



GOVERNMENT OF BALOCHISTAN
LOCAL GOVERNMENT RURAL DEVELOPMENT
AND AGROVILLES DEPARTMENT

Dated Quetta, the 5th November, 2004.

NOTIFICATION

No.52/2004(BLGB)AO-IV. In exercise of the powers conferred by sub-section (1) of Section 191 read with Item 13 of part I of the Fifth Schedule of the Balochistan Local Government Ordinance 2001, (XVIII of 2001) the Government of Balochistan is pleased to make the following rules, namely: -

1. Short title, extent and commencement

- (1) These Rules may be called the Balochistan Local Government (Internal Audit) Rules, 2004.
- (2) It shall extend to all District Governments and Tehsil/Town Municipal Administrations of the Province of Balochistan.
- (3) It shall come into force at once.

2. Definitions :- In these Rules, unless there is anything repugnant to the subject or context, the following expression shall have the meaning, hereby respectively assigned to them: -

- (1) **“Audited Entity”** means a Local Government organization or Office established or created under the Balochistan Local Government Ordinance, 2001;
- (2) **“Control”** means the policies, procedures, practices and organizational structures in place, designed to provide reasonable assurance that the organizational goals will be achieved and that undesirable events will be prevented or detected and corrected well in time.
- (3) **“Control Risk”** includes the risk an error that could be material, individually or in combination with other errors, is not prevented or detected and corrected within the timeframe specified for such correction by the internal control system.
- (4) **“Control Systems”** includes the controls established and maintained by management of an audited entity defined in

these rules to collect, record and process data and report the resulting information.

- (5) **“Council”** means Zilla Council concerned in case of a District Government or a City District Government and Tehsil/Town Council concerned in case of Tehsil/Town Municipal Administration.
- (6) **“Economy”** means acquiring resources at the lowest cost without compromising the quality and keeping in view the objectives of the organization.
- (7) **“Effectiveness”** means the relationship of an output to what is / was intended to be achieved.
- (8) **“Efficiency”** means the relationship of inputs to outputs. It relates to the optimum utilization of resources.
- (9) **“Executive”** includes all officers of Local Governments who have been assigned decision-making role, whatsoever their designation may be.
- (10) **“Governance”** means a leadership process through which the Executives set and oversee implementation of the policies, designed to achieve better performance of functions and ensure accountability.
- (11) **“Government”** means Government of SBNP.
- (12) **“Government Organizations”** means all administrative organizations under direct or indirect control of the Government of SBNP.
- (13) **“Internal Audit”** means an independent and objective assurance, appraisal and consulting activity designed to add value and improve an organization’s operations to achieve the agreed objectives of the public policy by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- (14) **“Nazim”** means Zilla Nazim concerned in the case of District or City Governments and Tehsil/Town/Taluka Nazim concerned in case of Tehsil/Town/Taluka Municipal Administrations.
- (15) **“Ordinance”** means the Balochistan Local Government Ordinance 2001.

- (16) **“Principal Accounting Officer”** includes District Coordination Officer in case of a District or City Government and Tehsil/Town Municipal Officer in case of a Tehsil/Town Municipal Administration and any other officer who is exercising the delegated or assigned authority as such.
- (17) **“Quality Services and Standards Office”** means the Office working under the control of internal auditor and responsible for conducting internal audit and other ancillary functions specified in these rules.
- (18) **“Internal Auditor”** means head of Quality Services and Standards Office so appointed or designated by the Local Government concerned to conduct internal audit of an organization under these Rules.
- (19) **“Regulation”** means regulations made under these Rules.
- (20) **“Risk”** means the degree to which operations are exposed to breaches in ethics, financial indiscipline or loss, inappropriate disclosure of data or ineffective use of resources and includes an act or event occurring that would have an adverse effect on Local Government office and its systems.
- (21) **“Risk Management”** means systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, acting on and communicating risk issues. Risk management involves designing and implementing strategic plans and processes to manage risk issues at a level acceptable to the management of the Government.

3. Appointment, Qualification, Terms and Conditions of Service of the Internal Auditor:

- (1) The Nazim of each District or City District Government and Tehsil/Town Administration, as the case may be, may appoint/designate an Internal Auditor.
- (2) The qualifications, pay and allowances, tenure in office and other terms and conditions of service of the Internal Auditor shall be prescribed by the Council.
- (3) The Internal Auditor and his staff shall be employees of the Local Government concerned.
- (4) The Internal Auditor shall not hold an office in any organization, which creates or may create a conflict of interest with his position as such.

