report.

**c. Audit Methodology**

Audit was conducted after understanding the business processes of Assistant Director Local Government Abbottabad and Union Councils with respect to their functions, control structure and key controls. This helped auditors in understanding the systems, procedures, environment, and the audited entity before starting the audit. Audit used desk audit techniques for analysis of compiled data and review of actual vouchers called for scrutiny and substantive testing in the Regional Directorate of Audit Abbottabad.

**d. Audit Impact**

Audit pointed out various irregularities of serious nature to the management. However, no impact was visible as the management failed to reply and the irregularities could not come to the light in the proper forum, i.e. DAC.

**e. Comments on Internal Control and Internal Audit department**

The purpose of internal control system is to ensure effective operation of an organization. It consists of measures employed by the management to achieve objectives, safeguard assets, ensure accuracy, timeliness and reliability of financial and accounting information for decision making.

One of the basic component of Internal Control System, as envisaged under Para 13 of GFR Volume-I, is Internal Audit which was not in place in the domain of Assistant Director Local Government & Rural Development Department and UCs District Abbottabad.

**f. Key audit findings of the report;**

- i. Irregularity & Non-compliance of Rs 66.2 million were noted in three cases<sup>1</sup>.

**g. Recommendations**

- i. Corrective actions need to be taken to stop the practice of violation of rules and regulations while spending the public money.
- ii. Internal controls in all areas, i.e. budgeting, financial, managerial, operational, administrative and accounting need to be strengthened at ADLGE&RD level as well as Union Council level, to pre-empt the reported lapses and to ensure that fair value for money is obtained in public spending.

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

## SUMMARY TABLES & CHARTS

**Table 1: Audit Work Statistics**

(Rs in million)			
S. No	Description	No.	Budget
1	Total Entities (PAOs) in Audit Jurisdiction	01	33.482
2	Total formations in audit jurisdiction	92	-
3	Total Entities(PAOs) Audited	01	20.747
4	Total formations Audited	16	20.747
5	Audit & Inspection Reports	1	20.747
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

**Table 2: Audit Observations classified by Categories**

(Rs in million)		
S. No.	Description	Amount Placed under Audit Observation
1.	Unsound asset management	-
2.	Weak financial management	56.401
3.	Weak Internal controls	0.029
4.	Others	9.770
	<b>Total</b>	<b>66.200</b>



**Table 3: Outcome Statistics**

(Rs in million)

S. No	Description	Expenditure on Acquiring Physical Assets Procurement	Civil Works	Receipts	Others	Total For the year 2014-15	Total for the year 2013-14
1.	Outlays Audited	-	-	2.673	30.809	33.482	28.232
2.	Amount Placed under Audit Observation / Irregularities of Audit	-	-	-	66.200	66.200	25.389
3.	Recoveries Pointed Out at the instance of Audit	-	-	-	0.029	0.029	0.075
4.	Recoveries Accepted /Established at the instance of Audit	-	-	-	-	-	-
5.	Recoveries Realized at the instance of Audit	-	-	-	-	-	-

**Note:** The outcome figures reported for the year 2013-14 pertains to the Ten (10) Union Councils audited last year. Since the PAO is the same therefore, these amounts have been included here to show cumulative effect against the PAO.

**Table 4: Irregularities pointed out****(Rs in million)**

<b>S. No</b>	<b>Description</b>	<b>Amount Placed under Audit Observation</b>
1	Violation of Rules and regulations, principle of propriety and probity in public operation	66.200
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	-
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.	-
4	Quantification of weaknesses of internal control systems.	-
5	Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies	0.029
6	Non-production of record	-
7	Others, including cases of accidents, negligence etc.	-
	<b>Total</b>	<b>66.229</b>

**Table 5: Cost benefit Ratio****(Rs in million)**

<b>S #</b>	<b>Description</b>	<b>Amount</b>
1	Outlays Audited (item 1 of Table 3)	30.809
2	Expenditure on audit	0
3	Recoveries realized at the instance of audit	0
	Cost-Benefit Ratio	1:0

## CHAPTER-1

### 1.1 Administrator Union Councils District Abbottabad

#### 1.1.1 Introduction

District Abbottabad has two Tehsils i.e. Abbottabad & Havelian. There is an Assistant Director Local Government & Rural Development Department and 92 Union Councils. Each Union Council has a Secretary. Assistant Director Local Government & Rural Development Department is Drawing and Disbursing Officer (DDO) for his office and union councils of the District Abbottabad. According to 1998 population census, the population of District Abbottabad is 977,212.

