



**AUDIT REPORT
ON THE ACCOUNTS OF
ASSISTANT DIRECTOR LOCAL
GOVERNMENT, ELECTION & RURAL
DEVELOPMENT DEPARTMENT AND
SELECTED UNION COUNCILS**

**DISTRICT KOHISTAN
KHYBER PAKHTUNKHWA**

AUDIT YEAR 2015-16

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AP	Advance Para
DAC	Departmental Accounts Committee
GFR	General Financial Rules
LGO	Local Government Ordinance
MFDAC	Memorandum for Departmental Accounts Committee
NAM	New Accounting Model
PAO	Principal Accounting Officer
PAC	Public Accounts Committee
RDA	Regional Directorate of Audit
UCs	Union Councils
ZAC	Zila 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 168 of Local Government Act 2012 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

The report is based on audit of the accounts of Assistant Director Local Government & Rural Development Department and 15 Union Councils Kohistan for the Financial Year 2014-15. The Directorate General of Audit, District Governments, Khyber Pakhtunkhwa, Peshawar conducted audit on test check basis during 2015-16 with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues. 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 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. 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 168 of Khyber Pakhtunkhwa Local Government Act 2012 to be laid before appropriate legislative forum.

Islamabad
Dated:

(Rana Assad Amin)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit, District Governments, Khyber Pakhtunkhwa, Peshawar, is responsible to conduct the audit of all Assistant Directors Local Government & Rural Development Department and Union Councils. Its Regional Directorate of Audit Abbottabad has audit jurisdiction of Assistant Director Local Government & Rural Development Department and UCs of six Districts i.e. Abbottabad, Haripur, Mansehra, Battagram, Kohistan and Torghar.

The Regional Directorate of Audit Abbottabad has a human resource of 11 officers and staff, constituting 2761 man days. A budget of Rs15.840 million was allocated during Audit Year 2015-16. It has the mandate to conduct financial attest audit, audit of sanctions, audit of compliance with authority and audit of receipts as well as the performance audit of entities, projects and programs. Accordingly, Regional Directorate of Audit Abbottabad carried out Audit of the accounts of Assistant Director Local Government & Rural Development Department and 15 UCs for the Financial Year 2014-15 and audit findings included in the Audit Report.

Assistant Director Local Government & Rural Development Department and UCs Kohistan perform their operations under Khyber Pakhtunkhwa Local Government Act 2012. Administrative Secretary i.e. Secretary Local Government and Rural Development Department, Khyber Pakhtunkhwa is the Principal Accounting Officer for these local bodies. According to financial provisions of the Act the Secretary Local Government and Rural Development Department, Khyber Pakhtunkhwa authorizes the Annual Budget Statement for these local bodies in the form of budgetary grants.

a. Scope of audit

There are 38 Union Councils in three Tehsils of District Kohistan out of which the accounts of 15 Councils were examined in detail. These Union Councils were selected for detail audit by excluding the last year audited entities, on the basis of random sample keeping in view the available man days.

Out of the total expenditure of the Assistant Director Local Government & Rural Development Department and 15 UCs, District Kohistan, for the Financial Year 2014-15, the auditable expenditure under the jurisdiction of RDA

was Rs 21.383 million. Out of this, RDA Abbottabad audited an expenditure of Rs 10.691 million which, in terms of percentage, was 50% of auditable expenditure.

The receipts of 15 Union Councils District Kohistan, for the Financial Year 2014-15, were Rs 0.020 million. Out of this, RDA Abbottabad audited receipts of Rs 0.0102 million which, in terms of percentage, was 50 % of auditable receipts.

The total expenditure and receipts of Assistant Director Local Government & Rural Development Department and 15 UCs, District Kohistan, for the Financial Year 2014-15 were Rs 21.403 million. Out of this, RDA Abbottabad audited the expenditure and receipts of Rs 10.701 million.

b. Recoveries at the instance of audit

Recoveries of Rs 0.078 million were pointed out, however no recovery was made during the audit.

c. Audit Methodology

Audit was conducted after understanding the business processes of Assistant Director Local Government Office Peshawar and Union 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 with other supporting documents and records called for scrutiny and substantive testing in the Regional Directorate of Audit Abbottabad.

