



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

**DISTRICT TANK
KHYBER PAKHTUNKHWA**

AUDIT YEAR 2015-16

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AP	Advance Para
CPWD Code	Central Public Works Department Code
DAC	Departmental Accounts Committee
DG	Director General
GFR	General Financial Rules
LCB	Local Council Board
LGO	Local Government Ordinance
MB	Measurement Book
MFDAC	Memorandum for Department Accounts Committee
PAO	Principal Accounting Officer
PC-I	Planning Commission document-I
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-115 of the Khyber Pakhtunkhwa Local Government Ordinance, 2001(as amended) and Section 37 of Local Government Act 2013 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 10 Union Councils Tank 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 the systemic issues and significant audit findings. 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 respective 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 37 of Khyber Pakhtunkhwa Local Government Act, 2013 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 District Councils, Municipal Committees (MCs) and Union Councils (UCs) and ADs LG&RD. Its Regional Directorate of Audit D.I.Khan has audit jurisdiction of District Councils, Municipal Committees, AD Local Governments and UCs of two Districts i.e. D I Khan and Tank.

The Regional Directorate has a human resource of 06 officers and staff, constituting 1500 man days and a budget of about Rs 10.089 million was allocated during 2014-15. 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 Audit D I Khan carried out audit of the accounts of Assistant Director Local Government & Rural Development Department and selected 10 UCs of District Tank for the Financial Year 2014-15 and the findings included in the Audit Report.

Assistant Director Local Government & Rural Development Department and the UCs District Tank perform their functions under Khyber Pakhtunkhwa Local Government Act, 2013. 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 16 Union Councils in District Tank out of which the accounts of 10 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 of two UCs from each Tehsil and keeping in view the available man days.

#	Tehsil	Total No. of UCs	No. of UCs Audited Last year	No. of UCs Audited This year
1	Tank	16	10	10

Out of the total expenditure of the Assistant Director Local Government and Union Councils, Tank for the Financial Year 2014-15, the auditable expenditure under the jurisdiction of RDA was Rs 64.348 million. Out of this, RDA D I Khan audited an expenditure of Rs 45.043 million which, in terms of percentage, was 70 % of auditable expenditure.

The receipts of Assistant Director Local Govt, District Tank for the financial year 2014-15 were Rs 0.530 million. Out of this, RDA D.I.Khan audited receipts of Rs 0.344 million which, in terms of percentage, was 65% of auditable receipts.

b. Recoveries at the instance of audit

Recovery of Rs 1.153 million was pointed out during the audit. However, no recoveries were affected till the finalization of this report. Out of the total recoveries, Rs 1.153 was not in the notice of the executive before audit.

c. Audit Methodology

Audit was conducted after understanding the business processes of Assistant Director Local Government Office 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 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 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.

One of the basic component of Internal Control System, as envisaged under Para 13 of GFR Volume-I, is Internal Audit which was not prevalent in office of the Assistant Director Local Government & Rural Development Department and UCs District Tank. Neither rules for internal audit have been framed nor internal audit report as required was provided to audit.

f. Key audit findings of the report;

- i. Irregularity & Non-compliance of rules were noticed in five cases amounting to Rs. 32.157 million.¹

a. 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.

¹ Para 1.2.1.1, 1.2.1.2, 1.2.1.3, 1.2.1.4, 1.2.1.5

SUMMARY TABLES & CHARTS

Table 1: Audit Work Statistics

(Rs in million)

S.No	Description	No.	Budget
1	Total Entities (PAO) in Audit Jurisdiction	01	64.348
2	Total formations in audit jurisdiction	01	64.348
3	Total Entities(PAO) Audited	01	45.043
4	Total formations Audited	11	45.043
5	Audit & Inspection Reports	01	45.043
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	1.452
3	Weak Internal controls relating to Financial Management	30.705
4	Others	-
	Total	32.157

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	-	25	0.530	20.043	45.043	21.369
2	Amount Placed under Audit Observations/ Irregularities of Audit	-	29.576	1.452	1.129	32.157	9.387
3	Recoveries Reported at the instance of Audit	-	-	1.452	-	1.452	-
4	Recoveries Accepted /Established at the instance of Audit	-	-	-	-	-	-
5.	Recoveries Realized at the instance of Audit	-	-	-	-	-	-

Table 4: 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	30.705
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.	1.452
6	Non-production of record	-
7	Others, including cases of accidents, negligence etc.	-
Total		32.157

Table5: Cost - Benefit**(Rupees in million)**

Sr. 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 Administrator Union Councils District Tank

1.1.1 Introduction

District Tank has one Tehsil i.e. Tank. There is an Assistant Director Local Government and Rural Development Department and 16 Union Councils. Each Union Council has a secretary. Assistant Director Local Government and Rural Development Department is Drawing and Disbursing Officer (DDO) for his office and Union Councils of the District Tank. According to 1998 population census the population of District Tank is 238,216.