- (5) The Internal Auditor shall not hold another position in the body in which he serves as head of the Quality Services and Standards Office, except where the holding of said additional office would not compromise the fulfillment of his functions as Internal Auditor.
- (6) The employees of the Quality Services and Standards Office shall receive instructions from Internal Auditor only, who shall report to the Nazim and the Council.
- (7) Save as otherwise provided in the law or rules, the Internal Auditor may not be removed or suspended before the end of the term for which he has been appointed, except with the approval of the Council.

4. Professional Independence and Objectivity

- (1) The Internal Auditor shall serve as the principal support officer to the Nazim concerned and shall provide information and make suggestions to the Principal Accounting Officer, Nazim, members of the councils and heads of the audited entities.
- (2) He shall have direct access to the Nazim of the Local Government for discharge of his professional duties.
- (3) The scope of work of the Internal Auditor shall include a broad range of advisory services, gathering information on all functions of the Local Government, evaluation of design and systems of organization and formulation of advice with the objective to build quality and ensure timely delivery of services.
- (4) The opinions, views, assessment, valuation and recommendations of the Internal Auditor shall be a consulting activity, designed to add value and improve the Local Government operations, and the views, suggestions or recommendations formulated by him shall be given due consideration and weight when the Local Government takes corrective measures or actions.
- (5) The Internal Auditor shall perform all functions and act in accordance with the provisions of the Ordinance and these Rules without any internal and external interference. The independence and professional work of the Internal Auditor and his staff shall not be subject to interference, obstruction and scrutiny by any executive authority of the Local Government;
- (6) The professional work of the Internal Auditor shall be based

on objective criteria and he shall perform his professional work impartially and fairly.

- (7) The Internal Auditor and his office shall not interfere in the functioning of the organizations and bodies created under the statutes or any other law in force.

5. Guidelines

- (1) The Internal Auditor shall help the Local Government to accomplish all the major objectives set out in their programmes by bringing a systematic and disciplined approach to the process of evaluation in order to improve the effectiveness of risk management, control systems and governance processes. The Internal Auditor may issue appropriate guidelines, consistent with the provisions of the laws and rules in force and such guidelines may include advice on modifications of existing systems and procedures, introduction of new systems, procedures, forms, etc., for carrying out the purposes of these rules.
- (2) The Nazims may, with the approval of the Council, enlarge or restrict the scope of the objectives, and change, amend, alter, vary or modify the systematic and disciplined approach for the required evaluation and improvement of the effectiveness of risk management, control and governance processes;

6. Obligation to conduct Internal Audit

- (1) Internal Audit shall be a continuous management function in every Local Government.
- (2) The Internal Auditor shall have the power to access at all reasonable times to relevant documents, minutes, files, books, papers, accounts and vouchers of the Local Government offices and shall be entitled to enquire from the executives such information and explanations which are necessary for the performance of his functions.
- (3) With regard to privileged information according to law, the restrictions set by law regarding those who are permitted to receive such information shall apply to the Internal Auditor.
- (4) The Internal Auditor concerned, so long as the records remain in his custody, shall be responsible for proper preservation of records and its safe custody with a view to ensure that the official record is not destroyed, mutilated, damaged or tampered with in any manner whatsoever.

7. Functions, Duties and Responsibilities of the Internal Auditor:

- (1) The Internal Auditor shall examine, *inter alia*, whether the audited entity has in place:
 - (a) Mechanisms to ensure compliance with the policies, laws, rules and regulations and effective systems of internal control to achieve its objectives;
 - (b) Strategies to manage risks and measures to manage resources economically, efficiently, and effectively;
 - (c) Procedures to safeguard the assets of the Local Government concerned;
 - (d) Reliable information systems including that of accounting information and financial management;
 - (e) Mechanisms to prevent and detect fraud, abuse and waste of public resources;
 - (f) Effective procedures for correcting the deficiencies in the operations and systems of the Local Government pointed out by Internal Auditor;
 - (g) Mechanisms for citizens participation in performance evaluation of Local Government offices; and
 - (h) Mechanisms for redress of grievance of citizens in accordance with Section 188 of the Balochistan Local Government Ordinance, 2001.
- (2) Without prejudice to the generality of the above, the functions of Internal Auditor shall include:
 - (a) Evaluation of adherence to legal and regulatory requirements and approved policies and procedures.
 - (b) Evaluation of the institutional processes including human resource management, information flows, office accountability mechanisms of the organisations and identification of institutional development requirements, where required, and support efforts towards achieving them.
 - (c) Reviewing of systems of Internal Control and evaluate systems and processes of Government and making of recommendations towards improvements.

- (d) Investigation of special matters as per directives of the respective Nazim or on the recommendations of the Council.
- (e) Using citizen based inputs concerning service delivery, institutional processes and actual performance.
- (f) Interaction with other stakeholders to update performance indicators and standards of service delivery, and;
- (g) Any other ancillary task assigned by the Nazim or Council.