#### 1.1.2 Comments on Budget and Accounts (variance analysis)

An amount of Rs 87.210 million was allocated as budget by the Provincial Government to Assistant Director Local Government & Rural Development Department and 15 Union Councils of District Abbottabad. Receipts of Rs 2.673 million were realized during the Financial Year 2014-15. Thus making a total of Rs 89.883 at the disposal of local councils, against which an expenditure of Rs 30.809 million was incurred by Assistant Director Local Government & Rural Development Department and 15 Union Councils with a saving of Rs 56.401 million during Financial Year 2014-15. Detail is given below:

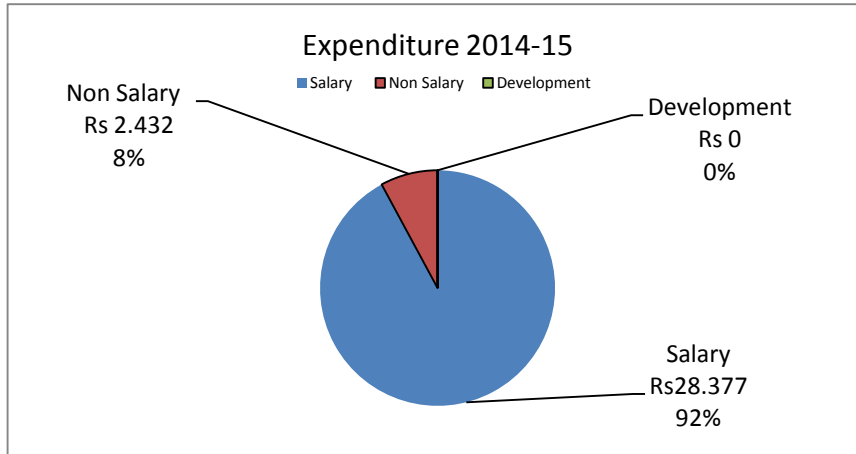
**(Rs in million)**

<b>Period</b>	<b>Particulars</b>	<b>Budget</b>	<b>Expenditure</b>	<b>Excess/(Saving)</b>
2014-15	Salary	81.712	28.377	(53.335)
	Non Salary	5.498	2.432	(3.066)
	Developmental	0	0	0
	<b>Total</b>	<b>87.21</b>	<b>30.809</b>	<b>(56.401)</b>
	Receipts		2.673	0
	<b>G. Total</b>	<b>88.692</b>	<b>30.809</b>	<b>(56.401)</b>

The huge savings of Rs 56.401 million in all heads of accounts indicate weakness in the capacity of these local institutions to utilize the amounts allocated.

## Expenditure 2014-15

(Rs in million)



### 1.1.3 Brief comments on the status of Compliance with PAC/ZAC Directives

The audit reports on the accounts of Assistant Director Local Government & Rural Development Department and Union Councils Abbottabad under LGA 2012, have not yet been discussed in PAC.

## **1.2 AUDIT PARAS AD LG&RDD ABBOTTABAD**

### **1.2.1 Irregularities & non compliance**

#### **1.2.1.1 Non surrender of savings Rs 56.401 million**

According to Para 95 of GFR Vol-I all anticipated savings should be surrendered to Government well before close of financial year. No savings should be held in reserve for possible future excesses.

Assistant Director Local Government & Rural Development Department, Abbottabad was allocated with a budget of Rs 87,210,000 under the head Salary and Non-Salary as per detail below:

<b>Period</b>	<b>Particulars</b>	<b>Budget</b>	<b>Expenditure</b>	<b>Excess/(Saving)</b>
2014-15	Salary	81.712	28.377	(53.335)
	Non Salary	5.498	2.432	(3.066)
	Developmental	0	0	0
	<b>Total</b>	<b>87.21</b>	<b>30.809</b>	<b>(56.401)</b>

However, the local office could not utilize 63.592% of the allocated budget, i.e. an amount of Rs 56,401,386 was unspent. Moreover, the local office did not surrender the saving amount in light of Government instructions.