1.1 Assistant Director Local Government District Tank

1.1.1 Introduction

District Tank has one Tehsil i.e. Tank. There are 16 Union Councils. The number of Union Councils in each Tehsil. There is an Assistant Director Local Government Union Council has an Administrator and a Secretary. Union Councils Tank has one Drawing and Disbursing Officer (DDO) i.e. Administrator. According to 1998 population census the population of District Tank is 238,216.

1.1.2 Comments on Budget and Accounts (Variance Analysis)

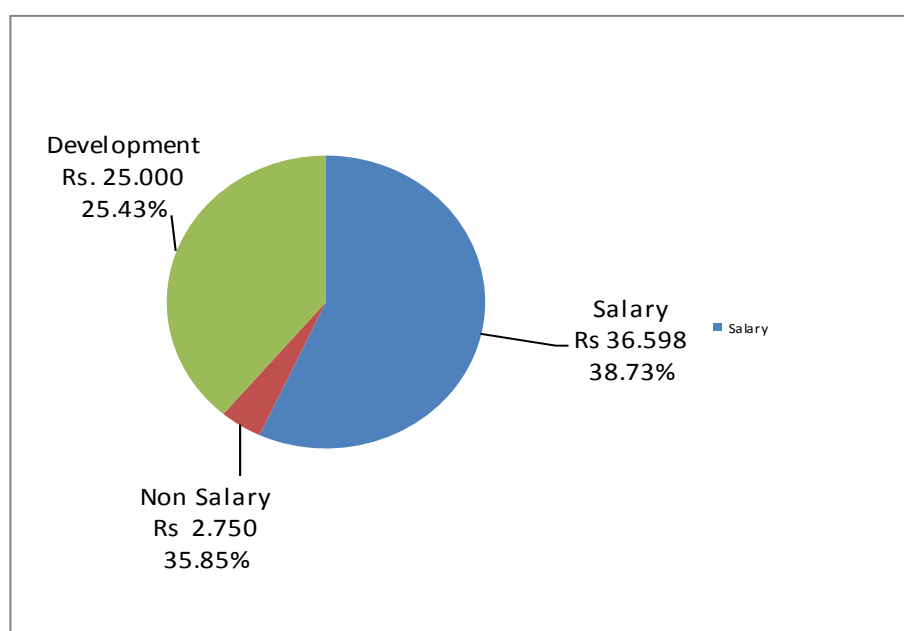
An amount of Rs 64.500 million was allocated as budget by the Provincial Government to Assistant Director Local Government and Rural Development Department and 10 selected Union Councils of District Tank. An amount of Rs 0.530 million was realized during the financial year 2014-15. Thus making a total of Rs 65.030 million at the disposal of Assistant Director Local Government and Rural Development Department and 10 selected Union Councils, against which an expenditure of Rs 64.878 million was incurred by the Assistant Director Local Government and Rural Development Department and 10 selected Union Councils D I Khan with a saving of Rs 0.152 million during financial Year 2014-15. Detail is given below:

(Rs in million)

2014-15	Budget	Expenditure	Excess /Saving	%age Excess /Saving
Salary	36.600	36.598	(0.002)	0.005
Non-salary	2.900	2.750	(0.150)	5.454
Development	25.000	25.000	0	0.000
Total	64.500	64.348	(0.152)	5.459
Receipt	0.530	0.530	0	0
G. Total	65.030	64.878	(0.152)	5.459

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 and Rural Development Department and 10 Union Councils District Tank prepared under the Khyber Pakhtunkhwa Local Government Act. 2013, and have not yet been discussed in DAC and ZAC.

1.2 Audit Paras

1.2.1 Irregularity & Non-compliance

1.2.1.1 Doubtful and wasteful expenditure on Submersible /Pressure/ Hand Pumps-Rs 23.684 million

According to Para 10 (iii) & (iv) of GFR, no authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage & Public moneys should not be utilized for the benefit of a particular person or section of the community.

Assistant Director Local Government & Rural Development, Tank incurred Rs 23,684,248 on installation of 96 Nos. Submersible/Pressure/ Hand Pumps during 2014-15 but expenditure seemed doubtful and wasteful on the following grounds.

