



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

**DISTRICT CHARSADE  
KHYBER PAKHTUNKHWA**

**AUDIT YEAR 2015-16**

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**AUDITOR GENERAL OF PAKISTAN**

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## ABBREVIATIONS AND ACRONYMS

|           |  |
|-----------|--|
| AD LG&RDD | Assistant Director Local Government & Rural Development Department |
| AD        | Assistant Director   |
| AP        | Advance Para   |
| CTR       | Central Treasury Rules   |
| DAC       | Departmental Accounts Committee                                    |
| DDO       | Drawing and Disbursing Officer                                     |
| DG        | Director General   |
| GFR       | General Financial Rules  |
| MFDAC     | Memorandum for Departmental Accounts Committee                     |
| PAC       | Public Accounts Committee  |
| PAO       | Principal Accounting Officer                                       |
| RDA       | Regional Directorate of Audit                                      |
| SAP       | System Application Product   |
| UAs       | Union Administration   |
| UCs       | Union Councils   |
| ZAC       | Zilla Accounts Committee   |

## **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) 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 AD LG & RDD.

The report is based on audit of the accounts of Assistant Director Local Government Department, District Charsadda 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.

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 without written replies of the department. DAC meeting 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 of Audit, District Governments, Khyber Pakhtunkhwa, Peshawar, a Field Audit Office of the Auditor General of Pakistan is responsible to conduct the audit of all District Governments in Khyber Pakhtunkhwa, Assistant Director Local Government & Rural Development. Its Regional Directorate of Audit Peshawar has audit jurisdiction of District Governments, AD Local Government and Rural Development and UAs of three Districts i.e. Peshawar, Charsadda and Nowshera.

The Regional Directorate of Audit Peshawar has a human resource of 10 officers and staff, constituting 2510 man-days. A budget of Rs 14.799 million was allocated during the Audit Year 2015-16. The Regional Directorate of Audit Peshawar 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 Peshawar carried out audit of the accounts of the Assistant Director, Local Government Charsadda for the Financial Year 2014-15 and the findings included in the Audit Report.

Assistant Director Local Government and Rural Development Department District Charsadda conduct 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 of the Municipal Committees and the Deputy Commissioner is the Principal Accounting Officer of the Union Councils. Financial provisions of the Act describe the Local Government as District Councils, Municipal Committees and Union Councils Local Fund and Public Account for which Annual Budget Statement is authorized by the Secretary LG&RDD Government of Khyber Pakhtunkhwa, Peshawar in the form of budgetary grants.

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

There are 49 Union Councils in three Tehsil of District Charsadda out of which the accounts of 05 Union Councils i.e. MC-I Charsadda, MC-IV Charsadda, UC Tarnaw, UC Dheri Zardad and UC Torangzai were examined in detail. These Union Councils were selected for detailed audit on the basis of random sample keeping in view the available man days.

Out of the total expenditure of the Assistant Director Local Government & Rural Development Department and 49 Union Councils, Charsadda for the Financial Year 2014-15, the auditable expenditure under the jurisdiction of RDA was 31.094 million. Out of this, RDA Peshawar audited an expenditure of Rs 12.437 million which, in terms of percentage, was 40 % of auditable expenditure.

The receipts of 05 UCs District Charsadda for the Financial Year 2014-15, were Rs 0.176 million. Out of this, RDA Peshawar audited receipts of Rs 0.112 million which, in terms of percentage, was 64% of auditable receipts.

The total expenditure and receipts of Assistant Director Local Government and Union Councils, District Charsadda, for the Financial Year 2014-15 were Rs 31.270 million. Out of this, RDA Peshawar audited the expenditure and receipts of Rs 12.549 million.

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

Recovery of Rs 2.547 million was pointed out during the audit. However, no recoveries were affected till the finalization of this report. Out of the total recoveries Rs 0.035 million was not in the notice of the executives before audit.

#### **c. Audit Methodology**

Audit was conducted after understanding the business processes of Assistant Director Local Government Office 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.

#### **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, ensures accuracy, timeliness and reliability of financial and accounting information for decision making.

Another basic component of Internal Control System, as envisaged in Para 13 of GFR Volume-I, is internal audit which was not found in place in the domain of Assistant Director LG&RDD.

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

- i. Non production of record was pointed in one case Rs 29.960 million<sup>1</sup>
- ii. Irregularities & non-compliance of Rs 2.252 million were noted in one case.<sup>2</sup>
- iii. Internal Control weaknesses of Rs 65.478 million were noted in three cases.

**g. Recommendations**

- i. Record may be produced to audit besides action against the person (s) at fault
- ii. Corrective actions need to be taken to stop the practice of violation of rules and regulations while spending the public money.
- iii. Internal controls in all areas i.e. financial, managerial, operational, administrative and accounting need to be strengthened at AD LG&RDD level to pre-empt the reported lapses and fair value for money is obtained from public spending.

