



**PERFORMANCE AUDIT REPORT
ON
THE COMMUNITY-DRIVEN LOCAL
DEVELOPMENT PROGRAM (CDLD) IN
DISTRICT MALAKAND**

AUDIT YEAR 2020-21

AUDITOR GENERAL OF PAKISTAN

PREFACE

The Auditor General of Pakistan conducts audit in accordance with 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 the Khyber Pakhtunkhwa Local Government Act 2013. The Performance Audit on "The Community-Driven Local Development Program (CDLD) at Malakand" was carried out accordingly.

The Directorate General Audit, District Governments, Khyber Pakhtunkhwa conducted Performance Audit on The Community-Driven Local Development Program (CDLD) at Malakand for the period 2014-15 to 2017-18 with a view to report significant findings to stakeholders. Audit examined the economy, efficiency and effectiveness aspects of the Community-Driven Local Development Program (CDLD) at Malakand. Audit also assessed, on test check basis, whether the program was able to achieve the objectives set to benefit the public or otherwise and whether the funds were spent in a transparent, economic and efficient manner. The Audit report indicates specific actionable measures if taken, will help the management to realize the objectives of Community-Driven Local Development Program (CDLD) at Malakand.

Most of the observations included in this report were finalized in the light of written replies of the department. However, DAC meeting was not convened despite repeated requests.

The performance audit report is submitted to the Governor Khyber Pakhtunkhwa in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973, for causing it to be laid before the appropriate Legislative/ Executive forum.

Islamabad
Dated:

(Javaid Jehangir)
Auditor General of Pakistan

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ABBREVIATIONS AND ACRONYMS

AGP	Auditor General of Pakistan
CBO	Community Based Organization
CDLD	Community Driven Local Development
DG	Director General
DAC	Departmental Accounts Committee
HR	Human recourses
INTOSAI	International Organization of Supreme Audit Institutions
KP	Khyber Pakhtunkhwa
LGA	Local Government Act
LG&RDD	Local Government and Rural Development Department
PAO	Principal Accounting officer
SMP	Social Mobilization Partner
TMA	Tehsil Municipal Administration
TMO	Tehsil Municipal Officer

EXECUTIVE SUMMARY

The Director General of Audit District Governments Khyber Pakhtunkhwa conducted Performance Audit titled “The community-driven local development program (CDLD) at Malakand” for the period 2014-15 to 2017-18. The main objectives of audit were to evaluate (a) Empowering district authorities and government officials for efficient decision making and policy implementation. (b) Providing the district authorities and line departments with the needed resources and the trainings to operationalize CDLD framework. The audit was conducted in accordance with INTOSAI Auditing Standards as adopted by the Department of the Auditor General of Pakistan.

The community-driven local development programs (CDLD) at Malakand perform their functions under Local Government, Elections and Rural Development Department. Secretary LG&RDD is the Principal Accounting Officer (PAO). SMP performs all financial operations in accordance with its own Charter / Rules / Standard Operating Policy and Procedures.

The community-driven local development programs (CDLD) aims to assist the Government of Khyber Pakhtunkhwa in the implementation of CDLD Policy in Malakand Division. The policy seeks to achieve sustainable improvement in the coverage and quality of frontline public service delivery through the active involvement of local communities.

As far as analytical review is concerned, all the relevant analytical procedures were performed on the financial and non-financial data of audited entity to analyze the affectivity, sustainability and profitability of functional and proposed water supply schemes under WSSC.

Key Audit Findings and Recommendations

Key Audit Findings are as follows:

- i. Non maintenance of audited financial statements
- ii. Wasteful expenditure due to non submission of final report for Rs 1.243 million

- iii. Non visits of line department staff
- iv. Non recovery of funds due to termination of schemes Rs 1.235 million
 - v. Suspected loss due to suspension of schemes Rs 18.486 million
- vi. Non-utilization/Non Completion of schemes in time for Rs 6.562 million

Audit recommends that:

- i. Financial statement needs to be audited and verified by the third person as per policy guideline.
- ii. Submissions of final report expenditure verify unauthentic and unverified payment.
- iii. Line department staff must ensure timely visits.
- iv. Needs recovery of unspent amount.
 - v. The issue may be resolved without further delay to achieve prime objective or recovery may be made.
- vi. Non-utilization / Non Completion of schemes resulted in blockage of Government funds.

