AUDIT REPORT

ON

THE ACCOUNTS OF

GOVERNMENT OF KHYBER PAKHTUNKHWA

AUDIT YEAR 2025-26

AUDITOR-GENERAL OF PAKISTAN

SERVING THE NATION BY PROMOTING ACCOUNTABILITY, TRANSPARENCY AND GOOD GOVERNANCE IN THE MANAGEMENT AND USE OF PUBLIC RESOURCES

FOR THE CITIZENS OF PAKISTAN

PREFACE

Articles 169 and 170 of the Constitution of Islamic Republic of Pakistan 1973 read with Sections 8 and 12 of the Auditor-General (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 require the Auditor-General of Pakistan to conduct audit of the accounts of the Province and the accounts of any authority or body established by the Province.

The report is based on audit of the accounts of the Government of Khyber Pakhtunkhwa for the Financial Year 2024-25 and the accounts of some formations for previous financial years. The Directorate General Audit Khyber Pakhtunkhwa conducted the audit during the Audit Year 2025-26 on a test check basis, with a view to report significant findings to the relevant stakeholders. The main body of the Audit Report includes systemic issues and audit findings carrying value of Rs.1.000 million or more only.

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.

Most of the observations included in this report have been finalized in the light of discussions in the Exit and DAC meetings.

There are certain kinds of Audit Paras which were also reported in last year's Audit Report for the Financial Year 2023-24. Recurrence of such irregularities is a matter of concern that needs to be addressed.

The Audit Report is submitted to the Governor of Khyber Pakhtunkhwa in pursuance of Article 171 of the Constitution of Islamic Republic of Pakistan 1973, for causing it to be laid before the Provincial Assembly of Khyber Pakhtunkhwa.

Islamabad (Maqbool Ahmad Gondal)
Dated: **Auditor-General of Pakistan**

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ABBREVIATIONS & ACRONYMS

AA	Administrative Approval
ADP	Annual Development Program
AG	Accountant General
AGPR	Accountant General Pakistan Revenues
APPM	Accounting Policies and Procedures Manual
AWKUM	Abdul Wali Khan University Mardan
BHU	Basic Health Unit
BISE	Board of Intermediate & Secondary Education
BOQ	Bill of Quantities
BPS	Basic Pay Scale
CCPO	Capital City Police Officer
CGA	Comptroller General of Accounts
CMO	Chief Medical Officer
CNIC	Computerized National Identity Card
CPWA	Central Public Works Accounts
CPWD	Central Public Works Department
CTD	Counter Terrorism Department
CTR	Central Treasury Rules
DAC	Departmental Accounts Committee
DAO	District Accounts Office
DC	Deputy Commissioner
DDO	Drawing and Disbursing Officer
DGHS	Director General Health Services
DHQ	District Head Quarters
DP	Draft Para
EAD	Economic Affairs Division
EOBI	Employees' Old-Age Benefits Institution
ESSI	Employees Social Security Institution
FATA	Federally Administered Tribal Areas
FBR	Federal Board of Revenue
FIA	Federal Investigation Agency
FY	Financial Year
GFR	General Financial Rules
GGPS	Government Girls Primary School
GPS	Government Primary School
GZ-CADP	Gomal Zam Command Area Development Project
HEC	Higher Education Commission
HED	Higher Education Department

HMC	Hayatabad Medical Complex
HPA	Health Professional Allowance
HR	Human Resource
IDAP	Infrastructure Development Authority Punjab
IPC	Interim Payment Certificate
IT	Information Technology
KADP	Kohat Area Development Authority
KITE	Khyber Pakhtunkhwa Integrated Tourism Development Project
KP	Khyber Pakhtunkhwa
KPBCC	Khyber Pakhtunkhwa Board Chairman's Committee
KPITB	Khyber Pakhtunkhwa Information Technology Board
KPPRA	Khyber Pakhtunkhwa Public Procurement Authority
KPRA	Khyber Pakhtunkhwa Revenue Authority
LPC	Last Pay Certificate
LPR	Leave Preparatory to Retirement
MCC	Medicine Coordination Cell
MIFA	Mineral Investment Facilitation Authority
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MRS	Market Rate System
NADRA	National Database and Registration Authority
NEPRA	National Electric Power Regulatory Authority
NESPAK	National Engineering Services Pakistan
NFC	National Finance Commission
NGO	Non-Governmental Organization
NIH	National Institute of Health
NIT	Notice Inviting Tender
NLC	National Logistics Cell
NSI	Non Scheduled Item
OFWM	On-Farm Water Management
OGRA	Oil and Gas Regulatory Authority
PAC	Public Accounts Committee
PASSCO	Pakistan Agricultural Storage and Services Corporation
PATA	Provincially Administered Tribal Areas
PBMC	Provincial Building Maintenance Cell
PC-I	Planning Commission Proforma-I
PD	Project Director
PDMA	Provincial Disaster Management Authority
PDP	Proposed Draft Para
PDWP	Provincial Development Working Party

PEC	Pakistan Engineering Council
PEDO	Pakhtunkhwa Energy Development Organization
PESCO	Peshawar Electric Supply Company
PHE	Public Health Engineering
PIP	Project Implementation Policy
PLS	Profit and Loss Sharing
PMO	Principal Medical Officer
POL	Petrol Oil Lubricants
PSDP	Public Sector Development Programme
PWD	Public Works Department
RB	Running Bill
RCC	Reinforced Cement Concrete
RRM	Random Rubble Masonry
RRSA	Road Safety & Rehabilitation Authority
SAP	Systems Applications and Products
SBP	State Bank of Pakistan
SDG	Sustainable Development Goals
SE	Superintending Engineer
SMO	Senior Medical Officer
SNGPL	Sui Northern Gas Pipelines Limited
SO	Section Officer
TA	Travelling Allowance
TEO	Treasury Encashment Orders
THQ	Tehsil Headquarters Hospital
TTS	Tenure Track System
UC	Union Council
WAPDA	Water and Power Development Authority
XEN	Executive Engineer

EXECUTIVE SUMMARY

The Directorate General Audit Khyber Pakhtunkhwa carries out audit of the accounts of Government of Khyber Pakhtunkhwa and organizations established by it. The Government of Khyber Pakhtunkhwa performs its functions under the Rules of Business, 1985. The Provincial Government conducts its business through 34 Principal Accounting Officers (PAOs) responsible for their respective departments. Financial provisions of the Constitution provide for Provincial Consolidated Fund for which Annual Budget Statement is authorized by the Provincial Assembly. The Directorate General Audit has a human resource of 78 officers and staff with a total of 19,422 available man days. The annual budget for the Financial Year 2024-25 amounts to Rs.275.972 million.

The office is mandated to conduct financial attest audit, compliance with authority audit and other types of specialized audits of the provincial government and its entities. During the Audit Year 2025-26, this Directorate General Audit planned compliance with authority audit of 28 PAOs, out of which audit of 14 administrative secretaries was conducted during Phase-I of the Audit Plan; along with conducting financial attest audit of the accounts of Government of Khyber Pakhtunkhwa, Environment Department and 43 Foreign Aided Projects. Significant paras from financial attest audit reports and some of the foreign aided projects have also been included in this report.

a. Audit Objectives

The audits were conducted to achieve the following objectives:

- Assess compliance with applicable financial laws, rules, and regulations, including Financial Rules, Treasury Rules, procurement laws, and Cash Management & Single Treasury Account Rules 2020.
- Identify irregularities such as unauthorized or unjustified expenditures, overpayments, non-transparent procurements, non-recovery of dues, irregular budgeting and releases, and issues related to appointments, salaries, and service delivery.
- Evaluate internal controls to determine their adequacy and effectiveness in preventing non-compliance, safeguarding public assets, and ensuring efficient use of public resources.
- Highlight systemic weaknesses in public financial management and recommend corrective measures to strengthen fiscal discipline, transparency, accountability, and governance.
- Facilitate oversight by presenting audit findings, recoveries, and recommendations for consideration by departmental authorities and the Public Accounts Committee (PAC).

b. Audit Scope

Compliance audits were conducted using a risk-based approach across selected formations under 34 Principal Accounting Officers (PAOs) of the Government of Khyber Pakhtunkhwa for the Financial Year 2024-25. The audit universe comprised 3,085 formations involving total expenditure of Rs. 1,537.029 billion and receipts of Rs. 1,490.901 billion. The audits primarily focused on assessing compliance with applicable laws, rules, and policies governing public financial management, revenue realization, procurement and contract management, asset management, budgeting and financial powers, and personnel matters including pay, allowances, and service delivery.

Audit work involved sample-based test-check of transactions, records, and documents, along with evaluation of the adequacy and effectiveness of internal controls. Relevant significant compliance observations from financial attest/certification audits and foreign-aided projects were also incorporated, while full financial attest opinions on government financial statements are reported separately. The audits identified instances of non-compliance including unauthorized and irregular expenditures, overpayments, procurement irregularities, government losses, non-recoveries, and internal control weaknesses.

c. Audit Methodology:

The audit was conducted on a risk-based, test-check basis in accordance with the Financial Audit Manual (FAM) of the Auditor-General of Pakistan and relevant INTOSAI standards. Audit planning was supported by desk reviews of SAP data, permanent & planning files, and prior audit reports to understand systems, controls, and risk areas, with emphasis placed on material and high-risk transactions. Fieldwork involved examination of selected transactions through statistical and judgmental sampling, verification of records, interviews with management and staff, and physical inspection, supported by analytical procedures such as trend and variance analysis. Internal controls were assessed through walkthroughs and tests of design and operating effectiveness, while audit quality was ensured through supervisory review, exit meetings, and compliance with the Audit Quality Management Framework prior to finalization of audit observations.

d. Audit Impact

The audit had a measurable impact on strengthening public financial management and accountability in the province. Audit interventions facilitated identification of recoverable amounts, rectification of irregular practices, and corrective actions by departments, including recovery of overpayments, surrender of unauthorized savings, and improvement in compliance with financial, procurement, and contractual provisions. By highlighting systemic weaknesses and

recommending targeted reforms, the audit supported informed oversight by the Public Accounts Committee and improved transparency in the use of public resources.

e. Recoveries at the instance of audit

As a result of audit, a recovery of Rs.2514.372 million was pointed out in this report. Recovery effected from January to December 2025 was Rs.117.009 million which was verified by Audit.

f. Comments on Internal Controls

The audit observed that internal control systems across provincial entities remained generally weak and fragmented, with recurring deficiencies in control environment, risk assessment, control activities, information and communication, and monitoring mechanisms. Common weaknesses included inadequate enforcement of rules and contractual provisions, ineffective segregation of duties, insufficient verification of payments and recoveries, delayed or non-deposit of statutory deductions, and weak follow-up on PAC and DAC decisions. These deficiencies reduced the effectiveness of oversight, increased exposure to financial irregularities and losses, and underscored the need for effective internal control frameworks, proactive risk management, and regular monitoring to ensure compliance, accountability, and efficient use of public resources.

g. Key audit findings of the report:

- Administrative lapses, non-delivery of services, and weak governance were observed in several departmental audit findings, involving delays, abandoned or incomplete schemes, ineffective monitoring, and failure to achieve intended objectives, resulting in inefficient utilization of public resources amounting to Rs. 223.567 million [1]
- Fictitious expenditure, fraudulent payments, and suspected misappropriation were identified in various audit findings, indicating serious weaknesses in verification of works, handling of receipts, payroll controls, and internal accountability, with financial implications amounting to Rs. 30.489 million [2]
- Irregular, unauthorized, and unjustified expenditure was noted due to violations of delegated financial powers, non-compliance with applicable rules, and expenditure incurred without proper sanction or justification, involving Rs. 600.255 million [3]
- Irregular and non-transparent award of contracts was reported in a number of audit findings due to non-compliance with KPPRA rules, inadequate competition, award of

[1] 5.4.8, 6.4.1, 15.4.2, 17.4.1
[2] 5.4.3, 5.4.4, 10.4.10
[3] 7.4.1, 7.4.2, 8.4.1, 10.4.5, 10.4.6, 10.4.9, 10.4.11

contracts by unauthorized officers, and failure to obtain mandatory securities, resulting in irregularities amounting to Rs. 1,204.964 million [4]

- Irregular and excess payments in works and construction were highlighted, primarily due to incorrect application of market rates, misapplication of MRS and escalation formulas, excess coefficients, non-deduction of defray charges, payment of non-BOQ items at higher rates, and weak technical supervision, involving Rs. 908.114 million [5]
- Loss to the government due to non-enforcement of contractual provisions including non-recovery of mobilization advance, failure to impose risk-and-cost recovery, non-imposition of penalties, and ineffective follow-up on contractor defaults, resulted in losses amounting to Rs. 378.551 million [6]
- Non-recovery and non-realization of government receipts featured prominently across departmental audit findings, including non-recovery of affiliation retention fees, non-transfer of statutory contributions, unauthorized retention of deposit balances, and non-recovery from MOU partners, adversely affecting fiscal discipline, with amounts involved of Rs. 174.605 million [7]
- Overpayment of pay and allowances and HR-related irregularities were identified, reflecting weaknesses in payroll management, allowance admissibility checks, deputation controls, and compliance with service rules, involving Rs. 18.966 million [8]
- Weaknesses in asset management and financial controls were observed, including irregular handling of receipts, non-production of record, unauthorized retention of funds in deposit accounts, and inadequate reconciliation practices, with financial implications amounting to Rs. 40.758 million [9]

h. Recommendations:

- The Government may strengthen project planning, monitoring, and evaluation mechanisms by enforcing time-bound completion schedules, ensuring periodic performance reviews, and fixing responsibility for delays and non-achievement of objectives. Compliance with DAC and PAC decisions should be tracked through a centralized monitoring mechanism.
- Departments may enforce strict pre- and post-payment verification, mandatory physical verification of works and stocks, and proper segregation of financial duties. Immediate recovery and disciplinary action should be initiated in cases of suspected fraud, and internal audit functions should be strengthened.

[4] 10.4.1, 17.4.2
[5] 10.4.3, 10.4.12, 10.4.13, 10.4.14, 10.4.15, 11.4.1, 15.4.1, 15.4.2
[6] 10.4.2, 10.4.7
[7] 2.4.1, 5.4.1, 5.4.6, 6.4.1, 10.4.4, 10.4.8, 15.4.1, 16.4.1, 17.4.1
[8] 5.4.2, 5.4.7, 7.4.1, 7.4.2
[9] 2.4.1, 5.4.3, 5.4.4, 10.4.4, 10.4.8

- Expenditure should be incurred strictly within delegated financial powers and only after obtaining proper administrative and technical sanctions. Any deviation from codal provisions should trigger accountability proceedings under relevant rules.
- Procuring entities must ensure full compliance with KPPRA Rules, including adequate advertisement, open competition, publication on prescribed platforms, and obtaining mandatory bid and performance securities. E-procurement and oversight mechanisms should be strengthened to enhance transparency.
- Payments for works should be processed only after strict scrutiny of rate analyses, escalation formulas, measurements, and contract provisions. Defray charges and other recoverable amounts must be deducted, and escalation should be allowed only where explicitly provided in the approved PC-I and agreement.
- Contract management systems should be reinforced to ensure timely recovery of mobilization advances, enforcement of risk-and-cost provisions, imposition of liquidated damages, and blacklisting of defaulting contractors where warranted.
- Revenue monitoring mechanisms should be enhanced through periodic reconciliation of receivables, timely deposit of statutory deductions, and prompt credit of lapsed balances to the government treasury. Responsibility should be fixed for non-recovery or delayed realization.
- Payroll systems should be integrated with service records to ensure automated validation of allowance eligibility and pay fixation. Periodic payroll audits and reconciliation should be conducted to prevent inadmissible payments.
- Departments should maintain updated asset registers, conduct regular physical verification of assets and inventories, reconcile deposit and suspense accounts periodically, and strengthen internal control frameworks through regular internal audit and supervisory review.

INTRODUCTION

The Auditor-General of Pakistan functions as the Supreme Audit Institution of Pakistan, promoting accountability, transparency, and good governance in the management of public funds. The Directorate General Audit Khyber Pakhtunkhwa, a field formation of the AGP, conducts independent audits of the Government of Khyber Pakhtunkhwa and its entities financed from Account-I, including departments, autonomous and semi-autonomous bodies, development projects, ADP schemes, and foreign-aided projects. The GoKP operates under the Rules of Business, 1985 through 34 Principal Accounting Officers (PAOs), with provincial finances managed under constitutional provisions relating to the Provincial Consolidated Fund and authorized annually by the Provincial Assembly.

The Directorate General Audit KP comprises 78 officers and staff, providing 19,422 available mandays with an annual budget of Rs. 275.972 million for FY 2024-25. Under Articles 169–171 of the Constitution and the Auditor General's Ordinance, 2001, the office conducts regularity (compliance and financial attest), performance, special, thematic, impact, citizen participatory, forensic, IT, and environmental audits of 3,085 auditee formations. In discharging this mandate, the office addresses stakeholder expectations—ensuring quality and timely reporting for AGP, substantiated audit paras for the PAC, identifying internal controls weaknesses and certified accounts for donors—while managing constraints through risk-based planning, standardized methodologies, capacity building, and quality assurance mechanisms.

This Annual Audit Report relates to the Audit Year 2025-26 and primarily covers Compliance with Authority Audits of selected GoKP entities. It is distinct from financial attest/certification audits, which express opinions on financial statements such as the Appropriation and Finance Accounts prepared by the Accountant General Khyber Pakhtunkhwa. Accordingly, this report does not include an audit opinion on financial statements but presents significant observations on non-compliance with laws, rules, regulations, and policies governing public financial management, expenditure, revenue, procurement, asset management, and related operations.

The audit jurisdiction comprised 3,085 formations under 34 Principal Accounting Officers, representing total expenditure of Rs. 1,537.029 billion and receipts of Rs. 1,490.901 billion for FY 2024-25. Out of the above formations, this office conducted audit of 25 number of formations under 14 PAOs with expenditure of Rs. 48,418 million. The audit observations included in this audit report are selected from certification audit of Government of Khyber Pakhtunkhwa, financial attest audit of some of the foreign-aided projects and compliance with authority audit of the above-mentioned formations.

Audit Objectives:

The compliance audits aimed to achieve several critical goals, each designed to enhance public sector governance:

- Examine adherence to applicable financial rules and regulations, including the General Financial Rules (GFR), treasury rules, delegation of powers, procurement regulations, Public Financial Management Act 2019, Cash Management & Single Treasury Account Rules 2020, and other government policies. This objective ensures that all transactions are conducted within the legal framework, preventing arbitrary use of public funds and promoting uniformity in financial practices across departments.
- Detect irregularities such as unauthorized/unjustified expenditures, overpayments, non-transparent contract awards, non-recoveries of dues, irregular budgeting / releases, irregular appointments / pay / allowances, and administrative / non-delivery of services issues.
- Evaluate the adequacy and effectiveness of internal controls in preventing non-compliance, safeguarding public assets, detecting mismanagement, and ensuring efficient resource utilization. This involves assessing whether controls like accounting, financial, and administrative mechanisms are robust enough to mitigate risks, thereby reducing the likelihood of errors, fraud, or waste in public operations.
- Identify systemic weaknesses in public financial management and recommend corrective actions to enhance fiscal discipline, accountability, transparency, and service delivery. Recommendations are tailored to address root causes, such as outdated procedures or inadequate oversight, fostering long-term improvements in governance.
- Support oversight by compiling findings, recommended recoveries, and improvements for consideration by departmental authorities and the Public Accounts Committee (PAC). This facilitates informed decision-making, enforcement of accountability, and implementation of reforms to strengthen public trust.

Audit Scope:

The compliance audits adopted a risk-based approach, covering selected formations under the 34 Principal Accounting Officers (PAOs) of the Government of Khyber Pakhtunkhwa (GoKP) for the financial year 2024-25. The audits encompassed total expenditure of Rs. 1,537.029 billion and receipts of Rs. 1,490.901 billion across 3,085 formations. The primary focus was Compliance with Authority Audits, assessing adherence to applicable laws, rules, and policies governing:

- Public financial management and expenditure controls
- Revenue realization
- Procurement processes and contract awards
- Asset management

- Budgeting, releases, and financial powers
- Appointments, pay, allowances, and service delivery

Audits identified non-compliance including unauthorized/unjustified expenditures, overpayments, irregular procurements, government losses, non-recoveries, and internal control weaknesses. Key scope elements included:

- Sample-based test-check of transactions, records, and documents for compliance with GFR, Treasury Rules, KPPRA Rules, Public Financial Management Act 2019, Cash Management & STA Rules 2020, and related policies.
- Assessment of the adequacy and effectiveness of internal controls to prevent irregularities, protect assets, and ensure efficient resource use.
- Incorporation of relevant significant compliance observations from financial attest/certification audits of the Government of Khyber Pakhtunkhwa, Environment Department, and 43 foreign-aided projects.
- Exclusion of full financial attest/certification opinions on financial statements (e.g., Appropriation and Finance Accounts), which are reported separately by the Accountant General Khyber Pakhtunkhwa.