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 the light in the 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 System, as envisaged under Para 13 of GFR Volume-I, is Internal Audit which was not in place in the domain of Assistant Director Local Government & Rural Development Department and UCs District Kohistan.

f. Key audit findings of the report;

- i. Non Production of record was noted in one case¹.
- ii. Irregularity & Non-compliance of Rs 0.247 million were noted in two cases².
- iii. Internal Control Weakness “amounting to Rs 0.40 million were noted in one case³”.

g. Recommendations

- i. Corrective actions need to be taken to stop the practice of violation of rules and regulations while spending the public money.
- ii. Internal controls in all areas i.e. financial, managerial, operational, administrative and accounting need to be strengthened at AD LG&RD level as well as Union Council level to pre-empt the reported lapses and fair value for money is obtained from public spending.
- iii. Deduction of taxes on supplies and contracts needs to be ensured.
- iv. Inquiries need to be held to fix responsibility for losses, irregular payments and wasteful expenditure.

SUMMARY TABLES & CHARTS

Table 1: Audit Work Statistics

(Rs in million)			
S. No	Description	No.	Budget
1	Total Entities (PAOs) in Audit Jurisdiction	01	25.813
2	Total formations in audit jurisdiction	38	25.813
3	Total Entities(PAOs) Audited	01	21.403
4	Total formations Audited	16	21.403
5	Audit & Inspection Reports	16	21.403
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

Table 2: Audit Observations classified by Categories

(Rs in million)		
S. No.	Description	Amount Placed under Audit Observation
1.	Unsound asset management	-
2.	Weak financial management	0.247
3.	Weak Internal controls	0.400
4.	Others	-
	Total	0.647

Table 3: Outcome Statistics**(Rs in million)**

S. No	Description	Expenditure on Acquiring Physical Assets Procurement	Civil Works	Receipts	Others	Total For the year 2014-15	Total for the year 2013-14
1.	Outlays Audited	-	-	-	21.403	21.403	-
2.	Amount Placed under Audit Observation / Irregularities of Audit	-	-	-	0.647	0.647	-
3.	Recoveries Pointed Out at the instance of Audit	-	-	-	0.078	0.078	-
4.	Recoveries Accepted /Established at the instance of Audit	-	-	-	-	-	-
5.	Recoveries Realized at the instance of Audit	-	-	-	-	-	-

Table 4: 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	0.40
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	-
3	Accounting Errors (accounting policy departure from NAM ¹ , 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	0.247
6	Non-production of record	-
7	Others, including cases of accidents, negligence etc.	-
	Total	0.647

Table 5 : Cost benefit Ratio

(Rs in million)		
S #	Description	Amount
1	Outlays Audited (item 1 of Table 3)	21.403
2	Expenditure on audit	0.0325
3	Recoveries realized at the instance of audit	
	Cost-Benefit Ratio	1:0

CHAPTER-1

1.1 Administrator Union Councils District Kohistan

1.1.1 Introduction

District Kohistan has three Tehsils i.e. Dassu, Pattan & Palas. There is an Assistant Director Local Government & Rural Development Department and 38 Union Councils. Each Union Council has a Secretary. Assistant Director Local Government & Rural Development Department is Drawing and Disbursing Officer (DDO) for his office and union councils of the District Kohistan. According to 1998 population census the population of District Kohistan is 126000.

1.1.2 Comments on Budget and Accounts (variance analysis)

An amount of Rs 25.793 million was allocated as budget by the Provincial Government to Assistant Director Local Government & Rural Development Department and 15 Union Councils of District Kohistan. An amount of Rs 0.0204 was realized during the financial year 2014-15. Thus making a total of Rs 25.813 at the disposal of local councils, against which an expenditure of Rs 21.383 million was incurred by Assistant Director Local Government & Rural Development Department and 15 Union Councils of District Kohistan with a saving of Rs 4.410 million during financial Year 2014-15. Detail is given below:

(Rs in million)

Period	Particulars	Budget	Expenditure	Excess/(Saving)
2014-15	Salary	21.404	18.859	(2.545)
	Non Salary	4.389	2.524	(1.865)
	Developmental	0	0	0
	Total	25.793	21.383	(4.41)
	Receipts	0.0204	0.0204	0
	G. Total	25.813	21.403	

The huge savings of 4.41 million indicates weakness in the capacity of these local institutions to utilize the amount allocated.

