



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

KHYBER PAKHTUNKHWA

AUDIT YEAR 2016-17

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AD	Assistant Director
ADP	Annual Development Program
AP	Advance Para
DAC	Departmental Accounts Committee
DAO	District Account Office
DC	Deputy Commissioner
DDAC	District Developmental Advisory Committee
DDO	Drawing and Disbursing Officer
FD	Finance Department
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
PFC	Provincial Finance Commission
RDA	Regional Directorate of Audit
TA	Travelling Allowance
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 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 Election & Rural Development Department and Village / Neighborhood Councils.

The report is based on audit of the accounts of Assistant Director LGE&RDD, Shangla and 11 VCs/NCs of District Shangla 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 light of written replies of the Department. 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 Shangla 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 105 Village/ Neighborhood Council in District Shangla for the financial year 2015-16 was Rs 56.876 million. Out of this, the RDA Swat audited an expenditure of Rs 4.629 million which, in terms of % was 8.139% 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	Alpuri	52	0	5	Nawa kaly Shapur, Pagorai, Banda China, Khadang, Maira
2	Puran	53	0	6	Bengalai, Chowga, Pandorai, Shekolai, Kuz Kaly Martung, Kamach

The total expenditure of the Assistant Director Local Government and 11 Village/ Neighborhood Councils, Shangla for the Financial Year 2015-16, the auditable expenditure under the jurisdiction of RDA was Rs 21.240 million. Out of this, RDA Swat audited an expenditure of Rs 18.05 million which, in terms of percentage, was 85% of auditable expenditure.

The receipts of 11 Village/ Neighborhood Councils Shangla, 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 expenditure.

The total expenditure and receipts of Assistant Director Local Government Election & Rural Development Department and 11 Village/ Neighborhood Councils, District Shangla, for the Financial Year 2015-16 were Rs 21.240 million. Out of this, RDA Swat audited the expenditure and receipts of Rs 18.05 million.

a. Recoveries at the instance of audit

Recoveries of Rs 00 million were pointed out during the audit, which were not in the notice of the executive prior to audit. None of the recovery pointed out has been made.

b. Audit Methodology

Audit was conducted after understanding the business processes of Assistant Director Local Government Office and Village 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 were noticed in six cases¹- Rs 12.04 million.
- ii. Weak internal control was noticed in three cases²- Rs 4.18 million.

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. Deduction of taxes on suppliers and contracts should be ensured. Inquires/ investigation be held forthwith and losses/ wasteful expenditure be recovered from those found guilty.
- ii. All sectors of Assistant Director Local Government Election & Rural Development Department and NCs/VCs 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

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	01	21.240
2	Total formations in audit jurisdiction	106	21.240
3	Total Entities(PAOs) Audited	01	18.05
4	Total formations Audited	12	18.05
5	Audit & Inspection Reports	01	18.05
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	12.04
3.	Weak Internal controls	4.18
4.	Others	-
	Total	16.22

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	3.20	-	-	14.85	18.05	16.416
2.	Amount Placed under Audit Observation /Irregularities of Audit	2.128	-	-	14.09	16.22	4.858
3.	Recoveries Pointed Out at the instance of Audit	-	-	-	-	-	-
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	12.04
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.	4.18
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	16.22

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

S #	Description	Amount
1	Outlays Audited (item 1 of Table 3)	18.05
2	Expenditure on audit	0.119
3	Recoveries realized at the instance of audit	0
	Cost-Benefit Ratio	1:0

CHAPTER-1

1.1 Administrator Village/ Neighborhood Councils Shangla

1.1.1 Introduction

District Shangla has two tehsils i.e. Alpuri & Puran. There is an Assistant Director LGE&RDD and 105 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)

