



**AUDIT REPORT
ON THE ACCOUNTS OF
ASSISTANT DIRECTOR LOCAL
GOVERNMENT, ELECTION & RURAL
DEVELOPMENT DEPARTMENT AND
SELECTED VILLAGE COUNCILS/
NEIGHBORHOOD COUNCILS
DISTRICT DIR LOWER**

KHYBER PAKHTUNKHWA

AUDIT YEAR 2016-17

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AD	Assistant Director
AP	Advance Para
CDR	Call Deposit Receipt
CPWA Code	Central Public Works Account Code
CDAC	Departmental Accounts Committee
DAO	District Account Office
DDO	Drawing and Disbursing Officer
DG	Director General
GFR	General Financial Rules
LCB	Local Council Board
LGA	Local Government Act
LGE&RDD	Local Government Election & Rural Development Department
MFDAC	Memorandum for Department Accounts Committee
NAM	New Accounting Module
NC	Neighborhood council
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PATA	Provincially Administrated Tribal Area
PC-I	Planning Commission document-I
PCC	Plain Cement Concrete
RDA	Regional Directorate of Audit
TMA	Tehsil Municipal Administration
VCs	Village 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) Ordinance, 2001 and Section 37 of Khyber Pakhtunkhwa Local Government Act 2013 require the Auditor-General of Pakistan to conduct audit of the receipts and expenditure of Local Fund of Assistant Director Local Government and Village Councils/Neighborhood Councils.

The report is based on audit of the accounts of Assistant Director LGE&RDD, Dir Lower and 20 VCs/NCs of District Dir Lower for the Financial Year 2015-16. The Directorate General of Audit, District Governments, Khyber Pakhtunkhwa conducted audit on test check basis during 2016-17 with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings. Relatively less significant issues are listed in the Annex-1 of the Audit Report. The Audit Observations listed in the Annex-1 shall be pursued with the Principal Accounting Officer at the DAC level. In all cases where the PAO does not initiate appropriate action, the Audit observation will be brought to the notice of respective Accounts Committees 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. However, in some observations, department did not submit written replies. 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 37 of Khyber Pakhtunkhwa Local Government Act, 2013 to be laid before appropriate legislative forum.

Islamabad
Dated:

(Javaid Jehangir)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit, District Governments, Khyber Pakhtunkhwa, Peshawar carries out audit of Assistant Director Local Government Election & Rural Development Department and Village Councils/Neighborhood Councils. The Regional Directorate of Audit Swat, on behalf of the DG District Governments Audit, Khyber Pakhtunkhwa carries out audit of Assistant Directors Local Government Election & Rural Development Department and Village Councils/Neighborhood Councils of five Districts i.e. District Swat, Shangla, Dir Lower, Dir Upper and Chitral respectively.

The Regional Directorate of Audit Swat has a human resource of 07 officers and staff, with a total of 1750 mandays. The annual budget amounting to Rs 10.618 million was allocated to the RDA during financial year 2016-17. It has the mandate to conduct regularity (financial attest audit, compliance with authority audit) and performance audit of entities, projects and programs. Accordingly Regional Director Audit Swat carried out audit of the accounts of AD LGE&RDD and selected 20 out of total 198 VCs/NCs for the Financial Year 2015-16.

Assistant Director Local Government Election & Rural Development Department and VCs/ NCs of District Dir Lower perform their functions under Khyber Pakhtunkhwa Local Government Act, 2013. Deputy Commissioner in a district is the Principal Accounting Officer (PAO) for the salary and non-salary budget of office of the AD LGE&RDD and VCs/NCs while AD LGE&RDD is the Principal Accounting Officer for the developmental budget of VCs and NCs according to the Rules of Business of the AD LGE&RDD and VCs/NCs. According to Section 35 of Khyber Pakhtunkhwa Local Government Act, 2013 the annual budget statement for these local bodies is approved by simple majority of the total membership of the respective councils and the schedule of authorized expenditure is authenticated by respective Nazim.

a. Scope of audit

The total expenditure of the 198 Village/ Neighborhood Council in District Dir Lower for the financial year 2015-16 was Rs 64.350 million. Out of this, the RDA Swat audited an expenditure of Rs 5.719 million which, in terms of percentage, was 09 % of auditable expenditure. Detail is given below:

Detail of VCs/NCs audited

S.No	Tehsil	Total No. of VCs/NCs	Audited Last year	Audited This year	Name of VCs/NCs Audited
1	Timergara	31	0	04	VC Ziarat Talash, NC Timergara 1, VC Sari Bala, VC Kas, Shamshi Khan
2	Samarbagh	29	0	04	NC Rahimabad, NC Samar Bagh, VC Kotki shahi Khail, VC Sangipara
3	Chakdara	40	0	04	NC Chackdara Khass, VC Kotigram, VC Asbanr Bazar, VC Shawa
4	Balambat	32	0	02	VC Rabat, VC Morani
5	Khall	20	0	02	VC Kandaro, VC Zormandi
6	Lal Qilla	28	0	02	VC Kumber, VC Nagotal
7	Munda	18	0	02	VC Khuna Picket, VC Paloso dag,

The total expenditure of the Assistant Director Local Government Election and Rural Development Department and 20 Village/ Neighborhood Councils, Dir Lower for the Financial Year 2015-16, the auditable expenditure under the jurisdiction of RDA was Rs 137.015 million. Out of this, RDA Swat audited an expenditure of Rs 68.51 million which, in terms of percentage, was 50% of auditable expenditure.