Expenditure 2014-15

(Rs in million)



1.1.3 Brief comments on the status of Compliance with PAC/ZAC Directives

The audit reports on the accounts of Assistant Director Local Government & Rural Development Department and Union Councils Kohistan under the LGA 2012, have not yet been discussed in PAC.

1.2 Audit Paras Administrator Kohistan

1.2.1 Non Production of record

1.2.1.1 Non production of auditable record

According to Section 14(1-b) & (3) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 the Auditor General has the authority to require any accounts, books, papers and other documents which deal with, or form, the basis of or otherwise relevant to transactions to which his duties in respect of audit extend hence any person or authority hindering the auditorial functions of the Auditor General of Pakistan regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

The Administrator Union Councils of District Kohistan failed to produce auditable record of the following Union Councils for the financial year 2014-15 to audit for scrutiny despite repeated requests.

S.No	Union Council	S.No	Union Council
1	Union Council Shalkan Abad	5	Union Council Thotee
2	Union Council Sherakot	6	Union Council Karang
3	Union Council Koz Paro	7	Union Council Gabral
4	Union Council Bariyar		

Audit observed that record was not produced due to non compliance of rules, which resulted in non authentication of expenditure.

When pointed out in May 2016, management did not furnish any reply till finalization of this report in May 2016.

Request for convening of DAC meeting was made on 20th May 2016, which was not convened till finalization of this report.

Audit recommends inquiry into the matter for fixing of responsibility on the person(s) at fault for non production of relevant record.

AP No. 26/2014-15

1.2.2 Irregularities & non compliance

1.2.2.1 Irregular Expenditure of Rs 0.184 million

Para 10 (i) of General Financial Rules Volume I provides that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys, as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Administrator Union Councils Kohistan during the year 2014-15 incurred an expenditure of Rs. 184000 on account of rent of office building without obtaining rent assessment certificates from the C&W Department Kohistan as per detail given below:

S.No.	Name of UC	Amount (Rs)
1.	Purwa	40,000
2.	Khota Kot	20,000
3.	Dobair Payan	75,000
4.	Peach Bala	49,000
Total		184,000

Withdrawal was made without rent assessment certificate due to violation of rules.

When pointed out in May 2016, management did not furnish any reply till finalization of this report in May 2016.

Request for convening of DAC meeting was made on 20th May 2016, which was not convened till finalization of this report.

Audit recommends regularization and fixing responsibility on the persons at fault under intimation to audit.

AP No. 28/2014-15

1.2.2.2 Non deduction of Sales Tax and Income Tax Rs 0.625 million

According to Government of Pakistan FBR Letter No. 1608 Dated 20.5.2014 that deduction of sales tax and income tax is required to be deducted from the payment to all parties

Assistant Director Local Government & Rural Development Department, Kohistan during year 2014-15 incurred an amount of Rs 319,700/ was incurred on the purchase of Machinery and equipments while sales tax amounting to Rs 54,348 and income tax amounting Rs 8250 was not deducted /deposited into government treasury. Detail is per annex-4

Non deduction of sales tax and income tax were made due to violation of rules, which resulted into loss to Government.

When pointed out in May 2016, management did not furnish any reply till finalization of this report in May 2016.

Request for convening of DAC meeting was made on 20th May 2016, which was not convened till finalization of this report.

Audit recommends deposit of taxes and fixing responsibility on the persons at fault under intimation to audit.

AP No. 29/2014-15

1.2.2.3 Irregular expenditures on the account of repair of Transport amounting to Rs.0.40 million

According to Rule 15 (ii) of staff car rules 1980 Log Book of the vehicle needs to be maintained which depicts the clear picture of all the consumption of POL and expenditure incurred on repair of vehicle.

Assistant Director Local Government & Rural Development Department, Kohistan incurred an expenditure of Rs 400,000 during 2014-15 on account of repair of vehicle. Detail is per annex-5. Audit held that:

- i. Report of Motor Vehicle Examiner were not available
- ii. Report of the Driver concerned was not available on record
- iii. Entries in Log book of the vehicle were not produced to audit in order to authenticate the payment
- iv Repair was carried out without any open tender system/quotations from the market for competitive rates

Audit observed that irregular expenditure was occurred due to violation of rules, which resulted in irregular payment.