Audit Methodology:

The audits were conducted on a risk-based, test-check basis, employing a structured methodology aligned with the Financial Audit Manual (FAM) and INTOSAI standards. The Audit Year 2025-26 featured intensive application of desk audit techniques, facilitated by real-time access to SAP data and availability of permanent and planning files. Desk reviews enabled auditors to understand the systems, procedures and environment of audited entities before fieldwork, identifying high-risk areas for substantive testing, tests of controls, and analytical procedures. Fieldwork involved on-site visits to auditee locations, sampling of transactions using statistical and judgmental methods, document verification, interviews with management and staff, and physical inspections where applicable.

Analytical procedures included trend analysis and benchmarking against budgets and prior years. Internal controls were evaluated through walkthroughs, inquiries, and testing for design and operating effectiveness. For revenue & receipts, methodologies focused on assessing tax and fee collections, with specific attention to mutation fees, stamp duties, and registrations. Quality assurance was ensured via supervisory reviews, Exit meetings, and compliance with the Audit Quality Management Framework (AQMF), including evaluation of Audit Inspection Reports (AIRs) before final approval.

Internal Controls Analysis:

The internal control system in the provincial entities of Khyber Pakhtunkhwa remains generally weak and fragmented, exposing public resources to significant risks of mismanagement, fraud, and inefficiency across the five internal control components. Audit findings consistently show recurring lapses where dues were not recovered from contractors or leaseholders despite court or tribunal decisions, contractual obligations were ignored leading to unauthorized payments or less realization of revenue, project works were left incomplete without imposition of penalties or re-tendering at risk and cost, statutory deductions were not deposited with relevant institutions, and payments were made for unexecuted or defective works without proper verification. These instances highlight systemic failures in enforcement, oversight, and accountability.

- **Control Environment:** The tone at the top lacks consistent commitment to integrity, ethical values, and accountability. Organizational structure and assignment of authority are often inadequate, leading to poor oversight and insufficient emphasis on compliance with rules and ethical standards. Instances of unauthorized allowances, ignored contractual clauses, and failure to enforce penalties reflect a weak ethical foundation and leadership commitment to safeguarding public resources.
- **Risk Assessment:** Risks to financial, operational, and compliance objectives are not systematically identified or analyzed. There is limited proactive evaluation of potential threats such as fraud, contractor default, revenue leakage, or non-compliance with procurement and tax regulations. Failure to anticipate risks resulted in non-recovery of dues, acceptance of defective works, and continued payments to non-compliant parties.
- **Control Activities:** Policies and procedures for approvals, authorizations, reconciliations, segregation of duties, and physical safeguards are either absent or poorly enforced. This results in frequent procedural lapses in procurement, payment verification, contract management, revenue collection, and asset protection. Examples include payments without deducting required taxes or penalties, acceptance of incomplete or substandard works, and non-enforcement of performance securities.
- **Information and Communication:** Relevant information is not captured, processed, or communicated effectively and timely. Record-keeping, reporting, and internal communication mechanisms are deficient, hindering accurate and prompt decision-making and follow-up actions. Weaknesses were evident in cases where tribunal or court directives were not followed up, contractual timelines were not monitored, and revenue shortfalls remained unaddressed due to poor record reconciliation.
- **Monitoring:** Ongoing or periodic evaluations of control effectiveness are largely absent or ineffective. There is insufficient internal review, follow-up on identified weaknesses, or independent assessment to ensure controls function as intended over time. Persistent issues such as non-recovery of dues, delayed project completion without penalties, and continued irregularities demonstrate a lack of effective monitoring and corrective action.

Overall, the internal control system is characterized by systemic gaps rather than isolated failures, with the weakest areas being control activities and monitoring. Strengthening leadership commitment, proactive risk identification, procedural enforcement, reliable information flows, and regular independent evaluations is essential to safeguard public funds and improve governance.

Chapter -1

PUBLIC FINANCIAL MANAGEMENT ISSUES PERTAINING TO APPROPRIATION ACCOUNTS AND FINANCE ACCOUNTS COMPILED BY THE ACCOUNTANT GENERAL KHYBER PAKHTUNKHWA

1.1 Sectoral Analysis

The Provincial Assembly of Khyber Pakhtunkhwa approved the annual budget for the Financial Year 2024-25 with an estimated expenditure of Rs. 1,757,326 million and estimated receipts of Rs. 1,754,000 million, projecting a modest deficit of Rs. 3,326 million. However, actual receipts realized during the year amounted to Rs. 1,490,901 million, reflecting an overall shortfall of Rs. 263,099 million (15% below the budgeted estimate) and a significant deviation from the planned fiscal target.

The composition of actual receipts reveals heavy dependence on external sources. Transfers from the Federal Government contributed the largest share at Rs. 1,048,160 million (70.3% of total receipts), marking a substantial 29% increase over the previous year. Provincial own-source revenue (tax and non-tax) stood at Rs. 184,341 million, accounting for only 12.36% of total receipts—an improvement from the prior year's 11.30% but still far below the historical peak of around 19% observed in earlier years (e.g., 2016 and 2018). Grants-in-aid and foreign debts contributed Rs. 250,399 million (16.8%), while other minor sources (trading activities, district governments, recovery of loans and advances) remained marginal.

(Rs. in million)

Head of Receipt	2024-25	2023-24	Var in %age
Taxation - Transfers from Federal Government	1,048,160	809,599	29%
Taxation - Provincial Government's own collection	65,303	53,579	22%
Non-Tax Revenue and Other Receipts	119,038	80,358	48%
Grants and Aid – Receipts	147,377	119,546	23%
Trading Activities – Receipts	5,606	55,782	-90%
District Governments – Receipts	2,176	2,028	7%
Recovery of Loans and Advances	219	180	22%
Debt Financing	103,022	63,854	61%
Total	1,490,901	**1,184,926**	26%

Source: Financial statements of GoKP for the FY 2023-24 and 2024-25

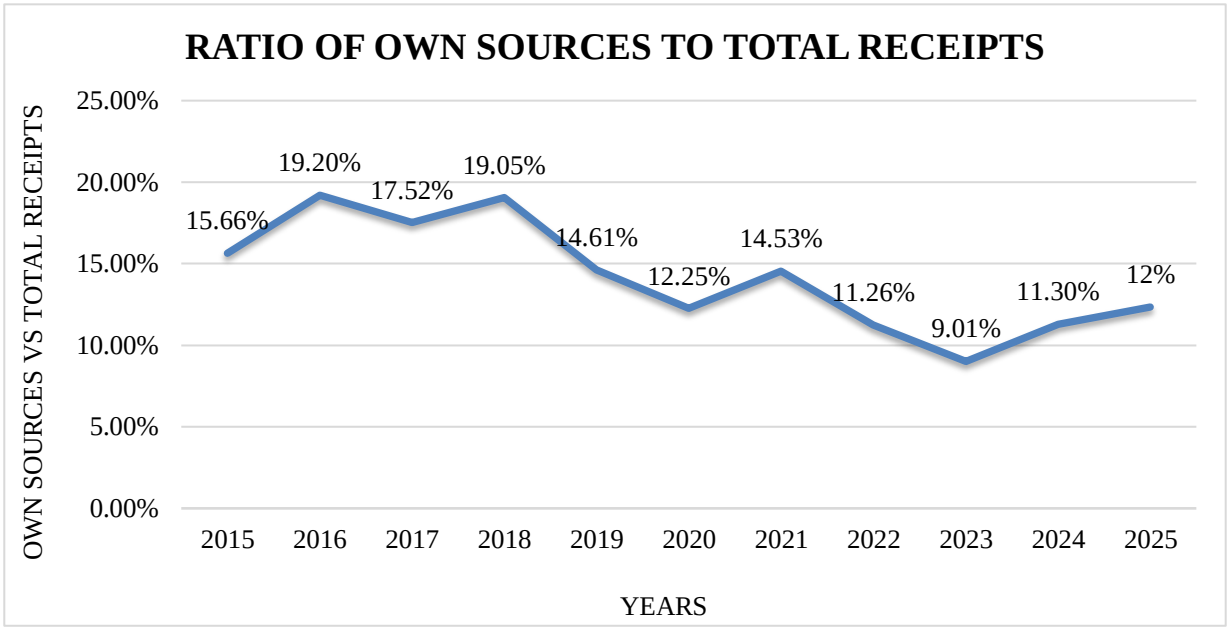
Long-term trend analysis of own-source revenue as a proportion of total receipts indicates a persistent decline, particularly pronounced since the COVID-19 period. The ratio

fell from 19.20% in 2016 to a low of 9.01% in 2023 before a modest recovery to 12.36% in 2025. This structural weakness has made the province increasingly reliant on federal transfers and debt financing, constraining fiscal autonomy and exposing the budget to external shocks and policy changes at the federal level. Annual comparison of the total receipts and Province's own source receipts (Tax and non-tax) are given below.

(Rs. in million)

Year	Total Receipts	Own Sources	Ratio of own sources to total receipts
2015	333,169	52,171	15.66%
2016	399,119	76,634	19.20%
2017	410,476	71,916	17.52%
2018	496,218	94,523	19.05%
2019	520,298	76,036	14.61%
2020	665,473	81,536	12.25%
2021	906,296	131,729	14.53%
2022	1,101,621	124,111	11.26%
2023	1,244,120	112,123	09.01 %
2024	1,184,926	133,937	11.30 %
2025	1,490,901	184,341	12.36 %

Source: Financial statements of GoKP



The growing dependence on debt is particularly concerning. The provincial debt portfolio has escalated dramatically from Rs. 294,097 million in June 2021 to Rs. 746,768 million in June 2025—an increase of 254% in just four years. This surge is primarily attributable to additional loan disbursements and the impact of currency devaluation on foreign-denominated obligations. The rapid debt accumulation, without commensurate growth in own-source revenue or fiscal space, raises serious questions about long-term debt sustainability and the province's capacity to service rising interest and principal obligations without compromising essential service delivery and development spending.

On the expenditure side, the government incurred Rs. 1,537,029 million against the final available provision of Rs. 1,535,828 million (after original budget of Rs. 1,757,326 million, supplementary grants of Rs. 240,014 million, and surrenders of Rs. 461,511 million), resulting in a marginal excess of 0.08%. While the overall excess appears minor, detailed analysis reveals underlying fiscal pressures, including over-spending in certain grants and persistent inefficiencies in budget utilization. The deteriorating fiscal position—marked by stagnant own-source revenue growth, escalating debt burden, and reliance on non-sustainable financing—could have been mitigated had the provincial government effectively addressed long-outstanding issues with the Federal Government, particularly those related to NFC Award implementation, timely and full release of due shares, and resolution of disputes over resource transfers. Strengthening provincial revenue mobilization, improving expenditure efficiency, and enhancing budgetary discipline are critical to reversing this trend and achieving fiscal sustainability. The budget provision as tabulated below;

1.2 Audit Paras

1.2.1 Un-reconciled and un-authentic expenditure - Rs. 72,468 million

According to Para 10 (i) of action plan of the Comptroller General of Accounts, circulated vide CGA Islamabad No. 62/CGA/FM&E/4-1/2020-21, dated 11.03.2021, the expenditure should be 100% reconciled with Departments, read with para 4.5.18.2 of APPM, the delegated officer in the Account Section of the DAO/AG/AGPR office shall reconcile expenditure with each DDO on a monthly basis, based on the cheque register.

According to para 7.2.4.2 of the APPM, the Accountant General's offices shall produce the Annual Accounts by consolidating the Monthly Accounts submitted by DAOs and self-accounting entities and its own accounts and incorporating adjustments and other financial information as required by the AG.

During certification audit of Appropriation Accounts of Government of Khyber Pakhtunkhwa for the Financial Year 2024-25, it was observed that against the total expenditure of Rs.1,537,029 million booked by the Accountant General Khyber Pakhtunkhwa, an amount of Rs.1,464,561 million (95.3%) was reconciled, whereas Rs.72,468 million (4.7%) remained un-reconciled. Consequently, the authenticity and accuracy of expenditure charged against the respective grants could not be fully confirmed. The persistence of such a significant un-reconciled amount increases the risk of financial irregularities, including potential misclassification, overstatement of expenditure, or even misappropriation of public funds, thereby undermining the reliability of the Appropriation Accounts.

The lapse occurred due to non-enforcement of applicable rules by the Accountant General’s Office and non-observance of the rules by the concerned department.

Non-reconciliation of expenditure resulted in non-verification of the completeness of the figures reported.

In the DAC meeting held on 31st October 2025, it was decided that the para shall stand till complete reconciliation of the expenditure. However, no progress was intimated to Audit till finalization of this report.

Audit recommends early reconciliation of the grants besides taking action against the person at fault.

1.2.2 Unauthorized punching of Budget in SAP in excess of the amount approved in the Schedule of Authorized expenditure - Rs. 104,262 million

According to Article 126 of the Constitution of Islamic Republic of Pakistan 1973, notwithstanding anything contained in the foregoing provisions relating to financial matters, at any time when the Provincial Assembly stands dissolved, the Provincial Government may authorize expenditure from the Provincial Consolidated Fund in respect of the estimated expenditure for a period not exceeding four months in any financial year, pending completion of the procedure prescribed in Article 122 for the voting of grants and the authentication of the schedule of authorized expenditure, in accordance with the provisions of Article 123 in relation to the expenditure.

During certification audit of Appropriation Accounts of Government of Khyber Pakhtunkhwa for the Financial Year 2024-25, it was observed that the budget in the original and supplementary grants was punched in SAP in excess of the amounts approved by the Provincial Assembly in the Schedule of Authorized Expenditure and Supplementary Grants. On detailed analysis, an excess of Rs. 104,262 million was observed to have been punched beyond the Assembly-approved grants **(Annexure-I)**.

The excess budget was punched due to weak reconciliation and inadequate validation controls in SAP.

This undermines legislative authority, poses risk of unauthorized expenditure, and affects the reliability of budgetary reporting.

In the DAC meeting held on 31st October 2025, it was decided that evidence regarding the corrective action taken may be provided to Audit for verification. However, review of the revised draft of accounts revealed that the department reduced and reversed the regularized budget merely to match the Schedule of Authorized Expenditure, which is itself unjustified. This is because, in certain grants, the department had already incurred expenditure amounting to Rs. 898.795 million in these grants in excess of the budget authorized by the Schedule of Authorized Expenditure.

Audit recommends ensuring strict compliance with Assembly-approved grants, strengthening reconciliation/validation controls in SAP, and fix responsibility for the lapse.

1.2.3 Misclassification of developmental expenditure - Rs. 153,681 million

According to Paras 2.6, 3.2.1.2, 3.2.4.2, and 4.2.7.3 of the APPM, Capital expenditure is defined as the expenditure incurred for the purpose of acquiring, constructing or enhancing physical assets or on schemes of capital outlay, as given by the object code in the Chart of Accounts. A number of other Government entities provide support during the budget process. These include various committees responsible for the review and approval of budget proposals (as nominated from time to time by the Ministry of Finance), including: The Planning Commission, the Economic Affairs Division and the Accountant General. The budget will be compiled to be consistent with the Chart of Accounts specifications. The verification of expenditure function involves the certifying officer verifying the validity of the claim voucher, in accordance with procedures set out in section 4.5.5, and ensuring it correctly identifies the account head to which payment will be charged.

During certification audit of Financial Statements of Government of Khyber Pakhtunkhwa for the Financial Year 2024-25, it was observed that expenditure of Rs.269,625 million was classified as operating expenses in the statement of cash receipts and payments. Scrutiny of the Object Head A03970 (Others) revealed that Rs.153,681 million, released and spent under NC12 (Capital Developmental), was also treated as operating expenditure. Audit held that this amount pertained to developmental funds and should have been capitalized and classified as *developmental expenditure* in the financial statements.

This lapse occurred due to violation of the prescribed Chart of Accounts and weak financial controls. As a result, developmental expenditure was misclassified as operating cost, leading to understatement of assets/civil works and equity, and overstatement of operating expenses in the Financial Statements.

In the DAC meeting held on 31st October 2025, it was decided that the matter would be taken up with the Finance Department KP, to ensure that budget compilation aligns with the Chart of Accounts. However, no progress on the corrective measures taken was intimated to Audit till finalization of this report.

Audit recommends that the misclassification be rectified and robust controls be put in place to ensure the correct classification of developmental and operating expenditure in the future.

1.2.4 Non-Maintenance/Updation of Liability Registers and Non-Reconciliation of Foreign Debt – Rs. 98,896 Million

According to Paras 11.4.2.3, 11.4.3.3, 11.5.5.6 and 11.6.1.1, the detail of all liabilities recognized shall be held in a Liabilities Register by the AGPR and AG offices, and periodically updated as advised by the appropriate entities. This Register shall hold a formal detailed and aggregated record of all recognized liabilities for the respective Federal or Provincial Governments. Also upon receipt of loan money, the liability record shall be updated and supporting details recorded in the Liabilities Register. Periodic adjustments in the liability records will be made prior to the end of the financial year, to bring the liability balances up to date. On a monthly basis, AGPR/AG shall reconcile the balances of external and domestic debt held in its liability records/registers to the monthly report provided by EAD, in accordance with the reporting requirements identified in Direction 11.7.1.2.

During certification audit of Financial Statements of Government of Khyber Pakhtunkhwa for the Financial Year 2024-25, it was observed that an amount of Rs. 98,896 million was recorded as foreign debt received during the year. However, no further details of receipts and repayments of individual loans were available. Similarly, no bifurcation was made between loans and grants received from foreign donors, and the entire amount was treated as foreign debt. Audit further observed serious deficiencies in liability records, as detailed below:

- The statement of domestic debt was updated only up to 2017-18. The closing balance of domestic debt was recorded as Rs. 27,734.532 million (Dr), which is incorrect since debt, being a liability, should have a credit balance (Page 79-80 of Finance Accounts). The same has been reported at Note 36 as Rs. 25,235 (Negative), showing overpayment of the domestic debt.
- Loans from the Federal Government have not been updated since 2013-14. No receipts or repayments were recorded except for the opening and closing balance of Rs. 54.493 million (Page 81).
- An amount of Rs. 26,909.487 million was shown as both opening and closing balance of debt from the Bank of Khyber, which is neither traceable nor reconcilable (Page 82).
- The statement of foreign debt has not been updated. A closing balance of Rs. 234,565 million was recorded as on 30th June 2023 with no further entries (Page 83-84).

The lapse occurred due to weak reporting controls, non-maintenance of updated liability registers, and lack of reconciliation with the Economic Affairs Division and Ministry of Finance.

As a result, the audit could not authenticate the figures of foreign and domestic debt reported in the Financial Statements, undermining their accuracy and reliability.

In the DAC meeting held on 31st October 2025, it was decided that the Para will be settled subject to verification of the corrections made. However, the required corrections have not been incorporated in the revised manuscript.

Audit recommends immediate updating of liability registers, proper bifurcation of loans and grants, and reconciliation of debt balances with relevant entities to ensure accurate reporting of the Government's total debt position.

1.2.5 Non-Maintenance of Debt Ledger Leading to Unverified Foreign Debt Repayments – Rs. 51,853 Million

According to paras 11.4.3.5 and 11.5.3.4 of the APPM, also upon repayment of the loan, the liability record shall be updated and supporting details recorded in the Liabilities Register. Immediately after a loan repayment is made, SBP shall inform EAD/MoF of the repayment, with a copy to AGPR (or in the case of a Provincial Government, the relevant AG office). All relevant details of the repayment should be included in this advice, including loan identifier, relevant account heads, date of repayment and interest and principal components of the repayment, in Rupees, as well as the relevant foreign currency

During certification audit of Financial Statements of Government of Khyber Pakhtunkhwa for the Financial Year 2024-25, it was observed that Rs. 33,206 million was shown as repayment of foreign debt as deduction at source by the Federal Government and Rs. 18,647 million as interest on foreign debt. However, the deductions were made without specifying the loans against which the repayments and interest were adjusted. In the absence of a properly maintained and updated debt ledger, audit could not verify the accuracy of these deductions.

The lapse occurred due to weak financial management and non-maintenance of debt records, which resulted in lack of transparency in debt servicing, risk of misstatement in the financial statements, and inability to ascertain the correctness of repayments.

In the DAC meeting held on 31st October 2025, it was decided that the Para will be settled subject to verification of the corrections made. However, the required corrections have not been incorporated in the revised manuscript.

Audit recommends that a comprehensive debt ledger be maintained and regularly reconciled with the Federal Government records to ensure transparency, proper classification, and accurate reporting of debt repayments and interest charges.