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<sup>1</sup> 1.2.1.1

<sup>2</sup> 1.2.2.1

<sup>3</sup> 1.2.3.1, 1.2.3.2, 1.2.3.3

## SUMMARY TABLES & CHARTS

**Table 1: Audit Work Statistics**

| (Rs in million) |   |     |        |
|-----------------|---|-----|--------|
| S.No            | Description                                 | No. | Budget |
| 1               | Total Entities (PAOs) in Audit Jurisdiction | 01  | 31.270 |
| 2               | Total formations in audit jurisdiction      | 01  | 31.270 |
| 3               | Total Entities(PAOs) Audited                | 01  | 12.549 |
| 4               | Total formations Audited                    | 01  | 12.549 |
| 5               | Audit & Inspection Reports                  | 01  | 12.549 |
| 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 | 2.252                                 |
| 3.              | Weak Internal controls    | 65.478                                |
| 4.              | Others                    | 29.960                                |
|                 | <b>Total</b>              | <b>97.690</b>                         |



**Table 3 : Outcome Statistics****(Rs in million)**

| <b>S. No</b> | <b>Description</b>   | <b>Expenditure on Acquiring Physical Assets Procurement</b> | <b>Civil Works</b> | <b>Receipts</b> | <b>Others</b> | <b>Total For the year 2014-15</b> | <b>Total for the year 2013-14</b> |
|--------------|--|---|--------------------|-----------------|---------------|-----------------------------------|-----------------------------------|
| 1.           | Outlays Audited  | 0.513   | -                  | 0.176           | 30.581        | 31.270                            | Not Audited                       |
| 2.           | Amount Placed under Audit Observation /Irregularities of Audit | -   | -                  | -               | 97.690        | 97.690                            | -do-                              |
| 3.           | Recoveries Pointed Out at the instance of Audit                | -   | -                  | -               | 2.547         | 2.547                             | -do-                              |
| 4.           | Recoveries Accepted /Established at the instance of Audit      | -   | -                  | -               | -             | -                                 | -                                 |
| 5.           | Recoveries Realized at the instance of Audit                   | -   | -                  | -               | -             | -                                 | -                                 |

**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   | 2.252  |
| 2            | Reported cases of fraud, embezzlement, thefts and misuse of public resources.  | 0  |
| 3            | Accounting Errors (accounting policy departure from NAM, 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.  | 65.478                                       |
| 5            | Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies  | 0  |
| 6            | Non-production of record   | 29.960                                       |
| 7            | Others, including cases of accidents, negligence etc.  | 0  |
|              | <b>Total</b>   | <b>97.690</b>                                |

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

| <b>S #</b> | <b>Description</b>                           | <b>Amount</b> |
|------------|--|---------------|
| 1          | Outlays Audited (item 1 of Table 3)          | 31.094        |
| 2          | Expenditure on audit                         | 0.033         |
| 3          | Recoveries realized at the instance of audit | -             |
|            | Cost-Benefit Ratio                           | 1:0           |

## CHAPTER-1

### 1.1 Assistant Director Local Government & Rural Development Department Charsadda

#### 1.1.1 Introduction

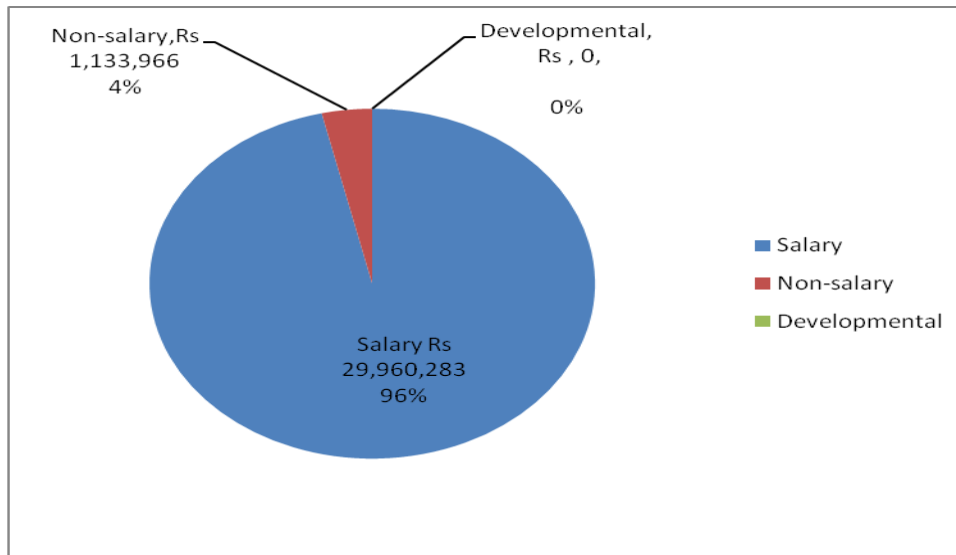
Office of the Assistant Director LG&RDD consists of Assistant Director, Progressive officer and Union Secretaries and AD LG&RDD being Drawing & Disbursing Officer. According to 1998 population census the population of Charsadda is 1,022,364.