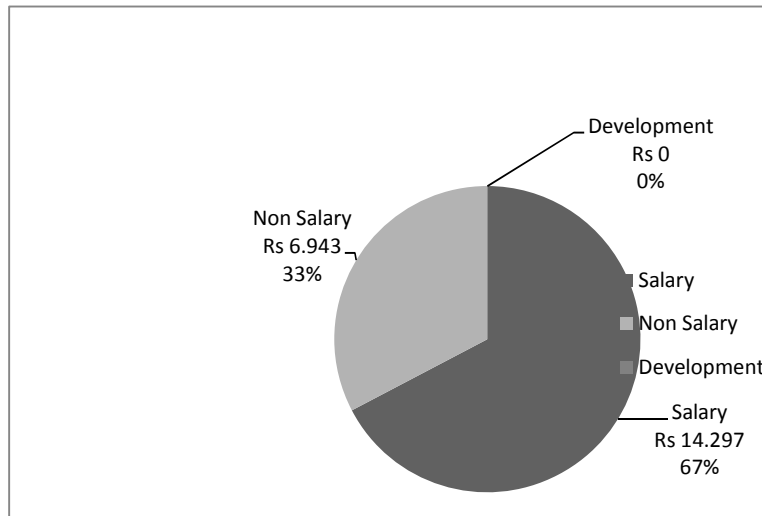
An amount of Rs 77.015 million was allocated as budget by the District Government to the office of Assistant Director Local Government Election & Rural Development Department and 11 NCs/VCs of District Shangla during Financial year 2015-16, against which an expenditure of Rs 21.240 million was incurred by the Assistant Director Local Government Election & Rural Development Department and 11 VCs/NCs Shangla with a saving of Rs 55.774 million. Detail is given below:

(Rs in million)				
2015-16	Budget	Expenditure	(+)Excess/(-)Saving	Percentage
Salary	56.413	14.297	(42.115)	56.413
Non-salary	11.227	6.943	(4.284)	11.227
Developmental	9.375	0	(9.375)	9.375
Total	77.015	21.240	(55.774)	72.42%
Receipts	0	0	0	--

The huge savings of Rs 55.774 million in all heads of accounts indicate weakness in the capacity of these local institutions to utilize the amounts allocated.

Expenditure 2015-16

(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 Shangla 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.

ASSISTANT DIRECTOR LGE&RDD SHANGLA

1.2 Audit Paras Administrator Shangla

1.2.1 Irregularities & non compliance

1.2.1.1 Irregular cash payment in violation of rules – Rs 2.433 million

According to para 4.2.9.9 of Accounting Policies and Procedure Manual, Cheque payments should be released to the payee or personally collected by the payee or his authorized agent. Cheque payments made by registered post should have cheque envelopes bearing a direction to return the unclaimed cheque (i.e. unclaimed post) to the issuing department. According to Rule-12 of chapter- IV of Khyber Pakhtunkhwa Local Council Accounts Rules 1980, where the local fund is kept in treasury of bank no payment exceeding Rs 500 shall be made except by means of cheque.

AD LGE&RDD, Shangla incurred expenditure of Rs 2,432,792 during the year 2015-16 on salary and non salary components and cash disbursement were shown instead of payments by means of cheques in violation of rules. Due to cash disbursement actual payments to the concerned could not be ensured and chances of misappropriation could not be ruled out. Detail is given at Annex-3:

Irregular cash payment occurred due to weak financial control, which resulted in violation of rules.

The irregularity was pointed out to the management in April 2017, management replied that in future all the payments would be made through crossed cheque. Reply was not convincing as cash payments were made and compliance of the above mentioned rules was not made. Request for convening DAC meeting was made in June 2017, however meeting of DAC could not convened till finalization of this report.

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

AIR Para No. 91A (2015-16)

1.2.1.2 Non-reconciliation of expenditure – Rs 2.101 million

According to Para 89(4)(iii) of GFR Vol:I, the head of department / accountant general will jointly be responsible for the reconciliation of figure given in the accounts maintained by head of department. According to Para 89(4) (viii-2) of GFR Vol-I, main object of the reconciliation is to ensure that the departmental accounts are sufficiently accurate to render possible and efficient departmental control of expenditure.