- i. The amount was shown incurred on installation of hundreds of Pressure Pumps/ Hand Pumps in the homes of various individuals, not for community of the area which was highly unauthorized and against the Para 10 (iii) & (iv) of GFR.
- ii. Exact locations of Pressure/Hand Pumps were neither mentioned in Administrative Approval nor in DDC minutes.
- iii. The MB and office record was also silent about the locations of the Pressure Pumps.
- iv. The Pressure/Hand Pumps were installed in remote areas and thus could not be verified due to their exact locations.
- v. The installations of Pressure/Hand Pumps were not acknowledged by the people of the area.
- vi. Proper handing /taking to any Government Department for operation & maintenance was not made.

Audit observed that unauthorized expenditure occurred due to lack of internal control which resulted in loss to the general public.

When reported in February 2016, Management did not respond to audit observation.

Request for convening of DAC meeting was made on 16-2-2016 which was not convened till finalization of this Report.

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

AP- 49 (2014-15)

1.2.1.2 Irregular Tendering Process of Developmental Schemes-Rs 5.00 million

According to Para-23 of GFR Vol-I, every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of any other government official.

Assistant Director Local Government & Rural Development, Tank executed 6 No. Developmental Schemes at a cost of Rs 5,000,000 (as detail in Annexure-3) but tendering process was full of irregularities and seemed to be revealed that the contracts were awarded to favorite contractors through illegal and fraudulent means.

- i. Total 3 No. Contractors participated in the tendering process for 6 Nos. Schemes but Call Deposits of M/S Nasrullah Miankhel were not available on record.
- ii. The Contractor M/S Syed Abid Hussain Shah used the one (1) & same Call Deposit bearing No.0763067 for tendering process of 3 No. Schemes i.e S.No.1,2,3 instead of depositing the separate Call Deposits for each scheme as per existing rules and NIT condition. The detail of schemes is given in the statement.
- iii. Similarly the Contractor M/S Ishaq Shah used the same call deposit bearing No.0763071 for tendering process of 2 No. Schemes i.e S.No.1 & 3 instead of depositing the separate call deposit for each scheme.
- iv. The Call Deposits of all the 3 Nos. Contractors were not available on record for tendering process of 2 Nos. Schemes i.e S.No.4 & 6.

Audit observed that irregular expenditure occurred due to non-compliance of rules which resulted into loss to Government.

When reported in February 2016, Management did not respond to audit observation.

Request for convening of DAC meeting was made on 16-2-2016 which was not convened till finalization of this Report.

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

AP-50 (2014-15)

1.2.1.3 Non-deduction of Sales Tax- Rs 1.452 million

According to SRO 660(I)/2007 dated 30-6-2007 read with Finance Act 2014, the sales tax must be deducted from the payments @ 17% from unregistered persons.

Assistant Director Local Government & Rural Development, Tank paid Rs 8,541,645 to various unregistered contractors on account of pipes and machinery used in installation of Submersible /Pressure/ Hand Pumps during 2014-15. It was observed that sales Tax @ 17% amounting to Rs 1,452,079 was not deducted from the bills of contractors and thus resulted in huge loss to public exchequer.

S.No.	Cost of pipes & accessories used in Submersible /Pressure/ Hand Pumps per No. (Rs.)	No. of Submersible /Pressure/ Hand Pumps (Rs.)	Sales Taxable amount (Rs.)	Sales Tax Due (Rs.)
1.	175,270	38	6,660,260	1,132,244
2.	64,298	20	1,285,960	218,613
3.	35,025	17	595,425	101,222
Total Sale Tax Recoverable				1,452,079

Audit observed that non deduction of sales tax occurred due to lack of financial control, which resulted in loss to public exchequer.

When reported in February 2016, Management did not respond to preliminary audit observation.

Request for convening of DAC meeting was made on 16-2-2016 which was not convened till finalization of this Report.

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

AP-51 (2014-15)

1.2.1.4 Irregular expenditure on POL and repair of vehicles-Rs.1.129 million

Motor Car Maintenance Rules 1997 requires 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, Tank incurred expenditure of Rs 679,988 on POL and Rs 449,980 on repair charges Government vehicles during 2014-15. It was noticed that Log Books were not maintained and thus creating a doubt about actual consumption of POL and repair work. Moreover, MPG was also not obtained. Hence in absence of log books, drawl & consumption of POL with reference to distance covered could not be verified. It was also noticed that POL vouchers amounting to Rs 415,000 were not available on record.

