



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

KHYBER PAKHTUNKHWA

AUDIT YEAR 2016-17

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Programme
AP	Advance Para
AD LG&RDD	Assistant Director Local Government & Rural Development Department
DAC	Departmental Accounts Committee
DG	Director General
DIK	Dera Ismail Khan
GFR	General Financial Rules
LGO	Local Government Ordinance
MC	Municipal Committee
MFDAC	Memorandum for Department Accounts Committee
NC	Neighborhood Council
NOC	Non Objection Certificate
RDA	Regional Directorate of Audit
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 Election & Rural Development Department and Village/ Neighborhood Councils of District Tank.

The report is based on audit of the accounts of AD LGE&RDD and 07 Village/ Neighborhood Councils of District Tank selected 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 observations 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 were not 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 the audit of all District Governments in Khyber Pakhtunkhwa, Assistant Director Local Government, Election & Rural Development Department and Village / Neighborhood councils. Its Regional Directorate of Audit D.I.Khan has audit jurisdiction of District Governments, Tehsil Municipal Administrations, AD LGE&RDD and VCs/NCs of two Districts i.e. D.I.Khan & Tank.

The Regional Directorate Audit, D.I.Khan has a human resource of 07 officers and staff with a total of 1757 mandays. The annual budget amounting to Rs 10.172 million was allocated during financial year 2016-17. The Directorate is mandated to conduct regularity (financial attest audit and compliance with authority audit) and performance audit of programs and projects. Accordingly Regional Director Audit D.I.Khan 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 Tank perform their functions under Khyber Pakhtunkhwa Local Government Act, 2013. Deputy Commissioner in a district is the Principal Accounting Officer (PAO) of the AD LGE&RDD for all salary and non-salary components of the grants administered. The AD LGE&RDD is the Principal Accounting Officer for all developmental grants made available to 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 80 Village/ Neighborhood Councils in District Tank for the Financial Year 2015-16 was Rs 48.00 million. RDA D.I.Khan audited the total expenditure of Rs 4.2 million which, in terms of percentage was 9 % of auditable expenditure. Detail is given below:

Detail of VCs/NCs audited

S.No.	Name of Tehsil	Total No. of VCs	No. of VCs Audited Last year	No. of VCs Audited this year	Name of VCs/NCs
1	Tank	80	03	07	Bara Khel, Abizar, Andari, Chesan Kach, Fateh Khel, Gul Imam & Shai Khel.

Out of the total expenditure of the Assistant Director Local Government Elections & Rural Development Department and 07 Village Councils, District Tank for the Financial Year 2015-16, the auditable expenditure under the jurisdiction of RDA, D.I.Khan was Rs 61.251million. Out of this, RDA D.I.Khan audited an expenditure of Rs 42.875 million which, in terms of percentage, was 70 % of auditable expenditure.

The receipts of 07 Village/ Neighborhood Councils in District Tank for the Financial Year 2015-16 was Rs 0.530 million. Out of this, the RDA D.I.Khan audited receipt of Rs 0.344 million. Which, in terms of percentage was 65 % of auditable receipts.

The total expenditure and receipts of Assistant Director Local Government Elections & Rural Development Department and 07 Village Councils of District, Tank for the Financial Year 2015-16 were Rs 61.781 million. Out of this, RDA D.I.Khan audited the expenditure and receipts of Rs 43.219 million.

b. Recoveries at the instance of audit

No recovery was pointed out during the audit.

c. Audit Methodology

Audit was conducted after understanding the business processes of Assistant Director Local Government Office and 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 scrutiny and substantive testing in the Regional Directorate of Audit D.I.Khan.

d. Audit Impact

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

e. Comments on Internal Control and Internal Audit Department

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

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.

f. Key audit findings of the report;

Irregularity & Noncompliance were noticed in two cases amounting to Rs 21.00 million.¹

g. Recommendations

Compliance with authority should in variably be ensured and practice of violation of rules and regulations in spending public money should be stopped.