The receipts of 20 Village/ Neighborhood Councils Dir Lower, for the Financial Year 2015-16, were Rs 0 million. Out of this, RDA Swat audited receipts of Rs 0 million which, in terms of percentage, was 100 % of auditable receipts.

The total expenditure and receipts of Assistant Director Local Government Election & Rural Development Department and 20 Village/ Neighborhood Councils, District Dir Lower, for the Financial Year 2015-16 were Rs 137.015 million. Out of this, RDA Swat audited the expenditure and receipts of Rs 68.51 million.

a. Recoveries at the instance of audit

Recovery of Rs 6.307 million was pointed out during the audit. However, no recovery was effected till finalization of this report. Out of the total recoveries, Rs 6.307 million was not in the notice of the executive before audit.

b. Audit Methodology

Audit was conducted after understanding the business processes of Assistant Director Local Government Office and Village/ Neighborhood Councils with respect to its 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 Swat.

c. Audit Impact

Audit pointed out various irregularities of serious nature. Cases related to weak internal were also pointed out to which management has been sensitized. In certain cases management has taken action which may further be verified. 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.

d. 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.

Another basic component of internal control, as envisaged under section 37 (4) of LGA 2013, is internal audit which was not found in place in the domain of AD LGE&RDD and VCs/NCs.

e. Key audit findings of the report;

- i. Irregularities & non-compliance of Rs 45.041 million were noticed in seven cases.¹
- ii. Weak internal control of Rs 37.173 million was noticed in three cases.²

f. Recommendations

- i. Compliance with authority should in variably be ensured and Practice of violation of rules and regulates in spending public money should be stopped.
- ii. Deduction of taxes on suppliers and contracts should be ensured.
- iii. Inquires/ investigation be held forthwith and losses/ wasteful expenditure be recovered from those found guilty.
- iv. All sectors of Assistant Director Local Government Election & Rural Development Department and VCs/NCs need to strengthen internal controls i.e. financial, managerial, operational, and administrative and accounting controls etc to ensure that reported lapses are preempted and fair value for money is obtained from public spending.

¹ 1.2.1.1, 1.2.1.2 ,1.2.1.3,1.2.1.4, 1.2.1.5,1.2.1.6,1.2.1.7

² 1.2.2.1, 1.2.2.2,1.2.2.3

SUMMARY TABLES & CHARTS

I: Audit Work Statistics

(Rs in million)

S.No	Description	No.	Budget
1	Total Entities (PAOs) in Audit Jurisdiction	02	309.044
2	Total formations in audit jurisdiction	198	309.044
3	Total Entities(PAOs) Audited	02	137.015
4	Total formations Audited	21	137.015
5	Audit & Inspection Reports	2	0
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

II: Audit Observations classified by Categories

(Rs in million)

S.No.	Description	Amount Placed under Audit Observation
1.	Unsound asset management	-
2.	Weak financial management	45.041
3.	Weak Internal controls	37.173
4.	Others	0
	Total	82.214

III: Outcome Statistics

(Rs in million)

S. No	Description	Expenditure on Acquiring Physical Assets Procurement	Civil Works	Receipts	Others	Total For the year 2015-16	Total for the year 2014-15
1.	Outlays Audited	-	101.124	0	35.891	137.015	92.895
2.	Amount Placed under Audit Observation /Irregularities of Audit	-	65.281	0	16.933	82.214	91.793
3.	Recoveries Pointed Out at the instance of Audit	-	6.307	-	0	6.307	14.607
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 2014-15 pertain to the fifteen (15) 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.

IV: Irregularities pointed out)**(Rs in million)**

S. No	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations, principle of propriety and probity in public operation	45.041
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	-
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.	-
4	Quantification of weaknesses of internal control systems.	37.173
5	Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies	-
6	Non-production of record	-
7	Others, including cases of accidents, negligence etc.	-
	Total	82.214

V: Cost benefit**(Rs in million)**

S #	Description	Amount
1	Outlays Audited (item 1 of Table 3)	137.015
2	Expenditure on audit	0.100
3	Recoveries realized at the instance of audit	0
	Cost-Benefit Ratio	1:0

CHAPTER-1

1.1 Administrator Village/ Neighborhood Councils Dir Lower

1.1.1 Introduction

District Dir Lower has seven Tehsils i.e. Timergara, Samarbagh, Adnezai, Balambat, Khal, LalQilla and Munda. There is an Assistant Director LGE&RDD and 198 VCs and NCs. Each Village and Neighborhood Council has a Secretary. Assistant Director LGE&RDD is Drawing and Disbursing Officer (DDO) for his office and Village/ Neighborhood Council's Nazim is Drawing and Disbursing Officer for his VC/NC.

