



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

**KHYBER PAKHTUNKHWA**

**AUDIT YEAR 2016-17**

**AUDITOR GENERAL OF PAKISTAN**

## TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS .....	i
Preface.....	ii
EXECUTIVE SUMMARY.....	iii
SUMMARY TABLES AND CHARTS.....	vii
I: Audit Work Statistics.....	vii
II: Audit observations classified by Categories.....	vii
III: Outcome Statistics.....	viii
IV: Irregularities pointed out.....	ix
V: Cost-Benefit .....	ix
CHAPTER-1 .....	1
1.1 Assistant Director LGE&RDD and NCs/VCs District Swat .....	1
1.1.1 Introduction .....	1
1.1.2 Comments on Budget and Accounts (variance analysis).....	1
1.1.3 Brief comments on the status of Compliance with PAC Directives .....	5
1.2 Audit Paras of Assistant Director LGE&RDD Swat .....	7
1.2.1 Misappropriation .....	7
1.2.2 Irregularity and Non Compliance.....	9
1.2.3 Internal Control Weaknesses.....	14
1.3 Audit Paras of Village Councils and Neighborhood Councils Swat.....	18
1.3.1 Irregularity & Non Compliance .....	18
ANNEXURES.....	19
Annexure-I ( Detail of MFDAC Paras).....	19
Annexure-2 (Detail of double POL chits).....	20
Annexure-3 (Detail of expenditure of POL and repair) .....	21
Annexure-4 (Detail of expenditure incurred without sanctions).....	22
Annexure-5 (Detail of payments/expenditure incurred whout pre-audit).....	23

## ABBREVIATIONS AND ACRONYMS

AD	Assistant Director
BOQ	Bill of Quantity
B&R	Building & Road
CPWA Code	Central Public Works Account Code
CPWD code	Central Public Works Department Code
CSR	Composite Schedule of Rates
DC	Deputy Commissioner
DAC	Departmental Accounts Committee
DDO	Drawing & Disbursing Officer
DG	Director General
GFR	General Financial Rules
IPSAS	International Public Sector Auditing Standards
LCB	Local Council Board
LGA	Local Government Act
LGO	Local Government Ordinance
LGE&RDD	Local Government Elections and Rural Development Department
MB	Measurement Book
MC	Municipal Committee
MRS	Market Rate System
MFDAC	Memorandum for Departmental Accounts Committee
NC	Neighborhood Council
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PATA	Provincially Administered Tribal Area
PC-I	Planning Commission-I
PCC	Plain Cement Concrete
POL	Petrol Oil Lubricant
RDA	Regional Directorate of Audit
TMA	Tehsil Municipal Administration
UAs	Union Administrations
UCs	Union Councils
VC	Village Council
WSS	Water Supply & Sanitation
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 Union Councils and Assistant Director Local Government Department Swat.

The report is based on audit of the accounts of AD LGE&RDD and 21 Neighborhood/Village Councils Swat 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 the systemic issues and significant audit finding. 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 and in all cases where the PAO does not initiate appropriate action, the Audit observation will be brought to the notice of Public Accounts Committee through the next year's Audit Report.

Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

The observations included in this Report have been finalized in the light of written replies of the departments. 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, is responsible to conduct the audit of all District Councils, Tehsil Municipal Administrations (TMAs) and Neighborhood Councils & Village Councils and Assistant Directors LGE&RDD. Its Regional Directorate of Audit Swat has audit jurisdiction of District Councils, Tehsil Municipal Administrations, Assistant Director Local Governments and NCs/VCs of five Districts i.e. Swat, Shangla, Dir lower, Dir Upper and Chitral.

The Regional Directorate Swat has a human resource of 07 officers and staff, constituting 1750 mandays available. The annual budget amounting 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 and audit) and performance audit of entities, projects and programs. Accordingly, Regional Directorate Audit Swat carried out audit of the accounts of AD LGE&RDD and 21 NCs/VCs for the Financial Year 2015-16 and the findings included in the Audit Report.