1 Para 1.2.1.1, 1.2.1.2

SUMMARY TABLES & CHARTS

I: Audit Work Statistics

(Rs in million)

S.No	Description	No.	Budget
1	Total Entities (PAO) in Audit Jurisdiction	01	64.500
2	Total formations in audit jurisdiction	81	64.500
3	Total Entities(PAO) Audited	01	61.251
4	Total formations Audited	08	61.251
5	Audit & Inspection Reports	01	61.251
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	21.00
3	Weak Internal controls relating to Financial Management	-
4	Others	-
	Total	21.00

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	-	25	0.530	20.043	45.043	21.369
2.	Amount Placed under Audit Observations/ Irregularities of Audit	-	20.0.	-	1.0	21.00	9.387
3.	Recoveries Reported 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 Ten (10) Union Councils audited last year. Since the PAO is the same therefore, these amounts have been included here to show cumulative effect against the PAO.

IV: Table of Irregularities reported**(Rs in million)**

S. No	Description	Amount Placed under Audit Observations
1	Violation of Rules and regulations, principle of propriety and probity in public operation	21.00
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.	-
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		21.00

V: Cost – Benefit Ratio**(Rs in million)**

S. No.	Description	Amount
1	Outlays Audited (Item 1 of Table 3)	45.043
2	Expenditure on Audit (TA/DA)	0.620
3	Recoveries realized at the instance of audit	0
4	Cost -Benefit Ratio	1:0

CHAPTER-1

1.1 Assistant Director LGE&RDD and VCs/NCs, District Tank

1.1.1 Introduction

District Tank has one Tehsils i.e. Tank. There is an Assistant Director Local Government Election & Rural Development Department and 80 VCs/NCs. Each VCs/NCs has an Administrator and Secretary. Assistant Director Local Government Election & Rural Development Department is Drawing and Disbursing Officer (DDO) for his office and Administrator for VCs/NCs of the District Tank. According to 1998 population census, the population of Tank is 773,211.

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 64.500 million was allocated as budget by the District Government to the office of Assistant Director Local Government Election & Rural Development Department and 07 NCs/VCs of District Tank during the Financial Year 2015-16, against which an expenditure of Rs 61.251 million was incurred by the Assistant Director Local Government Election & Rural Development and 7 NCs/VCs Tank with a saving of Rs 3.249 million. Detail is given below:

(Rs in million)

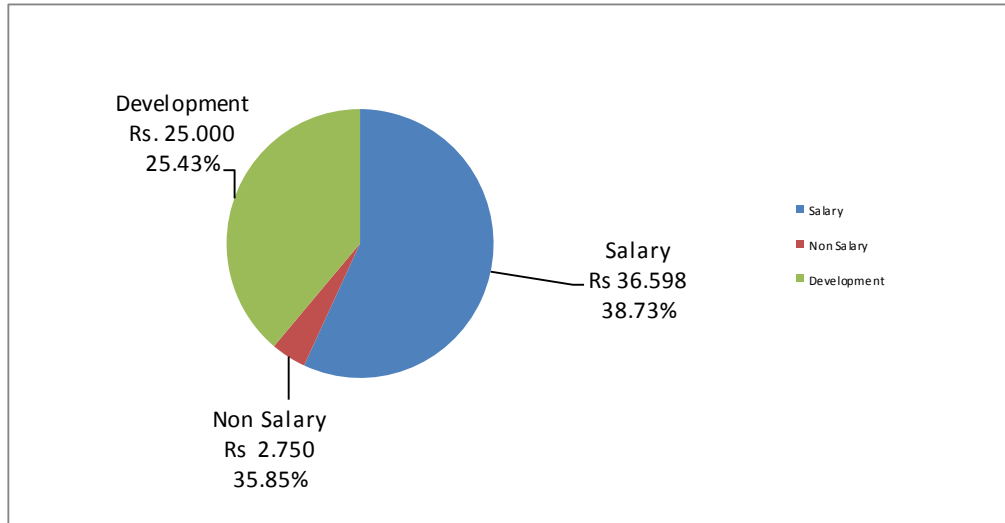
Particulars	Budget	Expenditure	Excess /Saving	%age Excess /Saving
Salary	36.600	34.138	(2.462)	6.71 %
Non-salary	2.900	2.113	(0.787)	27.137 %
Development	25.00	25.00	0	0.000
Total	64.500	61.251	(3.249)	8.46 %

Particulars	0.530	0.530	Variation	% age
Receipts	0.530	0.530	0	0

The h savings of Rs 3.249 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 Brief 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 Tank and 10 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, TANK.