1. INTRODUCTION

1.1 Background

The Community-Driven Local Development Program (CDLD) is an ambitious but revolutionary policy of the Government of Khyber Pakhtunkhwa to involve ordinary citizens in the collective efforts to improve public services. CDLD Policy is rooted in the beliefs that give the right policy environment and access to information services, ordinary citizens can prioritize their needs, find appropriate solutions and become partners in long-term sustainable development through collective action with the government.

CDLD has its objectives of mobilizing and involving local communities directly as a catalyst of sustainable local development. Participation of citizens in the development process, including their empowerment to voice their concerns and organize themselves, is critical to any debate on governance and accountability. Therefore, the policy takes a paradigm shift from the top-down focus to a more participatory bottom-up approach in pursuit of improving the quality and availability of frontline service delivery. For the implementation of the CDLD Policy, the Government of Khyber Pakhtunkhwa launched the Khyber Pakhtunkhwa CDLD Program for the six districts of Malakand Division, including Chitral, Upper Dir, Lower Dir, Shangla, Swat and Malakand. To support the implementation of the CDLD Policy, the European Union was providing budget support of Euros 64 million to be spent during the budget years between 2014 and 2018. This financial assistance had to help the Government of Khyber Pakhtunkhwa to sustain adequate fiscal space in the budget for rural development driven by local communities in Malakand Division. For fulfilling/achieving the desired objectives of the CDLD Malakand has incurred an expenditure of Rs. 405.962 million against the Total Budget of Rs.579.707 million during the financial year 2014-2018.

The functions and powers of CDLD are briefly given as under:

The CDLD Policy goal is to achieve sustainable improvement in the coverage and quality of frontline public service delivery through the active

involvement of local communities. The Policy has been developed to achieve the following key objectives:

Put in place a fiscal and regulatory framework which can help the local communities in executing local development / service delivery initiatives.

Build the capacity of government line departments at the district level to be able to operationalize the CDLD Policy.

Provide an enabling environment to community-based organizations (working on behalf of target communities) to access funds allocated for CDLD projects.

1.2 Organizational Structure

CDLD consists of the DO F&P, who shall be the focal person, supported by one Senior Programme Engineer, one Monitoring and Livelihood Officer, one female Facilitation Officer and other officials of the CDLD Programme.

2. AUDIT OBJECTIVES

The main objectives of audit were to evaluate (a) whether district authorities and government officials were empowered enough for efficient decision making and policy implementation. (b) Providing the district authorities and line departments with the needed resources and the trainings to operationalize CDLD framework.

3. AUDIT SCOPE AND AUDIT METHODOLOGY

3.1 Audit Scope

The Performance Audit covers all the aspects of provision of the Community-Driven Local Development Program i.e. planning, control and monitoring both carried out through outsourced and departmentally. Audit covers the period from 2014-15 to 2017-18.

3.2 Audit Methodology:

Audit will cover the following areas:

- i. Conducting field surveys in order to assess the experience of the District administration as well as the local community in regard to this program.
- ii. The audit will also compare to see the performance of the respective TMAs/AD LG&RDDs in achieving similar objectives set forth by the district government.
- iii. Interviews with Senior Programm Engineer & other staff of CDLD.
- iv. Documents were reviewed to gain an understanding of the performance of CDLD some of the documents reviewed were;
 - Expenditure statement/Financial Statements Basic accounts data.
 - Websites of CDLD
 - Progress report
 - HR policies implemented
 - Progress reports
 - Any other related document

4. AUDIT FINDINGS AND RECOMMENDATION

4.1 Planning/Organization & Management Issues

4.1.1 Non visits of line department staff

According to S.No.12 (V) of CDLD Policy notification No. LGE&RDD/CDLD unit/2017 dated 23.6.2017, 30% of projects shall be randomly monitored by Line Departments to ensure the quality and quantity of work.

