



**AUDIT REPORT  
ON  
THE ACCOUNTS OF  
QUETTA DEVELOPMENT  
AUTHORITY &  
LOCAL COUNCILS/GOVERNMENTS  
BALOCHISTAN  
AUDIT YEAR 2016-17**

**AUDITOR GENERAL OF PAKISTAN**

## **TABLE OF CONTENTS**

<b>ABBREVIATIONS AND ACRONYMS</b>	i
<b>PREFACE</b>	iii
<b>EXECUTIVE SUMMARY</b>	iv
<b>SUMMARY TABLES AND CHARTS</b>	viii
I. Audit Work Statistics	viii
II. Audit Observations Classified by Categories	viii
III. Outcome Statistics	ix
IV. Irregularities Pointed Out	x
V. Cost-Benefit Ratio	x
<b>CHAPTER-1 QUETTA DEVELOPMENT AUTHORITY</b>	
Introduction and Functions	1
Comments on Budget and Accounts	2
Comments on the Status of Compliance with PAC Directives	3
1. Quetta Development Authority -Audit Paras	4
<b>CHAPTER-2 LOCAL COUNCILS</b>	
Introduction and Functions	18
Comments on Budget and Accounts	20
Comments on the Status of Compliance with PAC Directives	21
2. Quetta Metropolitan Corporation-Audit Paras	22
3. Municipal Corporations-Audit Paras	40

4. Municipal Committees - Audit Paras	50
5. District Councils - Audit Paras	67
6. Union Councils - Audit Paras	80
<b>CHAPTER-3 LOCAL GOVERNMENTS</b>	
Introduction and Functions	82
Comments on Budget and Accounts	84
Comments on the Status of Compliance with PAC Directives	85
7. Assistant Director Local Government -Audit Paras	86
<b>MFDAC PARAS (ANNEXURE-1)</b>	96
<b>ANNEXURES (2- 49)</b>	101-251

## **ABBREVIATIONS AND ACRONYMS**

ADs	Assistant Directors
AIR	Audit and inspection Report
BLGA	Balochistan Local Government Act 2010
BLG Board	Balochistan Local Government Board
BPPRA	Balochistan Public Procurement Regulatory Authority
BPS	Basic Pay Scale
BT	Black Top
CNIC	Computerized National Identity Card
CO.	Company
CPWA	Central Public Work Accounts
CPWD	Central Public Works Department
C&W	Communication and Works
CSR	Composite Schedule of Rates
CVT	Capital Value Tax
DAC	Departmental Accounts Committee
DC	District Council
DDO	Drawing and Disbursing Officer
DO	Development Officer
EFU	Eastern Federal Union
E&D	Efficiency and Discipline
FAPs	Foreign Aided Projects
FIR	First Information Report
FBR	Federal Board of Revenue
FDR	Finance Department Regulation
FTR	Federal Treasury Rules
GFR	General Financial Rules
GoB	Government of Balochistan
Govt.	Government
HBA	House Building Advance
HRD	Human Resource Development
HRM	Human Resource Management
IPSAS	International Public Sector Accounting Standards
i.e.	That is
MB	Measurement Book

MC	Municipal Committee
MD	Managing Director
MFDAC	Memorandum for Departmental Accounts Committee
MMD	Machinery Maintenance Department
MOF	Ministry of Finance
MPA	Member of Provincial Assembly
MCQ	Metropolitan Corporation Quetta
NAM	New Accounting Model
NOC	No Objection Certificate
NSL	Natural Surface Level
NSR	Non Schedule Rate
NTN	National Tax Number
PAC	Public Accounts Committee
P/Sft	Per square feet
PIFRA	Project to Improve financial Reporting and Auditing
PSDP	Public Social Development Programme
PRP	Public Representative Programme
PWA	Public Works Authority
PWD	Public Works Department
P&D	Planning and Development
QDA	Quetta Development Authority
QESCO	Quetta Electric Supply Company
QMC	Quetta Métropolitain Corporation
RCC	Renforcement Cement Concrete
R/Sft	Rate per Square Feet
Rft.	Running Feet
SFAD	Society for Advocacy and Development
Sft.	Square Feet
SI	Schedule Item
STR	Sales Tax Registration
SR	Schedule Rate
SSGCL	Sui Southern Gas Company Limited
S&GAD	Service & General Administration Department
TORs	Terms of References
UC	Union Council
Viz	Videlicet
Vol.	Volume
WASA	Water and Sanitation Authority