1.2 Audit Paras

1.2.1 Irregularity & Non-compliance

1.2.1.1 Unauthorized expenditure without Technical Sanction- Rs 20.00 million

According to Para-178 of GFR Vol-I read with Para 56 of CPWD Code and Para 2.4 of B&R Department Code, no work should be commenced or liability incurred in connection with it until technical sanction has been obtained from competent authority.

Assistant Director Local Government & Rural Development Department, Tank executed various development schemes amounting to Rs 20,000,000 under ADP No. 719/140869 during 2015-16 but technical sanction was not obtained from the competent .

Audit observed that incurring of expenditure without technical sanction due to non-compliance of rules.

The irregularity was pointed out to management in April 2017, management did not respond to the preliminary audit observation. Request for convening DAC meeting was made on 12-5-2017, however, meeting of DAC could not be convened till finalization of this Report in June, 2017.

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

AIR Para No. 07 (2015-16)

1.2.1.2 Irregular expenditure on POL and repair of vehicle-Rs 1.00 million

Motor Car Maintenance Rules, 1997 requires the proper maintenance of log book for a government vehicle by recording each and every entry of POL and repair work on each occasion.

Assistant Director Local Government & Rural Development Department, Tank withdrew Rs 600,000 & Rs 400,000 on POL & repair of vehicle under the DDO Code TK-7017 during 2015-16 but neither entries of POL drawn recorded nor detail of repair work was mentioned in the Log Book of vehicle.

Audit observed that non-maintenance of log Book due to non-compliance of rules.

The irregularity was pointed out to management in April 2017, management did not respond to the preliminary audit observation. Request for convening DAC meeting was made on 12-5-2017, however, meeting of DAC could not be convened till finalization of this Report in June, 2017.

Audit recommends maintenance of Log Book and action against the person(s) at fault.

AIR Para No. 02 (2015-16)

ANNEXURES

Annex-1

Detail of MFDAC Paras

(Rs in million)

S.No.	AIR No.	Department	Gist of Para	Amount
1.	01	AD LG & RDD, Tank.	Non-deposit of Income Tax	0.277
2.	03		Un-authorized expenditure on purchase of Laptop	0.092
3.	04		Un-authorized expenditure on Solar Plates	0.029
4.	05		Un-authorized expenditure	0.010
5.	06		Un-authorized expenditure on TA/DA	0.025

Annexure-2

Budget and Expenditure Summary

Financial Year 2015-16

(Rs in Million)

	Particulars	Budget	Expenditure	Excess/ (Saving)	% age
AD LG&RDD	Salary	36.600	36.598	(0.002)	0.005
	Non Salary	2.900	2.750	(0.150)	5.454
	Developmental	25.00	25.00	0	0.000
	Receipts	0.530	0.530	0	0
	Total	65.03	64.878	0	5.459
Budget of 07 VCs/NCs	Non Salary	2.972	2.00	(0.970)	32.64%
	Developmental	8.035	-	(8.035)	100%
	Receipts	-	-	-	0%
	Total	11.007	2.00	(9.005)	
Budget of AD LG&RDD & 07 VCs/NCs	Salary	36.600	36.598	(0.002)	0.005
	Non Salary	5.872	4.750	(1.120)	19.07
	Developmental	30.035	25.00	(8.035)	26.75
	Receipts	0.530	0.530	0	100
	Total	73.037	66.880	(9.157)	12.537