Functions and powers of Assistant Director, Local Government Election and Rural Development Department.

- i. Providing secretarial support to the Council
- ii. Matters relating to Local Government Commission
- iii. Matters relating to local taxes and local rate
- iv. Coordination and supervision of village and neighborhood councils
- v. Grants, establishment and budget of village and neighborhood councils
- vi. Coordination of activities relating to local council elections, population census and surveys in the district
- vii. Rural Development Works including water supply, rural access roads, embankment and drainage works
- viii. Overseeing registration of births, deaths and marriages in village and neighborhood councils
- ix. Working as interface for knowledge management and communication on local governance issues in the district
- x. Review, evaluation and assessment of local government system, processes and procedures in the district particularly at the village and neighborhood level.
- xi. Collection, compilation and dissemination of primary data Training and research in the areas of local governance

Functions and Powers of the Village Council or Neighborhood Council:

- i. Functions of the village council and neighborhood council, as the case may be, shall be to:
- ii. Monitor and supervise the performance of functionaries of all government offices located in the area of the respective village council or neighborhood council, including education, health, public health engineering, agriculture, livestock, police and revenue, and hold them accountable by making inquiries and reports to the Tehsil municipal administration, district government or, as the case may be, the Government for consideration and action;
- iii. Provide effective forum for out of court amicable settlement of disputes and, for this purpose, constitute panels of members as conciliators;
- iv. Register births, deaths and marriages;
- v. Implement and monitor village level development works;
- vi. Improve water supply sources, maintain water supply distribution system and take measures to prevent contamination of water;
- vii. Maintain village level infrastructure, footpaths, tracks, streets, prevent and abate nuisances and encroachments in public ways, public streets and public places.
- viii. Maintain and improve collective property including playgrounds, graveyards, funeral places, eid-gah, parks, public open spaces and community centers;
- ix. Identify development needs of the area for use by municipal administration and district government in prioritizing development plans;
- x. Make arrangements for sanitation, cleanliness, disposal of garbage and carcasses, drainage and sewerage system;
- xi. Display land transactions in the area for public information;
- xii. Mobilize community for maintaining public ways, public streets, culverts, bridges and public buildings, de-silting of canals and other development activities;
- xiii. Develop sites for drinking and bathing of cattle;
- xiv. Organize cattle fairs and agriculture produce markets;
- xv. Organize sports teams, cultural and recreational activities;

- xvi. Organize watch and ward in the area;
- xvii. Promote plantation of trees, landscaping and beautification of public places;
- xviii. Regulate grazing areas, establish cattle ponds and provide protection against stray animals and animal trespass;
- xix. Consider and approve annual budget presented by the respective Nazim, village council or neighborhood council;
- xx. Facilitate formation of voluntary organizations for assistance in functions assigned to it;
- xxi. Facilitate the formation of co-operatives for improving economic returns and reduction of poverty;
- xxii. Elect an Accounts Committee and review its recommendations on the annual statement of accounts and audit reports; and
- xxiii. Report cases of handicapped, destitute and of extreme poverty to district government.

1.1.2 Comments on Budget and Accounts (variance analysis)

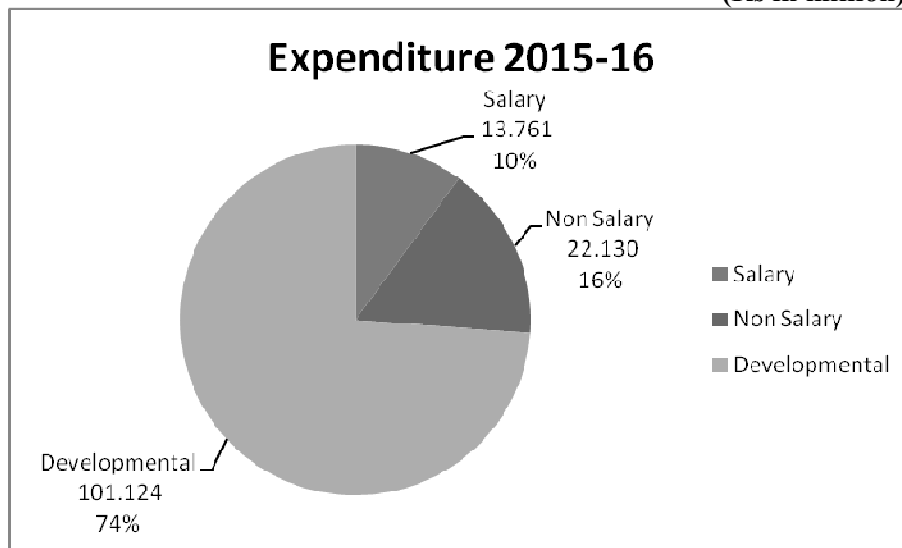
An amount of Rs 309.044 million was allocated as budget by the District Government to the office of Assistant Director Local Government Election & Rural Development Department and 20 NCs/VCs of District Dir Lower. Thus making a total of Rs 309.044 million at the disposal of local councils, against which an expenditure of Rs 137.015 million was incurred by Assistant Director Local Government Election & Rural Development Department and 20 Village/ Neighborhood Councils of District Dir Lower, with a savings of Rs 172.029 million during Financial Year 2015-16. Detail is given below:

(Rs in million)

Particulars	Budget	Expenditure	Excess/ (Saving)	% eg
Salary	41.220	13.761	(27.459)	67%
Non Salary	34.864	22.130	(12.734)	37%
Developmental	232.960	101.124	(131.836)	57%
Total	309.044	137.015	(172.029)	56%
Receipts	-	-	-	-

The huge savings of Rs 172.029 million in all heads of accounts indicate weakness in the capacity of these local institutions to utilize the amounts allocated.