1.2.6 Overpayments from the Public Account – Rs. 39,583 million

According to Para 14.2.3.1 of the APPM, the Public Account consists of trust accounts and special deposit accounts. These are defined as follows;

Trust accounts - legal entities in their own right, under the stewardship of the Government, and as such expected to produce financial statements in their own name. These trust accounts are normally established under an Act of Parliament or Presidential Order. Examples of trust accounts include provident and benevolent funds, employees' insurance funds and trust accounts of certain departments (e.g. Railways).

Special deposit accounts - those accounts comprising of Public Account monies that are operated under the authority of the Ministry of Finance, but are not trusts. As they are not legal entities, reporting would be generally by way of statements of receipts and payments. Examples of special deposit accounts include relief funds, civil and criminal court deposits, welfare funds, and development funds.

During certification audit of Financial Statements of Government of Khyber Pakhtunkhwa for the Financial Year 2024-25, it was observed that in certain public account object heads, the payments exceeded the receipts during previous years, resulting in negative closing balances. On scrutiny, it was noticed that the closing balance of the concerned object heads was recorded as negative by Rs.39,583 million, indicating that payments had exceeded receipts, which is theoretically not possible. The current year's payments exceeded receipts by Rs.28,784 million, contributing to the overall overpayment of Rs.39,583 million **(Annexure-II).**

The lapse occurred due to weak financial reporting controls and lack of timely reconciliation of public account transactions.

This resulted in misstatement of balances in the financial statements, obscured the true position of public account funds, and created the risk of misappropriation or unauthorized payments going undetected.

In the DAC meeting held on 31st October 2025, it was decided that the Para stands till correction of the negative balances. However, in the revised draft of the Financial Statements, the issue of negative balances remained unresolved.

Audit recommends immediate reconciliation of these accounts, rectification of erroneous balances, and strengthening of internal controls to prevent recurrence of such anomalies.

Chapter-2

LIVESTOCK DEPARTMENT

2.1A Introduction

The Livestock Department (Livestock and Dairy Development Department - Extension) of Khyber Pakhtunkhwa serves as the principal provincial agency responsible for the development, protection, and promotion of the livestock and dairy sector, which forms a critical component of rural economy and household food security. The department focuses on improving animal health, breeding, productivity, and management practices; preventing and controlling animal diseases; providing veterinary services and extension support to farmers; undertaking veterinary training and research; and enhancing socio-economic conditions of livestock-dependent communities, particularly smallholder farmers and pastoralists. By boosting meat, milk, and other livestock product availability, it contributes significantly to nutrition, poverty alleviation, and agricultural diversification across the province. As a core Provincial Government entity, it receives budgetary allocations through the Finance Department, with its accounts consolidated within the Government of Khyber Pakhtunkhwa's financial statements.

The department operates under the administrative leadership of the Secretary, supported by the Directorate General Livestock and Dairy Development (Extension), regional directorates, district livestock offices, veterinary hospitals, dispensaries, artificial insemination centers, and research and training institutions. It maintains close coordination with federal bodies (e.g., Ministry of National Food Security & Research), provincial agriculture department, universities, NGOs, and donor agencies to implement disease control programs, breeding initiatives, vaccination campaigns, and farmer training activities effectively throughout urban and rural areas.

Pursuant to the Khyber Pakhtunkhwa Government Rules of Business, 1985 (as amended to date), the department is entrusted with the following core functions: improvement of livestock; prevention and control of animal diseases; veterinary training and research; prevention of cruelty to animals; zoological survey; agricultural education and research (including Agricultural University matters); experimental and demonstration farms; improvement of agricultural methods; protection against insects, pests, and plant diseases; government gardens including botanical and zoological gardens; agricultural engineering, mechanized cultivation, and soil conservation; improvement of crop varieties, nutritional requirements, and soil fertility maintenance in research wings. These responsibilities align closely with Sustainable Development Goal (SDG) 2 ("End hunger, achieve food security and improved nutrition and promote sustainable agriculture") by enhancing livestock productivity, animal health services, and rural livelihoods, while contributing to SDG 1 (No Poverty) through income generation for small-scale farmers and pastoralists, thereby

advancing Pakistan's 2030 Agenda commitments and the long-term livestock and agricultural development priorities of Khyber Pakhtunkhwa.

2.1B Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2024-25 is given below:

Non-Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
19- Animal Husbandry	NC21	3,158,040,595	3,159,317,998	1,277,403
20- Cooperation	NC21	49,834,631	49,834,631	-
23- Fisheries	NC21	356,416,095	356,653,360	237,265
61- Animal Husbandry	NC21	632,106,007	632,106,007	-
61- Fisheries	NC21	57,062,169	57,056,169	-6,000
Total		**4,253,459,497**	**4,254,968,165**	**1,508,668**

Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50-Animal Husbandry	NC22	2,077,737,336	2,078,932,289	1,194,953
50-Animal Husbandry	NC12	472,326,000	549,326,000	77,000,000
60-Animal Husbandry	NC12	10,699,188	10,699,187	-1
60-Animal Husbandry	NC22	125,911,444	126,008,776	97,332
Total		**2,686,673,968**	**2,764,966,252**	**78,292,284**

Overall expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	4,253.46	4,254.97	1.51	0.04%
Development	2,686.67	2,764.97	78.29	2.91%
Total	**6,940.13**	7,019.93	79.80	1.15%

The Livestock and Dairy Development Department Khyber Pakhtunkhwa maintained satisfactory budgetary control during FY 2024-25, with overall expenditure remaining broadly aligned with the approved allocations. Variations observed were moderate and largely confined to development heads, reflecting responsive financial management in addressing sector-specific requirements. No material irregularities, misclassification, or indicators of inefficient or wasteful expenditure were observed in the appropriation accounts.

The minor deviations appear attributable to operational necessities such as delivery of veterinary and extension services, animal health interventions, and administrative functions, while the comparatively higher variation under development heads is likely linked to accelerated implementation of infrastructure schemes, livestock breeding and vaccination programs, and capacity-building initiatives, managed through approved re-appropriations or supplementary arrangements. Overall, the Department's prudent financial management supports its mandate of enhancing animal health and productivity, promoting dairy and fisheries development, strengthening extension services, and improving livelihoods of livestock-dependent communities. This performance aligns with SDG 2 (Zero Hunger) by contributing to food security and sustainable agriculture, and SDG 1 (No Poverty) through income generation and socio-economic uplift of rural households in Khyber Pakhtunkhwa.

2.1C Issues in Livestock Department

The Livestock Department of Khyber Pakhtunkhwa continued to face deficiencies in revenue management and financial controls during the audited period, with key irregularity involving less realization of government receipts from Model Dairy Farm operations (sale of milk, dung, empty bags, and auction of animals), where a substantial portion of collected amounts remained un-credited to the designated treasury cost center, in violation of GFR Rule 26 requiring proper assessment, realization, and prompt crediting of all dues; this lapse stemmed from weak financial oversight, incorrect cost center recording by the Accounts Office, and absence of timely rectification or supporting evidence, resulting in under-realization of provincial receipts, potential revenue leakage, and erosion of fiscal accountability in the management of departmental income-generating activities.

2.2 Summary of Audit Observations

Audit observation amounting to Rs.4.834 million (recovery-related) was raised in this report during the current audit of the Livestock Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

(Rs. in million)

S. No.	Classification	Amount
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	4.834
5	Others	-

2.3 Brief comments on the status of compliance with PAC directives:

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1	2001-02	Livestock Department	14	14	-	-
2	2002-03	-do-	12	11	-	01
3	2003-04	-do-	06	06	-	-
4	2004-05	-do-	03	01	-	02
5	2005-06	-do-	04	03	-	01
6	2008-09	-do-	14	05	-	09
7	2009-10	-do-	32	09	-	23
8	2010-11	-do-	25	08	-	17
9	2011-12	-do-	20	08	-	12
10	2012-13	-do-	08	07	-	01
11	2013-14	-do-	12	06	-	06
12	2014-15	-do-	-	-	-	-
13	2015-16	-do-	-	-	-	-
14	2016-17	-do-	09	3	4	2
15	2017-18	-do-	-	-	-	-
16	2018-19	-do-	3	-	-	3

2.4 Audit Paras

2.4.1 Less realization of Government Receipts – Rs. 4.834 million

According to Rule 26 of GFR Volume I, it is the duty of the controlling officer to ensure that all sums due to the Government are properly assessed, realized, and promptly credited to the Government Treasury.

During audit of the accounts of Directorate General (Extension) Livestock & Dairy Development Khyber Pakhtunkhwa for the financial year 2024-25, it was observed that the Model Dairy Farm, Bajaur realized receipts of Rs. 7,548,290/- from sale of milk, dung, empty bags, and auction of animals during the year. However, scrutiny of SAP-based receipt data for Cost Centre BJ4380 (Model Dairy Farm, Bajaur) revealed that only Rs. 2,714,070 was credited into the Government Treasury, leaving a balance of Rs. 4,834,220/- **(Annexure-III)**.

Moreover, the stamp affixed on the receipt statement of Model Dairy Farm Bajaur was that of *Agency Accounts Officer Bajaur at Khar*, which was disowned by the District Accounts Office Bajaur, and stated that their Stamp neither bear the said title nor the signature pertains to their office.

The lapse occurred due to weak financial management which resulted into less realization of receipts.

When pointed out in October 2025, the department stated that the revenue had been deposited under Object Head 03231, but the cost center was incorrectly recorded by the Accounts Office Bajaur, resulting in credit to BJ4006 instead of BJ4380. It was further stated that transfer entries would be made to rectify the record. However, the reply was not supported by SAP-based evidence confirming such deposits or subsequent adjustments.

Audit recommends conducting inquiry into the matter for fixing of responsibility on the officials concerned, besides recovery and deposit of the outstanding amount into the Government Treasury.

Para No. 19 (2024-25)

Chapter – 3

FOOD DEPARTMENT

3.1A Introduction

The Food Department of Khyber Pakhtunkhwa serves as the principal provincial agency responsible for ensuring food security, price stability, and equitable availability of essential commodities, particularly wheat, sugar, and other staple food items, across the province. Through systematic procurement, storage, rationing, distribution, and market regulation, the department safeguards vulnerable populations, supports agricultural producers, and maintains strategic food reserves to mitigate shortages, price volatility, and supply disruptions. It plays a critical role in protecting consumer interests, controlling profiteering and hoarding, and contributing to socio-economic stability in both urban and rural areas. As a key Provincial Government entity, it receives budgetary allocations through the Finance Department, with its accounts consolidated within the Government of Khyber Pakhtunkhwa's financial statements.

The department operates under a centralized administrative structure headed by the Secretary, supported by district-level Food Controllers, Assistant Food Controllers, and field staff responsible for procurement centers, warehouses (godowns), enforcement squads, and market monitoring. It maintains close coordination with federal agencies (e.g., PASSCO for wheat procurement), provincial agriculture and revenue departments, sugar mills, and private traders to implement procurement targets, monitor stocks, and enforce regulatory controls effectively throughout the supply chain.

Pursuant to the Khyber Pakhtunkhwa Government Rules of Business, 1985 (as amended to date), the department is entrusted with the following core functions: food procurement, rationing, and distribution; storage and management of food grains; price and distribution controls over sugarcane; regulation of sugar under the Sugar Factories Control Act, 1950; implementation of the Sugarcane Development Cess Rules, 1964; administration of civil supplies; monitoring and control of prices of food items; and handling service matters of departmental staff (excluding those assigned to the Establishment and Administration Department). These responsibilities align closely with Sustainable Development Goal (SDG) 2 ("End hunger, achieve food security and improved nutrition and promote sustainable agriculture") by ensuring food availability, access, stability, and utilization, while contributing to SDG 12 (Responsible Consumption and Production) through efficient supply chain management, waste reduction in storage, and price stabilization measures. This supports Pakistan's 2030 Agenda commitments and advances food security and consumer welfare priorities in Khyber Pakhtunkhwa.

3.1B Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts:

The Summarized position of actual expenditure 2024-25 against the total of grants/appropriation was as follows:

Non-Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
49- State Trading in food grains & Sugar	NC11	2,722,668,584	2,722,671,977	3,393
49- State Trading in food grains & Sugar	NC14	-	-	-
Total		2,722,668,584	2,722,671,977	3,393

Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50- Food	**NC22**	9,001,265	9,001,265	-
50- Food	**NC12**	187,640,442	180,640,442	-7,000,000
Total		**196,641,707**	**189,641,707**	**-7,000,000**

Overall expenditure against final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	2,722.67	2,722.67	0.00	0.00%
Development	196.64	189.64	-7.00	-3.56%
Total	**2,919.31**	2,912.31	-7.00	-0.24%

The Food Department, Government of Khyber Pakhtunkhwa, maintained sound budgetary control during FY 2024-25, with overall expenditure remaining closely aligned with the approved allocations. Non-development expenditure was fully utilized against the sanctioned provision, indicating effective management of routine operational responsibilities and stable funding support for the Department's core functions. A minor saving was observed under development heads, suggesting restrained utilization of funds, likely due to implementation delays, phased execution of works, or administrative/technical factors affecting progress of planned initiatives.

Overall, the Department's financial performance reflects prudent stewardship of public resources and effective prioritization of essential service delivery functions, including food grain procurement and distribution, market regulation, and price monitoring

mechanisms. The limited saving in development activities does not indicate inefficiency or irregularity; rather, it highlights cautious and controlled execution in line with operational realities. The Department's responsible utilization of funds supports provincial food security objectives and aligns with SDG 2 (Zero Hunger) and SDG 12 (Responsible Consumption and Production) through improved availability, access, and stability of essential commodities and efficient resource management.

3.1C Issues in Food Department

The Food Department of Khyber Pakhtunkhwa continued to exhibit deficiencies in stock management, internal controls, and accountability during the audited period. Key irregularities included misappropriation/shortage of imported wheat stocks (as reflected in FG-3 registers) that remained unrecovered and uninvestigated over extended periods, despite clear codal requirements under GFR Rule 148 for proper receipt verification, certification, and entry into stock records by responsible officers.

These lapses stemmed from weak administrative oversight, inadequate physical verification of wheat godowns, failure to initiate timely inquiries or recovery proceedings against the persons responsible, and prolonged delays in addressing audit observations. Collectively, they resulted in material financial losses to the government exchequer, potential misappropriation of essential food commodities, and erosion of fiscal discipline in the management of strategic food reserves critical for provincial food security.

3.2 Summary of Audit Observations

Audit observation amounting to Rs.7.133 million (recovery-related) was raised in this report during the current audit of Food Department. Summary of the audit observations classified by nature is as follows:

Overview of Audit Observations:

(Rs. in million)

S. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	7.133
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	-

3.3 Brief comments on the status of compliance with PAC directives:

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1	2010-11	Food	40	-	13	27
2	2011-12	-do-	12	-	09	03
3	2012-13	-do-	06	06	-	-
4	2015-16	-do-	12	08	04	-
5	2016-17	-do-	-	-	-	-
6	2017-18	-do-	05	-	-	05

3.4 Audit Paras

3.4.1 Misappropriation on account of imported wheat – Rs. 7.133 million

According to Rule 148 of the General Financial Rules (GFR) Volume-I, all materials received must be examined, counted, measured, or weighed, as the case may be, when delivery is taken. They must be taken in charge by a responsible government officer who shall ensure that the quantities and quality conform to specifications and shall record a certificate to that effect. The officer receiving the stores is further required to certify that the materials have actually been received and duly entered in the appropriate stock register.

During audit of the accounts of District Food Controller DI Khan for the financial year 2023-24, it was observed from the FG-3 register that 189.934 metric tons of imported wheat, valuing Rs.7.133 million at the prevailing rate of Rs. 37,555 per metric ton (rate of 2021), was shown short since October 2021. However, despite the passage of considerable time, neither recovery had been effected nor was any inquiry initiated to determine the reasons of the shortage or fix responsibility against the persons at fault.

The lapse occurred due to weak administrative and stock management controls which resulted in loss of Rs.7.133 million to the government.

In the DAC meeting held on 30.12.2025, it was decided that the case is under investigation by the Anti-Corruption Establishment KP, the outcome of which may be shared with Audit. However, no progress was intimated to Audit till finalization of this report.

Audit recommends recovery of the amount from the responsible person(s) besides early finalization of the investigation proceedings.

PDP No. 79 (2023-24)

Chapter – 4

IRRIGATION DEPARTMENT

4.1A Introduction

The Irrigation Department of Khyber Pakhtunkhwa serves as the principal provincial agency responsible for the planning, development, construction, operation, and maintenance of irrigation and water resource infrastructure to ensure reliable water supply for agriculture, flood protection, and sustainable land use. It plays a vital role in harnessing surface and groundwater resources, combating waterlogging and salinity, controlling floods, and supporting agricultural productivity, food security, and rural livelihoods across the province. Headed by the Secretary Irrigation, assisted by Additional Secretary, Deputy Secretary (Technical), and the Planning & Monitoring Cell (PMC), the department prepares development proposals, liaises with federal government and donor agencies, monitors scheme implementation, and oversees execution through three attached departments each led by a Chief Engineer. As a core Provincial Government entity, it receives budgetary allocations through the Finance Department, with its accounts consolidated within the Government of Khyber Pakhtunkhwa's financial statements.

The department operates through a robust technical and administrative structure, with the PMC handling planning, ADP/PSDP formulation, donor coordination, and progress monitoring of irrigation portfolios. Attached departments manage field-level implementation, including canal systems, barrages, tube-wells, embankments, drainage works, reservoirs, and flood control structures. It maintains close collaboration with federal entities (e.g., WAPDA, Federal Flood Commission), provincial agriculture and revenue departments, and international donors to align water sector investments with national priorities and provincial needs.

Pursuant to the Khyber Pakhtunkhwa Government Rules of Business, 1985 (as amended to date), the department is entrusted with the following core functions: rivers and riverine surveys; construction and maintenance of canals, tube-wells, and other water utilization schemes; embankments and drainage (excluding field drains); storage of water and construction of reservoirs; barrage construction; waterlogging and land reclamation schemes; flood control schemes; booking of irrigation water; and development of inland waterways and navigation. These responsibilities align closely with Sustainable Development Goal (SDG) 6 ("Ensure availability and sustainable management of water and sanitation for all") by promoting efficient water resource management, infrastructure resilience, and equitable access to irrigation, while contributing to SDG 2 (Zero Hunger) through enhanced agricultural productivity and food security, thereby advancing Pakistan's 2030 Agenda commitments and the long-term water and agricultural development priorities of Khyber Pakhtunkhwa.

4.1B Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

The summarized position of actual expenditure of the Irrigation Department for the financial year 2024-25 against the total of grants/appropriation was as follows:

Non-developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
24-Irrigation	NC21	8,194,493,781	8,346,203,939	151,710,158
61-Irrigation	NC21	320,381,629	320,381,579	-50
Total		**8,514,875,410**	**8,666,585,518**	**151,710,108**

Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
55-Construction of irrigation works	NC12 & 22	16,110,749,280	16,103,784,263	-6,965,017
60-Construction of irrigation works	NC12	270,884,500	275,884,500	5,000,000
60-Construction of irrigation works	NC22	40,117,655	40,081,655	-36,000
Total		16,421,751,435	16,419,750,418	-2,001,017

Overall expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	8,514.88	8,666.59	151.71	1.78%
Development	16,421.75	16,419.75	-2.00	-0.01%
Total	**14,255.53**	14,267.00	11.47	0.08%

The Irrigation Department of Khyber Pakhtunkhwa maintained effective budgetary control during FY 2024-25, with overall expenditure remaining broadly within the approved allocations. Variations observed were minor in nature and reflect sound financial planning, close expenditure monitoring, and timely utilization of resources. No material irregularities, misclassification, or indicators of inefficient or wasteful expenditure were noted in the appropriation accounts.

The limited deviations appear to be attributable to unavoidable operational requirements, including routine operation and maintenance of irrigation infrastructure, personnel-related costs, and necessary emergency interventions such as flood response and system upkeep, which were managed through established re-appropriation and supplementary mechanisms. Development expenditure remained well regulated, indicating disciplined

execution of schemes. Overall, the Department's prudent financial management supports its mandate of ensuring sustainable water resource management, strengthening irrigation and flood protection systems, and enhancing agricultural productivity, in line with SDG 6 (Clean Water and Sanitation) and SDG 2 (Zero Hunger), contributing to long-term food security and resilient rural development in Khyber Pakhtunkhwa.

4.1C Issues in Irrigation Department

The Irrigation Department KP exhibited significant weaknesses in procurement processes, contract management, measurement verification, and financial controls during the audited period. Key irregularities included doubtful/fictitious payments for excavation items without evidence of actual execution, material disposal, or reuse at site, in violation of CPW Code requirements for accurate Measurement Book recording and certification; and irregular award of contracts at substantially below Engineer's Estimate without obtaining mandatory additional bid securities, performance securities, or forfeiting earnest money as prescribed under KPPRA Rules, compounded by awards to contractors lacking valid FBR enlistment and KPRA registration, and tender advertisements failing to meet the minimum response period.