When pointed out in May 2016, management did not furnish any reply till finalization of this report in May 2016.

Request for convening of DAC meeting was made on 20th May 2016, which was not convened till finalization of this report.

Audit recommends regularization and verification of record under intimation to audit.

AP No. 30/2014-15

ANNEXURES

Annex-1

Detail of MFDAC Paras

(Rs in million)

S.No	AP No	Gist of Para	Amount
01	27	Non deposit of receipts	0.015

Audit Impact Summary

S. No.	Rules/System/Procedure	Audit Impact
1	According to GFR, physical verification of store/assets should be carried out in a year.	Increase probability for safeguarding the Government assets and stock.
2	According to Financial and Treasury rules all dues of the Government should be correctly and promptly assessed, collected and paid into Government Treasury.	Increase in revenue collection on account of Government dues.
3	According to GFR, Receipts and expenditure should be reconciled	To ensure that the departmental accounts are sufficiently accurate to render possible and efficient Departmental control of expenditure and receipts.

Budget and Expenditure Summary

Period	Particulars	Budget	Expenditure	Excess/(Saving)
2014-15	Salary	21.404	18.859	(2.545)
	Non Salary	4.389	2.524	(1.865)
	Developmental	0	0	0
	Total	25.793	21.383	(4.41)
	Receipts	0.0204	0.0204	0
	G. Total	25.813	21.403	

Non deduction of sales tax and income tax

(Amount in Rs)

S.No	Items	Supplier	Amount	Sales Tax@ 17%	Income Tax@3.5%
1	Printer Laserjet	Babar Computer	122500		
2	TV Device	Swat Computer	3500		
3	Stablizer	Babar Computer	9500		
4	Panasonic Fax	Babar Computer	11500		
5	Super Drive	Babar Computer	9400		
6	UPS	Babar Computer	9500		
	Total	A	55900	9503	1956.5
1	Battery12 volt	MQ Communication	3600		
2	Battery 6 volt	MQ Communication	2200		
3	Panasonic Fax	Asian Computer	11000		
4	HP Printer	Asian Computer	11500		
5	CD DVD	Aslam Computer	5100		
	Total	B	33400	5678	167
1	Gezer	Shola Electronics	9150		
2	EVO USB	Sulaiman Solar System	13200		
	Total	C	22350	3799.5	111.75
1	Solar Energy Unit	Burhan G.Store	25000		
	Total	D	25000	4250	125
1	Printer HP,Cartridges	Ghalib Traders	17200		
	Total	E	17200	2924	86
1	Printer EPSON	Babar Computers	13500		
2	Monitor Dell	Babar Computers	9000		
3	Computer Board,UPS	Aslam Computers	10000		
4	EVO 3G+USB	Aslam Computers	5500		
5	Cardtridge	Babar Computers	8200		
6	PC Core i3	Swat Computers	32000		
	Total	F	78200	13294	2737
1	Regulator	Babar Computers	19200		
	Total	G	19200	3264	672
1	Prestal UPS	Babar Computers	9000		
2	Scanner+Keyboard	Genius System	7550		

3	LCD Monitor	Swat Computers	9500		
4	Stablizer 4000	Babar Computers	15000		
5	Mouse,CDDVD	Babar Computers	3400		
6	Colour Printer	Aslam	14500		
	Total	H	68450	11636.5	2395.75
	Grand Total		319700	54348	8250

Annexure-5**Irregular expenditure on repair of transport****(Amount in Rs)**

S.No	Head of Account	Dated	Amount
1	Repair of Transport	18.06.15	38,000
2	Repair of Transport	18.06.15	48,500
3	Repair of Transport	18.06.15	43,300
3	Repair of Transport	18.06.15	50,900
4	Repair of Transport	18.06.15	35,000
5	Repair of Transport	16.06.15	36,000
6	Repair of Transport	18.06.15	23,190
7	Repair of Transport	12.03.15	27,900
8	Repair of Transport	12.03.15	11,580
9	Repair of Transport	27.01.15	10,190
10	Repair of Transport	31.12.14	64,560
11	Repair of Transport	26.02.15	10,880
	Total		400,000