## **PREFACE**

Article 169 &170 of the Constitution of Islamic Republic of Pakistan 1973, read with Balochistan Local Government Act, 2010 and amendments therein, require the Auditor General of Pakistan to conduct Audit of the receipts and expenditures from the Consolidated Fund and Public Accounts of the Federation and of each Province; and the accounts of any authority or body established by the Federation or a Province.

The Report is based on audit of the accounts of Quetta Development Authority, Local Councils and Department of Local Governments and Rural Development, Government of Balochistan for the Financial Year 2015-16. The Director General Audit, Local Councils Balochistan, a field audit office of Auditor General of Pakistan, conducted audit during 2016-17 on test check basis with a view to ascertaining that the expenditure conform to the purpose for which the funds were provided and to reporting significant findings to the parliament and relevant stakeholders.

The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs. 1 million or more. Relatively less significant issues are listed in the Annexure-1 of the Audit Report. The audit observations listed in the Annexure-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 observations will be brought to the notice of the 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, irregularities and losses.

All the observations included in the report have been finalized in the light of discussions in the DAC meetings.

The Audit Report is submitted to the Governor of Balochistan in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Balochistan Local Government Act, 2010 and amendments therein for causing it to be laid before Provincial Assembly.

Dated:

**(Rana Assad Amin)**  
**Auditor General of Pakistan**

## **EXECUTIVE SUMMARY**

The Directorate General Audit, Local Councils, Balochistan a field audit office of Department of the Auditor General of Pakistan is responsible to carry out the audit of Local Councils and Departments of Local Governments in Balochistan.

The Local Governments in Balochistan conduct their operations under the Government of Balochistan Rules of Business, 1976 read with Balochistan Local Government Act, 2010 and amendments therein, which provides that the Local Governments will function under one Principal Accounting Officer (PAO) i.e. Secretary, Local Government and Rural Development Department, Government of Balochistan through its attached Departments and subordinate field offices.

The Directorate General Audit, Local Councils, Balochistan has a human resource of 10 persons including 08 officers and 02 supporting staff having 2,510 man-days. The annual budget for the financial year 2015-16 was Rs 29.196 million. The Directorate General is mandated to conduct the audit of compliance with authority, Performance Audit and Special Audit. The objective of audit is to have the assurance that the funds were spent for the purpose for which these were provided with a view to reporting significant findings to the Parliament and relevant stakeholders for taking appropriate action.

### **a. Scope of Audit**

The total expenditure of the Local Councils, Balochistan for the financial year 2015-16 was Rs 10,588 million pertaining to 729 formations, Local Governments, for the financial year 2015-16 was Rs 1,160 million pertaining to 104 formations and Quetta Development Authority for the financial year 2015-16 was Rs 1,012 million. Total overall expenditure of Local Councils, Local Governments and QDA for the financial year 2015-16 was Rs 12,760 million. However, in view of the available human resources of the Directorate General Audit, Local Councils Balochistan, the audit of expenditure of Rs 9,698 million, which is 76% of total expenditure pertaining to two PAOs and 489 formations were conducted during the audit year 2016-17, which was 100% achievement of the total audit planned.

The receipts of the Local Councils, Balochistan and Quetta Development Authority for the financial year 2015-16 were Rs 1,170 million out of which Rs 878 million was audited, which is 50% of the total.

**b. Recoveries at the instance of Audit**

Recovery of Rs 537.802 million was pointed out by audit, out of which recovery of Rs 22.874 million was affected at the instance of audit during 2015-16 till the finalization of this Report. Out of the total recoveries Rs 256.324 million were accepted by the executive/ management.