These lapses arose from inadequate field supervision, non-compliance with codal and procurement provisions, weak internal oversight, and failure to enforce securities and qualification checks, exposing public funds to financial risks, potential overpayments, and undue favors to unqualified contractors. Collectively, they undermined transparency, accountability, and value for money in the execution of irrigation infrastructure projects across the province.

4.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.170.415 million were raised in this report during the current audit of Irrigation Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

(Rs. in million)

S. No.	Classification	Amount
1	Reported cases of fraud, embezzlement and misappropriation	-
2	Procurement related irregularities	170.415
3	Value for money and service delivery issues	-
4	Others	-

4.3 Brief comments on the status of compliance with PAC directives:

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2011-12	Irrigation	18	06	-	12
2.	2012-13	-do-	10	07	-	03
3.	2013-14	-do-	14	10	-	04
4.	2014-15	-do-	07	03	-	04
5.	2015-16	-do-	23	16	-	07
6.	2016-17	-do-	29	18	5	6
7.	2017-18	-do-	14	6	-	8
8.	2018-19	-do-	10	4	-	6

4.4 Audit Paras

4.4.1 Doubtful payment on account of excavation – Rs. 64.761 million

According to Section 3.2.1.1, 3.2.4 & 3.9.5.2 of the Technical Specifications 2017 for workmanship, issued by Communication & Works Department KP, materials of any kind such as shingle or hard good quality stone, obtained from excavation shall remain the property of the government. The Engineer shall decide regarding the unsuitability of the material by conducting appropriate laboratory tests. The materials obtained from the excavations may be disposed off. Suitable excavation material may be used in raising dams, embankments, ramps, rail and road formations or refilling the voids of foundations after the erection of the structure.

During audit of the accounts of Executive Engineer, Kohat Irrigation Division, Kohat for the financial year 2023-24, it was observed that the contract "Construction of Water Channel from Main Canal of Zamir Gul Dam, District Kohat to the Adjacent Areas under Kohat Area Development Project (KADP)" was awarded to M/S Syed Mohsin Shah & Sons at 18.58% below on MRS. An amount of Rs.136.952 million was paid to the contractor up to 7th Running Bill dated 04.07.2024, out of which payment of Rs.64.761 million was made on account of various types of excavation, as detailed below:

S. No.	Item of Work	Quantity	Rate (Rs.)	Amount (Rs.)
1	Rock excavation, dressing & disposal up to 50m in medium hard rock requiring blasting	30,060.71	811.78	24,402,680
2	Rock excavation, dressing & disposal up to 50m in soft rock (slate, shale, schist or laterite)	44,571.055	668.37	29,789,956
3	Excavation for foundation of buildings/bridges etc. complete in shingle gravel	47,550.202	222.27	10,568,983
Total				**64,761,619**

Further scrutiny of record revealed that the excavated material claimed under these items was neither utilized nor transported from the site, and no evidence of its reuse,

dumping, or disposal was available on record. In the absence of such corroborating evidence, the authenticity of the recorded quantities in the MB remained doubtful.

The lapse occurred due to inadequate supervision and weak internal controls, as the divisional management failed to ensure verification of excavation quantities, proper documentation of disposal or reuse of excavated material.

The department was again requested vide letter dated 02.06.2025, followed by a reminder dated 20.08.2025, to convene Departmental Accounts Committee (DAC) meeting; however, the same was not held till finalization of this report.

Audit recommends conducting inquiry into the matter for fixing of responsibility against the persons at fault, besides recovery of the amount.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2024-25 vide DP No. 3.4.9 having financial impact of Rs. 51.751 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 235 (2023-24)

4.4.2 Irregular award of contracts – Rs. 105.654 million

According to S. No. iii and iv of KPPRA Notification No. KPPRA/M&E/Estt:/1-17/2019-20 dated 12.06.2020, if a bidder quotes rates more than 10% below the Engineer's Estimate, additional bid security shall be obtained from the successful bidder equal to the impact of the financial difference beyond 10% below the estimate. The successful bidder shall furnish the additional bid security within three (03) days from issuance of the Letter of Acceptance; failure to do so shall lead to forfeiture of bid security and initiation of legal proceedings under KPPRA Rules.

During audit of the accounts of Executive Engineer Tube Well Irrigation Division Peshawar for the financial year 2023–24, it was observed that three solar schemes having total estimated cost of Rs.105.657 million were awarded to two contractors at the bid cost of Rs.67.456 million. However, further scrutiny of record revealed that these contracts were awarded without obtaining the additional security of Rs.27.634 million from the successful bidders despite the fact that their bids were well below the required limit of 10%. Moreover, the management did not forfeit the 2% bid security amounting to Rs.2.114 million, as detailed below;

(Rs. in million)

S. No.	Scheme	Contractor	Est. Cost	Rate Offered	Bid Cost	Addl. Bid Sec.	Bid Sec.	Perf. Sec.
1	Const. of 17 Nos. Solar Tube Wells at Village Adamzai	M/s Friends Engineering	35.980	35.71% below	23.131	9.250	0.720	3.597

2	Const. of 11 Nos. Solar Tube Wells at Village Badrashi	M/s AQ Builders	25.997	37.52% below	16.243	7.154	0.520	2.600
3	Const. of 18 Nos. Solar Tube Wells at Village Mandori	M/s Friends Engineering	43.680	35.71% below	28.082	11.230	0.874	4.368
Total			**105.657**		**67.456**	**27.634**	**2.114**	**10.565**

Furthermore, neither the contractors were enlisted with FBR & KPRA nor did the management obtain performance securities amounting to Rs.10.565 million from the contractors.

Audit is of the view that the award of contracts to contractors without obtaining the mandatory securities constituted a serious deviation from procurement rules and poor contract management, resulting in an irregular expenditure of Rs.105.654 million.

The lapse occurred due to non-compliance with KPPRA Rules which resulted into irregular award of contracts.

In the DAC meeting held on 29.09.2025, it was decided that the concerned XEN may revalidate the Bank Guarantee / Performance Security of the contractor. All updated records may also be submitted to Audit for verification. However, no progress was intimated to Audit till finalization of this report.

Audit recommends an inquiry to fix responsibility on the persons at fault and to ensure compliance with KPPRA procurement regulations in all future contracts.

PDP No. 166 (2023–24)

Chapter – 5

HEALTH DEPARTMENT

5.1A Introduction

The Health Department of Khyber Pakhtunkhwa serves as the principal provincial agency responsible for formulating health policies, governing healthcare institutions, leading evidence-based interventions, and ensuring the provision of accessible, affordable, and quality healthcare services across primary, secondary, and tertiary levels. Through decentralization, digitalization, and community-focused approaches, the department strives to deliver healthcare closer to the doorstep, balance supply and demand, promote modern scientific practices while respecting local values and norms, and strengthen epidemic preparedness, disease prevention, and disaster response. It plays a central role in improving public health outcomes, reducing morbidity and mortality, enhancing health infrastructure, and advancing public welfare for the population of the province. As a key Provincial Government entity, it receives budgetary allocations through the Finance Department, with its accounts consolidated within the Government of Khyber Pakhtunkhwa's financial statements.

The department operates under a structured administrative framework headed by the Secretary, supported by specialized directorates (e.g., Directorate General Health Services, Health Sector Reform Unit, Integrated Health Program), provincial and district-level management teams, and a vast network of hospitals, basic health units, rural health centers, and tehsil headquarters hospitals. It maintains close coordination with federal institutions (e.g., Ministry of National Health Services, NIH, Drug Regulatory Authority), development partners, NGOs, and local communities to implement priority programs, manage human resources, procure essential medicines and equipment, and respond to public health emergencies effectively.

Pursuant to the Khyber Pakhtunkhwa Government Rules of Business, 1985 (as amended to date), the department is entrusted with a comprehensive set of functions, including: formulation and implementation of health policy, reforms, planning, financing, and budgeting; management of health education, community involvement, and advocacy; disease prevention and control, including epidemics and outbreaks; provision of primary, secondary, and tertiary curative services, mental health, rehabilitative care, occupational and environmental health; health regulation, enforcement, quality assurance, and control; drugs control; regulation of fees and charges by medical professionals and facilities; alternative systems of medicine; food safety, sanitation, and prevention of adulteration; monitoring of safe drinking water and sanitation services; health human resource planning, pre-service and in-service training, and development; logistics, procurement, and supply chain management; medico-legal advice and litigation; monitoring, evaluation, performance assessment; and health research and knowledge management for evidence-based decision-making. These

responsibilities align closely with Sustainable Development Goal (SDG) 3 ("Ensure healthy lives and promote well-being for all at all ages") by strengthening health systems, improving access to essential services, reducing preventable deaths, and enhancing resilience against health threats, thereby contributing significantly to Pakistan's 2030 Agenda commitments and the long-term health priorities of Khyber Pakhtunkhwa.

5.1B Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2023-24 against the total of grants/appropriation was as follows:

Non-developmental expenditure:

(Amount in Rs.)

Grant No.	Grant Type	Final Grant	Actual Exp	Excess/ (Savings)
13-Health	NC21	135,696,859,721	135,691,318,267	(5,541,454)
61- Health	NC21	10,952,650,435	10,951,819,885	(830,550)
Total		**146,649,510,156**	**146,643,138,152**	**(6,372,004)**

Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
54-Health Services	NC-22/ NC12	10,737,030,421	10,752,641,185	15,610,764
60- Health services	N12	26,879,774	26,879,774	-
60- Health services	NC22	7,011,646,918	7,015,652,995	4,006,077
Total		**17,775,557,113**	**17,795,173,954**	**19,616,841**

Overall developmental expenditure:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	171,512.02	171,460.30	-51.72	-0.03%
Development	17,775.56	17,795.17	19.62	0.11%
Total	**189,287.58**	189,255.48	-32.10	-0.02%

The Health Department Khyber Pakhtunkhwa, maintained effective budgetary control during FY 2023-24, with overall expenditure remaining closely aligned with the approved grants. Minor savings under non-development heads indicate disciplined management of routine operational costs and appropriate oversight of recurring expenditures. The limited

excess under development heads appears to reflect implementation-driven adjustments, such as timely execution of priority health schemes, facility improvements, and essential procurement requirements managed through authorized re-appropriation mechanisms.

Overall, the observed variances were insignificant and do not point to any material irregularities or inefficiencies in the appropriation accounts. The Department's prudent financial management supports its mandate to strengthen healthcare delivery, improve infrastructure, and enhance service availability across the province. This performance contributes to the achievement of SDG 3 (Good Health and Well-being) by supporting improved access to quality health services, better system resilience, and strengthened public health outcomes in Khyber Pakhtunkhwa.

5.1C Issues in Health Department

The Health Department KP continued to exhibit systemic weaknesses in financial governance, internal controls, and regulatory compliance during the period under audit. Audit observations highlighted persistent deficiencies in revenue realization, including non-recovery of mandatory affiliation retention fees due to absence of effective follow-up and enforcement mechanisms. Irregularities were also noted in payroll administration, where allowances were paid at enhanced or incorrect rates in violation of applicable policies, and statutory deductions were not transferred to the concerned social security institutions, reflecting non-compliance with legal provisions. Instances of misappropriation were detected in the handling of hospital user charges and in administrative expenditures such as vehicle repairs, indicating breakdown of custodial controls, weak segregation of duties, and ineffective supervisory oversight.

Procurement and contract management practices further revealed non-adherence to principles of transparency, value for money, and contractual discipline. Medicines were procured at rates higher than those approved by the competent forum due to weak stock management and failure to enforce supplier obligations. In addition, contractual arrangements for major infrastructure works were not executed in accordance with agreed terms, resulting in termination of contracts after partial payments and failure to achieve intended project objectives. The recurrence of similar irregularities reported in previous audit cycles, coupled with delayed recoveries, non-implementation of DAC decisions, and absence of timely corrective measures, points to systemic control failures and weak accountability mechanisms, ultimately compromising financial propriety and effective service delivery in the health sector across the province.

5.2 Summary of Audit Observations

Audit observations amounting to Rs.276.815 million were raised in this report during the current audit of Health Department. This amount also included recoveries of Rs.135.105

million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

(Rs. in million)

S. No.	Classification	Amount
1	Reported cases of fraud, embezzlement and misappropriation	26.096
2	Irregularities	-
3	HR/Employees related irregularities	18.966
4	Procurement related irregularities	214.481
5	Management of Accounts with Commercial Banks	-
6	Value for money and service delivery issues	-
7	Others	117.272

5.3 Brief comments on the status of compliance with PAC directives:

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full Compliance	Partial compliance	Nil compliance
1.	2001-02	Health	31	21	-	10
2.	2002-03	-do-	18	14	-	04
3.	2003-04	-do-	11	06	-	05
4.	2004-05	-do-	42	11	-	31
5.	2005-06	-do-	12	06	-	06
6.	2007-08	-do-	18	05	-	13
7.	2008-09	-do-	16	07	-	09
8.	2009-10	-do-	23	12	-	11
9.	2010-11	-do-	19	07	-	12
10.	2011-12	-do-	33	18	-	15
11.	2012-13	-do-	14	09	-	05
12.	2013-14	-do-	46	23	-	23
13.	2014-15	-do	27	14	-	13
14.	2015-16	-do-	39	12	-	27
15.	2016-17	-do-	52	13	-	39
16.	2017-18	-do-	-	-	-	-
17.	2018-19	-do-	27	10	-	17

5.4 Audit Paras

5.4.1 Non-recovery of outstanding dues on account of annual affiliation retention fees – Rs. 90.046 million

According to Sub-Clause 7.2 of the Khyber Medical University Peshawar Statutes 2016 (Amendment 2022), the Annual Affiliation Retention Fee as prescribed by the

Syndicate, is an auditable entity, which is neither refundable nor relaxable / exemptible and hence each affiliated college / institute must deposit the same by 31st December each year.

During audit of the accounts of Khyber Medical University Peshawar for the financial years 2021–22 and 2022–23, it was observed that affiliation retention fees amounting to Rs.90.046 million was outstanding against various affiliated institutions, as detailed below;

(Amount in Rs.)

S. No.	Particulars	2022		2023	
		No. of Inst.	Retention Fee	No. of Inst.	Retention Fee
1	Affiliated Medical and Dental Colleges (Public)	5	10,560,000	5	28,627,500
2	Affiliated Medical and Dental Colleges (Private)	2	3,935,000	1	247,500
3	Affiliated Medical Institutes (Public)	6	3,636,000	1	1,527,000
4	Affiliated Medical Institutes (Private)	16	8,392,500	25	33,117,000
Sub-Total			**26,525,522**		**63,521,023**
Grand Total					**90,046,545**

Further scrutiny of record revealed that the university management did not maintain an effective follow-up mechanism, demand notices were not issued timely, and no evidence of enforcement measures such as levy of penalties, or suspension of affiliation benefits was available on record. As a result, the outstanding amounts remained unrecovered, leading to accumulation of arrears and continued non-compliance by the defaulting institutions.

The lapse occurred due to weak internal controls and ineffective recovery mechanisms which resulted in under-realization of university receipts amounting to **Rs.90.043 million**.

In the DAC meeting held on 07.05.2025, it was decided that recovery of the outstanding dues may be made and shown to Audit. However, no progress was intimated to Audit till finalization of this report.

Audit recommends recovery of the outstanding dues at the earliest.

PDP No. 800 (2021-23)

5.4.2 Unauthorized payment on account of Health Professional Allowance at enhanced rates – Rs. 14.507 million

According to Finance Department KP letter No. FD (SOSR-II) 2-5/2021/HPA dated 12.07.2021, District Peshawar was notified as Category-A district and the rates of Health Professional Allowance for regular Medical Officers serving in Category-A was enhanced / revised to Rs.42,000 for easy areas; Rs.52,000 for medium areas; and Rs.65,000 for hard areas.

During audit of the accounts of District Health Officer Peshawar for the financial year 2024-25, it was observed that an amount of Rs.287,047,701/- was paid to different employees on account of Health Professional Allowance. Further scrutiny of their payroll data revealed that the allowance was paid to these employees at the rates applicable to the hard or medium areas whereas they were performing duties in easy areas as notified by the Health Department vide their Notification dated 04.11.2021. Consequently, these employees availed Health Professional Allowance at enhanced rates amounting to Rs.14,507,200/-, as detailed below;

S#	Descriptions	BPS	No. of Employees	Amount (Rs.)
1	Medical Officers	17	42	5,196,000
2	SMO, PMO, CMO, Dental Surgeon and others	17-20	51	9,311,200
Total				**14,507,200**

The lapse occurred due to weak internal controls, poor monitoring of staff postings, and failure to reconcile actual place of duty with the payroll record.

This resulted in unauthorized payment of Health Professional Allowance at enhanced rates.

When pointed out in October 2025, the management replied that recovery will be made and progress will be shared with Audit. However, the same was not reported to audit till finalization of this report.

The department was requested vide letter dated 17.12.2025 for holding a DAC meeting, however no DAC meeting was held till finalization of the report.

Audit recommends immediate stoppage of payment of HPA at enhanced rates and making recovery of the unauthorized amount already paid besides fixing of responsibility against the persons at fault.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2024-25 vide DP No. 10.4.11 having financial impact of Rs. 6.335 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 01 (2024-25)

5.4.3 Misappropriation on Account of Receipts Realized from User Charges – Rs. 5.337 million

According to Clause 4.3 of the Guidelines and Operational Manual for Hospital Management Committees (HMCs), circulated vide Health Department letter No. SOB-II/HD/1-39/Gen. Corr/2020 dated 02.07.2021, the concerned Chairperson and Secretary are responsible for opening a commercial bank account in the name of the HMC at the Bank of Khyber or, where not available, at a nearby scheduled bank. The account shall be jointly operated by the Chairperson and Secretary as co-signatories, and only they shall be authorized to access and operate it. The HMC shall maintain a single account for all funds at

its disposal, with the Chairperson acting as Drawing and Disbursing Officer (DDO), and the budget shall be executed only after approval of activities in an HMC meeting.

During audit of the accounts of District Health Office Peshawar – Emergency Satellite Hospital Nahaqi for the financial year 2024-25, it was observed that hospital management realized user charges amounting to Rs. 6.901 million, as evident from the hospital's receipts statements. Further scrutiny of record revealed that only Rs. 1.564 million was deposited into the Hospital Management Committee (HMC) fund account, while the remaining amount of Rs.5.337 million was not deposited, as confirmed from the bank statements.

Moreover, written statements of the concerned Accountant and Cashiers obtained during audit disclosed that the cheque book was kept in the personal custody of the then Medical Superintendent and the receipts were utilized by him.

The lapse occurred due to non-compliance with financial rules and weak oversight mechanisms which resulted in misappropriation of hospital receipts amounting to Rs.5.337 million.

When pointed out in October 2025, it was replied that the matter is under inquiry and the outcome would be shared with Audit. However, no progress was reported till finalization of this report.

The department was requested vide letter dated 17.12.2025 for holding a DAC meeting, however no DAC meeting was held till finalization of the report.

Audit recommends recovery of the misappropriated amount besides taking action against the responsible officers / officials.

PDP No. 10 (2024-25)

5.4.4 Misappropriation on account of repair of vehicles – Rs. 20.759 million

According to Para 23 of General Financial Rules Vol I, every public officer is personally responsible for any loss sustained by Government through fraud or negligence on his own part or on the part of subordinate disbursing officers.

During audit of the accounts of Director General Health Services Khyber Pakhtunkhwa Peshawar for the Financial Year 2023-24, it was observed that an amount of Rs. 20,759,300/- was paid to M/S Israr-Ud-Din Khan on account of repair of various vehicles. Further scrutiny of record revealed that these vehicles were not available on the strength of DGHS office. Furthermore, the repair expenditure was not recorded in the log books indicating misappropriation.

The lapse occurred due to weak internal controls which resulted in misappropriation of public funds amounting to Rs. 20.759 million.

In the Exit meeting held on 08.01.2026, the management replied that in compliance to the Audit observation, inquiry was conducted in the matter by the department wherein recovery along with responsibility are being fixed on the persons at fault, the outcome of which will be shared with Audit. However, no progress was intimated to Audit till finalization of this report.

The department was requested vide letter dated 12.02.2026 to share a copy of the inquiry report mentioned in the Exit meeting minutes. However, the report was not shared with Audit till finalization of this report.

Audit recommends implementation of Exit meeting decision i.e. recovery and disciplinary action against the persons at fault.

PDP No. 281 (2023-24)

5.4.5 Loss to the government due to purchase of medicine at higher rates - Rs. 5.571 million

According to Section 3 of KPPRA Act 2012, all public procurement shall be conducted in a manner to promote the principles of transparency, economy, value for money, accountability and swift grievance handling. Read with DGHS Peshawar letter No.1838/MCC/KP dated 19.08.2022 addressed to all health institutions in KP, the rates for different drugs / medicines, surgical disposables, medical devices and non-drug items have been approved by the competent forum for the Year 2022-23. The procurement of these items may be carried out from the suppliers mentioned in the approved list.