AD LGE&RDD, Shangla did not reconcile the expenditure of Rs 2,101,016 of the cost center 7019 with the DAO shangla during the year 2015-16 in violation of rules. Due to non reconciliation a difference of Rs 337,638 exists between department and DAO figures

Non reconciliation of expenditure occurred due to weak financial control, which resulted in violation of government rules.

The irregularity was pointed out to the management in April 2017, management replied that reconciliation of expenditure would be made with the DAO and would be shown to audit. Reply was not convincing as documentary evidence was not shown to audit. Request for convening DAC meeting was made in June 2017, however meeting of DAC could not convened till finalization of this report.

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

AIR Para No. 94 (2015-16)

1.2.1.3 Unjustified payment on Gifts –Rs 0.279 million and loss due to engagement of fixed pay driver – Rs 0.15 million

According to Local Government and Rural Development Department Khyber Pakhtunkhwa letter No. Director (LG) 3-15 /DDAC/2013/3490 dated 15.07.2015 read with Finance Department Government of Khyber Pakhtunkhwa letter No. BO.XI/FD/2-1/2014-15/LG&RD dated 29.06.2015 that Finance

Department regret to accord sanction for the “Gift” announced by Chairman DDAC in the object head “Entertainment and Gifts”. According to Para 23 of GFR Vol-I, every government officer should realize fully and clearly that he would 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, Shangla paid Rs 278,500 on account of “gifts” out of object head entertainment and gifts during the year 2015-16 in violation of the Finance Department instructions. Detail is given at Annex-4.

Moreover, pay and allowances to the driver was paid Rs 150,000 appointed on fixed pay for duty with DDAC Chairman. Whereas, the duty of driver was performed by a regular driver hired from DC Office Shangla vide office order No. 7204-05/DN/DC/SH dated 29.07.2013. Therefore, engagement of fixed pay driver was just wastage of Government resources and loss to the Government.

Unjustified payment and loss occurred due to weak of financial control which resulted in loss Government.

The irregularity was pointed out to the management in April 2017, management replied that the matter would be taken up with the Finance Department for regularization and concerned driver would be returned to the department concerned. Reply was not convincing as documentary evidence was not shown to audit.

Request for convening DAC meeting was made in June 2017, however meeting of DAC could not convened till finalization of this report.

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

AIR Para No. 96, 91(2015-16)

1.2.1.4 Irregular appointment in violation of recruitment policy and payments –Rs 0.329 million

According Government of Khyber Pakhtunkhwa Establishment Department Regulation Wing letter No. SOR-VI(E&D)/1-10/2010/Vol-VIII dated 10.12.2014, clarify that 03 months period for maintaining waiting list by the Public Service Commission or Departmental Selection Committee as the case may be, shall be counted w.e.f the date of issuance of letter of appointment by the department(s).

AD LGE&RDD, Shangla appointed 03 village council secretaries from the waiting list which was maintained for more than three months in violation of recruitment policy, as first appointment order was issued on 09.03.2016. Detail is given below:

S.No	Name	waiting list no	Date of appointment	UC Name	Remarks	Payment made up to date(Rs)
1	Raham Dil Khan	04	01.08.2016	Shang	05 months after first appointment	139,184
2	Maswat Khan	03	25.08.2016	Chakisar	5½ months after first appointment	121,786
3	Shujat ali	03	2.12.2016	Ismail khel	09 months after first appointment	68,310
						329,280

Irregular appointment occurred due to weak internal control, which resulted in violation of rules.

The irregularity was pointed out to the management in April 2017, management stated that record would be checked and detail reply would be given. Reply was not convincing as no progress shown to audit. Request for convening DAC meeting was made in June 2017, however meeting of DAC could not convened till finalization of this report.

