



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

KHYBER PAKHTUNKHWA

AUDIT YEAR 2016-17

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AC	Assistant Commissioner
AD LGE& RDD	Assistant Director, Local Government Election & Rural Development Department
ADP	Annual Development Plan
AP	Advance Para
B&R	Building and Road
BOQ	Bill of Quantity
CPWA Code	Central Public Works Account Code
CPWD Code	Central Public Works Department Code
CSR	Composite Schedule of Rate
DAC	Departmental Accounts Committee
DC	Deputy Commissioner
DDO	Drawing and Disbursing Officer
GFR	General Financial Rules
HRA	House Rent Allowance
KKH	Karakoram Highway
KP	Khyber Pakhtunkhwa
LGA	Local Government Act
MB	Measurement Book
MFDAC	Memorandum for Departmental Accounts Committee
NCs	Neighborhood Councils
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PC-I	Planning Commission One
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 Torghar.

The report is based on audit of the accounts of ADE&RDD and 04 Village/ Neighborhood Councils of District Torghar 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 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 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 Abbottabad has audit jurisdiction of District Governments, Tehsil Municipal Administrations, AD LGE&RDD and VCs/NCs of six Districts i.e. Abbottabad, Mansehra, Haripur, Battagram, Kohistan and Tor Ghar.

The Regional Directorate has a human resource of 10 officers and staff with a total of 2,250 man days. The annual budget amounting to Rs 16.237 million was allocated to the RDA during financial year 2015-16. 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 Abbottabad carried out audit of the accounts of Assistant Director LGE&RDD and selected 04 out of total 40VCs/NCs for the Financial Year 2015-16.

Assistant Director Local Government Election & Rural Development Department and VCs/NCs of District Toghhar 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 the 40 Village/ Neighborhood Councils in District Toghhar for the financial year 2015-16 was Rs. 100.490 million. Out of

this, the RDA Abbottabad audited an expenditure of Rs. 9.974 million. Which, in terms of percentage was 10 % 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
1	Judba	18	0	03	NC Judba, VC Shahdag & VC Zizari.
2	Kandar	22	0	01	VC Kandar.

The total expenditure of the Assistant Director Local Government and 04 Village/ Neighborhood Councils, Torghar for the Financial Year 2015-16, the auditable expenditure under the jurisdiction of RDA was Rs 112.723 million. Out of this, RDA Abbottabad audited an expenditure of Rs 22.207 million which, in terms of percentage, was 20% of auditable expenditure.

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

The total expenditure and receipts of Assistant Director Local Government & Rural Development Department and 04 Village/ Neighborhood Councils, District Torghar, for the Financial Year 2015-16 were Rs 112.723 million. Out of this, RDA Aabbottabad audited the expenditure and receipts of Rs 22.207 million.

a. Recoveries at the instance of audit

No recovery was pointed out during the audit.

b. Audit Methodology

Audit was conducted after understanding the business processes of Assistant Director Local Government Office and Village/ Neighborhood

Councils with respect to its functions, control structure prioritization of risk areas by determining their significance 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 Abbottabad.

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 in 02 cases amounting to Rs 110.464 million were noted.¹
- ii. Internal control weakness in 01 case amounting to Rs 6.750 million was noted.²

Minor irregularities/weaknesses pointed out during the audit are being pursued separately with the authorities concerned, as detailed at Annex-1.

¹ Para 1.2.1.1 to 1.2.1.2

² Para 1.2.2.1

f. Recommendations

- i. Corrective actions/ Disciplinary actions need to be taken to stop the practice of violation of the rules and regulations in spending the public money.
- ii. Investigation, fixing responsibility and disciplinary action against person(s) at fault besides regularization under intimation to audit.
- iii. 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 control.