Explanation: The objective of Internal Audit is to help line management improve the organization's risk management, control and governance through its recommendations to achieve the agreed objectives in the Organization.

- (3) The Internal Auditor shall ensure that:
 - (a) the internal audit is conducted in a manner consistent with the highest Ethical Standards.
 - (b) the Head of the Audited Entity is fully and currently informed concerning frauds and other serious problems, abuses and deficiencies relating to the administration of programme and operations administered or financed by the Audited Entity and recommend corrective actions concerning such problems, abuses, deficiencies and to report on the progress made in implementing such corrective actions.

8. Reporting

- (1) The internal auditor shall present an Annual Report on the performance of his office to the Nazim with a copy to the Council.
- (2) The internal auditor shall, according to the annual audit programme, conduct detailed internal audits of selected offices and present his findings through periodic reports to the Nazim with a copy to the Council.

9. Follow-Up on the reported findings to determine that corrective actions were taken and / or achieving the desired results

- (1) Not later than two months after an Internal Audit report is issued, the Internal Auditor shall follow-up on reported

findings in order to ascertain whether the corrective action was taken or not and the desired results have been achieved or not.

- (2) The Internal Auditor shall inform the organization head and the Nazim on the status of corrective actions taken for supervision of the programme, activity, function or Organizational unit audited.
- (3) If a follow-up report is issued, the Internal Auditor shall submit the report to the head of the Organization and the Nazim. The follow-up report shall be provided upon request to any legislative, executive, or judicial body, and/or to legislative auditor or external auditor.

10. Access of Information to Public:

- (1) Audit working papers and reports shall be public records to the extent that they do not include information specifically made confidential pursuant to the laws in force.
- (2) Nothing in this section shall be construed to authorize the public disclosure of information that is:
 - (i) specifically prohibited from disclosure by any other law;
 - (ii) a part of an ongoing criminal investigation.

11. Duties and Responsibilities of the Nazims and the Principal Accounting Officer in Respect of Internal Audit

- (1) The Nazim and the Principal Accounting Officer of each Organization shall take measures to restructure the existing inspection, monitoring and evaluation functions of their respective Organization on the recommendations the Internal Auditor, provided such restructuring is consistent with the laws and rules in force.
- (2) The Nazim and the Principal Accounting Officer shall ensure that the rights and privileges granted to the Internal Auditor under these Rules are not infringed upon by an act of any officer or staff under their administrative control.
- (3) Any person hindering or obstructing the work of Quality Services and Standards Office in the performance of its

functions or denying or wilfully delaying access to information required by the Quality Services and Standards Office under these Rules shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, or any other law for the time being in force, applicable to such person.

12. Reporting a Criminal Offence

- (1) In the event that the internal audit of an Organization raises a basis to believe that a criminal offence has been committed, the Quality Services and Standards Office shall bring the matter to the attention of the Principal Accounting Officer and the Nazim without delay.

BY ORDER OF
GOVERNOR BALOCHISTAN

Capt: (R) Muhammad Younes Durrani
Secretary,
Local Government Department

No. 52/2004(BLGB)/A.O-IV/ 11038-243 Dated Quetta, the 5th November, 2004

Copy to the:-

1. Additional Chief Secretary (Development) Planning & Development Department, Government of Balochistan, Quetta.
2. Secretary, National Reconstruction Bureau, Prime Minister's Secretariat, Islamabad
3. Senior Member, Board of Revenue, Government of Balochistan, Quetta.
4. Principal Secretary to Governor, Balochistan, Quetta.
5. Principal Secretary to Chief Minister, Balochistan.
6. Administrative Secretaries in Balochistan _____ (All).
7. Additional Chief Secretary, Local Government Department, Government of Sindh, Karachi.
8. Secretary, Local Government Department, Government of Punjab, Lahore.
9. Secretary, Local Government Department, Government of NWFP, Peshawar.
10. National Project Director, Decentralization Support Program National Program Support Office, Finance Division, Government of Pakistan, Islamabad.
11. Provincial Program Director, DSP, Balochistan, Quetta.
12. P.S to Chief Secretary, Government of Balochistan, Quetta
13. Zila Nazims in Balochistan _____ (All).
14. District Coordination Officers in Balochistan _____ (All).

15. The Controller, Government Printing Press Balochistan for immediate publication and supply of 800 copies.
16. Tehsil Nazims in Balochistan _____ (All).
17. Private Secretary to Minister, Local Government Department Balochistan, Quetta.
18. Private Secretary to Secretary, Local Government Department Balochistan, Quetta.
19. Master File.

(Faisal Jamal)
Secretary
Balochistan Local Government Board