(Rs in million)



Detail is given at Annexure-2

1.1.3 Comments on the status of compliance with PAC Directives

The Audit Reports pertaining to Financial Years 2014-15 on accounts of Assistant Director Local Government & Rural Development Department, District Dir Lower and 15 Union Councils were prepared under the Khyber Pakhtunkhwa Local Government Act, 2013 and have not yet been discussed in PAC. Provincial Assembly of Khyber Pakhtunkhwa has returned the Audit Reports during February, 2017 with the remarks that the same may be examined by respective Accounts Committees as provided under Khyber Pakhtunkhwa Local Government Act, 2013.

ADMINISTRATOR DIRECTOR LG&RDD DIR LOWER

1.2 Audit Paras Administrator Dir Lower

1.2.1 Irregularities & non-compliance

1.2.1.1 Irregular payment without technical sanctions– Rs 24.003 million

According to Para 178(iii) of GFR Vol-I, no work should be commenced or liability incurred in connection with it until administrative approval and sanction has been obtained from the competent authority, a properly detailed design and estimate has been sanctioned and funds to cover the charge have been provided by the competent authority. According to Para 32 of CPWA Code, no work shall be executed without Administrative Approval/Technical Sanction and Budget allotment

AD LGE&RDD, Dir Lower incurred expenditure of Rs 24,003,489 on various developmental works during 2015-16 without obtaining Technical Sanction of the competent authority. Contract agreements were also not executed with the contractors. Audit held that in the absence of technical sanctions and agreements award/execution of works and payments were irregular. Detail is given at **Annex-3**:

Audit observed that award and execution of works without technical sanctions occurred due to violation of rules which resulted in irregular payment.

Irregularity was pointed out to the management in April 2017, management stated that the Technical sanctions was under process and would be shown to audit. Reply was not convincing as TS is not produced to audit. Request for the convening DAC meeting was made on 11th May 2017, which was not convened till finalization of this Report.

Request for the convening DAC meeting was made on 11th May 2017, which was not convened till finalization of this Report.

Audit recommends inquiry and action against the person(s) at fault.

AIR Para No. 79 (2015-16)

1.2.1.1 Irregular award of work due to non deposit Of Additional Securities –Rs 1.891 million

According to terms and conditions of NIT, if a contractor offers below rate, then the contractor shall require to deposit additional security equal to the rate offered by him.

AD LGE&RDD, Dir Lower awarded 2 No. of developmental works amounting to Rs 10,000,000. The contractors offered below rates amounting to Rs 8,108,600. Therefore the contractor was required to deposit additional security amounting to Rs 1,891,400. Detail of additional securities and below rates is as under:

S.No	Name of Scheme	Total Cost. (Rs)	Tender Cost (Rs)	Additional Security (Rs)
1	Shingle Road Khadang	5,000,000	3,762,600	1,237,400
2	PCC Road Chinargai Kaga Kwaro Bagh	5,000,000	4,346,000	654,000
	Total=	10,000,000	8,108,600	1,891,400

Audit observed that non deposit of additional securities was occurred due to weak financial control.

Irregularity was pointed out to the management in April 2017, management stated that the additional security has actually been collected. However, on satisfactory completion of work the same were released to the contractors. Reply was not convincing as no documentary evidence was produced to audit. Request for the convening DAC meeting was made on 11th May 2017, which was not convened till finalization of this Report.

Audit recommends recovery and action against the person(s) at fault.

AIR Para No. 87 (2015-16)

1.2.1.3 Non deposit of income tax – Rs 6.307 million

According to Finance Department Khyber Pakhtunkhwa Notification NO.SO(Dev-II) FD/12-6/2014-15 dated 05.01.2015, the Competent Authority has

been pleased to direct that all Provincial Works Departments, while preparing Cost Estimates of developmental projects which fall in the tax exempted areas such as PATA, shall frame the same on Market Rate System-2013 (MRS-2013) but with 7% less cost to defray the amount added in the rate analysis of all works/construction/supply items to meet withholding tax.

According to Para 8 and 26 of the GFR Vol-I, each administrative department is to see that the dues of the Government are correctly and promptly assessed, collected and paid into Government Treasury.

AD LGE&RDD, Dir Lower did not deposit income tax amounting to Rs 6,307,481 deducted from the contractor's bills on account of developmental works during 2015-16. Detail is given at **Annex-4**.