Assistant Director Local Government Election & Rural Development Department and VCs/NCs of District Abbottabad 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

Total expenditure of 215 Village/Neighborhood Councils in District Swat for the financial year 2015-16 was Rs 40.902 million. Out of this, RDA Swat audited an expenditure of Rs 3.995 million which, in terms of percentage was 9.76% of the auditable expenditure. Detail is given below:

#### Detail of VCs/NCs in district Swat:

S.No	Tehsil	No. of VCs/ NCs	Audited last year	Audited this year	Name of VCs/NCs Audited
01	Babozai	49	00	03	Banr Nawakalay, Gul Kada,
02	Matta	46	00	03	Kabal Chindakhwara, Kanju
03	Behrain	22	00	03	No. 2, Shahdara -2, Darmai
04	Khwaza Khela	30	00	03	Matta, Jambil, Khairabad,
05	Charbagh	11	00	03	Kotanai, Kuza Durushkhela,
06	Kabal	39	00	03	Labat, Malamjabba, Mankyal,
07	Barikot	17	00	03	Najigram, Paklai Shahgram, Shalpin, Shawar-2, Taghma, Tall, Tirang, Qambar No. 2

The total expenditure of the Assistant Director Local Government and Neighborhood/Village Councils, Swat for the Financial Year 2015-16, the auditable expenditure under the jurisdiction of RDA was Rs 53.596 million. Out of this, RDA Swat audited an expenditure of Rs 37.517 million which, in terms of percentage, was 70% of auditable expenditure.

There were no receipts of 21 Union & Village Councils Swat, for the Financial Year 2015-16.

Total expenditure of the Assistant Director Local Government Election & Rural Development Department and 21 Village/Neighborhood Councils, Swat for the Financial Year 2015-16 was Rs 53.596 million. Out of this, RDA Swat audited the expenditure and receipts of Rs 37.517 million.

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

Recovery of Rs 0.607 million was pointed out during the audit. However, no recovery was made till finalization of this report. Out of the total recoveries, Rs 0.607 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 Neighborhood/Village Councils with respect to their functions, control structure and key controls. This helped auditors in understanding the systems, procedures, environment, and the audited entity before starting the audit. Audit used desk audit techniques for analysis of compiled data and review of actual vouchers called for during scrutiny and substantive testing in the field.

**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. In cases of recovery management has issued orders for recovery. 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 Assistant Director LGE&RDD and NCs/VCs District Swat

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

- i. Misappropriation of Rs 0.508million was noted in two cases<sup>1</sup>.
- ii. Irregularity & Non-compliance of Rs 6.73 million were noticed in five cases<sup>2</sup>.
- iii. Internal Control weakness of Rs 0.365 million were noticed in three cases<sup>3</sup>.

**f. Recommendations**

- i. Misappropriated amount and overpayments need to be made recovered from the responsible persons.
- ii. Responsibility for non-obtaining sanctions from the competent forum, violation of rules in spending public money needs to be fixed on the persons responsible.
- iii. All sectors of Assistant Director Local Government Elections & Rural Development Department and NCs/VCs need to strengthen internal controls i.e. financial, managerial, operational, and administrative and accounting control.

---

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

<sup>2</sup> Para 1.2.2.1, 1.2.2.2, 1.2.2.3, 1.2.2.4 1.3.1.1

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



## SUMMARY TABLES AND CHARTS

### I: Audit Work Statistics

(Rs in million)

S. No	Description	No.	Budget
1	Total Entities (PAO) in Audit Jurisdiction	02	53.596
2	Total formations in audit jurisdiction	216	53.596
3	Total Entities (PAO) Audited	02	37.517
4	Total formations Audited	22	37.517
5	Audit & Inspection Reports	02	37.517
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	Asset management	0
2	Financial management	0.508
3	Internal controls	0.546
4	Violation of rules	6.73
5	Others	0
<b>Total</b>		<b>7.784</b>

### 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	14.485	0	0	23.032	37.517	51.301
2	Amount Placed under Audit Observation /Irregularities of Audit	2.327	0	0	5.456	7.784	27.544
3	Recoveries Pointed Out at the instance of Audit	0	0	0	0.607	0.607	0.458
4	Recoveries Accepted /Established at the instance of Audit	-	-	-	0.607	0.607	-
5	Recoveries Realized at the instance of Audit	-	-	-	-	-	-

Note: The outcome figures reported for the year 2014-15 pertain to the Twenty (20) Union Councils audited last year. Since the PAO is the same therefore, these amounts have been included here to show cumulative effect against the PAO.