During performance audit of CDLD Malakand for the financial year 2014-2018 it was noticed that staff of line department did not visit the schemes during work implementation stage in violation of the above mentioned notification.

Audit observed that non visits of line department staff occurred due to weak internal control and resulted in violation of rules.

When pointed out in April 2021, management did not furnish reply.

Request for convening DAC meeting was made in May 2021, however meeting of DAC could not be convened till finalization of this report.

Audit recommends to ensure supervision by the line departments as per the above policy.

4.1.2 Non maintenance of audited financial statements

According to S.No.10 (e) (III) of CDLD Policy notification No. LGE&RDD/CDLD unit/2017 dated 23.6.2017, the SMP shall have its accounts audited from a Chartered Accountant Firm each year in accordance with the laws approved by auditing standards / International Financial Reporting Standards (IFRS) issued by International Accounting Standards (IAS) Board notified under the provision of Companies Ordinance 1984 / (Revised 2017) as applicable in

Pakistan. SMP will provide copies of their Annual Audit Reports to the Government of Khyber Pakhtunkhwa during the term of its contract with the Government.

During performance audit of CDLD Malakand, it was observed that the management failed to audit the accounts from a Chartered Accountant Firm each year and prepare/maintain financial statements.

Irregularity occurred due to weak financial control which resulted in violation of rules and thus financial mismanagement ensued.

When pointed out in April 2021, management did not furnish reply.

Request for convening DAC meeting was made in May 2021, however meeting of DAC could not be convened till finalization of this report.

Audit recommends corrective action besides action against the person(s) at fault.

4.2 Financial Management Issues

4.2.1 Non recovery of funds due to termination of schemes Rs 1.235 million

According to clause-5 (h) of the contract agreement executed between CDLD and CBOs, Proceed against the Second Party in accordance with the relevant laws, for the time being enforced, and recover the Government fund allocated or deposited to the First Party, in case of any embezzlement, miss appropriation and non-compliance, as the case may be, noticed by the First Party.

During performance audit of CDLD Malakand for the financial year 2014-2018 it was noticed that advance payment of Rs 1,235,674 were made to different CBO on account of developmental work but the CBO failed to execute the work and the local office did not recovered the amount till date of audit.

Non recovery was occurred due to weak financial control resulted in loss to Government.

When pointed out in April 2021, management did not furnish reply.

Request for convening DAC meeting was made in May 2021, however meeting of DAC could not be convened till finalization of this report.

Audit recommends immediate recovery and action against the person at fault.

4.2.2 Suspected loss due to suspension of schemes Rs 18.486 million

According to Para 23 of GFR Vol-1, 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.

During performance audit of CDLD Malakand for the year 2019-20, it was noticed that 22 Nos of schemes were approved for Rs 30,183,480 and payment was made of Rs 18,486,814. Further scrutiny of record revealed that

these schemes were suspended due to issues, like poor quality of work, un willingness of CBOs, social disputes etc which resulted in loss to Government and the other hand the public deprived of the basic facilities.

The irregularity was occurred due to lack to weak internal control which resulted in blockage of Government funds.

Wastage of time, funds and non achievement of project objectives and escalation of in project cost.

When pointed out in April 2021, management did not furnish reply.

Request for convening DAC meeting was made in May 2021, however meeting of DAC could not be convened till finalization of this report.

Audit recommends that these issues may be resolved without further delay to achieve prime objective or recovery may be made.

4.2.3 Wasteful expenditure due to non submission of final report -Rs1.243 million

According to clause 3.4 of the contract agreement signed between CBOs and CDLD, the final installment shall be made to the second party at the time of submitting final report.

During performance audit of the accounts of CDLD Malakand for the year 2020-21, it was noticed that a sum of Rs 1,243,535 was paid to Chairman CBO Alkhidmat Barasha Falahi Tanzeem without submitting final report.

Audit observed that non submission of final report was occurred due to weak financial control.

When pointed out in April 2021, management did not furnish reply.

Request for convening DAC meeting was made in May 2021, however meeting of DAC could not be convened till finalization of this report.