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

AIR Para No. 93 (2015-16)

1.2.2 Internal Control Weaknesses

1.2.2.1 Difference in closing balance between cash book and bank statement –Rs 1.613 million

According to para 6.3.4.1 of Accounting Policies and Procedure Manual, A monthly reconciliation of bank accounts is a necessary part of financial management and is also an effective measure for detecting and deterring fraud and irregularities. According to Para 89(4) (viii-2) of GFR Vol-I, the main object of the reconciliation is to ensure that the departmental accounts are sufficiently accurate to render possible and efficient departmental control of expenditure.

AD LGE&RDD, Shangla failed to reconcile closing cash balances with the bank due to which a difference of Rs 1,612,604 was found between closing balances of cash book with the bank statement as per detail given below:

Closing balance as per bank statement of bank account 1001545 MCB on 30.6.2016	Closing balance as per cash books on 30.6.2016	Difference(Rs)
1,613,294	690	1,612,604

Difference in closing balance occurred due to lack of financial control which resulted in violation of government rules.

The irregularity was pointed out to the management in April 2017, management replied that differences would be reconciled and progress would be shown to audit. Reply was not convincing as no progress shown to audit. Request for convening DAC meeting was made in June 2017, however meeting of DAC could not convened till finalization of this report.

Audit recommends reconciliation and condonation from the competent forum.

AIR Para No. 95 (2015-16)

1.2.2.2 Unauthorized expenditure beyond competency – Rs 1.003 million

According Delegation of Powers 2001, second schedule S.No.(5xxxiv), (5xxxvi), (5i), (12), (5xiii), (5ii), (22), (12), (19), (12) and (5(ii)) the AD LGE&RDD being category-IV officer had delegated the financial powers upto Rs Nil in POL, Rs Nil in Advertisement, Rs 2000 in Stationary , Rs 5000 in Repair of transport, Rs 500 in Printing& Publication , Rs 5000 in others, Rs Nil in Entertainment, Rs 5000 in Repair of machinery, Rs Nil in Honoraria, Rs 5000 in Repair of transport, Rs 5000 in others

AD LGE&RDD, Shangla incurred expenditure of Rs 1,003,046 on various items without sanction of the competent authority during the year 2015-16. Detail is given at Annex-5:

Unauthorized expenditure occurred due to weak financial control, which resulted in violation of rules.

The irregularity was pointed out the management in April 2017, management replied that sanction would be shown to audit. Reply was not convincing as documentary evidence was not shown to audit. Request for convening DAC meeting was made in June 2017, however meeting of DAC could not convened till finalization of this report.

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

AIR Para No. 92 (2015-16)

**11 SELECTED VILLAGE /NEIGHBORHOOD COUNCILS OF
DISTRICT SHANGLA**

1.3 Audit Paras Administrator VCs/ NCs Shangla

1.3.1 Irregularities & non compliance

1.3.1.1 Unauthorized expenditure without pre-audit -Rs 4.629 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 eleven Village & Neighborhood Councils of District Shangla incurred an expenditure of Rs 4,628,893 during the year 2015-16 on account of non salary heads without pre-audit by the Village /Neighborhood Accountant or the staff of the Local Fund Audit Department which was contrary to the above rules. Detail is given at Annex-6

Unauthorized expenditure occurred due to weak financial control, which resulted in violation of Government rules.

The irregularity was pointed out to the management in April 2017, management replied that compliance would be made in future. Reply was not convincing as pre-audit was not carried out in violation of rules. Request for convening DAC meeting was made in June 2017, however meeting of DAC could not convened till finalization of this report.

Audit recommends condonation by the competent forum and future compliance through the system.

AIR Para No. 97,101,104,107,111,115,117,120,123,125,128 (2015-16)

**1.3.1.2 Unauthorized purchase without adopting open tender system -
Rs 2.128 million**

According to Rule 10 of Government of Khyber Pakhtunkhwa Public Procurement Regulatory Authority Procurement Rules 2014, the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs 100,000.