Audit observed that non deposit of income tax was violation of Government orders, which resulted in loss to the Government.

Irregularity was pointed out to the management in April 2017, management stated that reply would be submitted after consulting record. No reply was furnished till finalization of the report. Request for the convening DAC meeting was made on 11th May 2017, which was not convened till finalization of this Report.

Audit recommends deposit of Income Tax into Government treasury and action against the person(s) at fault.

AIR Para No. 84 (2015-16)

1.2.1.4 Non deposit of 2% earnest money into bank account Rs 4.200 million

Para 23 of GFR Vol-I requires that every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of his subordinate staff.

AD LGE&RDD, Dir Lower received an amount of Rs 4,200,000 on account of 2% earnest money in shape of CDR which was not deposited in bank account and retained in the contractors files. Detailed is given at **Annex-5**.

Audit observed that non deposit of additional securities was occurred due to weak financial control.

Irregularity was pointed out to the management in April 2017, management state the amount / CDR is ready for depositing which will be deposited and would be shown to the audit. No progress was submitted till finalization of this report. Request for the convening DAC meeting was made on 11th May 2017, which was not convened till finalization of this Report.

Audit recommends depositing the amount and action against the person(s) at fault.

AIR Para No. 81 (2015-16)

1.2.1.5 Irregular cash payment of pay & allowances – Rs1.361 million

According to APPM Salary of Government employees must be disbursed through the employee's Bank Accounts.

AD LGE&RDD, Dir Lower paid Rs 1,361,632 on account of pay & allowances to the staff through DDO instead of payment through direct credit to their bank account during the year 2015-16. Due to disbursements of pay & allowances in cash, actual payments to the concerned staff could not be verified and chances of misappropriation could not be ruled out. Detail is given below:

Cheque No.	date	particular	Amount (Rs)
1238281	31.7.2015	Pay	146,262
1238440	29.8.2015	Pay	132,663
1238546	18.9.2015	Pay	132,663
538068	30.10.2015	Pay	117,064
5382256	30.11.2015	Pay	117,064
538400	30.12.2015	Pay	118,956

539110	29.1.2016	Pay	118,956
539329	29.2.2016	Pay	118,956
1059996	30.3.2016	Pay	88,446
599791	25.4.2016	Pay	98,949
601208	31.5.2016	Pay	29,809
158040	27.6.2016	Pay	141,844
Total			1,361,632

Audit suggests that irregular payment occurred due to negligence of the controlling officer, which resulted in violation of Government rules.

Irregularity was pointed out to the management in April 2017, management stated that most of the employees are Class-IV, therefore, they have been paid salaries through DDO. However, they were directed time and again for opening of account. Now most of the officials have opened Bank accounts and they are receiving pay through bank accounts. Reply was not convincing as no documentary evidence was produced to audit. Request for the convening DAC meeting was made on 11th May 2017, which was not convened till finalization of this Report.

Audit recommends regularization of payment and action against the person(s) at fault.

AIR Para No. 94 (2015-16)

1.2.1.6 Irregular expenditure/ Misclassification – Rs 1.560 million

Para-12 of GFR Vol-I provides that a controlling officer must see that the funds allotted to spending units are expended in the public interest and upon the objects for which the money was provided. Further, Treasury Rule 290 provides that no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants.

AD LGE&RDD, Dir Lower spent Rs 1,560,220 during financial year 2015-16 on account of salaries for supporting staff of Zilla Nazim secretariat under the head “Other”. Therefore the expenditure was misclassified.

Furthermore, cash payment was made instead of through bank account. Detail is given at Annexure.

S.No	Cheque No. & Date	Particular	Amount (Rs)
1	0599690 22.04.2016	Salary Supporting staff (TMA)	604,048
2	0599916 16.05.2016	-do-	302,024
3	0158072 28.6.2016	-do-	302,024
4	0600253 02.06.2016	-do-	302,024
5		Home fire wood Supporting staff (TMA)	50,100
Total			1,560,220

Audit observed that irregular expenditure occurred due to violation of rules which resulted in to irregular expenditure.

Irregularity was pointed out to the management in April 2017, but reply was not submitted. Request for the convening DAC meeting was made on 11th May 2017, which was not convened till finalization of this Report.

Audit recommends regularization and action against the person(s) at fault.

AIR Para No. 88 (2015-16)

1.2.2 Internal Control Weaknesses

1.2.2.1 Excess expenditure over and above the bid cost of the Schemes Rs 28.88 million

According to Para 220 and 221 of CPWA Code, the Sub Divisional Officer, before making payments to the contractors is required to compare the quantities in the bills and see that all the rates are correctly entered and that all the calculations have been checked arithmetically. Further, According to Public Procurement Rules 2014 (Rule 20), that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works When the enhancement increase from 15%

AD LGE&RDD, Dir Lower incurred expenditure amounting to Rs 28,880,000 on account of developmental schemes over and above the bid cost of the scheme in the work. Detail is given at **annex-6**.

Audit observed that excess expenditure was occurred due to weak internal control.