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

<b>S. No</b>	<b>Description</b>	<b>Amount Placed under Audit Observation</b>
1	Violation of Rules and regulations, principle of propriety and probity in public operation	6.631
2	Reported cases of fraud, embezzlement, thefts and misuse of public funds.	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.	0.546
5	Recoveries and overpayment, representing cases of established overpayment or misappropriations of public monies	0.607
6	Non-production of record	0
7	Others, including cases of accidents, negligence etc.	0
<b>Total</b>		<b>7.784</b>

**Table 5: Cost-Benefit**

<b>Sr. No</b>	<b>Description</b>	<b>Amount (Rs in million)</b>
1	Outlays Audited (Items 1 of Table 3)	37.517
2	Expenditure on Audit	0.093
3	Recoveries realized at the instance of Audit	0
	<b>Cost-Benefit</b>	<b>1:0</b>

## **CHAPTER-1**

### **1.1 Assistant Director LGE&RDD and VCs /NCs District Swat**

#### **1.1.1 Introduction**

District Swat has seven tehsils i.e. Babozai, Bahrain, Barikot, Matta, Kabal, Khawazala, & Charbagh. There is an Assistant Director Local Government & Rural Development Department and 215 Neighborhood/ Village Councils. Each Neighborhood/Village Council has a Secretary. Assistant Director Local Government Elections & Rural Development Department is Drawing and Disbursing Officer (DDO) for his office.

#### **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 74.767 million was allocated as budget by the District Government to the office of Assistant Director Local Government & Rural Development Department during Financial Year 2015-16 under salary & non salary heads, against which an expenditure of Rs 49.601 million was incurred by the Assistant Director Local Government & Rural Development Swat with a saving of Rs 25.166 million. Similarly, an amount of Rs 23.399 million was allocated as budget by the Provincial Government to 21 Neighborhood/Village Councils during the year under non salary and developmental heads, against which an expenditure of Rs 3.995 million was incurred by the NCs/VCs as operational expenditure with a saving of Rs 19.404 million. Thus making a total of Rs 98.166 million at the disposal of Assistant Director Local Government & Rural Development Department and 21 NCs/VCs, against which an expenditure of Rs 53.596 million was incurred by the Assistant Director Local Government &

Rural Development Department and 21 NCs/VCs Swat with a saving of Rs 44.57 million during financial Year 2015-16. Detail is given below:

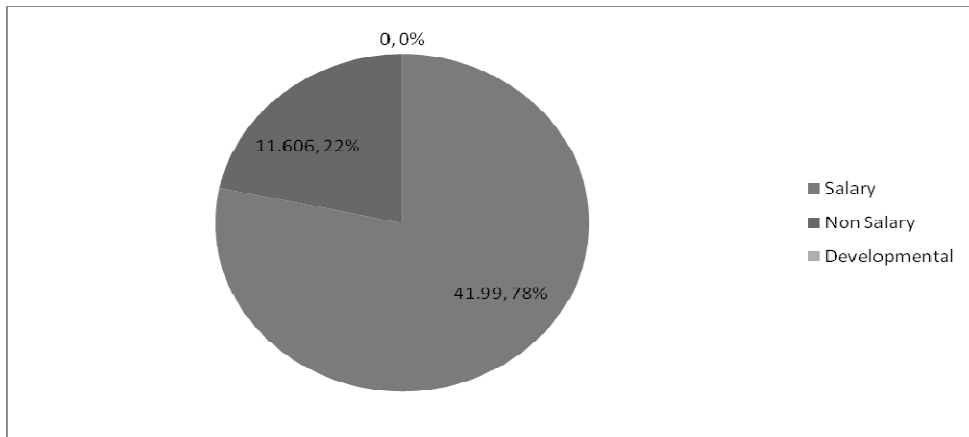
**(Rs in million)**

<b>Name of office</b>	<b>Particulars</b>	<b>Budget</b>	<b>Expenditure</b>	<b>Excess/ (Saving)</b>	<b>%</b>
Assistant Director Office including budget of chairman DDAC and District Council	Salary	51.582	41.990	9.592	18.59
	Non Salary	23.185	7.611	15.574	67.17
	Developmental	0	0	0	0.000
	Receipts	0	0	0	0
	<b>Total</b>	<b>74.767</b>	<b>49.601</b>	<b>25.166</b>	<b>33.65</b>
21 Neighborhood Councils/Village Councils	Salary	0	0	0	0
	Non Salary	23.399	3.995	19.404	82.92
	Developmental	0	0	0	0
	Receipts	0	0	0	0
	<b>Total</b>	<b>23.399</b>	<b>3.995</b>	<b>19.404</b>	<b>82.92</b>
Total of AD office and 21 NCs/VCs	Salary	51.582	41.990	9.592	18.59
	Non Salary	46.584	11.606	34.978	75
	Developmental	0	0	0	0
	Receipts	0	0	0	0
<b>Total</b>		<b>98.166</b>	<b>53.596</b>	<b>44.57</b>	<b>45.40</b>

The huge savings of Rs 45.40 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)



### 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 Swat 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 DISTRICT, SWAT**

## **1.2 Audit Paras, Assistant Director LGE&RDD Swat**

### **1.2.1 Misappropriation**

#### **1.2.1.1 Suspected misappropriation due to withdrawal of duplicate and triplicate copies of POL chits- Rs 341,486**

According to Para 23 of GFR Vol.-I, every Government officer is personally responsible for any loss sustained by Government through fraud or negligence either on his part or on the part of his subordinate staff.

Assistant Director LGE&RDD, Swat incurred expenditure of Rs 536,370 on account of POL during financial year 2015-16 out of which Rs 341,486 were misappropriated by withdrawal on duplicate and triplicate copies of POL chits and Cheques were issued in the name of the local officer instead of issuance to the concerned suppliers. Detail is given at the annexure-2.

Audit observed that misappropriation occurred due to weak internal control which resulted in loss to the Government.

The irregularity was pointed out to the management in Aril 2017 but reply was not submitted. Request for convening DAC meeting was made on 11<sup>th</sup> May 2017, however meeting of DAC could not be convened till finalization of this report.

Audit recommends recovery from the person (s) at fault.

**AIR Para No. 98 (2015-16)**

#### **1.2.1.2 Misappropriation due to double payment and excess withdrawal – Rs 166,683**

According to Para 23 of GFR Vol.-I, every Government officer is personally responsible for any loss sustained by Government through fraud or negligence either on his part or on the part of his subordinate staff.

Assistant Director LGE&RDD, Swat incurred expenditure of Rs 648,400 on account of Hot & Cold weather charges during winter season of the financial year 2015-16 from the budget of the District Council Swat. During scrutiny of relevant record, it was observed that:

1. Rs 57,883 were misappropriated as withdrawal of Rs 648,400 was made from the Government treasury while payment of Rs 590,517 was made.
2. Double payment of Rs 39,400 was made to a driver (Muhammad) for charcoal and firewood as well as evident from serial No 1 and serial No.6 of the payment list.
3. Payment of Rs 69,400 for firewood charges to three (03) officials for three fireplaces was made while fireplaces for those officials were not approved.

Audit observed that unauthorized expenditure occurred due to violation of rules which resulted in loss to the Government.

The irregularity was pointed out to the management in Aril 2017 but reply was not submitted. Request for convening DAC meeting was made on 11<sup>th</sup> May 2017, however, meeting of DAC could not be convened till finalization of this report.