Nazims of eleven Village & Neighborhood Councils of District Shangla incurred expenditure of Rs 2,128,130 on the purchase of various items during the year 2015-16. Open tender system was not adopted for competitive bidding as principal method of procurement through Director Information Khyber Pakhtunkhwa Peshawar and cash payment was made to Nazim instead of suppliers. Detail is given at Annex-7.

Unauthorized purchase occurred due to weak financial control, which resulted in violation of rules.

The irregularity was pointed out to the management in April 2017, management replied that purchases were made in hurry and open tender was not made, compliance would be made in future. Reply was not convincing as Khyber Pakhtunkhwa Public Procurement Regulatory Authority Procurement Rules were violated. Request for convening DAC meeting was made in June 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends stop the irregular practice besides taking corrective action against the person(s) at fault.

AIR Para No. 98,102,105,108,112,116,118,121,124,126,129 (2015-16)

1.3.2 Internal Control Weaknesses

1.3.2.1 Unauthorized expenditure in violation of rules - Rs 1.573 million

According to Government of Khyber Pakhtunkhwa Finance Department letter No. BO(PFC-III) FD/1-6/ADP/15-16 dated 5.1.2016, the amount of Rs 500,000 has been released as operational budget. The amount shall be utilized against the following heads of accounts.

1. Purchase of Furniture/ Fixtures
2. Minor repair of office
3. Office rent
4. Purchase of desktop computer with printer
5. Stationary
6. Utility charges

Nazims of nine Village & Neighborhood Councils of District Shangla incurred expenditure of Rs 1,573,000 on various heads of accounts during the year 2015-16 which was contrary to the above instructions. Detail is given at Annex-8.

Unauthorized expenditure occurred due to weak financial control, which resulted in violation of rules.

The irregularity was pointed out to the management in April 2017, management replied that the amount would be recouped from remuneration and progress would be shown to audit. Reply was not convincing as no progress shown to audit. Request for convening DAC meeting was made in June 2017, however meeting of DAC could not convened till finalization of this report.

Audit recommends to stop the irregular practice besides taking corrective action under intimation to Audit.

AIR Para No. 100,103,106,110,114,119,122,127,130 (2015-16)

ANNEXURES

Annexure-1

Detail of MFDAC Paras

(Rs in million)

S. No	AP No	Gist of Para	Amount
1	99	Overpayment on account of stationary and electricity charges	0.010
2	109	Unjustified payment on stationary charges	0.020
3	113	Unjustified payment on stationary charges	0.020
Total			0.050

Annexure-2

Annexure-2 Budget and Expenditure Summary

Financial Year 2015-16

(Rs in million)

Name of office	2015-16	Budget	Expenditure	(+)Excess/(-)Saving	Percentage
AD LGE&RDD	Salary	56.413	14.297	-42.115	74.65%
	Non-salary	2.427	2.314	-0.113	4.66%
	Developmental	0	0	0	0
	Receipts	0	0	0	0
	Total	56.849	16.611	-40.237	70.78%
11 Village Councils	Non-salary	8.800	4.629	-4.171	47.40%
	Developmental	9.375	0	-9.375	100%
	Receipts	0	0	0	0
	Total	18.175	4.629	-13.546	74.53%
Total of AD LGE&RDD and 11 Village Councils	Salary	56.413	14.297	-42.115	74.65%
	Non-salary	11.227	6.943	-4.284	38.16%
	Developmental	9.375	0	-9.375	100%
	Receipts	0	0	0	0
	Total	77.015	21.240	-55.774	72.42%

Annexure-3
Para# 1.2.1.1

Detail of Irregular cash payment in violation of rules

S.No.	Head of account	Amount
1	A03202 Telephone	166,530
2	A03807-POL	310,150
3	A13001- Rep of transport	345,300
4	A03970-others	206,577
5	A06301entertainment	390,020
6	A01204- Honoraria	110,000
7	A01272-Pay of contingent staff	390,000
8	A03907-Advertisement	90,000
9	A03901-Stationary	109,285
10	A09601-furniture&Fixture	70,000
11	A09701-Rep of Machinery	95,270
12	A03908-Printing& Publication	149,660
		2,432,792