SUMMARY TABLES & CHARTS

I: Audit Work Statistics

(Rs in million)

S. No.	Description	No.	Expenditure
1.	Total Entities (PAO) in Audit Jurisdiction	01	112.723
2.	Total formations in audit jurisdiction	41	112.723
3.	Total Entities (PAO) Audited	01	22.207
4.	Total formations Audited	05	22.207
5.	Audit & Inspection Reports	01	22.207
6.	Special Audit Reports	-	-
7.	Performance Audit Reports	-	-
8.	Other Reports	-	-

II: Audit observation Classified by Categories

(Rs in million)

S. No.	Description	Amount Placed under Audit Observation
1.	Unsound asset management	0
2.	Weak financial management	110.464
3.	Weak Internal controls relating to financial management	6.750
4.	Others	0
	Total	117.214

III: Outcome Statistics

(Rs in million)

S. No	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total Current year	Total last year
1.	Outlays Audited	-	6.750	0	15.457	22.207	3.987
2.	Amount Placed under Audit Observation /Irregularities of Audit	-	6.750	0	110.464*	117.214	1.439
3.	Recoveries Pointed Out at the instance of Audit	-	-	-	-	-	0171
4.	Recoveries Accepted /Established at the instance of Audit	-	-	-	-	-	-
5.	Recoveries Realized at the instance of Audit	-	-	-	-	-	-

* The observations are based on procedural violation by AD office in respect of funds allocated for 40 VCs not on the expenditure audited.

Note: - The outcome figures reported for the year 2014-15 pertain to the 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 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	110.464
2.	Report cases of fraud, embezzlement, thefts and misuse of public resources.	0
3.	Accounting Errors (accounting policy departure from NAM ³ , 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 weakness of internal control systems.	6.750
5.	Recoveries and overpayment, representing cases of establishment overpayment or misappropriations of public monies	0
6.	Non production of record	0
7.	Others, including cases of accidents, negligence etc.	0
	Total	117.214

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

S. No	Description	Amount
1	Outlays Audited (item 1 of Table 3)	22.207
2	Expenditure on audit	0.200
3	Recoveries realized at the instance of audit	0
	Cost-Benefit Ratio	1:0

³The Accounting Policies and Procedures prescribed by the Auditor General of Pakistan which are IPSAS (Cash).

1. CHAPTER – 1

1.1 Assistant Director LGE&RDD District Torghar

1.1.1 Introduction

District Torghar has two Tehsils i.e. Judba and Kandar. There is an Assistant Director Local Government Election & Rural Development Department and 40 VCs/NCs. Each VC/NC has a 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 Torghar.

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.

1.1.2. Comparison of budget and expenditure 2015-16 (Variance analysis)

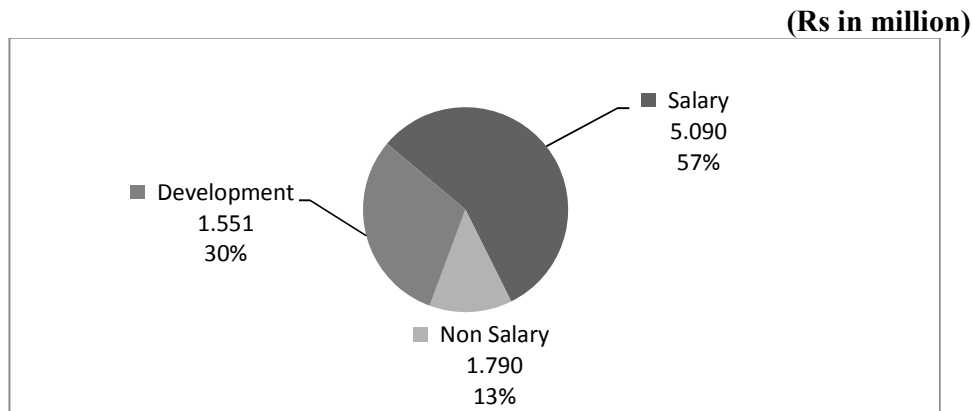
An amount of Rs 22.207 million was allocated as budget by the District Government to the office of Assistant Director Local Government Election & Rural Development Department and 04 NCs/VCs of District Torghar during financial year 2015-16, against which an expenditure of Rs 8.431 million was incurred by the Assistant Director Local Government Election & Rural Development and 04 NCs/VCs of Torghar with a saving of Rs 13.776 million. Detail is given below:

(Rs in million)

2015-16	Budget	Exp./receipts	Excess/ (Saving)	Percentage excess/saving
Salary	12.563	5.09	(7.473)	(59)
Non-salary	2.894	1.79	(1.104)	(38)
Developmental	6.750	1.551	(5.199)	(77)
Total	22.207	8.431	(-13.776)	(62)
Receipts	Nil	Nil	Nil	

The savings of Rs 13.776 million in all heads of accounts indicate weakness in the capacity of these local institutions to utilize the amounts allocated.

Expenditure 2015-16



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 Tor Ghar 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, TORGHAR

1.2 Audit Paras Assistant Director LG &RD Torghar

1.2.1 Irregularities and Non-Compliance

1.2.1.1 Irregular drawl and disbursement of funds – Rs 100.490 million

According to letter No. BO (PFC-III)/FD/1-6/VCs/NCs/2015-16 dated 28.04.2016 read with letter No. BO (PFC-III)/FD/1-6/ADP/15-16 and BO (PFC-III)/FD/1-6/Zilla Tax/2015-16 dated 15.01.2016 and 28.03.2016 respectively, the funds are meant for VCs/NCs of each District and shall be transferred /credited to their respective designated Bank accounts (PLS mode) by the Accountant General/District Accounts Officer through internal transfer entries.

A sum of Rs 100,490,000 was allocated to VCs/NCs of District Torghar by Finance Department for Remuneration, Operating and Developmental expenditure during 2015-16. Detail is as under:

S/No.	Particular	Rs in million
1	Allocation for remuneration of elected officials/members of VCs/NCs	12.240
2	Operating expenditure	20.000
3	Developmental expenditure	68.250
Total		100.490

Assistant Director LGE&RDD, Torghar drew the amounts on simple receipts and disbursed instead of transfer/credit to the Designated Bank Accounts (PLS mode) of the respective VCs/NCs by the Accountant General/District Accounts Officer through internal transfer entries in violation of above mentioned criteria.

The irregularity occurred due to non-compliance of rules and instructions.

The matter is reported for justification.

The irregularity was pointed out in April 2017, management stated that detailed reply would be submitted within fifteen days. No progress was reported

till finalization of the report. Request for DAC meeting was made in April 2017, which could not be convened till finalization of this report.

Audit recommends justification/fixing responsibilities for non-compliance.

AIR Para No 05/AD LG &RDD /Torghar/2015-16

**FOUR (04) SELECTED NEIGHBORHOOD /VILLAGE
COUNCILS OF DISTRICT TORGHAR**

1.3 Audit Paras Neighborhood/Village council District Torghar

1.3.1 Irregularities and Non-Compliance

1.3.1.1 Irregular transfer/deposit of funds in current bank account – Rs 9.974 million

According to letter No. BO (PFC-III)/FD/1-6/VCS. NCs/2015-16 dated 28.04.2016 read with letter No. BO (PFC-III)/FD/1-6/ADP/15-16 and BO (PFC-III)/FD/1-6/Zilla Tax/2015-16 dated 15.01.2016 and 28.03.2016 respectively, the funds are meant for VCs/NCs of each District and shall be transferred /credited to their respective designated Bank accounts (PLS mode) by the Accountant General/District Accounts Officer through internal transfer entries.

Nazims/Secretaries NC/VCs under the administrative control of AD LG & RDD District Torghar were allocated as sum of Rs 9,974,000 for Remuneration, Operating and Developmental expenditure during 2015-16 as per the detail given below:

Amounts in Rs

S/No.	Particular	NC JUDBA	VC KANDAR	VC SHAHDAG	VC ZIZARI	Total
1	Allocation for remuneration of elected officials/members of VCs/NCs	306,000	306,000	306,000	306,000	1,224,000
2	Operating expenditure	500,000	500,000	500,000	500,000	2,000,000
3	Developmental expenditure	2,000,000	1,500,000	1,500,000	1,750,000	6,750,000
Total		2,806,000	2,306,000	2,306,000	2,556,000	9,974,000

The management transferred/deposited the funds in current bank account instead of PLS mode resulted in violation of Government's instructions and loss to the local Government.