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

**AIR Para No. 87 (2015-16)**

## 1.2.2 Irregularity and Non Compliance

### 1.2.2.1 Unverified expenditure due to non maintenance of log books – Rs 1.650 million

According to Rule 12 (i) & (ii) of the Government of Khyber Pakhtunkhwa Government Staff Vehicles (Use and Maintenance) Rules 1997, there shall be maintained, in respect of every Government Vehicle, a log book in Form “A” wherein shall be entered the Journeys performed by a Government Vehicle. The Log Book shall remain in the custody of the driver in-charge of the vehicle and shall be examined and signed by the Officer Incharge every day at the time the driver is relieved from duty.

Assistant Director LGE&RDD, Swat incurred expenditure of Rs 1,650,539 on account of POL and repair of vehicles during financial year 2015-16 but log books were not maintained to verify the expenditure and the journeys. Abstract is as under and detail is given at annexure-3.

S.No	User(s)	POL (Rs)	Repair of vehicle (Rs)	Total (Rs)
01	Nazim District Council	136,794	82,255	219,049
02	Naib Nazim District Council	99,793	51,360	151,153
03	Assistant Director LGE&RDD Swat	177,303	239,951	417,254
04	Chairman DDAC	536,370	326,718	863,088
<b>Total</b>		<b>950,260</b>	<b>700,284</b>	<b>1,650,544</b>

Audit observed that unverified expenditure occurred due to violation of rules which made the journeys and actual incurrence of expenditure doubtful.

The irregularity was pointed out to the management in April 2017, management stated that detailed reply would be furnished after scrutiny of record. Reply was not convincing as no scrutiny of record was required but log books should have been maintained and provided to audit for scrutiny. Request for convening DAC meeting was made on 11<sup>th</sup> May 2017, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends fixing responsibility against the person (s) at fault for non maintenance of log books besides maintenance and provision of log books to audit for scrutiny.

**AIR Para No. 86 (2015-16)**

**1.2.2.2 Unauthorized expenditure without sanctions of the competent authority- Rs 764,700**

According to serial No. 5(x), 4, 5(xxvi) and 12 of the Delegation of Powers under the Financial Rules and the powers of Re-Appropriation Rules 2001, category-II officer was competent to accord sanctions of Rs 10,000 in each case, Up to Rs 100,000 at a time, Rs 7500- non recurring Rs 2000 – recurring and Rs 50,000 or 25% of the book value whichever is less in the heads purchase of furniture, plant and machinery, others and repair of vehicles respectively.

Assistant Director LGE&RDD, Swat incurred expenditure of Rs 764,700 on account of purchase of furniture, purchase of plant & machinery, others and repair of vehicle during financial year 2015-16 without obtaining sanctions from the competent authority. Sanctions were accorded by the local officer whereas he was not competent to accord such sanctions as per Delegation of Powers under the Financial Rules and the powers of Re-Appropriation Rules 2001. Detail is given at the annexure-4.

Audit observed that unauthorized expenditure occurred due to violation of rules which resulted in misuse of powers.

The irregularity was pointed out to the management in April 2017, management stated that detailed reply would be furnished after scrutiny of relevant record. However no reply was furnished. Request for convening DAC meeting was made on 11<sup>th</sup> May 2017, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends fixing responsibility besides regularization from the competent authority.

**AIR Para No. 91 (2015-16)**

**1.2.2.3 Irregular expenditure on account of purchase of equipments without open tender system – Rs 221,400**

According to Rule 1 of Chapter-III of Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services 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/ rupees one hundred thousand.