During audit of the accounts of District Head Quarter Hospital Batkhela for the Financial Year 2022-23, it was observed that medicines amounting to Rs. 16,360,350/- were procured by the hospital management. Further scrutiny of record revealed that although supply orders were issued to the firms approved by Medicine Coordination Cell (MCC), the firms failed to supply the medicines, and procurement was subsequently made from non-MCC firms at rates higher than those approved under the MCC. Comparison of the actual procurement rates with MCC rates revealed an excess expenditure resulting in a loss of Rs. 5,571,473/- **(Annexure-IV)**.

The lapse occurred due to non-observance of rules which resulted into loss to the government.

When pointed out in May 2024, it was replied that supply orders were issued to the approved MCC firms on various dates; however, the firms failed to supply the medicines, and

procurement was therefore made from non-MCC firms. Audit, however, is of the opinion that the hospital management did not maintain effective stock management, as re-order levels were neither properly determined nor timely observed while placing supply orders. Moreover, the defaulting suppliers were not reported to MCC-DGHS Peshawar for action in accordance with the contractual provisions.

In the DAC meeting held on 27th January to 6th February 2025, it was decided that the matter may be taken up with DG Drugs for taking action and effecting recovery of the loss sustained due to non-supply of medicines by the MCC suppliers. However, no progress was intimated to Audit till finalization of this Report.

Audit recommends implementing the DAC decision.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2024-25 vide DP No.10.4.4, 10.4.7 and 10.4018 having financial impact of Rs.489.431 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 870 (2022-23)

5.4.6 Non-transfer of monthly subscription to EOBI and KP-ESSI – Rs. 27.229 million

According to Section 20 of the Employees Old-Age Benefits Act 1976, the employer shall pay in respect of every employee a contribution at the prescribed rate of wages to the Employees' Old-Age Benefits Institution.

According to Section 20 of the Khyber Pakhtunkhwa Employees' Social Security Act 2021, the employer shall pay contributions at the prescribed rate of wages to the Khyber Pakhtunkhwa Employees' Social Security Institution.

During Financial Attest Audit of Khyber Pakhtunkhwa Health Systems Strengthening Program for the financial year 2024-25, it was observed that janitorial and security services were procured through private firms, and statutory deductions on account of EOBI and KP-ESSI amounting to Rs.27.229 million were made from their payments. However, further scrutiny of record revealed that the deducted amount was not deposited into the EOBI and KP-ESSI.

The lapse occurred due to non-compliance with the provisions of the relevant Acts.

This resulted into non-transfer of statutory contributions and deprivation of workers from their entitled social security benefits.

When pointed out in November 2025, it was replied that all the companies are registered with EOBI and KP-ESSI, and that payments were made to the companies after withholding the required contributions until submission of proof of deposit of the

contributions into EOBI and KP-ESSI. However, Audit is of the opinion that the project management failed to deposit the withheld amount of contributions into the EOBI and KP-ESSI.

The department was requested vide letter dated 19.12.2025 to convene a DAC meeting; however, the same was not held till finalization of this report.

Audit recommends immediate transfer of the deducted contributions to the respective institutions' accounts.

PDP No. 329 (2024-25)

5.4.7 Overpayment on account of project allowance due to non-freezing of basic pay – Rs. 4.459 million

According to Section 2 of the P&D Department clarification issued vide letter No. SO(E)P&D/3-4/PIP/2022 dated 10-03-2022 under Project Implementation Policy (PIP) 2022, the basic pay of an officer at the time of joining a project on deputation basis shall be frozen for the entire project period for the purpose of calculation of project allowance.

During Financial Attest Audit of Khyber Pakhtunkhwa Health System Strengthening Program for the financial year 2024-25, it was observed that five officers were posted to the project on deputation basis and were paid project allowance. Scrutiny of pay records revealed that project allowance was calculated on the running basic pay, including annual increments, instead of the frozen basic pay applicable at the time of joining the project, resulting in overpayment of Rs. 4.459 million to five officers **(Annexure-V)**.

The lapse occurred due to non-compliance with the provisions of PIP-2022, resulting in overpayment of Rs. 4.459 million and financial loss to the government exchequer.

When pointed out in November 2025, management stated that the overpayment occurred due to procedural misunderstanding and that corrective measures had been initiated. However, no evidence of recovery or adjustment was provided till finalization of this report.

The department was requested vide letter dated 19.12.2025 to convene a DAC meeting; however, the same was not held till finalization of this report.

Audit recommends recovery of the overpaid amount from the officers.

PDP No. 327 (2024-25)

5.4.8 Wasteful expenditure on design and civil works due to termination of contract without completion – Rs. 208.910 million

According to Clause 3.11 of the agreement signed between the Government of Khyber Pakhtunkhwa and Infrastructure Development Authority Punjab (IDAP), the Government of KP shall provide funds to IDAP in a timely manner to enable it to meet its obligations with consultants and contractors.

During Financial Attest Audit of Khyber Pakhtunkhwa Health System Strengthening Program for the financial year 2024-25, it was observed that a contract dated 30.07.2021 valuing Rs.11.080 billion was awarded to IDAP for design and civil works in 32 Non-Teaching District Headquarter Hospitals, against which payments amounting to Rs.1,072 million were made. Further scrutiny of record revealed that the agreement required release of an advance equal to 25% of the contract value; however, the required advance was not fully released, resulting in termination of the contract. Out of the amount paid, Rs. 208.910 million was retained by IDAP on account of IDAP fee, consultancy services, and advertisement charges without completion of the works.

The lapse occurred due to non-release of the contractual advance in violation of Clause 3.11 of the agreement, resulting in wasteful expenditure of Rs.208.910 million, delay in execution of civil works, and failure to achieve the intended program objectives.

When pointed out in November 2025, management stated that Rs. 208.910 million was withheld by IDAP on account of fees and consultancy services and that a detailed reply would be submitted after review of the record. However, no progress was intimated to Audit till finalization of this report.

The department was requested vide letter dated 19.12.2025 to convene a DAC meeting; however, the same was not held till finalization of this report.

In the light of External QCC meeting, the project management was requested vide letter dated 24.02.2026 to share the latest status of the action taken regarding recovery, settlement with IDAP and signing of contract with another executing agency. However, no progress was intimated to Audit till finalization of this report.

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

PDP No. 331 (2024-25)

Chapter – 6

ELEMENTARY & SECONDARY EDUCATION DEPARTMENT

6.1A Introduction

The Elementary and Secondary Education Department (E&SED) is the largest provincial department in Khyber Pakhtunkhwa and serves as the principal agency responsible for providing, managing, and improving free and compulsory education at primary and secondary levels across the province. It oversees a vast network of more than 27,514 government educational institutions, employing over 142,623 teachers and supporting the learning of approximately 4.381 million students. The department plays a central role in promoting equitable access to quality education, reducing gender and regional disparities, strengthening literacy, and building human capital essential for socio-economic development. As a key Provincial Government entity, it receives budgetary allocations through the Finance Department, with its accounts forming part of the consolidated financial statements of the Government of Khyber Pakhtunkhwa.

The department was formally separated from Higher Education in July 2001, when the erstwhile Education Department was reorganized into two independent entities: Elementary & Secondary Education and Higher Education, Archives and Libraries. With a workforce exceeding 187,733 employees, E&SED operates through a structured administrative setup headed by the Secretary, supported by divisional, district, and tehsil-level offices, as well as field formations including District Education Officers, Deputy District Education Officers, and school principals. This extensive organizational framework enables effective policy implementation, school supervision, teacher management, and service delivery across urban and remote areas of the province.

Pursuant to the Khyber Pakhtunkhwa Government Rules of Business, 1985 (as amended to date), the department is entrusted with a wide range of functions, including provision and management of primary and secondary education; regulation, registration, and supervision of private schools and training institutions; oversight of Boards of Intermediate and Secondary Education (BISEs), Khyber Pakhtunkhwa Textbook Board, public schools and colleges, cadet colleges, and the Elementary Education Foundation; award of scholarships and stipends to deserving students; administration of the Boy Scouts and Girl Guides Associations in the province; and development, implementation, and monitoring of school curriculum and syllabi. These responsibilities align closely with Sustainable Development Goal (SDG) 4 — "Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all" — by advancing access, equity, quality, and relevance of education, thereby contributing significantly to Pakistan’s 2030 Agenda commitments and the long-term human development priorities of Khyber Pakhtunkhwa.

6.1B Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriation of Education Department and expenditure by the department in financial year 2024-25 is given below:

Non-developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
46 - Elementary and Secondary Education	NC21	12,041,263,319	12,041,425,327	162,008
61 - Elementary and Secondary Education	NC21	2,304,417,114	2,304,397,218	-19,896
Total		14,345,680,433	14,345,822,545	142,112

Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
53- Primary	NC 12	5,539,326,242	5,542,010,503	2,684,261
53- Primary	NC 22	47,167,620	47,167,619	-1
53- Secondary Education	NC 22	195,504,160	195,504,160	-
53- Secondary Education	NC 12	1,229,796,179	1,229,980,212	184,033
53- Administration	NC22	441,241,988	441,166,988	-75,000
Total		7,453,036,189	7,455,829,482	2,793,293

Overall expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	14,345.68	14,345.82	0.14	0.00%
Development	7,453.04	7,455.83	2.79	0.04%
Total	**21,798.72**	21,801.65	2.94	0.01%

The Elementary and Secondary Education Department (E&SED) maintained strong budgetary control during FY 2024-25, with overall expenditure remaining closely aligned with approved provisions. Only negligible variances were observed across both non-development and development heads, reflecting sound financial discipline, effective resource planning, and appropriate oversight over routine operations and service delivery commitments. No material irregularities, inefficient utilization, or indications of wasteful expenditure were noted during the review.

The minor variation under development heads appears attributable to operational requirements such as accelerated execution of school infrastructure works, urgent repair needs, or cost adjustments managed through authorized re-appropriations. Overall, the

Department's prudent financial management supports timely delivery of education services and is consistent with SDG 4 (Quality Education), contributing to improved access, strengthened school facilities, and sustainable human capital development in Khyber Pakhtunkhwa.

6.1C Issues in Elementary & Secondary Education Department

The Elementary and Secondary Education Department (E&SED) of Khyber Pakhtunkhwa, including its attached autonomous bodies such as the Boards of Intermediate and Secondary Education (BISEs), continued to exhibit weaknesses in financial discipline, payroll controls, and compliance with government directives during the audited period. Key irregularities included unauthorized drawal and non-recovery of Executive Allowance from BISE Chairmen contrary to explicit departmental instructions, retention of bank profits earned on undisbursed government funds in designated accounts instead of crediting them to the provincial treasury as required by Finance Department policy, and irregular/unjustified payments of leave encashment to employees in violation of the Revised Leave Rules, 1980.

These lapses stemmed from inadequate internal controls, non-adherence to service and financial rules, poor oversight of autonomous body expenditures, and delayed or non-implementation of recovery directives. Collectively, they resulted in unauthorized expenditures, financial losses to the government exchequer, and erosion of fiscal accountability in the management of education sector resources.

6.2 Summary of Audit Observations

Audit observations amounting to Rs.62.921 million were raised in this report during the current audit of Elementary and Secondary Education Department. This amount also included recoveries of Rs.3.406 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

(Rs. in million)

S. No.	Classification	Amount
1	Reported cases of fraud, embezzlement and misappropriation	-
2	HR/Employees related irregularities	55.484
3	Procurement related irregularities	-
4	Value for money and service delivery	-
5	Others	7.437

6.3 Brief comments on the status of compliance with PAC directives:

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2007-08	Education	10	06	-	04
2.	2008-09	-do-	06	02	-	04
3.	2009-10	-do-	11	02	-	09
4.	2010-11	-do-	33	15	-	18
5.	2011-12	-do-	13	09	-	04
6.	2012-13	-do-	10	04	-	06
7.	2013-14	-do-	19	09	-	10
8.	2014-15	-do-	31	07	-	24
9.	2015-16	-do-	32	06	-	26
10.	2016-17	-do-	66	25	-	41
11.	2017-18	-do-	14	4	2	8
12.	2018-19	-do-	6	-	-	6
13.	2019-20	-do-	7	-	-	7

6.4 Audit Paras

6.4.1 Non-Recovery of Executive Allowance from Board Chairmen – Rs. 3.406 million

According to the Elementary & Secondary Education Department's letter No. SO(B&T) E&SE/10-1/All BISEs/KP/Vol-II dated 30.12.2023, *"Executive Allowance against the post of Chairman is not authorized under rules. Therefore, the amount of Executive Allowance, if drawn, must be recovered from the concerned officers"*.

During audit of the accounts of the Board of Intermediate and Secondary Education (BISE) Bannu for the financial year 2022-23, it was observed that two officers who served as Chairmen irregularly drew Executive Allowance amounting to Rs. 3.406 million, which remained unrecovered. Details are given below:

Name of Chairman	Period	Executive Allowance (Rs.)	Remarks
Mr. Sharif Gul	01.07.2021 to 08.11.2021	730,304	Drawn irregularly
Mr. Arshad Ali Khalil	22.06.2022 to 30.11.2023	2,676,480	Drawn irregularly
Total	—	**3,406,784**	—

Audit holds that the payment of Executive Allowance against the post of Chairman was unauthorized under the aforementioned departmental instructions. The management failed to implement the government's directive for recovery, reflecting weak internal controls and poor financial oversight.

This lapse resulted in unauthorized expenditure of Rs. 3.406 million and loss to the government exchequer.

In the DAC meeting held on 03.01.2025, it was decided that the matter may be taken up with Finance Department for clarification. However, no progress was intimated to Audit till finalization of this report.

In the light of the DAC decision, the Finance Department was requested vide letter dated 12.02.2026 to issue clarification regarding admissibility of the Executive Allowance to the Boards Chairmen at the earliest. However, no progress was intimated to Audit till finalization of this report.

Audit recommends recovery of the amount from the officers.

PDP No. 531 (2022-23)

6.4.2 Loss to the government due to non-deposit of profit into government treasury – Rs. 7.437 million

According to Para 3 (ix) of the Finance Department letter No. 2/3(F/L)/FD/2019/Vol-XIII dated 03.02.2020, profit earned on designated bank accounts must be deposited into the government treasury immediately, except where a statute or Act provides otherwise. Likewise, CTR-07 prescribes that all Government receipts be credited into the Treasury, and GFR 95 requires that unspent balances be surrendered to the Government. Furthermore, the Finance Department letter No. 2/3(F/L)/FD/2021-22/DDOs dated 30.12.2022 reiterates that profit accrued on undisbursed balances in designated PLS accounts shall be deposited into the Provincial Account-I.

During audit of the accounts of Board of Intermediate and Secondary Education (BISE) Bannu for the financial year 2022-23, it was observed that the Finance Department released Rs. 99.120 million vide letter No. BO(PFC-II)FD/1-5/2021-22/N/Salary dated 04.06.2022. These funds were placed in Designated Bank Account No. 3004198874 (Bank of Khyber – Scholarships) on 27.12.2022, after a delay of about seven months.

Further scrutiny of the bank statements showed that profit of Rs. 7.437 million was earned on these balances but was retained by the Board instead of being credited to the government treasury, as detailed below:

S. No.	Name of Bank	Account No.	Account Type	Profit Earned (Rs.)
1	Bank of Khyber	3004198874	School PLS A/c	2,642,274
2	Bank of Khyber	3004126911	College PLS A/c	4,794,833
Total				**7,437,107**

Retention of profit outside the Treasury violated Finance Department directives and reflected weak financial discipline. Moreover, the delayed deposit of the original release also requires justification and recovery of interest for the period of delay.

The lapse occurred due to poor financial oversight and non-compliance with codal provisions governing management of designated accounts which resulted in unauthorized retention of Rs. 7.437 million, causing loss to the Government exchequer.

In the DAC meeting held on 03.01.2025, it was decided that the profit earned shall be deposited into the government treasury in accordance with the Finance Department instructions. However, no progress was intimated to Audit till finalization of this report.

In the light of the DAC decision, the Board management was requested vide letter dated 12.02.2026 to provide the latest status of crediting of profit into the government treasury at the earliest. However, no progress was intimated to Audit till finalization of this report.

Audit recommends immediate deposit of Rs. 7.437 million along with interest into the Government Treasury and fixing of responsibility upon the officers/officials at fault.

PDP No. 533 (2022-23)

6.4.3 Unauthorized payment on account of leave encashment – Rs. 52.078 million

According to Rule 17 of the *Revised Leave Rules 1981*, if a civil servant cannot be granted leave preparatory to retirement, he will in lieu thereof be granted lump-sum pay for the leave refused to him, subject to a maximum of 365 days' leave on full pay. Read with *Finance Division S.R.O. No. 70(I)/2012 dated 24.05.2012*, encashment of LPR is admissible only to civil employees, including those of autonomous and semi-autonomous bodies that have adopted the Basic Pay Scales scheme in toto. Such encashment must be restricted to the leave actually available at credit, subject to the prescribed ceiling, and calculated on pay and allowances reckonable towards pension as reflected in the Last Pay Certificate (LPC).

During audit of the accounts of Board of Intermediate and Secondary Education (BISE) Mardan for the Financial Year 2023-24, it was observed that an amount of Rs.29.999 million was paid to the board employees as leave encashment. Further scrutiny of record revealed that the payment was approved in reference to the 124th meeting of the KP Board Chairman's Committee (KPBCC), whereby one month's basic pay was approved as leave encashment for BISE employees of the province with effect from 01.01.2012. The rates were later revised to 48 days of net pay, and subsequently converted to 42 days of gross pay in the 42nd BISE Mardan meeting held on 08.01.2021.

Similarly, an amount of Rs.22.079 million was paid to 46 number of serving board employees, along with retiring employees beyond 365 days limit, on account of leave encashment in violation of the rules *ibid*.

Audit is of the view that as the provincial revised leave rules were adopted by the boards on 15.01.1987 in *toto*, therefore, the practice of granting annual leave encashment to the serving employees on the basis of Boards' decision without any amendment to the rules *ibid* was unauthorized. Moreover, the Boards are governed by KP Board of Intermediate and Secondary Education Act 1990, which does not recognize any legal status of the KPBCC, and adoption of its decisions is not supported by the Act or rules. No enabling provision exists in the regulations framed and approved under the BISE Act.

The lapse occurred due to non-adherence to the prescribed financial and service rules and weak internal controls over payroll and leave record management.

This resulted in unjustified and excess expenditure of Rs. **52.078** million, causing financial loss to the Board.

When pointed out in June 2025, it was replied that the leave encashment was duly approved by the Board and paid to employees. However, Audit is of the opinion that the Board can neither decide against the adopted Leave Rules 1981 nor can it authorize financial benefits without statutory backing.

In the DAC meeting held on 03.01.2025, it was decided that the matter may be taken up with Finance Department for clarification. However, no progress was intimated to Audit till finalization of this report.

Audit recommends recovery of the amount from the concerned board employees at the earliest, discontinuation of the unauthorized practice of annual leave encashment to serving employees, and restriction of leave encashment to retirees only to the leave actually available at credit, subject to a maximum of 365 days and computed on pay and allowances reckonable towards pension.

PDP No. 550 (2023-24) & 535 (2022-23)

Chapter – 7

HIGHER EDUCATION DEPARTMENT

7.1A Introduction

The Higher Education, Archives and Libraries Department serves as the principal provincial agency in Khyber Pakhtunkhwa responsible for the promotion, regulation, and quality enhancement of higher education including degree colleges, universities, archives, and libraries. Established following the reorganization of the erstwhile Education Department in July 2001, it focuses on providing affordable, market-oriented, and skill-based higher education to foster a knowledge-based economy, increase enrollment (with female participation at 41% in degree colleges), upgrade infrastructure and facilities, strengthen faculty and managerial capacity, and ensure conducive learning environments. The department operates through key directorates—Directorate of Higher Education, Directorate of Archives & Libraries, and Directorate of Commerce and Management—and is supported by seven autonomous/semi-autonomous bodies. As a core Provincial Government entity, it receives budgetary allocations through the Finance Department, with its accounts consolidated within the Government of Khyber Pakhtunkhwa's financial statements.

The department maintains a structured administrative setup headed by the Secretary, supported by specialized directorates, regional offices, and oversight of public sector universities and affiliated colleges. It coordinates closely with federal authorities (e.g., Higher Education Commission), other provincial departments, autonomous bodies, and inter-provincial entities to facilitate policy alignment, reciprocal admissions, faculty development, scholarships, foreign training, and performance evaluations. Through these mechanisms, the department drives expansion of higher education institutions, establishment of new universities and sub-campuses, and continuous improvement in teaching standards and research capabilities across the province.