Annexure-4
Para# 1.2.1.3

Detail of payment on gifts

S.No	Gift Announced by Chairman DDAC	To whom paid	Amount(Rs)
1	Cash	Insaf Cricket Club	71,500
2	Dairies and Pens	Not Known	14,500
3	Trophies	Not Known	17,500
4	cash	Hira School Belebab	45,000
5	cash	GHS Alpurai	60,000
6	Trophies	Not Known	22,500
7	Trophies	Not Known	22,500
8	Sports Shoes	Not Known	25,000
Total			278,500

Annexure-5
Para# 1.2.2.2

Detail of Unauthorized expenditure beyond competency

S.No	Particulars	Total expenditure (Rs)	Expenditure without sanction (Rs)
1	POL	310,150	60,480
2	Advertisement	90,000	46,000
3	Stationary	109,285	109,285
4	Repair of transport -	345,300	275,000
5	Printing& Publication	149,660	73,360
6	Others	206,577	72,271
7	Entertainment	390,020	167,220
8	Repair of machinery	95,270	30,180
9	Honoraria	120,000	120,000
10	Repair of transport	33,600	33,600
11	Others	15,650	15,650
		1,696,262	1,003,046

Annexure-6
Para# 1.3.1.1

Detail of expenditure without Pre-audit

Expenditure on Head of account		Furniture (Rs)	computer with accessories (Rs)	Stationary (Rs)	Rent of office building (Rs)	Honoraria (Rs)	Telephone charges (Rs)	Others (Rs)	Total (Rs)
S.No	Name of VC								
1	Banda China	146,000	57,800	25,000	60,000	170,000	3,340	35,000	497,140
2	Bengalai	62,780	28,950	2,760				2,500	96,990
3	Chowga	145,800	58,300	23,000	75,000	153,000		27993	483,093
4	Kamach	78,000	58,300	3,500		170,000		3,000	312,800
5	Khadang	98,000	105,800	20,000	54,000	153,000		18,000	448,800
6	Kuz Kaly Matung	146,000	58,300	25,000				2,425	231,725
7	Miara	98,000	105,800	28,770	80,000	204,000		350	516,920
8	Nawe Kaly Shapur	98,000	105,800	20,000	50,000	170,000		50,000	493,800
9	Pagorai	98,000	105,800	20,000	60,000	153,000		55,800	492,600
10	Pandorai	147,000	58,300	25,400	75,000	153,000		110,375	569,075
11	Shekolai	148,600	58,300	25,000	75,000	153,000		26,050	485,950
									4,628,893