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

A total budget of Rs 62.126 million was released to AD LG&RDD Charsadda against which an expenditure of Rs 31.094 million was incurred by the AD LG&RDD Charsadda with a saving of Rs 31.032 million during financial Year 2014-15. Detail is given below:

| <b>2014-15</b> | <b>Budget</b>     | <b>Expenditure</b> | <b>Excess (+) /<br/>Saving (-)</b> | <b>% Excess<br/>(Saving)</b> |
|----------------|-------------------|--------------------|------------------------------------|------------------------------|
| Salary         | 59,310,000        | 29,960,283         | (29,349,717)                       | 49.49%                       |
| Non-salary     | 2,816,900         | 1,133,966          | (1,682,934)                        | 59.744%                      |
| Developmental  | 0                 | 0                  | 0                                  | -                            |
| <b>Total</b>   | <b>62,126,900</b> | <b>31,094,249</b>  | <b>(31,032,651)</b>                |                              |

## Expenditure 2014-15



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

The audit reports on the accounts of AD LG&RDD Charsadda have not yet been discussed in PAC.

## **1.2 AUDIT PARAS**

### **1.2.1 Non production of record**

#### **1.2.1.1 Non production of record-Rs 29.960 million**

Section 14 (3) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provides that any person or authority hindering the auditorial functions of the Auditor General of Pakistan regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

The Assistant Director LG&RDD Charsadda spent Rs 29,960,283 on pay and allowances during 2014-15. However, the relevant record i.e service books, personal files, payroll of employees, acquaintance roll were not produced to audit despite repeated requests. Hence due to non production of record authenticity of expenditure could not be verified.

Audit observed that the authenticity of expenditure could not be verified due to non production of record.

When pointed out in May, 2016, management did not respond to the observation

Request for convening of DAC meeting was made during June, 2016 but no response was received from the Principal Accounting Officer.

Audit recommends production of record besides fixing responsibility on the persons at fault.

AP 141 (2014-15)

## **1.2.2 Irregularities & non compliance**

### **1.2.2.1 Irregular cash payment of Pay & Allowances–Rs 2.252 million**

According to para 4.6.3.1 of Accounting Policies and Procedure Manual, the normal method of payment of monthly salaries of all government employees shall be by credit transfer direct to a bank account nominated by the employee. This is the most secure and economical method of payment and it automatically ensures that recipients have access to their salary on the due date. Moreover, direct credit has tangible advantages, over payment by cheque or cash, against risks of theft or fraud.

Assistant Director, LG&RDD, Charsadda paid Rs 2,251,784 on account of pay & allowances to the staff through DDO instead by direct credit system through their bank accounts in violation of rules during the year 2014-15. Detail is given in Annexure-2.

The Government rules were violated due to weak internal controls.

When pointed out in May 2016, no reply was furnished.

Request for convening of DAC meeting was made during June, 2016 but no response was received from the Principal Accounting Officer.

Audit recommends that payment of pay and allowances through DDO may be stopped immediately and direct credit to the respective bank accounts through SAP system be started.

AP 133 (2014-15)

### **1.2.3 Internal Control Weaknesses**

#### **1.2.3.1 Non-surrendering of saving–Rs 10.351 million and where about of – Rs 20.681 million**

Para 95 of GFR Vol- I provides that all anticipated saving should be surrendered well before close of financial year. Furthermore, all anticipated saving is required to be surrendered by 20<sup>th</sup> June, 2015 vide DG (LG&RDD) Peshawar letter No. Director (LG) 3-14/DG-Budget/2013/32 dated 2.06.2015.

Para-66 of General Financial Rules Volume-I states that all estimates for revenue and expenditure included in the budget are for the financial year.

Assistant Director LG&RDD Charsadda did not surrender saving of Rs 10,351,513 which was required to be surrendered before 20.06.2015.

Moreover, Rs 62,126,900 was released to the local office and Rs 31,094,249 was the expenditure during the year. However, the saving amount of Rs 10,351,513 was not surrendered to the Government treasury but record was silent about balance amount of Rs 20,681,138 (62,126,900-31,094,249) = (31,032,651-10,351,513). The management failed to prepare budget estimates according to their actual requirement resulted in huge saving of Rs 31,032,651 (62,126,900-31,094,249). The revised budget for 2014-15 was not provided to audit.