Pursuant to the Khyber Pakhtunkhwa Government Rules of Business, 1985 (as amended to date), the department is entrusted with a broad range of functions, including: college and university education; formulation of policies for higher education; improvement of quality and standards; regulation, registration, and supervision of private higher education institutions and universities; preparation of draft Acts/Ordinances; financial management, pension, GP fund, and promotion processing; development project appraisal and monitoring; coordination with federal and provincial entities; inter-provincial admissions on reciprocal basis; performance evaluation of officers; processing foreign visits, training, and scholarships; administration of autonomous bodies; oversight of public sector universities, including appointment of Vice Chancellors; initiative for new universities/sub-campuses; handling complaints against private universities; and financial grants/pension contributions for retired employees. These responsibilities align closely with Sustainable Development Goal (SDG) 4 ("Ensure inclusive and equitable quality education and promote lifelong

learning opportunities for all") by expanding access to tertiary education, enhancing skills development, promoting gender equity, and building a skilled workforce essential for sustainable economic growth and innovation in Khyber Pakhtunkhwa, in line with Pakistan's 2030 Agenda commitments.

7.1B Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriation of Higher Education Department and expenditure by the department in financial year 2024-25 is given below:

Non-developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
12 - Higher Education Achieves and Libraries	NC21	28,608,521,325	28,609,871,505	1,350,180
61- Higher Education, Archives and Libraries	NC21	2,157,808,895	2,157,808,895	0
Total		**30,766,330,220**	**30,767,680,400**	**1,350,180**

Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
53- General/University/ Colleges/ Institute	NC12	3,277,258,327	3,277,258,327	0
53- General/University/ Colleges/ Institute	N12	1,445,290,675	1,446,096,925	806,250
60-Archives, Libraries and Museums	NC12 & 22	42,171,996	42,171,996	0
Total		**4,764,720,998**	**4,765,527,248**	**806,250**

Overall expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	30,766.33	30,767.68	-0.177216	0.00%
Development	4,764.72	4,765.53	7.085334	0.15%
Total	**35,531.05**	**35,533.21**	**6.908118**	0.02%

The Higher Education Department, Government of Khyber Pakhtunkhwa, maintained strong budgetary control during FY 2024-25, with overall expenditure remaining closely aligned with the approved allocations. Only negligible variations were observed under both non-development and development heads, reflecting sound financial planning, effective expenditure monitoring, and timely utilization of resources. No material irregularities,

misclassification, or indications of inefficient spending were observed in the appropriation accounts.

Minor variations appear attributable to operational requirements such as faculty and staff related expenditures, strengthening of academic facilities, and essential repair and maintenance works managed through internal adjustments. Overall, the Department's prudent financial management supports its mandate of expanding access to higher education, improving institutional capacity, and enhancing learning and research environments. This performance contributes to SDG 4 (Quality Education) by supporting improved tertiary education infrastructure, strengthened service delivery, and sustainable human capital development in Khyber Pakhtunkhwa.

7.1C Issues in the Higher Education Department

The Higher Education Department of Khyber Pakhtunkhwa, including public sector universities and institutes, continued to show systemic weaknesses in financial controls, payroll management, procurement, contract oversight, and revenue recovery during the audited period. Major irregularities included unauthorized or excess payments of allowances and pay beyond notified packages, irregular annual increments without meeting service requirements, unauthorized escalation charges lacking PC-I provisions or violating PEC guidelines, non-recovery of utility charges from contractors, non-return of scholarship funds by absconding scholars, and wasteful expenditure on defective construction works involving poor execution, fictitious measurements, and payments for unexecuted quantities.

These lapses arose from inadequate verification of eligibility, weak supervisory oversight, non-compliance with HEC/PEC notifications and approved PC-I provisions, failure to enforce contractual obligations, and poor internal controls over payroll, project monitoring, and fund utilization. Collectively, they caused substantial unauthorized expenditures, financial losses to the exchequer and institutions, compromised infrastructure quality, and erosion of accountability in higher education resource management across the province.

7.2 Summary of Audit Observations

Audit observations amounting to Rs.485.258 million were raised in this report during the current audit of Higher Education Department. This amount also includes recoveries of Rs.169.180 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

(Rs. in million)

S. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	109.930
B	Procurement related irregularities	59.246
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	288.437
5	Others	27.645

7.3 Brief comments on the status of compliance with PAC directives:

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
14.	2007-08	Education	10	06	-	04
15.	2008-09	-do-	06	02	-	04
16.	2009-10	-do-	11	02	-	09
17.	2010-11	-do-	33	15	-	18
18.	2011-12	-do-	13	09	-	04
19.	2012-13	-do-	10	04	-	06
20.	2013-14	-do-	19	09	-	10
21.	2014-15	-do-	31	07	-	24
22.	2015-16	-do-	32	06	-	26
23.	2016-17	-do-	66	25	-	41
24.	2017-18	-do-	-	-	-	-
25.	2018-19	-do-	6	1	-	5
26.	2019-20	-do-	7	-	-	7

7.4 Audit Paras

7.4.1 Overpayment on Account of Pay of Rector – Rs. 15.659 million

According to Higher Education Commission (HEC) Notification No.F.P.2-103/HEC/2015-16/1071 dated 15.10.2015, the revised pay package for a Professor under the Tenure Track System (TTS) was fixed at Rs. 292,500 per month. Subsequently, the Higher Education Department KP, vide Notification No. SO(U-II)/HE/3-1/2022 dated 27.05.2022, revised the pay package for Vice Chancellors/Rectors as the maximum TTS Professor pay i.e. Rs. 684,450 per month, plus 20% Vice Chancellor Allowance, effective from 20.09.2021.

During audit of the accounts of Pak-Austria Fachhochschule Institute of Applied Sciences, Haripur, for the financial year 2022-23, it was observed that the Rector of the

University, appointed vide HED Notification No. SO(U-IV)/HE/3-4/07 Uni/2021 dated 17.03.2021, was paid Rs. 25.515 million during the year at the rate of Rs. 2,100,000–2,205,000 per month. Scrutiny showed that this exceeded the admissible package of Rs. 821,340 per month (Rs. 9.856 million annually), resulting in an overpayment of Rs. 15.659 million, as detailed below:

Period	Monthly Pay Due as per HED pay package (Rs.)	Monthly Pay Drawn (Rs.)	Pay Due for Period (Rs.)	Pay Drawn for Period (Rs.)	Overpayment (Rs.)
01.07.2022–31.03.2023	821,340	2,100,000	7,392,060	18,900,000	11,507,940
01.04.2023–30.06.2023	821,340	2,205,000	2,464,020	6,615,000	4,150,980
Total	–	–	**9,856,080**	**25,515,000**	**15,658,920**

The excess payments were made in violation of the notified pay package, reflecting weak internal controls and non-compliance with applicable rules, which caused a direct loss to the government.

In the DAC meeting held on 11.12.2024, it was decided that the matter may be placed before the PAC.

Audit recommends immediate recovery of Rs. 15.659 million overpaid to the Rector and fixing responsibility on the officials who authorized the irregular payments.

PDP No. 308 (2022-23)

7.4.2 Unauthorized payment on account of upgradation and annual increment – Rs. 183.181 million

According to Section 20(2)(c) of the Khyber Pakhtunkhwa Universities (Amendment) Act 2016, the Senate has the powers to determine the terms and conditions of all the employees of the University.

According to the Finance Division Islamabad Notification dated 22.06.2011, an officer who is on duty on 1st December of a calendar year and has completed six months' service in the same pay scale as on 30th November of that year shall be entitled to an annual increment on 1st December. Read with Finance Division Notification dated 22.10.2013, the employees who have been upgraded on or after 2nd June of a calendar year may opt for re-fixation of their pay on 1st December of that year under the provisions of Finance Division dated 14.04.1975.

During audit of the accounts of Abdul Wali Khan University Mardan for the financial year 2023-24, it was observed that 893 employees (BPS-1 to BPS-21) were upgraded in the light of the Syndicate meeting held on 23.06.2016 and HEC letter dated 16.06.2016 and an amount of Rs.88.910 million was paid to them on account of their pay and allowances in their upgraded posts. Further scrutiny of record revealed that after two weeks, HEC Islamabad

withdrew the letter and the Chancellor office vide letter dated 25.06.2016, directed the university to suspend the Syndicate's decision regarding up-gradation. However, the university management neither reverted the employees to their lower scales nor placed the case before the Senate for consideration.

Moreover, the pay of these upgraded employees were fixed in the higher scales at the next stage above their existing pay, along with one premature increment. In addition, they were also allowed annual increments amounting to Rs.94.271 million with effect from 01.12.2016 despite the fact that their up-gradation took effect from 28.06.2016 and they had not completed the mandatory six months of service in the upgraded pay scales as on 01.12.2016.

The lapse occurred due to financial mismanagement, non-observance of government instructions, and failure to verify eligibility before processing of increments which resulted into unauthorized expenditure of Rs.183.181 million.

In the exit meeting held on 03.11.2025, the management replied that the contention of Audit was correct. The Administrative Officers were degraded and that the admissible recovery will be made accordingly. However, neither documentary evidence in support of the management reply was provided to Audit nor was recovery made from the concerned employees till finalization of this report.

Audit recommends recovery of the payment made on account of unauthorized upgradation and annual increment from the concerned employees at the earliest**.**

PDP No. 439 & 440 (2023-24)

7.4.3 Unauthorized payment on account of Escalation charges – Rs. 55.023 million

According to Page 27 of the approved PC-I for Construction of 2 Nos Academic Blocks & 2 Nos Girls Hostels at Garden Campus AWKUM Mardan, an amount of Rs. 223.699 million was approved for escalation charges @6.5% for Year 2 and 13% for Year 3.

During audit of the accounts of Abdul Wali Khan University Mardan for the Financial Year 2023-24, it was observed that an amount of Rs. 55,023,727/- was paid to M/S Insaf Construction vide different EPCs on account of escalation charges under the project "Construction of 2 Nos Academic Blocks & 2 Nos Girls Hostels at Garden Campus AWKUM Mardan" as per detail below. However, further scrutiny of record revealed that there was no provision of escalation available in the approved PC-I at the first year of work. The work was awarded to the contractor vide work order dated 07-01-2023, hence the payment of escalation to the contractor in the first year was unauthorized.

It was further added that the escalation charges for the month of May 2023 was paid to the contractor three times, indicating a serious lapse on the part of management.

(Amount in Rs.)

Name of Work	EPC # date	Months	Amount
Construction of 2 Nos Academic Blocks & 2 Nos Girls Hostels at Garden Campus AWKUM Mardan	01/ 05-10-23	March, April, and May-2023	8,000,000
Construction of 2 Nos Academic Blocks & 2 Nos Girls Hostels at Garden Campus AWKUM Mardan	01/ 10-11-23	March, April, and May-2023	1,201,043
Construction of 2 Nos Academic Blocks & 2 Nos Girls Hostels at Garden Campus AWKUM Mardan	02/06-12-23	May, June, July, Aug, and Sep-2023	16,306,838
Construction of 2 Nos Academic Blocks & 2 Nos Girls Hostels at Garden Campus AWKUM Mardan	03/ 02-01-24	Oct, Nov-2023	12,875,919
Construction of 2 Nos Academic Blocks & 2 Nos Girls Hostels at Garden Campus AWKUM Mardan	05/24-04-24	Feburary-2023	16,639,927
Total			**55,023,727**

The lapse occurred due to non-compliance of approved PC-1 and weak internal control.

This resulted in overpayment to the contractor on account of escalation charges.

In the exit meeting held on 03.11.2025, the university management replied that recovery will be made from the contractor with intimation to audit. However, no recovery was reported to audit till finalization of this report.

Audit recommends fixing of responsibility against the person(s) at fault besides recovery of the amount.

PDP No. 411 (2023-24)

7.4.4 Non-recovery on account of outstanding utility charges from contractors – Rs. 8.114 million

According to Clause 15.7.5 of contract agreement, the contractor shall make his own arrangement, at his own expense for provision, operation and maintenance of electric supply and water supply at the site of works and his labour camps, staff residences and offices. The contractor shall pay all fees and charges (including bills) of whatsoever nature to the concerned departments in order to procure connections of the above facilities.

During audit of the accounts of Abdul Wali Khan University Mardan for the year 2023-24, it was observed that an amount of Rs. 8,114,018/- was outstanding against various contractors since long on account of electricity charges. However, the university management failed to recover the outstanding amount from the defaulters' contractors till the date of audit i.e. March-2025, which shows the non-seriousness of the management towards the collection of university dues.

S. #	Contractor Name	Outstanding utility charges (Rs.)
1	Insaf Construction	6,565,773
2	Insaf Labor Hostel	800,468
3	Mumtaz & Co	227,758
4	Shahman Tuck Shop	118,677
5	Afghan Hujra	401,342
Total		**8,114,018**

Non recovery of electricity charges on monthly basis is a willful negligence and laxity on the part of concerned section.

The lapse occurred due to violation of contract agreements and weak internal controls.

This resulted non-recovery of outstanding electricity charges from the contractors.

In the exit meeting held on 03.11.2025, the University management replied that the matter shall be investigated and the admissible recovery shall be made. The outcomes will be shared with audit. However, no recovery was reported to audit till finalization of this report.

Audit recommends immediate recovery of outstanding electricity charges bills besides disciplinary action against the staff responsible for non-recovery.

PDP No. 424 (2023-24)

7.4.5 Loss to Government due to Non-return of Scholarship Funds by Absconding PhD Scholars – Rs. 27.645 million

According to Clauses VI and X of the contract agreements executed between the University of Swabi and its PhD scholars, each scholar was required to serve the University for a minimum period of five years after completion of studies. In case of breach, the scholar was bound to refund the entire expenditure incurred on him, along with any penalty prescribed by the University, and such assessment was final and not subject to challenge.

During audit of the accounts of University of Swabi for the financial year 2023-24, it was observed that an expenditure of Rs. 27.645 million was incurred on foreign PhD scholarships awarded to the following scholars:

S. No.	Scholar Name	Start Date	Status	Amount (Rs.)
1	Mr. Fahad Shakeel	16.03.2016	PhD Completed	6,987,969
2	Mr. Fawad Taj	15.08.2016	PhD Completed	7,932,194
3	Mr. Aslam Khan	05.01.2018	PhD Completed	12,724,906
Total				**27,645,069**

Further scrutiny of record revealed that none of the three scholars returned to serve the University upon completion of their PhD programs. They continued to remain abroad till date of audit (March 2025). Despite explicit provisions in the signed agreements, the

University management failed to initiate recovery proceedings from the defaulters or their guarantors.

The lapse occurred due to weak administrative controls, poor monitoring of scholarship programs, and failure to enforce the terms of contract agreements, which enabled non-compliance by the scholars.

This resulted in a loss of Rs. 27.645 million, depriving the University of both its financial investment and the intended academic benefit.

When pointed out in January 2025, it was replied that recovery proceedings have been initiated, and in light of the Syndicate decisions, necessary actions including issuance of notices, computation of recoverable amounts with 25% penalty, and coordination with FIA, NADRA, and DG Immigration for blocking of CNICs and passports are in process. However, no progress was intimated to Audit till finalization of this report.

The department was requested vide letter dated 28.04.2025 to convene a DAC meeting; however, the same was not held till finalization of this report.

Audit recommends recovery of the entire amount along with penalty from the defaulters at the earliest besides taking action against the guarantors.

PDP No. 332 (2023-24)

7.4.6 Overpayment to contractor on account of escalation due to application of incorrect rates – Rs. 4.223 million

According to Part I – Procedure, Section B-3 of the Standard Procedure and Formula for Price Adjustment, Pakistan Engineering Council Guidelines (2009), *"the current date price of any element shall be the price prevalent 28 days prior to the start of the execution month to which a monthly statement relates."*

During audit of the accounts of University of Engineering and Applied Sciences Swat for the financial years 2021–24, it was observed that the contract for construction of cafeteria & service area, 800 sft flats, girls hostel, common facilities and library at Kabal Campus (Package-B) was awarded to M/S Zain-ul-Abideen & Sons at a contract cost of Rs. 483.664 million, 5% above the Engineer's estimate based on MRS-2020. Work Order No. PD/SUET/1741 dated 25.08.2021 was issued for the said package and a payments amounting to Rs. 342.843 million were made up to the 9th running bill on account of work done and escalation.

Scrutiny of escalation statements revealed that escalation was calculated by applying current rates of the execution month, instead of rates prevalent 28 days prior to the start of the

execution month. This resulted in overpayment of Rs. 4.223 million, as detailed below and further details in **Annexure-VI**;

Escalation Paid (Rs.)	Escalation Due (Rs.)	Overpayment (Rs.)
56,395,629	52,172,514	4,223,115

The lapse occurred due to non-compliance with contractual provisions by the supervisory consultant which resulted in financial loss of Rs. 4.223 million to the government.

In the DAC meeting held on 16.12.2025, the management replied that in compliance with audit observation, the contractor was intimated vide letter dated 27.02.2025 and recovery was accepted by the contractor and requested adjustment against security/retention money. However, no recovery was reported till finalization of this report.

Audit recommends recovery of Rs. 4.223 million from the contractor.

PDP No. 74 (2023-24)

7.4.7 Wasteful expenditure on account of defective works and works not carried out at site – Rs. 280.323 million

According to Paras 208 & 209-A of the CPWA Code, payments for works (other than daily labour) and supplies are required to be based strictly on measurements recorded in the Measurement Books maintained by the Executive Engineer or authorized subordinates.

During audit of the accounts of University of Engineering and Applied Sciences Swat for the Financial Years 2021–24, it was observed that two civil works contracts were awarded for construction works at Arkot and Barikot campuses, against which payments totaling Rs.280.323 million were made, as detailed below;

(Rs. in million)

Contract / Package	Campus	Contractor	Work Order No. & Date	Contract Cost	Payments Made
Academic Block (Package-B)	Arkot	M/S Fathat Ullah	PD/SUET/1726 dated 01.07.2021	279.040	146.518
Boys & Girls Hostels (Package-A)	Barikot	M/S Pakhtunkhwa Construction Co.	PD/SUET/1733 dated 05.08.2021	363.206	133.805
Total				**642.246**	**280.323**

A joint site inspection (by a team consisting of Audit and Project's Engineer) conducted on 15.10.2024, along with scrutiny of record, revealed the following issues;

- Honeycombing in RCC beams, columns, slabs, staircases, and other structural members, some concealed by plastering.
- Cracks at masonry–concrete junctions due to poor workmanship and inadequate bonding.

- Efflorescence and surface deterioration caused by improper drainage and non-installation of rainwater downpipes.
- Brick masonry executed without proper soaking, compromising structural strength and durability.
- Excessive masonry gaps measured and paid without rectification.

Moreover, out of the total payment, Rs.70.368 million were paid during 2022–23 for second floor slab works of the Academic Block at Arkot Campus and first floor slab works of the Academic and Auditorium blocks at Barikot Campus; however, these works were not found executed during the site inspection of 15.10.2024. Both contractors subsequently abandoned the works before completion, leaving substantial portions unfinished. Moreover, there was no evidence of proper handing-over or taking-over at the time of termination of the earlier consultancy, prior to engagement of M/S NESPAK, which further weakened project oversight and continuity.

The lapse occurred due to ineffective supervision by the consultancy and project management, resulting in defective construction, certification and payment of unexecuted quantities, and consequent wasteful expenditure of public funds amounting to Rs. 280.323 million.

In the DAC meeting held on 17.12.2025, it was replied that the contractors had been intimated vide letters dated 26.02.2025. The DAC directed that a formal inquiry be conducted to quantify defective and unexecuted works, fix responsibility, and submit a comprehensive report with recommendations regarding recovery, rectification, penalties, and other necessary actions. However, no progress was reported up to the finalization of this report.

Audit recommends strict implementation of the DAC decision, completion of the inquiry at the earliest, fixation of responsibility, recovery of amounts paid for unexecuted works, rectification of defects at the cost of contractors, and imposition of penalties as per rules.

PDP No. 79 & 85 (2023-24)

Chapter –8

ENERGY & POWER DEPARTMENT

8.1A Introduction

The Energy and Power Department (E&PD) serves as the principal provincial agency in Khyber Pakhtunkhwa responsible for policy formulation, planning, regulation, and promotion of energy generation and supply from indigenous resources. The department focuses on harnessing the province's abundant hydropower potential, oil and gas (hydrocarbons), and renewable energy sources (solar, wind, etc.) to bridge energy shortfalls, provide affordable and reliable electricity to households, industries, and agriculture, and drive sustainable economic growth. By advising the provincial government on all forms of energy development, coordinating with federal entities, and overseeing key institutions and utilities, E&PD plays a pivotal role in ensuring energy security, reducing dependence on external sources, and supporting industrial and agricultural productivity across the province. As a core Provincial Government entity, it receives budgetary allocations through the Finance Department, with its accounts consolidated within the Government of Khyber Pakhtunkhwa's financial statements.