Annexure-7
Para# 1.3.1.2

Detail of purchase without adopting open tender system

Name of VC	Items	Cheque No and Date	Name of supplier	Amount (Rs)
Banda China	Furniture	2567461,63,64 dt 19.4.16	Khan Furniture	146,000
	Computer with accessories	2567462 dt 19.4.16	Ferozsons computers	57,800
Bengalai	Furniture	1596820853 dt 22.6.16	Karachi chairs	62,780
	Computer with accessories	1596820854 dt 22.6.16	Indus computers	28,950
Chowga	Furniture	1599875607,06,09 dt 14.4.16	Karachi Chairs	145,800
	Computer with accessories	1599875608,78 dt 14.4.16	Advance computers	58,300
Kamach	Furniture	1600115001,04 dt 12.4.16	Umair chairs	78,000
	Computer with accessories	1600115006 dt 12.4.16	Advance computers	58,300
Khadang	Furniture	24919148,49 dt 13.4.16	Khan Furniture	98,000
	Computer with accessories	24919146-47 dt 13.4.16	Bismillah computers	105,800
Kuz kaly Martung	Furniture	1597967896,97,99 dt 12.4.16	Karachi chairs	146,000
	Computer with accessories	1597967898 dt 12.4.16	Advance computers	58,300
Maira	Furniture	55458276,79 dt 11.4.16	Khan Furniture	98,000
	Computer with accessories	55458277,78 dt 11.4.16	Bismillah computers	105,800
N/ Kaly Shapur	Furniture	24919396,7 dt 13.4.16	Khan Furniture Pindi	98,000
	Computer with accessories	24919398,9 dt 13.4.16	Bismillah computers	105,800
Pagorai	Furniture	24707311,12 dt 7.4.16	Khan Furniture	98,000
	Computer with accessories	24707313,14 dt 7.4.16	Bismillah computers	105,800
Pandoria	Furniture	60010156,57&59 dt 12.4.16	Karachi chair	147,000
	Computer with accessories	60010158 dt 12.4.16	Advance computers	58,300
	generator	60010161 dt 8.6.16	Ocean electronics	45,500
	Solar system	60010165 dt 8.6.16	Hanif electronics	15,000
Shikowlai	Furniture	1599875756,7,9 dt 12.4.16	Karachi chairs	148,600
	Computer with accessories	1599875758 dt 12.4.16	Advance computers	58,300
Total				2,128,130

Annexure-8
Para# 1.3.2.1

Detail of expenditure in violation of rules

Name of VC	Head of accounts	Cheque No & date	Amount(Rs)	Remarks
Banda China	Honoraria of Nazim/	2567469 dt 14.6.16	100,000	Expenditure on Honoraria was not allowed from operational budget
	Honoraria of N.Nazim	2567469 dt 14.6.16	70,000	
Chowga	Honoraria of Nazim/	159985613 dt 14.6.16	90,000	Expenditure on Honoraria was not allowed from operational budget
	Honoraria of N.Nazim	159985614 dt 14.6.16	63,000	
Kamach	Honoraria of Nazim/	1150012 dt 28.6.16	100,000	Expenditure on Honoraria was not allowed from operational budget
	Honoraria of N.Nazim	1150013 dt 28.6.16	70,000	
Khadang	Honoraria of Nazim/	24919154 dt 27.6.16	90,000	Expenditure on Honoraria and entertainment was not allowed from operational budget
	Honoraria of N.Nazim	24919155 dt 27.6.16	63,000	
	Entertainment	24919156 dt 27.6.16	18,000	
Maira	Honoraria of Nazim/	55458281 dt 27.5.16	120,000	Expenditure on Honoraria was not allowed from operational budget
	Honoraria of N.Nazim	55458282 dt 27.5.16	84,000	
Nawe Kaly Shapur	Honoraria of Nazim/	24919403 dt 13.6.16	100,000	Expenditure on Honoraria, Entertainment and TA was not allowed from operational budget
	Honoraria of N.Nazim	24919404 dt 13.6.16	70,000	
	Entertainment	24919405 dt 13.6.16	20,000	
	TA	24919407 dt 13.6.16	20,000	
Pagorai	Honoraria of Nazim/	24707318 dt 6.6.16	90,000	Expenditure on Honoraria, Entertainment and Mobile charges was not allowed from operational budget.
	Honoraria of N.Nazim	24707318 dt 6.6.16	63,000	
	Entertainment	24707318 dt 6.6.16	18,000	
	Mobile chrges	24707318 dt 6.6.16	18,000	
Pandoria	Honoraria of Nazim/	109166 dt 23.6.16	90,000	Expenditure on Honoraria was not allowed from operational budget
	Honoraria of N.Nazim	109166 dt 23.6.16	63,000	
Shikowlai	Honoraria of Nazim/	1599875761 dt 6.6.16	90,000	Expenditure on Honoraria was not allowed from operational budget
	Honoraria of N.Nazim	1599875762 dt 6.6.16	63,000	
		Total	1,573,000	