**c. Audit Methodology**

The audit year 2016-17 witnessed intensive application of desk audit techniques and scrutiny of relevant record as per FAM. Desk audit methodology helped Auditors in completion of the audit coverage as per approved audit plan for 2016-17 besides discussion of the audit observations with the executives/management.

**d. Audit Impact**

On pointing out by audit, the departments agreed to realize recoverable amounts as soon as possible and further to make efforts to improve internal control environment, risk management and governance structure. The departments started realizing rent of shops besides revision of rent agreements and recovery of outstanding amount of housing schemes and commercial plots.

**e. Comments on Internal Control and Internal Control Department**

Internal control system is the most effective tool of management for good governance and financial discipline. It facilitates timely remedial measures and check the deviations from prescribed rules and regulations to prevent malpractices. Audit of the Local Governments Department, its subordinate offices and Quetta Development Authority conducted during the year, indicated that effective internal controls were not in place in most of the formations. Recurrence of similar irregularities pointed out by statutory audit, year after year, is a reflection upon the level of ineffective internal controls. However, internal audit was introduced/instituted on the recommendation of audit during 2015-16 and its effectiveness has not proved to be fruitful till date.



**f. Key Audit findings of the Report:**

- i) Suspected misappropriation of Rs 1.479 million noted in 01 case<sup>1</sup>
- ii) Non Production of record – Rs 115.03 million noted in 03 cases<sup>2</sup>
- iii) Doubtful/Irregular expenditure – Rs 23.611 million noted in 03 cases<sup>3</sup>
- iv) Irregular/unjustified expenditure – Rs 733.213 million noted in 18 cases<sup>4</sup>
- v) Unauthorized expenditure – Rs 311.343 million noted in 29 cases<sup>5</sup>
- vi) Expenditure due to non-obtaining of technical sanction – Rs. 112.805 million noted in 04 cases<sup>6</sup>
- vii) Non-recovery of Government dues – Rs 754.272 million noted in 12 cases<sup>7</sup>
- viii) General Paras of systemic issues noted in 04 cases<sup>8</sup>

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<sup>1</sup>Para 7.1.7

<sup>2</sup>Para 2.1.1,2.1.8, 5.1.1

<sup>3</sup>Para 2.1.6, 4.1.7, 5.1.5

<sup>4</sup>Para 1.1.3,1.1.4,2.1.2,3.1.1,3.1.2,3.1.5,4.1.2,4.1.3,4.1.4,4.1.13,5.1.4,5.1.8,5.1.9,6.1.1, 7.1.1, 7.1.4,7.1.6, 7.1.8

<sup>5</sup>Para 1.1.1,1.1.2,1.1.5,1.1.6,2.1.3,2.1.4,2.1.5,2.1.7,2.1.10,2.1.11,2.1.12,2.1.13,3.1.3, 3.1.4, 4.1.1,4.1.5,4.1.6,4.1.8,4.1.9,4.1.11,4.1.12,5.1.2,5.1.3,5.1.6,5.1.10,5.1.11,7.1.2, 7.1.3,7.1.9

<sup>6</sup>Para 2.1.9,4.1.10,5.1.7,7.1.5

<sup>7</sup>Para 1.1.7,1.1.8,1.1.9, 1.1.10, 1.1.11,3.1.6,3.1.7,3.1.8,3.1.9,4.1.14,4.1.15,5.1.12

<sup>8</sup>Para 2.1.14,2.1.15,2.1.16,2.1.17

**g. Detail of DACs**

DAC meetings to discuss the Audit Inspection Reports of Local Councils/Local Government formations under the chairmanship of Secretary, Government of Balochistan, Local Government and Rural Development, Quetta pertaining to 13 Districts was convened on 6<sup>th</sup> and 7<sup>th</sup> December, 2016. Audit paras of the formations of remaining 19 Districts were discussed in the DAC meeting held on 29<sup>th</sup> and 30<sup>th</sup>, December, 2016. Further, DAC meeting to discuss the Audit Paras of QDA was convened on 2<sup>nd</sup> January, 2017 under the chairmanship of Secretary, Government of Balochistan, Urban Planning Development, Quetta. Last DAC was convened on 13<sup>th</sup> January 2017 to discuss the Audit paras of Quetta Metropolitan Corporation. Minutes of all the DAC meetings were duly issued after signing by the PAOs and all members.