Assistant Director LGE&RDD, Swat incurred expenditure of Rs 221,400 on account of purchase of various office equipments during financial year 2015-16 from the head “purchase of plant & machinery”. Audit observed that open tender system should have been adopted instead of limited quotations as the purchase value was over Rs 100,000 and not only the quotations were called on one day (17<sup>th</sup> May 2016) but sanctions in pieces were also accorded by the Deputy Commissioner Swat on one day i.e.8<sup>th</sup> June 2016. Detail is as under:

S. No	Name of item	Qty	Rate (Rs)	Amount (Rs)	Cheque No. & date	Sanction No. & Date	Name of supplier
01	AC Inverter 1-1/2 Hot & Cool	1	79,000	79,000	0572116 20.06.2016	356/DG/Swat dated 08.06.2016	Shan Electronics Makan Bagh Swat
02	Super Asia steel stand 45 gallon	1	32,000	32,000		360/DG/Swat dated 08.06.2016	
03	Dawlance Refrigerator L. Size	1	40,500	40,500		355/DG/Swat dated 08.06.2016	
04	Multi Media system	1	69,900	69,900	0572117 20.06.2016	354/DG/Swat dated 08.06.2016	Salim Media Service Mingora Swat
<b>Total</b>				<b>221,400</b>			

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

The irregularity was pointed out to the management in April 2017, management stated that detailed reply would be furnished after scrutiny of relevant record. However no reply was furnished. Request for convening DAC meeting was made on 11<sup>th</sup> May 2017, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends fixing responsibility against the person (s) at fault besides regularization from the competent authority.

**AIR Para No. 90 (2015-16)**

**1.2.2.4 Overpayment due to allowing TA/DA to District members for journey out of District- Rs 99,000**

According to Serial No.3 read with note (5) of the notification of Government of Khyber Pakhtunkhwa Local Government, Elections & Rural Development Department vide No. SOB/LG/District Budget Rules/2015 dated 6<sup>th</sup> June 2016, rate of TA/DA of member of District Council was Rs 1000 per session. TA/DA to Councilors was applicable against each session (total 45 per year). Each session can spread more than one day.

Assistant Director LGE&RDD, Swat incurred expenditure of Rs 102,000 on account of TA/DA during financial year 2015-16 out of which Rs 99,000 were paid to members of the District Council for visit to Peshawar for convention on 6<sup>th</sup> March 2016 while they were not entitled for TA/DA out of District and hence resulted in overpayment to the members and loss to the Government.

Audit observed that overpayment occurred due to violation of rules which resulted in loss to the Government.

The irregularity was pointed out to the management in April 2017, management stated that detailed reply would be furnished after scrutiny of relevant record. However no reply was furnished. Request for convening DAC

meeting was made on 11<sup>th</sup> May 2017, however, meeting of DAC could not be convened till finalization of this report.

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

**AIR Para No. 88 (2015-16)**



### **1.2.3 Internal Control Weaknesses**

#### **1.2.3.1 Unauthorized expenditure on purchase of shields - Rs 194,000**

According to Para 23 of GFR Vol.-I, every Government officer is personally responsible for any loss sustained by Government through fraud or negligence either on his part or on the part of his subordinate staff.

Assistant Director LGE&RDD, Swat incurred expenditure of Rs 571,460 on account of entertainment and gifts during financial year 2015-16 out of which expenditure of Rs 194,000 was incurred on purchase of Shields (Guns and swords) which were not gifted to anybody as evident from relevant vouchers. Audit is of the view that the allocated budget was just utilized and chances of misappropriation could not be ruled out.

Audit observed that unauthorized expenditure occurred due to violation of rules which resulted in loss to the Government.

The irregularity was pointed out to the management in April 2017, management stated that detailed reply would be furnished after scrutiny of relevant record. However no reply was furnished. Request for convening DAC meeting was made on 11<sup>th</sup> May 2017, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends fixing responsibility against the person (s) at fault besides recovery and regularization from the competent forum.

**AIR Para No. 97 (2015-16)**

#### **1.2.3.2 Unauthorized expenditure on account of advertising & publicity- Rs 180,000**

According to serial No C (i) of the Advertisement Policy 2009 circulated vide Government of Khyber Pakhtunkhwa Information & Public Relation Department No. SO (B & A) INF/9-9/99/Advt Policy/2009 dated 30.10.2009 read with previous letter No. SO (INF)9-9/99/Advt Policy dated 27.01.2001, all

advertisements will be released through the concerned Regional Information Offices.