The irregularity was pointed out in April 2017, management stated that detailed reply would be submitted within fifteen days. No progress was reported

till finalization of the AP. Request for DAC meeting was made in April 2017, which could not be convened till finalization of this report.

Audit recommends transfer of funds to PLS mode and fixing responsibilities against the person (s) at fault besides recovery to the tune of mark up for the period under report.

AIR Para No 06/AD LG &RDD /Torghar/2015-16

1.3.2 Weak Internal Control

1.3.2.1 Non-utilization of developmental funds – Rs 6.750 million

Para 12 of GFR provides that 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.

Par 209 of GFR says that unless it is otherwise ordered by Government, every grant made for a specific object is subject to the implied conditions:-

1. that the grant will be spent upon the object within a reasonable time, if no time limit has been fixed by the sanctioning authority and
2. that any portion of the amount which is not ultimately required for expenditure upon that object, should be duly surrendered to Government.

Nazims/Secretaries NC/VCs under the administrative control of AD LG & RDD District Torghar were allocated as sum of Rs 6,750,000 for Developmental expenditure during 2015-16. The management could not utilize the funds till date of audit i.e. April 2017 and the community was deprived of the basic facilities for which such a huge amount was allocated. Detail is as under:

Amounts in Rs

S/No.	Particular	NC JUDBA	VC KANDAR	VC SHAHDAG	VC ZIZARI	Total
1	Developmental fund allocated	2,000,000	1,500,000	1,500,000	1,750,000	6,750,000

Non-utilization of funds was due to inefficiencies on the part of the management resulted in blockage of fund and deprival of the community.

The irregularity was pointed out in April 2017, management stated that detailed reply would be submitted within fifteen days. No progress was reported till finalization of the AP. Request for DAC meeting was made in April 2017, which could not be convened till finalization of this report.

Audit suggests expedited utilization besides fixing responsibilities against the persons at fault.

AIR Para No 07/AD LG &RDD /Torghar/2015-16

ANNEXURE

Annex-1

Detail of MFDAC Paras

S. No	AIR No	Department	Caption	Amount (Rs)
1.	02	AD LG & RDD	Irregular expenditure	292,457
2.	03	AD LG & RDD	Irregular expenditure on account of hot & cold	350,000
3.	04	AD LG & RDD	Irregular expenditure on account of POL & transport repair	233,946
4.	08	AD LG & RDD	Non-registration of births, deaths, marriages and diverse and non-realization thereon	0
5.	09	AD LG & RDD	Irregular payment of pay and allowances – and loss of	459,000
6.	10	AD LG & RDD	Irregular payment of rent of office building	650,000
7.	11	AD LG & RDD	Irregular purchases	701,445
			Total:	2,686,848

Budget and Expenditure Summary**Financial Year 2015-16****(Rs in Million)**

	Particulars	Budget	Expenditure	Excess/ (Saving)	Percentage
AD LG&RDD	Salary	11.339	4.631	(6.708)	59
	Non Salary	0.894	1.113	0.219	24
	Developmental	0.000	0.000	0.000	0
	Receipts	0.000	0.000	0.000	0
	Total	12.233	5.744	(6.489)	53
Budget of 04 VCs/NCs	Salary	1.224	0.459	(0.765)	63
	Non Salary	2.000	0.677	(1.323)	66
	Developmental	6.750	1.551	(5.199)	77
	Receipts	0.000	0.000	0.000	0
	Total	9.974	2.687	(7.287)	73
Budget of AD LG&RDD & 04 VCs/NCs	Salary	12.563	5.090	(7.473)	59
	Non Salary	2.894	1.790	(1.104)	38
	Developmental	6.750	1.551	(5.199)	77
	Receipts	0.000	0.000	0.000	0
	Total	22.207	8.431	(13.776)	62