**h. Recommendations**

- i. Non-production of record hinders statutory function of Audit. PAOs need to ensure timely production of record for audit scrutiny and take disciplinary action against those official(s) found responsible for non-production of record to audit.
- ii. PAOs need to ensure compliance with the Rules, Regulations, general instructions and Procedures to avoid irregularities/violations such as pointed out by Audit.
- iii. PAOs need to ensure maintenance of accounts of all receipts and expenditures in all Local Councils according to the prescribed format.
- iv. PAOs need to ensure recovery of overpaid/unjustified payments.
- v. Inquiries need to be conducted for loss, misappropriations, frauds, doubtful expenditure and violation of rules, responsibilities fixed for taking appropriate actions against responsible and amounts recovered.
- vi. PAO needs to ensure instituting and strengthening of internal controls in Local Governments Department and field offices to ensure prevention of irregularities and losses.
- vii. PAOs need to ensure the submission of response to the Audit observations by the authorities concerned, convening of timely DAC meetings and compliance of DAC decisions.

## SUMMARY TABLES AND CHARTS

**Table 1: Audit Work Statistics**

(Rs in million)

S. No.	Description	No.	Budget	Receipts	Total Current Year 2015-16
1	Total entities (PAOs) in Audit jurisdiction	2	12,760	1,170	13,930
2	Total formations in Audit jurisdiction	834	12,760	1,170	13,930
3	Total entities (PAOs) Audited	2	12,760	1,170	13,930
4	Total formations Audited	487	9,698	878	10,576
5	Audit Inspection Reports	489	9,698	878	10,576
6	Special Audit Reports	-	0	0	0
7	Performance Audit Reports	-	0	0	0
8	Other Reports [Foreign-Aided Projects(FAPs)]	-	0	0	0

**Table 2: Audit Observations Classified by Categories**

(Rs in million)

S. No.	Description	Amount under Audit Observation
1	Unsound asset management	-
2	Weak financial management	425.3910
3	Weak internal controls	464.5530
4	Others	1161.8210
<b>Total</b>		<b>2,051.765</b>

**Table 3: Outcome Statistics**

(Rs in million)

<b>S. No.</b>	<b>Description</b>	<b>Expenditure on acquiring physical assets (Procurement)</b>	<b>Civil Works</b>	<b>Receipts</b>	<b>Others</b>	<b>Total Current Year 2015-16</b>	<b>Total Last Year</b>
1	Outlays Audited	-	6,774	878	2,924	10,576	4,362
2	Amount Placed under Audit observation /irregularities of Audit	-	1,128.742	542.585	380.438	2,051.765	1,229.808
3	Recoveries Pointed Out at the instance of Audit	-	-	534.816	2.986	537.802	242.51
4	Recoveries Accepted /Established at the instance of Audit	-	-	246.232	10.092	256.324	139.517
5	Recoveries realized at the instance of Audit	-	0.940	13.317	8.617	22.874	8.778

**Table 4: Irregularities pointed out by Audit**

(Rs in million)

<b>S. No.</b>	<b>Description</b>	<b>Amount under Audit observations</b>
1	Violation of rules, regulations and principal of propriety and probity in public operations	570.398
2	Reported cases of fraud, embezzlement and thefts	0
3	Accounting Errors (accounting policy departure from IPSAS, 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	Weaknesses of internal control systems	464.553
5	Recoveries and overpayments, representing cases of establishment overpayment or misappropriations of public money.	256.324
6	Non-production of record	82.636
7	Others, including cases of accidents, negligence etc.	677.854
<b>Total:</b>		<b>2,051.765</b>

**Table 5: Cost-Benefit Ratio**

(Rs in million)

<b>S. No.</b>	<b>Description</b>	<b>Amount</b>
1	Outlays Audited	10,576
2	Expenditure on Audit	3.8
3	Recoveries realized at the instance of Audit	22.874
Cost-Benefit Ratio		1: 6.019