Assistant Director LGE&RDD, Swat incurred expenditure of Rs 180,000 on account of advertising & publicity during financial year 2015-16 as per detail given in the annexure. Audit observed that:

- i. Direct payment of Rs 115,000 to the news agents for various advertisements for purchase of land for graveyard was made instead of payment to the Information Department by the executing agency.
- ii. Unjustified withdrawal of Rs 45,000 was made on account of rent of holdings of unknown advertisement and payment to Sajid Graphics.
- iii. Unjustified payment of Rs. 10,000 was made to Swat press club.

Audit observed that unauthorized expenditure was incurred due to violation of rules which resulted in loss to the Government.

The irregularity was pointed out to the management in April 2017, management stated that detailed reply would be furnished after scrutiny of relevant record. However no reply was furnished. Request for convening DAC meeting was made on 11<sup>th</sup> May 2017, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends recovery from the person (s) at fault or regularization from the competent authority.

**AIR Para No. 95 (2015-16)**

**1.2.3.3 Misclassification due to withdrawal of advertisement charges from the head of printing & publications- Rs 171,800**

According to Para 12 of the GFR Volume I, a controlling officer must see not only that the total expenditure is kept within the limits of the authorized

appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided.

Assistant Director LGE&RDD, Swat incurred expenditure of Rs 179,800 under the head “printing & publications” during financial year 2015-16 out of which Rs 8,000 were spent on printing of pads and the remaining amount of Rs 171,800 were spent on the other head “advertising and publicity” as the entire amount was spent on preparation of unjustified number of banners. Hence misclassification was incurred. Detail is as under:

S.No	Description	Sanction No. & date	Amount (Rs)
01	Purchase of Banner- Sajid Graphic Swat	12082-84/DC/Swat/Nazir dated 18.05.2016	49,800
02	Pads printing- Faisal printing press	7048-49 dated 24.03.2016	8000
03	Purchase of Banner- Sajid Graphic Swat	306-308/DC/Swat/Nazir dated 22.06.2016	47,000
04	Purchase of Banner- Sajid Graphic Swat	13802-3/DC dated 09.06.2016	75,000
<b>Total</b>			<b>179,800</b>

Audit observed that withdrawal from incorrect head was occurred due to violation of rules which resulted in misclassification.

The irregularity was pointed out to the management in April 2017, management stated that detailed reply would be furnished after scrutiny of relevant record. However no reply was furnished. Request for convening DAC meeting was made on 11<sup>th</sup> May 2017, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends recovery from the person (s) responsible or regularization from the competent authority.

**AIR Para No. 94 (2015-16)**

**Neighborhood / Village Councils District Swat**

### **1.3 Audit Paras of Neighborhood Councils and Village Councils Swat**

#### **1.3.1 Irregularity & Non Compliance**

##### **1.3.1.1 Irregular payments without pre-audit – Rs 3.995 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 Swat spent Rs 3,995,098 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 annexure-5.

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

The irregularity was pointed out to the management in April 2017, management did not furnish reply. Request for convening of DAC meeting was made on 11<sup>th</sup> May 2017, however, meeting of DAC could not be convened till finalization of this report.

Audit recommends regularization from the competent forum besides fixing responsibility on the person (s) at fault under intimation to audit.

**AIR Para No. 99 to 120 (2015-16)**

## ANNEXURES

### Annexure-I

#### Detail of MFDAC Paras

(Rs in million)

S.No	AP No	Caption	Amount
01	89	Unjustified payment of easy load charges	0.27
02	92	Doubtful purchase of plant & machinery and furniture	0.699
03	93	Excess payment from District Account-IV due to issuance of Cheques of Account-I from Account-IV	0.153
04	96	Unauthorized expenditure beyond delegated powers	0.121
<b>Total</b>			<b>1.243</b>