Furthermore, there was a difference of Rs 10,900 in reconciled expenditure statement. The actual operating expenses were Rs 734,153, however, Rs 745,053 were shown in the reconciled expenditure statement.

The Government money not surrendered due to weak internal controls which resulted blockage of Government money.

When pointed out in May 2016, no reply was furnished.

Request for convening of DAC meeting was made during June, 2016 but no response was received from the Principal Accounting Officer.

Audit recommends justification/ appropriate action.

AP 138, 140 (2014-15)

### **1.2.3.2 Blockage of Government money-Rs 2.512 million**

Para 95 of GFR Vol-I provides that all anticipated savings should be surrendered well before close of financial year.

Assistant Director, LG&RD Department Charsadda neither transferred the closing balances of the defunct Union Councils amounting to Rs 2,512,112 to their respective village councils nor surrendered to Government treasury during 2014-15. Audit was of the view that Government money was blocked and public was deprived from services which could have been available to them on utilization of fund. Detail given in Annexure-3.

The Government money blocked due to weak internal controls.

When pointed out in May 2016, no reply was furnished.

Request for convening of DAC meeting was made during June, 2016 but no response was received from the Principal Accounting Officer.

Audit recommends immediate surrendering of Government money into treasury under intimation to audit.

AP 136 (2014-15)

### **1.2.3.3 Suspected drawl of money from designated account-Rs 0.900 million**

According to treasury Rule-205 states that vouchers for the withdrawal of money from the government account be submitted setting forth clear and full particulars for the withdrawal.

During audit of accounts of Assistant Director, LG&RDD Charsadda for the year 2014-15, it was observed that an amount of Rs 900,000 was drawn from the designated account of the UC Torangzai. However, the authorization of drawl of money, purpose and further progress was not available on record.

The irregularity occurred due to weak internal controls.

When pointed out in June 2016, no reply was furnished.



Request for convening of DAC meeting was made during June, 2016 but no response was received from the Principal Accounting Officer.

Audit recommends detail inquiry into the matter.

AP 142 (2014-15)

# ANNEXURE

## Annexure-1

### MFDAC Paras

(Rs in million)

| S. No | AP No | Caption   | Amount |
|-------|-------|---|--------|
| 1     |       | Irregular purchase of Furniture and Fixture and Non-deduction of Sales Tax and income tax on transportation | 0.281  |
| 2     |       | Irregular payment of Conveyance Allowance   | 0.060  |
| 3     |       | Irregular opening of Bank Account and Non-deposit of Bank profit into Government treasury                   | 0.162  |
| 4     |       | Improper maintenance of Cash book   | 4.008  |
| 5     |       | Irregular appointment of staff and payment of salary  | 0.152  |
| 6     |       | Irregular expenditure on POL and unauthentic expenditure of POL and repair of Vehicle                       | 0.500  |

**Detail of irregular cash payment of pay and allowances**

| <b>S.No</b>  | <b>Month of salary</b> | <b>Designated Account Cheque No</b> | <b>Date</b> | <b>Amount(Rs)</b> |
|--------------|------------------------|-------------------------------------|-------------|-------------------|
| 1            | 7/2014                 | 160858                              | 24.07.2014  | 204,686           |
| 2            | 8/2014                 | 160861                              | 2.09.2014   | 223,203           |
| 3            | 9/2014                 | 160868                              | 1.10.2014   | 217,401           |
| 4            | 10/2014                | 160877                              | 31.10.2014  | 171,443           |
| 5            | 11/2014                | 160885                              | 1.12.2014   | 172,677           |
| 6            | 12/2014                | 160891                              | 1.01.2015   | 202,110           |
| 7            | 1/2015                 | 160894                              | 2.02.2015   | 192,287           |
| 8            | 2/2015                 | 9933751                             | 2.03.2015   | 189,405           |
| 9.           | 3/2015                 | 9933757                             | 1.04.2015   | 176,297           |
| 10           | 4/2015                 | 9933766                             | 4.05.2015   | 175,897           |
| 11           | 5/2015                 | 9933772                             | 1.06.2015   | 163,189           |
| 12           | 6/2015                 | 9933783                             | 2.07.2015   | 163,189           |
| <b>Total</b> |                        |                                     |             | <b>2,251,784</b>  |

**Annexure-3**  
**DP # 1.2.3.2**

**Detail of blockage of money**

| <b>S.No.</b> | <b>Name of UC</b> | <b>Amount (Rs)</b> |
|--------------|-------------------|--------------------|
| 1            | MC-I Charsadda    | 97,285             |
| 2.           | MC-IV Charsadda   | 231,947            |
| 3.           | UC Tarnaw         | 626,644            |
| 4..          | UC Dheri Zardad   | 693,361            |
| 5            | UC Torangzai      | 862,875            |
| <b>Total</b> |                   | <b>2,512,112</b>   |