Irregularity was pointed out to the management in April 2017, management stated that the saving amount was utilized as per directions of the Provincial Government and Revised PC-Is /Cost Estimate was approved in DDWP meeting and as such the scope of work was enhanced for the saving amount. Reply of the department was not convincing. Request for the convening DAC meeting was made on 11th May 2017, which was not convened till finalization of this Report.

Audit recommends investigation and action against the person(s) at fault.

AIR Para No. 85 (2015-16)

1.2.2.2 Blockage of Government money amounting to Rs 2.538 million

Para-12 of GFR Vol-I provides that a controlling officer must see that the funds allotted to spending units are expended in the public interest and upon the objects for which the money was provided.

AD LGE&RDD, Dir Lower received an amount of Rs 2,538,000 on account of Zilla Tax share (Union Council funds) vide cheque No. 0537670 dated 23.6.2013, but the local office did not transfer the funds to the UCs. The amount is lying unspent in designated bank account after lapsed of three years.

Audit observed that blockage of Government money was occurred due to weak internal control.

Irregularity was pointed out to the management in April 2017, but reply was not submitted. Request for the convening DAC meeting was made on 11th May 2017, which was not convened till finalization of this Report.

Audit recommends responsibility and action against the person(s) at fault for blockage of government money.

AIR Para No. 93 (2015-16)

12.2.3 Irregular deposit in designated bank account - Rs 5.755 million

According to Rule 12 (1) of Chapter- IV of the Khyber Pakhtunkhwa Local Councils Accounts Rules 1980, where the Local Fund is kept in a treasury or bank no payment exceeding Rs 500 shall be made except by means of a Cheque.

AD LGE&RDD, Dir Lower withdrew Rs 5,755,189 on account of non salary heads during financial year 2015-16 and was deposited in the designated bank account instead of direct payment to the payee. Furthermore, Rs 4.2 million was shown in the cash book as closing balance at the end of June 2017 which was irregular. Detail is as under:

S.No	Description	Amount (Rs)
01	Pay & Allowances (Others)	1,560,220
02	Honoraria	1,482,000
03	TA of District Councilor and staff	1,787,730
04	Other charges	341,604
05	Entertainment & gift	215080
06	Purchase of plant & Machinery	117,025
08	Repair of transport	251,530
Total		5,755,189

Audit observed that irregular withdrawal/Cash disbursements were made due to violation of rules, which resulted in irregular payments.

Irregularity was pointed out to the management in April 2017, but reply was not submitted. Request for the convening DAC meeting was made on 11th May 2017, which was not convened till finalization of this Report.

Audit recommends regularization and action against the person(s) at fault.

AIR Para No. 89 (2015-16)

**20 SELECTED VILLAGE/ NEIGHBORHOOD COUNCILS OF
DISTRICT DIR LOWER**

1.3 Audit Paras Administrator VCs/ NCs Dir Lower

1.3.1 Irregularities & non-compliance

1.3.1.1 Irregular payments without pre-audit – Rs 5.719 million

According to Clause 36 (2) (d) and (e) of the Khyber Pakhtunkhwa Local Government Act 2013, the village Accountant will maintain accounts of the Village Council and Neighborhood Accountant will maintain accounts of the Neighborhood Council and the Accounts Officers mentioned in clauses (d) & (e) shall perform pre-audit of all payments from the respective Fund before approving disbursements of monies.

Nazims of twenty Neighborhood & Village Councils of District Dir Lower spent Rs 5,719,537 during financial year 2015-16 on account of non salary heads without pre-audit by the Neighborhood /Village Accountant or the staff of the Local Fund Audit Department. Detail of payments is given at **Annex-7**.

Audit observed that irregular payments occurred due to violation of rules which resulted in unauthentic expenditure.

Irregularity was pointed out to the management in April 2017, but reply was not submitted. Request for the convening DAC meeting was made on 11th May 2017, which was not convened till finalization of this Report.

Audit recommends regularization from the competent forum besides action against the person(s) at fault.

AIR Para No. 95 to 114 (2015-16)

ANNEXURES

Annexure-1

Detail of MFDAC Paras

(Rs in million)

S.No	Gist of Para	Amount
1	Overpayment on account of below specification work –Rs 890,916	0.890
2	Non-deposit of tender form fee into Government treasury – Rs 641,000	0.641
3	Non deposit of earnest money into Government treasury amounting to Rs 200,000	0.200
4	Loss to Government due to non deduction of Stamp Duty - Rs 359,700	0.359
5	Unauthorized retention of money amounting to Rs 68,607	0.068
6	Excess drawl on account of TA/DA amounting to Rs 836,000	0.836

Budget and Expenditure Summary

Financial Year 2015-16

(Rs in Million)