The department was established to capitalize on Khyber Pakhtunkhwa's rich natural endowments in hydropower and hydrocarbons, building on the legacy of earlier initiatives such as the Sarhad Hydel Development Organization (now PEDO – Pakhtunkhwa Energy Development Organization). It operates under the administrative leadership of the Secretary, supported by technical wings, project management units, and liaison offices. The department maintains close coordination with federal bodies (e.g., NEPRA, OGRA, Ministry of Energy), public utilities (PESCO, PEDO), and private-sector players in exploration, generation, and distribution to align provincial priorities with national energy frameworks.

Pursuant to the Khyber Pakhtunkhwa Government Rules of Business, 1985 (as amended to date), the department is entrusted with a comprehensive set of functions, including: policy formulation and implementation under relevant constitutional articles (154, 157, 158, 161); grant/revocation of licenses under the Electricity Act, 1910; levy and collection of electricity duty; monitoring and regulation of PESCO tariffs; administration of the Sarhad Hydel Development Organization Act, 1983; oversight of hydel power stations in the province; advising on thermal, solar, wind, coal, nuclear, and other energy sources; coordination with the Federal Government on oil and gas exploration licenses and related ventures; matters concerning gas extension by SNGPL, tariffs, royalties, surcharges, and petroleum products; planning, designing, and erection of power generation units; representation on boards of PESCO and other DISCOs; formulation and review of the Provincial Power Policy; and investigation of electrocution accidents. These responsibilities align closely with Sustainable Development Goal (SDG) 7 ("Ensure access to affordable, reliable, sustainable and modern energy for all") by promoting clean, indigenous, and

renewable energy development, enhancing energy access and security, and supporting economic resilience and environmental sustainability in Khyber Pakhtunkhwa, in line with Pakistan's 2030 Agenda commitments.

8.1B Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in Financial Year 2024-25 is given below:

Non-Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
44-Energy and Power	NC21	288,287,014	288,287,014	-
Total		288,287,014	288,287,014	-

Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
Nil	NC12/22	0	0	0
Total		**0**	**0**	**0**

Overall expenditure against final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	288.29	288.29	0	0
Development	0	0	0	0
Total	**288.29**	**288.29**	**0**	**0**

The Energy and Power Department (E&PD), Government of Khyber Pakhtunkhwa, maintained effective budgetary control during FY 2024-25, with actual expenditure remaining fully aligned with the approved non-development allocation. No development allocation was reflected during the year, and expenditure was confined to routine operational heads. The alignment indicates sound financial planning and disciplined utilization of resources, with no material variance observed in the appropriation accounts.

The Department's expenditure largely supported its core administrative, regulatory, and policy functions, including coordination with relevant energy sector entities and initiatives aimed at promoting sustainable energy development within the province. Overall, the Department's prudent financial management reflects effective stewardship of public funds and is consistent with the objectives of SDG 7 (Affordable and Clean Energy), contributing

toward improved energy governance, enhanced sector oversight, and sustainable long-term planning in Khyber Pakhtunkhwa.

8.1C Issues in Energy and Power Department

The Energy and Power Department KP exhibited weaknesses in contract enforcement and financial compliance during the audited period. Audit observed unauthorized payments to contractors in violation of explicit agreement clauses, including payment of rent for off-site office accommodation despite availability of site facilities. Such deviations reflect inadequate scrutiny of contractual terms and weak oversight over operational arrangements.

Further irregularities arose from non-observance of Finance Department instructions regarding reduction of rates in tax-exempt areas, resulting in overpayments due to non-deduction of prescribed defray charges. The failure to enforce recovery decisions taken in DAC meetings underscores gaps in internal controls and accountability. Collectively, these issues point to weak financial discipline and insufficient contract management within provincial energy projects.

8.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.19.899 million were raised in this report during the current audit of the Energy and Power Department which included an amount of Rs.3.000 million as recovery. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

(Rs. in million)

S. No.	Classification	Amount
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	16.899
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	3.000
5	Others	-

8.3 Brief comments on the status of compliance with PAC directives:

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2009-10	Energy & Power	05	04	-	01
2.	2010-11	-do-	02	-	-	02
3.	2011-12	-do-	09	06	-	03
4.	2012-13	-do-	01	01	-	-
5.	2013-14	-do-	01	01	-	-
6.	2014-15	-do-	13	05	-	08
7.	2015-16	-do-	-	-	-	-
8.	2016-17	-do-	20	6	5	9
9.	2017-18	-do-	-	-	-	-
10.	2018-19	-do-	08	04	02	02

8.4 Audit Paras

8.4.1 Unauthorized payment on account of rent of office - Rs. 3.000 million

According to Clause 5.6 of the contract agreement executed with AFI NORINCO JV, during the term of contract, the client shall provide at the site to the contractor, the office and residential accommodation and workshop building/area as deemed necessary and requested by the contractor, to allow the contractor to perform the services hereunder at the relevant time as requested and shown by the contractor on their timetable.

During audit of the accounts of Pakhtunkhwa Energy Development Organization (PEDO) - Malakand-III HPP for the financial year 2017-18, it was observed that payment of Rs. 3,000,000/- was made to the O&M contractor i.e. M/S AFI NORINCO JV for the rent of office building situated in Islamabad in violation of the agreement clause *ibid*.

Moreover, PEDO has already provided sufficient building at site – both for office and residential purposes – hence payment on this account was unauthorized.

The lapse occurred due to violation of contract agreement which resulted into unauthorized payment to the contractor.

In the DAC meeting held on 09-01-2025, it was decided that recovery of rent amount may be made from the O&M contractor. However, no progress was intimated to Audit till finalization of this report.

Audit recommends recovery of the unauthorized payment from the contractor besides conducting inquiry into the matter for fixing of responsibility against the persons at fault.

PDP No. 614 (2017-18)

8.4.2 Loss to the government due to non-deduction of defray charges – Rs. 16.899 million

According to the Finance Department KP letter No. SO(Dev-II) FD/12-6/14-5 dated 21.04.2015, all Provincial Works Departments, while preparing cost estimates of development projects located in tax-exempted areas, shall frame estimates on the Market Rate System with a reduction of 7% (*7.5% applicable*) to defray the amount included in the rate analysis on account of withholding tax for works, construction, and supply items.

During Financial Attest Audit of the accounts of Khyber Pakhtunkhwa Hydropower and Renewable Energy Development Program for the FY 2023-24, it was observed that the contract for "Construction of Employer's Colony Package-3" was awarded to M/S Ismail Construction Company at the cost of Rs.1852.779 million vide Chief Engineer letter No. 3753-55/PMO/KHRE/Pack-3 dated 25.11.2022. Accordingly, payments of Rs.225.33 million were made to the contractor up to IPC-III.

Further scrutiny of record revealed that neither the approved estimate was reduced by 7.5% nor an amount of Rs.16.899 million (Rs.225.33 million x 7.5%) was deducted from the contractor's payments on account of defray charges in violation of the Finance Department instructions.

The lapse occurred due to non-observance of government rules, resulting in overpayment of Rs.16.899 million to the contractor.

When pointed out in October 2024, management stated that the tax was not deducted as the contractor was tax-exempt under government policy and the relevant documents were verified by the finance section. However, Audit is of the opinion that in case of exemption from income tax, the rates should have been reduced to defray the embedded tax.

In the DAC meeting held on 04.02.2025, it was decided that recovery of the defray amount may be made from the contractor. However, no progress was intimated to audit up to finalization of this report.

Audit recommends recovery of the amount from the contractor.

PDP No. 222 (2023-24)

Chapter - 9

MINERAL DEVELOPMENT DEPARTMENT

9.1A Introduction

The Mineral Development Department of Khyber Pakhtunkhwa serves as the principal provincial agency responsible for the exploration, development, regulation, and sustainable management of the province's rich mineral resources. Committed to socio-economic uplift, the department pursues reforms in legal frameworks and policies to align with international standards, enhances institutional capacity and human resource development, promotes transparency, and facilitates ease of doing business for investors. By enabling fair participation of local communities in mineral wealth benefits, it aims to mainstream the mineral sector, generate employment, increase provincial revenues through royalties, and contribute to improved livelihoods and economic growth across the province. As a core Provincial Government entity, it receives budgetary allocations through the Finance Department, with its accounts consolidated within the Government of Khyber Pakhtunkhwa's financial statements.

The department operates under the administrative leadership of the Secretary, supported by the Directorate General Mines & Minerals, regional offices, mining inspectors, and technical wings for geological surveys, licensing, and enforcement. It maintains close coordination with the Mineral Investment Facilitation Authority (MIFA), federal agencies (e.g., Geological Survey of Pakistan), private investors, and local stakeholders to negotiate mineral agreements, grant licenses/leases, monitor operations, ensure worker safety, and promote responsible mining practices throughout the mineral-rich districts of the province.

Pursuant to the Khyber Pakhtunkhwa Government Rules of Business, 1985 (as amended to date), the department is entrusted with key functions, including development of mineral resources; grant of prospecting licenses, exploration licenses, and mining leases; regulation and monitoring of mining operations with royalty collection; negotiation of mineral agreements via MIFA; facilitating access to lands for exploration; maintenance and public disclosure of mineral title records; geological surveys and resource mapping; enforcement of mine safety, worker welfare, and compliance regulations; and other matters related to sustainable mineral management. These responsibilities align closely with Sustainable Development Goal (SDG) 9 ("Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation") and SDG 8 ("Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all") by fostering responsible mining, attracting investment, creating jobs, and ensuring equitable benefits from natural resources, thereby advancing Pakistan's 2030 Agenda commitments and the long-term mineral sector priorities of Khyber Pakhtunkhwa.

9.1B Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The summarized position of actual expenditure during the FY 2024-25 against the total grants / appropriation is tabulated as below:

Non-Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
26-Mineral Development	NC21	2,029,077,000	2,032,704,379	3,627,379
61-Mineral Development	NC21	170,340,934	170,340,934	-
Total		**2,199,417,934**	**2,203,045,313**	**3,627,379**

Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50-Mines and Minerals	NC22	191,440,370	191,440,370	-
50-Mines and Minerals	NC12	-	-	-
Total		**191,440,370**	**191,440,370**	-

Overview of expenditure against final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	2,199.42	2,203.05	3.63	0.16%
Development	191.44	191.44	-	0.00%
Total	**2,390.86**	2,394.49	3.63	0.15%

The Mineral Development Department of Khyber Pakhtunkhwa maintained strong budgetary control during FY 2024-25, with overall expenditure remaining closely aligned with the approved allocations. Only negligible variations were observed, confined to non-development heads, reflecting sound financial planning, accurate forecasting, and effective expenditure monitoring. No material irregularities, misclassification, or indications of inefficient or wasteful expenditure were observed in the appropriation accounts.

The minor variation appears attributable to routine operational requirements such as personnel-related costs, regulatory oversight, field inspections, and enforcement activities associated with mining operations, managed within established financial controls. Development expenditure remained fully aligned with approved provisions, indicating disciplined execution of capital and sector development initiatives. Overall, the Department's prudent financial management supports its mandate of regulating and promoting sustainable mineral exploration and development, ensuring compliance with safety and environmental

standards, strengthening royalty and revenue administration, and facilitating responsible private sector participation. This performance aligns with SDG 9 (Industry, Innovation and Infrastructure) by supporting sustainable industrialization and resource-based development, and SDG 8 (Decent Work and Economic Growth) through employment generation, investment facilitation, and economic growth in mineral-rich areas of Khyber Pakhtunkhwa.

9.1C Issues in Mineral Development Department

The Mineral Development Department of Khyber Pakhtunkhwa continued to exhibit persistent deficiencies in revenue recovery, enforcement of statutory provisions, and financial controls during the audited period. Key irregularities included non-recovery or delayed recovery of outstanding government dues such as royalty auction installments, withholding income tax, excise duty, and other levies from contractors and lease-holders; less realization of royalty due to award of contracts below the approved reserve price; non-enforcement of annual rent at notified rates under joint ventures and mining leases; and failure to recover recalculated dues as directed by the Mines and Minerals Tribunal, in violation of Sections 68, 77, and related provisions of the Khyber Pakhtunkhwa Mines and Minerals Act, 2017.

These lapses stemmed from weak internal controls, inadequate follow-up mechanisms, non-compliance with auction committee decisions and statutory timelines, and absence of timely enforcement actions such as penalties, forfeiture, or legal proceedings against defaulters. Collectively, they resulted in substantial revenue shortfalls, financial losses to the government exchequer, and erosion of fiscal accountability in the management of mineral royalties, rents, and lease-related receipts across the province.

9.2 Summary of Audit Observations

Audit observations amounting to Rs. 114.390 million were raised in this report during the current audit of Mines and Minerals Development Department which comprises recoveries of Rs. 114.390 million the same amount as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

(Rs. in million)

S. No.	Classification	Amount
1	Non-production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	114.390
5	Others	-

9.3 Brief comments on the status of compliance with PAC directives:

S.No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
01	2014-15	Mines & Minerals	Nil	-	-	-
02	2015-16	-do-	Nil	-	-	-
03	2016-17	-do-	15	3	-	12
04	2017-18	-do-	-	-	-	-
05	2018-19	-do-	01	-	-	01

9.4 Audit Paras

9.4.1 Non-recovery of outstanding government dues – Rs. 44.182 million

According to Rule 6 (9 & 10) of the KP Minerals Auction Rules 2022, the lessee shall deposit the installments of auction money as per payment schedule, failing which the mining lease shall be processed for cancellation subject to 30 days prior notice. The lessee shall pay usual annual rents, royalty, excise duty, other government dues and taxes as determined from time to time. Read with 68 & 77 of the Khyber Pakhtunkhwa Mines and Minerals Act 2017, royalty in respect of any mineral or group of minerals won, mined or disposed of shall be payable not later than fourteen days after the end of the calendar month in which the mineral is disposed of. Where any person fails to pay royalty, a fine at the rate of one percent per month on the outstanding amount shall be payable until full recovery. Upon surrender, expiry or determination of a mineral title, the licensee or the lessee, as the case may be, shall be responsible for payment of all outstanding dues and other charges which, in the event of non-payment, shall be recoverable as arrears of land revenue.

During audit of the accounts of Directorate General Mines & Minerals Khyber Pakhtunkhwa for the financial year 2023-24, it was observed that the royalty collection contract for Peshawar Division was awarded to M/S Abdul Nabi. However, the department failed to recover the outstanding government dues amounting to Rs.18.988 million from the contractor till the date of audit i.e. August 2024.

Moreover, M/S Israr-Ul-Haq was awarded the contract for royalty collection for Malakand Division. However, the contractor failed to deposit the installments and other dues amounting to Rs.15.037 million till date of audit i.e. August 2024.

Furthermore, a one-year mining lease for minor minerals in District Peshawar was awarded to Abdul Nabi, which expired on 20.05.2023. However, the Tribunal vide Judgment dated 21.05.2023 allowed the applicant to continue his work for another period up to

20.05.2024 subject to the condition that he will deposit the outstanding amount of Rs.10.157 million immediately but the department failed to recover the outstanding amount from the lease-holder till date of audit i.e. August 2024.

The lapse occurred due to weak internal controls and non-enforcement of statutory provisions of the Mines and Minerals Act which resulted in non-recovery of government dues amounting to **Rs. 44.182 million**.

In the DAC meeting held on 21 & 22-01-2025, it was decided that recovery may be made from the contractors. However, no progress was intimated to Audit till finalization of this report.

Audit recommends immediate recovery of outstanding dues, along with initiation of disciplinary action against the responsible officials.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2024-25 vide DP No. 18.4.5 having financial impact of Rs. 304.370 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 25 & 26 (2023-24)

9.4.2 Loss to the government on account of lease of minor minerals and annual rent – Rs. 12.231 million

According to Section 80 (13) of the Khyber Pakhtunkhwa Mines and Minerals Act, 2017, the allotment letter shall specify the schedule for payment of installments by the lessee. Read with Mineral Development Department Notification dated 03.08.2023, annual rent for gemstone mining leases is Rs.11,000/- per acre per annum.

During audit of the accounts of Directorate General Mines & Minerals, Khyber Pakhtunkhwa, Peshawar for FY 2023-24, it was observed that an Emerald mining lease over 193.5074 acres was awarded to M/S Fazal Karim & Co. for Rs.102.400 million for 10 years vide allotment letter dated 06.12.2010. Upon expiry of the lease, the lessee failed to clear the government dues and filed an appeal before the Tribunal, which vide decision dated 16.02.2024, directed recalculation of dues in the presence of the lessee, resulting in determination of Rs.8.054 million, communicated to the lessee on 08.05.2024. However, the amount remained unrecovered till the date of audit i.e. August 2024.

Moreover, the Department entered into a Joint Venture with M/S Muhammad Riyyan and Brothers Gems and Minerals over 197.85 acres for Jade Mining for a period of 30 years vide letter dated 03.11.2022. However, further scrutiny of record revealed that the joint venture deposited annual rent at the rate of Rs.200 and 300 per acre per annum instead of the approved rate of Rs.11,000/- per acre per annum, which resulted in less realization of annul rent amounting to Rs.4,177,145/-, as detailed below;

Descriptions	Period	Amount Due (Rs.)
Annual Rent	w.e.f 28.10.2022 to 27.10.2023	1,978,977
Annual Rent	w.e.f 28.10.2023 to 27.10.2024	2,117,046
KPRA Tax		81,122
Total		**4,177,145**

The lapse occurred due to weak internal controls and non-enforcement of statutory provisions which resulted into loss of **Rs. 12.231 million** to the government.

In the DAC meeting held on 21 & 22.01.2025, it was decided that recovery may be made from the lease-holder and joint venture. However, no progress was intimated to Audit till finalization of this report.

Audit recommends recovery of the outstanding dues besides fixing of responsibility against the persons at fault.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2024-25 vide DP No. 18.4.11 having financial impact of Rs. 121.810 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 51 & 52 (2023-24)

Chapter – 10

COMMUNICATION & WORKS DEPARTMENT

10.1A Introduction

The Communication and Works Department (C&W Department) serves as the principal provincial agency in Khyber Pakhtunkhwa responsible for the planning, construction, maintenance, and development of essential infrastructure. This includes an extensive network of roads, bridges, government buildings (residential and non-residential), and associated facilities such as water supply and sanitary works. By enhancing connectivity, accessibility, and functionality of public assets, the department plays a pivotal role in driving economic growth, facilitating trade and mobility, and improving public service delivery across urban and rural areas of the province. As a key Provincial Government entity, it receives budgetary allocations through the Finance Department, with its accounts consolidated within the Government of Khyber Pakhtunkhwa's financial statements.

Established in 1903 as the Public Works Department, the entity has undergone several restructurings: bifurcation in 1955 into the Building & Roads (B&R) Department and Irrigation Department; creation of the Public Health Engineering (PHE) wing in 1970; renaming to Communication & Works in 1979; merger with PHE in 2001 to form the Works & Services Department; and restoration as the independent Communication & Works Department in 2009. The Secretary's office acts as the central administrative headquarters, supported by district-level subordinate offices managed by designated Drawing and Disbursing Officers (DDOs), who directly handle and administer provincial funds.

Pursuant to the Khyber Pakhtunkhwa Government Rules of Business, 1985 (as amended), the department is entrusted with a broad range of functions, including construction, maintenance, repairs, and electrification of government buildings; development and upkeep of roads, bridges, ferries, tunnels, and related infrastructure; management of Road Funds and imposition of tolls (excluding local government levies); setting standards and specifications for roads and bridges; planning and design of provincially or federally financed works; road research and material testing; execution of deposit works; preparation of architectural plans for provincial buildings; rent evaluation/fixation, leasing, and disposal of government properties; and oversight of the Provincial Building Maintenance Cell (PBMC). These responsibilities align closely with SDG 9 ("Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation") and SDG 11 ("Make cities and human settlements inclusive, safe, resilient and sustainable"), advancing Pakistan's 2030 Agenda commitments through sustainable, equitable, and resilient infrastructure development in Khyber Pakhtunkhwa.

10.1B Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants allocated to the Communication and Works Department and expenditure by the department during the Financial Year 2024-25 is tabulated below;

Non-Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
14-Communication and Works	NC24	5,136,343,959	5,147,032,066	10,688,107
15-Roads, Highways, Bridges Buildings and Structures (Repair)	NC21 & 24	6,309,576,037	6,313,887,405	4,311,368
61- Communication and Works	NC21	1,719,850,995	1,719,850,995	-
61- Roads, Highways and Bridges	NC21	327,571,228	327,571,228	-
61- Building and Structure	NC21	317,156,907	327,565,315	10,408,408
Total		**13,810,499,126**	**13,835,907,009**	**25,407,883**

Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
56- Construction of Roads Highways and Bridges	NC12 & 22	22,973,141,937	22,996,291,652	23,149,715
60- Highways, Roads & Bridges	NC12	3,283,710,358	3,333,710,357	49,999,999
Total		**26,256,852,295**	**26,330,002,009**	**73,149,714**

Overall expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	13,810.50	13,835.91	25.41	0.18%
Development	26,256.85	26,330.00	73.15	0.28%
Total	**40,067.35**	40,165.91	98.56	0.25%

The Communication and Works Department (C&W) demonstrated effective budgetary control during FY 2024-25. Overall spending remained broadly in line with approved provisions, with only minor variances observed across both non-development and development heads. These variations appear to reflect operational necessities such as routine maintenance requirements and timely adjustments to meet essential service delivery demands, indicating appropriate financial oversight and sound planning.