**Annexure-2****Para 1.2.1.1****Detail of double POL chits during 2015-16- Chairman DDAC**

S.No	Cheque No.	Date	Amount (Rs)	Chit Nos		No. of double Chits	Amount of double chits
				From	To		
01	0508483	01.12.2015	78,792	5776	5787	0	0
02	0508483	01.12.2015	43,638	1258	1266	2	13,035
03	1276296	31.03.2016	102,279	8526	8534	07	47,126
04			45,316	8532	8535	07	41,622
05			50,377	8527	8544	14	30,791
06			41,625	8326	8330	08	25,122
07			150,574	8344	8347	16	101,078
08			33,393	8327	8332	05	23,413
09			59,630	8332	8337	06	41,205
10			54,854	8332	8334	03	18,096
<b>Total</b>			<b>536,370</b>			<b>68</b>	<b>341,488</b>

**Annexure-3**

**Para 1.2.2.1**

**Detail of expenditure of POL and repair of vehicles during  
financial year 2015-16**

S.No	Head	User of vehicle	Amount (Rs)
01	POL	Nazim District Council	136,794
02		Naib Nazim District Council	99,793
<b>Total</b>			<b>246,400</b>
03	Repair of vehicle	Nazim District Council	82,255
04		Naib Nazim District Council	39,000
05		Council	12,360
<b>Total</b>			<b>133,615</b>
<b>Grand total POL &amp; repair of vehicle of District Council</b>			<b>370,202</b>
06	POL	Chairman DDAC Swat	536,370
07	Repair of vehicle		326,718
<b>Total of chairman DDAC</b>			<b>863,088</b>
08	POL	Assistant Director Local Government Swat Assistant Director	177,303
09	Repair of vehicle		239,951
<b>Total of Assistant Director office</b>			<b>417,254</b>
<b>Grand total 1 to 9</b>			<b>1,650,544</b>



**Annexure-4**  
**Para 1.2.2.2**

**Detail of expenditure incurred without obtaining sanctions**

S.No	Head	Amount (Rs)	Sanctioning power of the Assistant Director as per Delegation of powers			Remarks
			Reference No.	Category of local officer	Delegated Powers	
01	Purchase of furniture	299,700	5(x)	II	Rs 10,000 in each case	Sanction of Rs 299,700 issued by the Assistant Director under incorrect S.NO. 11 (Repair of vehicle)
02	Purchase of plant & machinery	266,000	4	II	Up to Rs 100,000 at a time	Sanction of Rs 266,000 issued by the Assistant Director
03	Others	120,000	5 (xxvi)	II	Rs 7500- non recurring Rs 2000 – recurring	Sanctions issued over and above Rs 2000 and Rs 7500 in recurring and non recurring items
04	Repair of transport	79,000	12	II	Rs 50,000 or 25% of the book value whichever is less	Sanction of Rs 79,000 accorded by Assistant Director
<b>Total</b>		<b>764,700</b>				

**Annexure-5****Para 1.3.1.1****Detail of payments/expenditure incurred without pre-audit**

<b>S.No</b>	<b>Name of NC/VC</b>	<b>Budget (Rs)</b>	<b>Expenditure (Rs)</b>
01	NC Banr Nawakalay	2,092,900	109,775
02	NC Gul Kada	1,973,902	185,600
03	NC Kabal Chindakhwara	2,393,842	104,569
04	NC Kanju No. 2	1,892,216	166,835
05	NC Shahdara -2	1,830,315	419,160
06	VC Darmai Matta	2,463,268	268,900
07	VC Jambil	2,237,449	117,775
08	VC Khairabad	1,373,874	274,718
09	VC Kotanai	1,978,860	197,860
10	VC Kuza Durushkhela	1,750,000	97,175
11	VC Labat	1,881,100	249,700
12	VC Malamjabba	1,722,088	0
13	VC Mankyal Swat	1,756,361	292,610
14	VC Najigram Swat	1,500,000	104,090
15	VC Paklai Shahgram	1,256,860	234,750
16	VC Shalpin	2,294,547	207,676
17	VC Shawar-2	1,970,020	260,750
18	VC Taghma	541,333	135,075
19	VC Tall	2,152,666	246,330
20	VC Tirang	1,500,000	237,550
21	VC Qambar No. 2	1,721,421	84,200
<b>Total</b>		<b>23,399,130</b>	<b>3,995,098</b>