Audit observed that un-realistic budgeting and non surrender of saving occurred due to weak financial control which resulted in violation of Government instructions.

When pointed out in March, 2016 management submitted no reply. The saving should have been surrendered well in time.

Request for convening of DAC meeting was made in April 2016, which was not convened till finalization of this report.

Audit suggests investigating the matter for fixing responsibility and action against the person(s) at fault.

AP # 143/ 2014-15

### **1.2.1.2 Blockage of Government Fund amounting to Rs 9.770 million**

According to Chapter VIII, Para 88 Functions of the Union Councils Clause (1) sub clause (a) the functions of the Union Council shall be to approve the annual development plan and budgetary proposals of the Union Administration.

The Administrator/ Secretaries Union Councils working under the administrative control of Assistant Director Local Government & Rural Development Department, Abbottabad collected Rs 9,769,680 revenue from other sources i.e. Birth Certificate, Death Certificate and marriage certificate etc. The Local office neither planned developmental activities nor utilized the funds. Hence the community was deprived from the benefits of basic facilities. Detail is given at Annexure-2.

Audit observed that non utilization of funds occurred due to poor management which resulted in depriving the public from their basic facilities.

When pointed out in March, 2016 management stated that the matter would be investigated. Further due to non availability of Technical Staff the developmental activities were not started. Reply was not valid, funds were unnecessary blocked and were not utilized as per financial plan.

Request for convening of DAC meeting was made in April 2016, which was not convened till finalization of this report.

Audit suggests investigating the matter for fixing responsibility and action against the person(s) at fault.

AP # 88/ 2014-15

### **1.2.1.3 Non deposit of taxes amounting to Rs 28,894**

Para 8 and 26 of the General Financial Rules Volume I require each administrative department to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury.

The Administrator/ Secretaries Union Councils working under the administrative control of Assistant Director Local Government & Rural Development Department Abbottabad deducted Rs 28,894 on account of income tax and sales tax from various contractors/firms during 2014-15. The amount so deducted was still lying in the designated account of concerned UCs instead of depositing into Government Treasury under proper head of accounts. Detail is given below:

S.No	Description	Union Council	Amount (Rs)
1.	Hot & Cold charges	Central Urban	3,555
2.	-do-	Kandal	3,550
3.	-do-	Baldher	2,871
4.	-do-	Kakul	3,550
5.	Computer Set	Central Urban	3,780
6.	Hot & Cold charges	Central Urban	4,488
7.	-do-	Shekh Ul Bandi	3,550
8.	-do-	Dalola	3,550
<b>Total</b>			<b>28,894</b>

Audit observed that non deposit of taxes occurred due to lack of managerial and financial control which resulted in loss to Government.

When pointed out in March, 2016 Management stated that the amount would be deposited into Government Treasury. Reply was not convincing as no progress regarding deposit of income tax was shown to audit till finalization of this report.

Request for convening of DAC meeting was made in April 2016, which was not convened till finalization of this report.

Audit suggests deposit of income tax into proper head of accounts and action against the person (s) at fault.

AP # 86/ 2014-15

## ANNEXURES

### Annexure-1

#### Detail of MFDAC Paras

(Rs in million)

S.No	AP No.	Gist of Para	Amount
01.	87	Irregular and doubtful drawl on account of MRC amounting to	0.107



**Annexure-2****Detail of blockage of Fund****(Amount in Rs)**

<b>S.No.</b>	<b>Name of UC</b>	<b>Amount</b>
1.	Lora	1,115,825
2.	Sherwan	1,488,144
3.	Sheikh Ul Bandi	531,137
4.	Havelian	742,163
5.	Chamand	744,978
6.	Namli Mera	587,876
7.	Nathia Gali	704,698
8.	Bagh	755,941
9.	Kakul	564,829
10.	Baldher	41,410
11.	Dalola	290,285
12.	Central Urban	302,396
13.	Nawansher Urban	926,717
14.	Kathwal	583,143
15.	Pawa	390,138
<b>Total</b>		<b>9,769,680</b>