	Particulars	Budget	Expenditure	Excess/ (Saving)	% eg
AD LG&RDD	Salary	41,220,100	13,760,759	(27,459,341)	67%
	Non Salary	26,352,348	16,410,572	(9,941,776)	38%
	Developmental	210,000,000	101,124,096	(108,875,904)	52%
	Receipts	-	-	-	0%
	Total	277,572,448	131,295,427	(146,277,021)	53%
Budget of 20 VCs/NCs	Non Salary	8,512,000	5,719,537	(2,792,463)	33%
	Developmental	22,959,866	-	(22,959,866)	100%
	Receipts	-	-	-	0%
	Total	31,471,866	5,719,537	(25,752,329)	82%
Budget of AD LG&RDD & 20 VCs/NCs	Salary	41,220,100	13,760,759	(27,459,341)	67%
	Non Salary	34,864,348	22,130,109	(12,734,239)	37%
	Developmental	232,959,866	101,124,096	(131,835,770)	57%
	Receipts	-	-	-	-
	Total	309,044,314	137,014,964	(172,029,350)	56%

Annexure-3
Para 1.2.1.1

Detail of Expenditure without TS

(Amount in Rs)

S.No	Name of Scheme	Total Cost.	Total
1	Impvt:/BTR Khat Kalay Tekas	5,000,000	2,382,814
2	Impvt:/BTR Naroo Obo Otala	10,000,000	800,532
4	BTR Ziarat Kalay Talash	5,000,000	1,352,264
5	Shingle Road Dewli	2,000,000	758,574
7	BTR Nagri Payeen	10,000,000	2,021,447
10	Shingle Road Khadang	5,000,000	2,235,097
17	Branch Road Kharkai Siar	1,000,000	976,715
21	PCC Road Tangi Siar	1,000,000	976,343
6	PCC Road Sabar Shah Sadbar Kalay	10,000,000	5,659,316
1	PCC ROAD Babagam	10,000,000	2,597,715
6	PCC Road Barghando Kwaro Bagh	5,000,000	2,167,662
7	PCC Road Sangoli Bala	10,000,000	2,075,010
	Total	74,000,000	24,003,489

Annexure-4
Para 1.2.1.3

Detail of non-deposit of Income Tax deducted from the Contractors

(Amount in Rs)

S.No	Name of work	E/Cost	Expenditure	6% I.Tax
1	Impro & BTR Lity Road	10,000,000	5,208,669	312,520
2	Impro & BTR Banr Safary Road	10,000,000	3,496,042	209,763
3	Impro & BTR Gul Tangi Road	10,000,000	5,684,815	341,089
4	Impro & BTR Bakht Bilanda Road	10,000,000	8,055,022	483,301
5	Impro & BTR Inzar Doshkhel Road	10,000,000	3,657,653	219,459
6	Impro & PCC Road Makhy Khazana	10,000,000	4,882,962	292,978
7	Impro & PCC Muhammad Banda road	10,000,000	9,317,785	559,067
8	Impro & PCC Road asilo banda mayar	10,000,000	3,660,750	219,645
9	Impro & PCC Road Mozain banda kolam dara	20,000,000	10,314,291	618,857
10	Reh:/ Impro: & BTR Lajboak Road	10,000,000	2,749,158	164,949
11	Reh:/ Impro: & BTR Sangolay Road	10,000,000	10,000,000	600,000
12	Reh:/ Impro: & BTR Atrako zimdara Road	10,000,000	3,719,497	223,170
13	Reh:/ Impro: & BTR Khan abad Markhani Road	10,000,000	2,646,876	158,813
14	Reh:/ Impro: & BTR Chinarkot Road	5,000,000	2,380,245	142,815
15	Reh:/ Impro: & BTR Fazal Abad Road	5,000,000	1,346,842	80,811
Total		150,000,000	77,120,607	4,627,237
PK-94				
S.No	Name of Scheme	Total Cost.	Total	I.Tax (Rs)
1	Impvt:/BTR Khat Kalay Tekas	5,000,000	2,382,814	166796.98
2	Impvt:/BTR Naroo Obo Otala	10,000,000	800,532	56037.24
4	BTR Ziarat Kalay Talash	5,000,000	1,352,264	94658.48
5	Shingle Road Dewli	2,000,000	758,574	53100.18
7	BTR Nagri Payeen	10,000,000	2,021,447	141501.29
10	Shingle Road Khadang	5,000,000	2,235,097	156456.79
17	Branch Road Kharkai Siar	1,000,000	976,715	68370.05
21	PCC Road Tangi Siar	1,000,000	976,343	68344.01
6	PCC Road Sabar Shah Sadbar Kalay	10,000,000	5,659,316	396152.12
1	PCC ROAD Babagam	10,000,000	2,597,715	181840.05
6	PCC Road Barghando Kwaro Bagh	5,000,000	2,167,662	151736.34
7	PCC Road Sangoli Bala	10,000,000	2,075,010	145250.7
		74,000,000	24,003,489	1,680,244
Total		224,000,000	101,124,096	6,307,481

Annexure-5
Para 1.2.1.4

Detail of 2% earnest Money

(Amount in Rs)