Audit observed that irregular expenditure occurred due to non-compliance of rules which resulted in loss to Government.

When reported in February 2016, Management did not respond to preliminary audit observation.

Request for convening of DAC meeting was made on 16-2-2016 which was not convened till finalization of this Report.

Audit recommends regularization of expenditure and action against the person(s) at fault.

AP-53 (2014-15)

1.2.1.5 Doubtful expenditure on construction of Protection Bunds-Rs. 0.892 million

According to Para-23 of GFR Vol-I, every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part or on the part of any other government official.

Assistant Director Local Government & Rural Development, Tank incurred expenditure of Rs 892,332 on Protection Band in following UCs of District Tank but;

- i. Neither NOC from the Revenue/ Irrigation Department for the execution of work was obtained nor the same was verified by the concerned Departments. Normally, the work is to be executed either through Agriculture Engineering Department through book transfer of funds or through Irrigation Department.
- ii. The excavation in soil was executed without any dressing, leveling and compaction of soil and thus creating a doubt about actual execution of work at site.

S.No.	Name of Work	Expenditure (Rs.)
1.	Protection Bund in UC Dabarra	441,554
2.	Protection Bund in UC Waraspone	450,778
Total		892,332

Audit observed that doubtful expenditure occurred due to lack of internal control which resulted loss into Government.

When reported in February 2016, Management did not respond to preliminary audit observation.

Request for convening of DAC meeting was made on 16-2-2016 which was not convened till finalization of this Report.

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

AP-52 (2014-15)

ANNEXURES

Annexure-1

Detail of MFDAC Paras

AP No.	Name of Department	Title of Advance Para	(Rs in million)
NIL			

AUDIT IMPACT SUMMARY

S.No	Rules/System/Procedure	Audit Impact
1	According to GFR, physical verification of store/assets should be carried out once 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.

Annexure-3**Budget and expenditure Summary**

(Rs in million)

2014-15	Budget	Expenditure	Excess /Saving	%age Excess /Saving
Salary	36.600	36.598	(0.002)	0.005
Non-salary	2.900	2.750	(0.150)	5.454
Development	25.00	25.00	0	0.000
Total	64.500	64.348	(0.152)	5.459
Receipt	0.530	0.530	0	0
G. Total	65.030	64.878	(0.152)	5.459

Annexure-3

Para No. 1.2.1.2

Statement showing detail of irregular tendering process

S.No.	Name of Scheme	Cost of Scheme (Rs.)	Name of Contractor	Call Deposit No.	Remarks
1.	Installation of 2 No. Pressure Pumps, 2 No. Submersible Pumps and Construction of Protection Bund in UC Tatta.	1,193,584	Nasrullah Miankhel	Not available	Copy of CDs was not available on record for all schemes.
			Syed Abid Hussain Shah	0763067	The Contractor used same CD for tendering of schemes at S.No.1,2,3
			Ishaq Shah	0763071	The Contractor used same CD for tendering of schemes at S.No.1 & 3.
2.	Installation of 2 No. Pressure Pumps, 2 No. Submersible Pumps and Construction of Protection Bund in UC Waraspone.	1,193,584	Nasrullah Miankhel	Not available	-
			Syed Abid Hussain Shah	0763067	-
			Ishaq Shah	0763073	-
3.	Installation of 2 No. Pressure Pumps, 2 No. Submersible Pumps and Construction of Protection Bund in UC Dabrra.	1,193,584	Nasrullah Miankhel	Not available	-
			Syed Abid Hussain Shah	0763067	-
			Ishaq Shah	0763071	-
4.	Installation of 1 No. Pressure Pumps, 2No. Submersible Pumps in UC Amakhel.	869,792	Nasrullah Miankhel	Not available	Call Deposits were not submitted by all the contractors.
			Syed Abid Hussain Shah	Not available	
			Ishaq Shah	Not available	
5.	Installation of 1 No. Pressure Pumps, 1No. Submersible Pumps in UC Muazai.	446,792	Nasrullah Miankhel	Not available	-
			Syed Abid Hussain Shah	763069	-
			Ishaq Shah	763075	-
6.	Installation of 4 No. Pressure Pumps, in UC Pai.	102,664	Nasrullah Miankhel	Not available	Call Deposits were not submitted by all the contractors.
			Syed Abid Hussain Shah	Not available	
			Ishaq Shah	Not available	
Total		5,000,000			