Audit recommends the matter may be investigated.

4.3 Monitoring and Evaluation Issues

4.4.1 Non-utilization/ Non Completion of schemes in time for Rs 6.562 million

According to S.No.12 (VIII) of CDLD Policy notification No.LGE&RDD/CDLD unit/2017 dated 23.6.2017, maximum period for completion of a project under CDLD policy shall not exceed 12 months. In case of heavy snow fall, torrential rains and official declaration of natural calamity and disaster, the DDC may give a three months extension.

During performance audit of CDLD Malakand for the financial years 2015-2018 executed different works for Rs 6,562,687 on account of developmental works and Rs 5,315,777 was paid to CBO in first and 2nd installment but the scheme was not completed till date of audit i.e April 2021. Furthermore the slow progress shows inefficiency on the part of CDLD and the other hand people of area were deprived from basic Municipal Services. As per detail in annexure-2

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

When pointed out in April 2021, management did not furnish reply.

Request for convening DAC meeting was made in May 2021, however meeting of DAC could not be convened till finalization of this report.

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

4.4 Overall Assessment

Keeping in view the above overall situation/shortcomings, it is concluded that the desired objectives/goals were not achieved efficiently and effectively therefore; internal controls should be strengthened to achieve the objectives in letter and spirit.

i. Relevance:

The office of CDLD was in line with government's sectoral policies.

ii. Efficacy:

The programme is expected to contribute towards attainment of the objectives of the Strategic Development Partnership Framework, and it's aligned Integrated Development Strategy. The overall goal of the CDLD Policy is to achieve a sustainable improvement in the coverage and quality of frontline public service delivery through the active involvement of local communities.

iii. Efficiency:

CDLD Malakand approved 494 projects in 2015-2018, project completed 450 which interims of percentage was 91%, out of the total projects 22 numbers of project suspended & incomplete and 4 No's project were terminated.

iv. Economy:

The CDLD failed in Completion of ongoing/ suspended schemes in time which is violation of rules resulted in loss to the Government. In addition to this, efforts were not made to save the Government from losses as already pointed out in audit observations.

v. Effectiveness:

The office of CDLD failed to campaign Public awareness through electronic and print media.

vi. Compliance with rules:

Main observations with regard to violation of rules are given below:

- Wasteful expenditure due to non submission of final report.

- Non visits of line department staff
- Non recovery of funds due to termination of schemes.
- Suspected loss due to suspension of schemes.
- Non-utilization of/ Non Completion of schemes in time.

5. CONCLUSION

5.1 Key issues for the Future:

- i. Recovery from the CBOs who failed to start the work.
- ii. Non-completion of schemes within the stipulated period.
- iii. Non visits of line department staff

5.2 Lessons Identified:

- i. Non involving and mobilizing local community in development activities to achieve sustainable development goals.
- ii. Public awareness campaign through electronic and print media.

6. RECOMMENDATIONS

- i. Financial statement needs to be audited and verified by the third person as per policy guideline.
- ii. Submissions of final report expenditure verify unauthentic and unverified payment.
- iii. Line department staff must ensure timely visits.
- iv. Needs recovery of unspent amount.
- v. The issue may be resolved without further delay to achieve prime objective or recovery may be made.
- vi. Non-utilization / Non Completion of schemes resulted in blockage of Government funds.

ACKNOWLEDGEMENT

We wish to express our appreciation to the management of CDLD Malakand for the assistance and cooperation extended to the auditors during this assignment.