PK-94			
S.No	Name of Scheme	Total Cost.	2% E/M
1	Impvt:/BTR Khat Kalay Tekas	5,000,000	100,000
2	Impvt:/BTR Naroo Obo Otala	10,000,000	200,000
3	BTR Malakand Bala	5,000,000	100,000
4	BTR Ziarat Kalay Talash	5,000,000	100,000
5	Shingle Road Dewli	2,000,000	40,000
4	PCC Road Tangai Dara Timergara	2,000,000	40,000
7	BTR Nagri Payeen	10,000,000	200,000
8	PCC Ahmad Galay	3,500,000	70,000
9	PCC Road with culvert Dehrai	1,000,000	20,000
10	Shingle Road Khadang	5,000,000	100,000
11	PCC Road Doli Malakand	1,000,000	20,000
12	PCC Road Sheera Malakand	4,000,000	80,000
13	BTR Bagh Kattan	5,000,000	100,000
14	PCC Road Sorbat Hisarak	1,000,000	20,000
15	PCC Road Naray Tangay Sheer Ali Khan	500,000	10,000
16	Branch Road Qilla Gay Siar	3,000,000	60,000
17	Branch Road Kharkai Siar	1,000,000	20,000
18	PCC Road Soghalai Talash	500,000	10,000
19	PCC Road Tangai Niamat Khan Korona	500,000	10,000
20	PCC Road Rehan Kot	2,000,000	40,000
21	PCC Road Tangi Siar	1,000,000	20,000
22	Danga wall Dodani Shegai	2,000,000	40,000
	Total=	70,000,000	1,400,000
PK-95			
1	PCC Road Jarjoray Fazil Gosam	10,000,000	200,000
2	PCC Road Mayar Shekhan	10,000,000	200,000
3	PCC Road Mulano Banda	10,000,000	200,000

4	PCC Road Ingaroo Darangal	10,000,000	200,000
5	PCC Road Toran To Rangual Miskini	10,000,000	200,000
6	PCC Road Sabar Shah Sadbar Kalay	10,000,000	200,000
7	PCC Road Chalgazay to Shalkani	5,000,000	100,000
8	PCC Road Takwaro Shekhan	5,000,000	100,000
	Total=	70,000,000	1400,000
	PK-96		
1	PCC ROAD Babagam	10,000,000	200,000
2	PCC Road Dabako Lacha	10,000,000	200,000
3	PCC Road Kumbar Markhani	10,000,000	200,000
4	PCC Road Ado Azghar Zaimdara	10,000,000	200,000
5	PCC Road Balo Khan Shegai	10,000,000	200,000
6	PCC Road Barghando Kwaro Bagh	5,000,000	100,000
7	PCC Road Sangoli Bala	10,000,000	200,000
8	PCC Road Chinargai Kaga Kwaro Bagh	5,000,000	100,000
	Total=	70000000	1400,000
		210,000,000	4,200,000

Annexure-6
Para 1.2.2.1

Detail of Excess Expenditure

(Amount in Rs)

File No	Name of work	E/Cost	Rate offered by contractor	Expenditure	Excess payment
1	Impro & BTR Lity Road	10	7.41	10	2.59
2	Impro & BTR Banr Safary Road	10	7.56	10	2.44
3	Impro & BTR Gul Tangi Road	10	8.28	10	1.72
4	Impro & BTR Bakht Bilanda Road	10	8.04	10	1.96
5	Impro & BTR Inzar Doshkhel Road	10	8.3	10	1.7
6	Impro & PCC Road Makhy Khazana	10	7.47	10	2.53
7	Impro & PCC Muhammad Banda road	10	8.28	10	1.72
8	Impro & PCC Road asilo banda mayar	10	7.59	10	2.41
9	Impro & PCC Road Mozain banda kolam dara	20	14.54	20	5.46
10	Reh:/ Impro: & BTR Lajboak Road	10	8.62	10	1.38
11	Reh:/ Impro: & BTR Sangolay Road	10	8.59	10	1.41
12	Reh:/ Impro: & BTR Atrako zimdara Road	10	8.98	10	1.02
13	Reh:/ Impro: & BTR Khan abad Markhani Road	10	8.59	10	1.41
14	Reh:/ Impro: & BTR Chinarkot Road	5	4.48	5	0.52
15	Reh:/ Impro: & BTR Fazal Abad Road	5	4.39	5	0.61
Total		150	121.12	150	28.88

Annexure-7
Para 1.3.1.1

Detail of payments/expenditure incurred without pre-audit

S.No	Name of NC/VC	Expenditure (Rs)
01	NC Timergara 1	352,910
02	NC Mian Banda	253,060
03	VC Sari Bala	347,350
04	VC Kas Shamshi Khan	232,000
05	NC Chackdara Khass	394,793
06	VC Kotigram	318,644
07	VC Asbanr Bazar	272,850
08	VC Shawa	362,350
09	VC Zormandi	246,150
10	VC Kandaro	259,637
11	NC Samar Bagh	286,420
12	NC Rahimabad	287,500
13	VC Kotki shahi Khail	274,388
14	VC Sangipara	276,500
15	VC Paloso dag	278,399
16	VC Khuna Picket	290,100
17	VC Kumber	257,068
18	VC Nagotal	292,068
19	VC Rabat	221,350
20	VC Morani	216,000
Total		5,719,537