ANNEXURES

Annexure-1

VCNC	CBO Name	Sector	Year Of Approval	Advance Payment	Status
JULAGARAM	Young Welfare Organization	sports, culture and tourism	2015-2016	344,001	Terminated
PALAI SHAHKOT	suraj falahi tanzeem	education	2016-2017	201,518	Terminated
NAL GUNYAR	Bara Chum Falahi Tanzeem	works (streets)	2016-2017	388,900	Terminated
GHARI USMANI KHEAL	Khawateen G.U.Kheil Falahi Tanzeem	health	2015-2016	301,255	Terminated
Total				1,235,674	

Annexure-2

CBO Name	Sector	Total Cost	Year Of Approval	Advance Payment	2nd Installment	Total	Physical Progress	Status
Sharab Dara Falahi Tanzeem	education	1,065,010	2015-2016	287,455	574,910	862,365	76 - 90%	Suspended
sani sehra falahi tanzeem	drinking water	790,392	2016-2017	177,839	-	177,839	1 - 30%	Suspended
umeed falahi tanzeem	drinking water	903,546	2016-2017	216,851	433,702	650,553	76 - 90%	Suspended
Etihad Falahi Tanzeem	education	1,056,847	2016-2017	285,349	570,697	856,046	1 - 30%	Suspended
Mashal falah tanzeem	drinking water	1,204,935	2018-2019	433,777	-	433,777	1 - 30%	Suspended
Sada Bahar Develoment	roads	1,359,506	2017-2018	367,067	-	367,067	1 - 30%	Suspended
Olasi Mrastyal	irrigation / water management / soil and water conservation	799,085	2015-2016	215,753	431,506	647,259	51 - 75%	Suspended
Falahi tanzeem Abass kali	works (streets)	1,107,120	2016-2017	298,922	597,845	896,767	31 - 50%	Suspended
Kachi welfare organization	irrigation / water management / soil and water conservation	2,259,309	2016-2017	610,013	1,220,027	1,830,040	76 - 90%	Suspended
Khawateen Bijli Gar Falahi Tanzeem	drinking water	1,201,697	2016-2017	306,433	612,864	919,297	76 - 90%	Suspended
Rokhana Muslim abad	roads	2,025,650	2016-2017	546,926	-	546,926	1 - 30%	Suspended
Mula Misri falah tanzeem	works (streets)	1,078,159	2018-2019	388,137	-	388,137	1 - 30%	Suspended
Amir Akbar shah Falahi Tanzeem	irrigation / water management / soil and water conservation	2,125,230	2016-2017	573,812	-	573,812	0%	Suspended
khawateen falahi tanzeem palonow bar kali	works (streets)	986,453	2016-2017	266,342	-	266,342	1 - 30%	Suspended
kharkai zalmi	roads	2,496	2016-	673,939	1,347,87	2,021,817	31 -	Suspend

falahi tanzeem		,070	2017		8		50%	ed
Mashal Falahi Tanzim	roads	1,331,863	2015-2016	359,603	-	359,603	1 - 30%	Suspended
Gojar Khan Dheri Falahi Tanzeem	education	1,286,351	2016-2017	347,315	694,630	1,041,945	76 - 90%	Suspended
SHla Falahi Tanzeem	roads	842,250	2015-2016	227,408	454,815	682,223	76 - 90%	Suspended
Zindagi Welfare Organization	education	2,173,078	2015-2016	586,731	1,173,462	1,760,193	76 - 90%	Suspended
Khogman Falahi Tanzeem	roads	1,205,314	2016-2017	289,275	578,550	867,825	31 - 50%	Suspended
Wartiar Zalmi falah Tanzeem	works (streets)	1,165,323	2017-2018	314,637	629,275	943,912	31 - 50%	Suspended
Garang Dera	education	1,720,292	2015-2016	464,357	928,713	1,393,070	51 - 75%	Suspended
Total						18,486,815		

Annexure-3

VCNC	CBOName	Year Of Approval	Advance Payment	2nd Installment	Total	Status
DARAGI PATAK JABAND	Mehnat kash Falahi tanzeem	2016- 2017	281376	562752	844,128	On-going
PETAW	petaw zalmi falahi tanzeem	2016- 2017	419584	839168	1,258,752	On-going
KHARKAI	Shazad gul Banda falahi Tanzeem	2017- 2018	452610	905221	1,357,831	On-going
SHARIF ABAD	Sabwoon Falahi tanzeem	2015- 2016	340857.3	681715	1,022,572	On-going
ALIFI KALAY	Rehman Shah Falahi Tanzeem	2016- 2017	277498	554996	832,494	On-going
Total					5,315,777	