Development-related expenditures also showed manageable deviations, likely arising from accelerated implementation, additional works, or cost variations addressed through approved re-appropriations. No material irregularities, inefficient utilization, or indicators of wasteful expenditure were noted. Overall, the Department's prudent financial management

supports its mandate of infrastructure improvement and aligns with SDG 9 (Industry, Innovation and Infrastructure) and SDG 11 (Sustainable Cities and Communities), contributing to sustainable provincial development and improved public service delivery.

10.1C Issues in Communication & Works Department

The Communication & Works Department KP exhibited weaknesses in procurement integrity, contract administration, and financial governance during the audited period. Audit observations revealed non-transparent award of contracts in violation of KPPRA requirements, including inadequate response time, disregard of directions for re-advertisement, and non-obtaining of mandatory performance securities. In several cases, mobilization advances were not recovered in accordance with codal provisions, and contracts abandoned by defaulting contractors were not executed at their risk-and-cost, resulting in avoidable financial loss. Instances of fraudulent withdrawal of funds without supporting documentation further indicate breakdown of basic treasury and internal control safeguards.

Significant irregularities were also observed in price escalation and rate application. Escalation was allowed despite absence of provision in PC-I, technical sanction, or contract agreement; inadmissible coefficients were applied; non-utilized items were included in escalation formulae; and rebates were not factored into revised estimates. Overpayments further arose from non-deduction of defray charges in tax-exempt areas, payment of non-BOQ items at higher than contracted MRS rates, and failure to adjust rates where excavated material was reused. Additionally, long-outstanding balances were retained in deposit accounts instead of being credited to the government treasury. The recurrence of similar irregularities reported in previous audit cycles reflects systemic control failures, weak supervisory oversight, and ineffective enforcement of codal, PEC, and procurement rules, thereby undermining financial discipline and accountability in infrastructure development.

10.2 Summary of Audit Observations

Audit observations amounting to Rs.2273.535 million were raised in this report during the current audit of Communication & Works Department. This amount also includes recoveries of Rs.1035.830 million pointed out by the audit. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

(Rs. in million)

S. No.	Classification	Amount
1	Non production of record	-
2	Reported cases of fraud, embezzlement and Misappropriation	4.393
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	2228.373

C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	40.760

10.3 Brief comments on the status of compliance with PAC directives

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1	2011-12	C&W	07	06	-	01
2	2012-13	-do-	10	05	-	05
3	2013-14	-do-	30	09	-	21
4	2014-15	-do-	26	20	-	06
5	2015-16	-do-	27	11	-	16
6	2016-17	-do-	17	09	-	08
7	2017-18	-do-	18	11	-	07
8	2018-19	-do-	12	5	1	06

10.4 Audit Paras

10.4.1 Non-transparent awarding of contract and non-obtaining of performance security – Rs. 783.075 million

According to Chapter V of the *Khyber Pakhtunkhwa Public Procurement Regulatory Authority (KPPRA) Rules, 2014*, any breach of procurement rules constitutes mis-procurement, and the responsible person shall be liable under the relevant law. Under Rule 34 of KPPRA Rules, 2014, the procuring entity may decide the response time for receipt of bids, keeping in view the contract's complexity and urgency; however, in no case shall the response time be less than fifteen (15) days for national and thirty (30) days for international competitive bidding.

During audit of the accounts of Executive Engineer C&W Highway Division Bannu for the financial year 2023-24, it was observed that the scheme "Construction of Road from Shagi Bridge to Mira Khel" having estimated cost of Rs.783.075 million was advertised on single stage two envelope basis on 23.11.2022. Further scrutiny of record revealed that out of 25 participating contractors, 24 were disqualified or marked as "N/A", and the work was awarded to M/S Taj Ali Khan Construction Company @ 8% above, later revised as 4.90% above the estimated cost vide Work Order dated 05.06.2023.

Audit further observed that;

- The Chief Engineer (South-II), vide letter No. 1220/H-Way-Bannu dated 12.05.2023, directed re-advertisement for ensuring competition; however, the work was awarded

to the selected contractor after bid expiry, without evident approval of the Chief Engineer (South-II).

- The minimum response time under KPPRA was also not observed, as the BOQ was uploaded on 21.11.2022 with an expiry date of 23.11.2022, providing only two days for bid submission. Technical bids were opened on 09.05.2023 after expiry of bid validity on 23.02.2023.
- Performance security amounting to Rs.78.30 million was also not obtained from the contractor.

The lapse occurred due to weak financial controls, poor contract management, and disregard of KPPRA procedures which resulted in non-transparent award of contract and non-obtaining of performance security.

In the exit meeting, it was replied that since introduction of E-Bidding, the role of ring has been minimized. Upon advertising on E-Bidding, 25 contractors applied but only one contractor namely M/S Taj Ali Khan offered his bid. The other contractors neither participated in the process nor quoted their rates. The department could not force the contractors to offer rates as the department has no access to the system. Audit observation regarding fake approval of Chief Engineer (South-II) C&W D.I. Khan is based on presumption and the process of awarding contract was transparent and according to the KPPRA rules.

The reply of the department was against the documentary evidence as the Chief Engineer (South-II) directed for re-advertisement of the scheme for healthy competition through the letter *ibid*. However, in violation of the instructions, the contract was not re-advertised and awarded after expiry of the bid validity period. Furthermore, out of 25 contractors, 24 were marked N/A without any action against the contractors who did not submit their bids despite the fact that rates were offered on E-bidding system. Performance security as required was not obtained from the contractor.

The department was requested vide letter dated 10.02.2025 followed by 6th reminder letter dated 30.09.2025, for holding a DAC meeting. However, the same was not convened till finalization of this report.

Audit recommends a detailed inquiry regarding manipulation of the tender process and fixing responsibility on the person(s) at fault.

PDP No. 826 (2023-24)

10.4.2 Loss to the government due to non-recovery of mobilization advance and risk-&-cost from defaulter contractor – Rs. 337.364 million

According to Para 228 of the *Central Public Works Accounts (CPWA) Code*, read with Finance Department letter No.SO(Dev-II)12-15/2003-04/FD dated 28.06.2004, mobilization advance shall not be granted as a matter of right and shall be allowed only when necessary in the public interest. Recovery, along with markup, shall be effected in five equal installments from the first five running bills or from the final bill if fewer than five are paid. Further, under Clause 60.11 of the *Standard Bidding Document for Procurement of Works (Large Contracts)*, mobilization cost shall not exceed 10% of the tender price and is payable in stages against performance security, insurance, or progress milestones.

According to Clause 12.1 of the Standard Form of Bidding Documents for Procurement of Civil Works, if a contractor abandons the work, fails to comply with valid instructions of the Procuring Entity, or does not proceed expeditiously, the Procuring Entity may issue a notice of default. If the default is not remedied within 14 days, the contract may be terminated by a second notice within a further 21 days, and the contractor shall demobilize from the Site leaving behind the Contractor's Equipment to be used for the **completion of the Works at the risk and cost of the Contractor**.

During audit of the accounts of Executive Engineer Mega Division South-I Kohat for the financial year 2023-24, it was observed that the work "Reconstruction of Women & Children Liaqat Memorial Teaching Hospital Kohat" was awarded to M/S GHC International vide Work Order dated 03.04.2018. Further scrutiny of record revealed that an amount of Rs.50.000 million was paid to the contractor as mobilization advance vide 1st and 2nd Running Bills dated 31.05.2019 and 10.06.2019 against. However, recovery of mobilization advance amounting to Rs.12.859 million was made from the contractor instead of effecting recovery in the required five equal installments despite cumulative payments of Rs.114.999 million up to the 14th Running Bill dated 26.11.2021, leaving a balance of Rs.37.141 million till the date of audit (February 2025).

Moreover, the contractor abandoned the work, which was later re-tendered and awarded to another firm i.e. M/S Umar Hayat Construction Company at the cost of Rs.1086.555 million vide Work Order dated 02.12.2024 instead of awarding the same at the risk-&-cost of the defaulter contractor which resulted into a loss of Rs.300.223 million to the government.

The lapse occurred due to weak contract administration and failure to enforce contractual provisions relating to recovery and guarantee renewal which resulted into loss of **Rs.337.364 million** to the government.

In the exit meeting, it was replied that an amount of Rs.12.858 million has been recovered from IPCs, and Rs.22.031 million is available in 2nd Deposit of the contractor which will be recovered as and when the head G-10113 is opened. The remaining amount

will be recovered through Mega Project Division-II Peshawar from the 2nd Deposit of Contractor in the scheme Construction of Arbab Niaz Stadium Peshawar.

The reply was not convincing as the CPWA Code and contract clauses require systematic recovery from the running bills. The fact that a significant portion is still outstanding and is being shifted for recovery from another project indicates a failure in financial controls.

The department was requested vide letter dated 11.04.2025 followed by 6th reminder letter dated 30.09.2025, for holding a DAC meeting. However, the same was not convened till finalization of this report.

Audit recommends recovery of the remaining mobilization advance along with risk-&-cost besides initiation of proceedings for blacklisting of the defaulter contractor.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2024-25 vide DP No. 3.4.14 having financial impact of Rs.1,240.604 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 959 & 961 (2023-24)

10.4.3 Overpayment to Contractors Due to Non-Deduction of Available Excavated Stone from RRM Rates – Rs. 100.979 million

According to Sections 3.2.4, 3.9.4, 3.9.5.2 and 3.9.7 of the Technical Specifications (2020 & 2021) issued by the Communication & Works Department KP, all suitable materials excavated within project limits shall be effectively utilized for embankment formation, roadway widening, backfilling or other works included in the contract. Excavated materials such as shingle or good-quality stone remain the property of Government, and their suitability is to be determined by the Engineer through laboratory testing. Borrow excavation is permitted only where no suitable material is available from roadway or structural excavation, and its use for contractor convenience does not entitle additional payment beyond the respective item rate. As per rate analyses under MRS-2020/2021, items such as Random Rubble Masonry (RRM) 1:6 and RRM 1:3 include a stone component ranging from 19.57 percent to 30 percent of the total rate. Hence, when suitable excavated stone is available and reused, a proportionate deduction is required from the item rate.

During audit of the accounts of various works divisions for the financial year 2023-24, it was observed that large quantities of suitable hard or medium-hard rock were excavated and reused in RRM masonry, breast walls and concrete works. However, the cost of the stone component already included in the RRM rate was not deducted, contrary to technical specifications and MRS provisions, resulting into overpayment to contractors amounting to Rs.100.979 million, as detailed below;

(Rs. in million)

Division / Work	Nature of Work	Amount paid	Amount objected
C&W Division Shangla	Construction of Road Enawar–Kalail Kandowa	95.378	10.019
Pakhtunkhwa Highways Authority	Improvement & Rehabilitation of Pir Qala–Ghanzai Road	1128.245	64.140
Highway Division Orakzai	Multiple Road Works (Gawanda Mela – Tango Obian, Zaridar–Behramzai, Khwaga Seri–Sarwar Mela)	59.350	26.820
Total			**100.979**

The lapse occurred due to weak contract scrutiny and non-observance of Technical Specifications and rate analysis provisions; failure of the Engineers to ensure proper material utilization and rate adjustment; and inadequate technical oversight and internal control at divisional level.

The non-deduction of the cost of excavated stone resulted in overpayment of Rs.100.979 million to various contractors, causing corresponding loss to the Government exchequer.

In some cases, management stated that payments were made as per BOQ and MRS rates or that the material was unsuitable for reuse; however, no supporting laboratory test reports or documented approvals were produced. The replies were therefore not tenable.

Audit held that the excavated stone, being suitable and reused in masonry and concrete items, should have resulted in proportionate rate reductions as per MRS-2020/2021 analysis. Non-enforcement of these provisions indicates weak contract and financial management.

The department was requested vide different letters, followed by 6th reminder letter dated 30.09.2025, for holding a DAC meeting. However, the same was not convened till finalization of this report.

Audit recommends immediate recovery of the amount from the contractors besides strict compliance with technical specifications and rate-analysis provisions in all future works.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2024-25 vide DP No. 3.4.4, 3.4.29 & 3.4.34 having financial impact of Rs.159.511 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 626, 1035 & 696 (2023-24)

10.4.4 Unauthorized Retention of Unspent Balances in Deposit Accounts Instead of Credit to Government Treasury – Rs. 34.040 million

According to Para 292 of the Central Public Works Department (CPWD) Code, upon completion of work and settlement of accounts (Paras 288 & 289), a double red ink line shall be drawn below the final entries with the note "Work Completed," duly signed by the Divisional Officer. In the case of Deposit Works, any unexpended balance must be promptly surrendered with the approval of the Divisional Officer. Further, Para 399(iii) of the Central Public Works Accounts (CPWA) Code stipulates that, in June each year, all balances unclaimed for more than three complete accounting years shall be credited to the Government as lapsed deposits. The Accountant General (DAO Conference dated 02.09.2016) also reiterated that all long-outstanding deposit items must be credited to the Government treasury after expiry of three years.

During audit of the accounts of C&W Division-I and Division-II Swat for the financial year 2023-24, it was observed that an amount of Rs.34.040 million was retained in 2nd and 3rd Deposits accounts without authority since long, which was required to be credited into the Government Treasury, as detailed below;

(Rs. in million)

Division	Deposit Account	Particulars / Nature of Funds	Period of Retention	Amount
C&W Division-I, Swat	2nd Deposit Account	Old unclaimed balances since 2004	Over 20 years	26.930
C&W Division-II, Matta Swat	3rd Deposit Account	Savings from PDMA/PaRRSA funds for road rehabilitation (PK-09) retained post completion	Over 1 year	7.110
Total				**34.040**

The lapse occurred due to weak financial discipline, non-observance of CPWD and CPWA Code provisions, and lack of periodic reconciliation and review of deposit account balances.

The unauthorized retention in the deposit accounts deprived the government treasury of due revenue and resulted in inaccurate depiction of financial position in the departmental accounts.

When pointed out, it was replied that Treasury Encashment Orders (TEOs) had been prepared which could not be processed due to blockage of Deposit-II (G-1120D); and that the matter would be addressed in the due course of time. However, Audit is of the opinion that the balances had remained unadjusted for prolonged periods, and the cited actions did not fulfill the mandatory requirement of surrender to the government treasury. The unspent and unclaimed balances retained in deposit accounts were required to be credited to the government as lapsed deposits.

The department was requested vide different letters, followed by 6th reminder letter dated 30.09.2025, for holding a DAC meeting. However, the same was not convened till finalization of this report.

Audit recommends immediate crediting of the amount into the government treasury besides periodic reconciliation of all deposit accounts with DAO to prevent recurrence.

PDP No. 13 & 36 (2023-24)

10.4.5 Unauthorized payment on account of escalation for C-5 category projects – Rs. 17.283 million

According to Part-I (Procedure and Applicability) of the Pakistan Engineering Council (PEC) Standard Procedure and Formula for Price Adjustment, price escalation is admissible only for contracts exceeding the financial limit of PEC Category C-5. Contracts within or below this limit are fixed-price and not entitled to escalation. As per PEC Registration Policy 2017 (updated 2020), contracts exceeding Rs. 25.00 million but not exceeding Rs. 65.00 million fall within Category C-5. Further, as per standard project management and public procurement rules, escalation can only be allowed when it forms part of the approved PC-I and technical sanction, duly sanctioned by the competent authority.

During audit of the accounts of various works divisions for the financial year 2023-24, it was observed that escalation payments were irregularly made to contractors against projects whose cost did not exceed the C-5 category limit, in violation of PEC rules and government financial discipline. The details are summarized below:

(Rs. in million)

Division	Name of Work	Contractor	Contract Cost	Escalation Paid
C&W Highway Division-I, Peshawar	Construction / Improvement of Roads UC Wadpaga, Kankola, Pakha Ghulam, Naqai etc.	M/s JS Construction	51.63	11.150
Highway Division, Nowshera	Construction of Road from Inzary to Hisartang and Shaidukhwar	M/s JHK Construction	41.72	6.130
Total				**17.283**

The lapse occurred due to non-observance of PEC escalation policy and registration limits and weak internal checks and contract scrutiny.

This resulted in overpayment of Rs. 17.283 million to contractors, causing corresponding loss to the Government exchequer.

The department was requested vide different letters followed by 6th reminder letter dated 30.09.2025, for holding a DAC meeting. However, the same was not convened till finalization of this report.

Audit recommends recovery of the amount from the contractors besides taking disciplinary action against officers who authorized the inadmissible payments and enforcing PEC guidelines for escalation eligibility in all future contracts.

PDP No. 249 & 788 (2023-24)

10.4.6 Unauthorized escalation payment without provision in PC-I – Rs. 124.984 million

According to Part-I (Procedure), Sections B-1 and B-4 of the *Pakistan Engineering Council (PEC) Guidelines 2009* for price adjustment, only cost elements having an impact of 5% or more on project cost may be considered for adjustment. The fixed portion shall not be less than 35%, while the adjustable portion shall not exceed 65% of the Engineer's Estimate. Coefficients for each adjustable element must reflect its actual proportion in the estimate, and the sum of all coefficients shall not exceed 0.65. Further, Section 6.11 of the *Manual for Development Projects (Revised 2019)* provides that, once a PC-I is approved, the executing agency must implement the project strictly within its scope and cost; any change requires a revised PC-I approved by the competent forum. Expenditure beyond approved cost or scope is irregular and unauthorized.

During audit of the accounts of the Executive Engineer, C&W Highway Division Nowshera, for the financial year 2023-24, it was observed that escalation payments amounting to Rs.124.984 million were made to the following contractors despite the fact that there were no provisions for escalation in the original PC-I of the schemes;

(Rs. in million)

S. No.	Name of Work	Contractor	Voucher No. & Date	Escalation
1	Construction of Roads in PK-65 including GT Road to Taru Oil Depot up to WAPDA Colony, Cherat Road, etc.	M/s Ali Construction Enterprises	18-RII (06/2024)	33.963
2	Construction / Rehabilitation of internal roads and rigid pavement in various UCs: Maira Akora Khattak, Adamzai, Khairabad, Mandori, etc.	S. Con Engineers & Contractor	17-RI (06/2024)	32.969
3	Construction of Jahangira Bypass (North & South sides) and Mali Khel Bala Road, Nowshera	Manzar Hussain	22-RI (06/2024)	9.034
4	Construction of rigid pavement of streets	M/s Durrani Construction	19-RI (06/2024)	30.925
5	Kaka Sahib to Killi Kanddao Road (P-IV)	M/s Haq Nawaz	07-RII (01/2024)	18.057
Total				**124.984**

Further scrutiny of record revealed that all of the above mentioned schemes were awarded to the contractors at the bid costs of up to 30% below the estimated costs. However, the management instead of preparing the technical sanctions at reduced rates to bring down the cost of the schemes to the bid costs quoted by the contractor, escalation provisions were incorporated in the estimates though no provision was available in the PC-I, and the savings amounts were diverted to the head escalation charges.

Moreover, *HSD* coefficients of 28%, 18%, 20%, and 15% were applied despite the fact that all the schemes mentioned above were of similar nature, executed in the same locality, and that uniform coefficient of 20% was applied to another factor of escalation i.e. *Bitumen*. This artificially enhanced the escalation component, violating PEC guidelines, and made the payment on account of escalation unauthorized.

The lapse occurred due to non-compliance with PEC guidelines.

This resulted in unauthorized escalation payments of Rs. 124.984 million and consequent loss to the government exchequer.

When pointed out in November 2024, no reply was furnished. The department was requested through letter No. Audit/C&W Sector/DAC main Corresponding File/2025-26/329 dated 30.10.2025, for holding Exit meeting; however, the same was not convened till finalization of this report.

The department was requested vide letter dated 04.02.2025 followed by 6th reminder letter dated 30.09.2025, for holding a DAC meeting. However, the same was not convened till finalization of this report.

Audit recommends recovery of Rs. 124.984 million from the contractors and initiation of disciplinary and administrative action against the officers responsible for approving inadmissible escalation payments.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2024-25 vide DP No. 3.4.20 having financial impact of Rs.8.180 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 800 (2023-24)

10.4.7 Loss to the government due to non-awarding of contract at the risk-and-cost of defaulter contractor – Rs. 41.187 million

According to Clause 12.1 of the Standard Form of Bidding Documents for Procurement of Civil Works, if a contractor abandons the work, fails to comply with valid instructions of the Procuring Entity, or does not proceed expeditiously, the Procuring Entity may issue a notice of default. If the default is not remedied within 14 days, the contract may be terminated by a second notice within a further 21 days, and the contractor shall demobilize from the Site leaving behind the Contractor's Equipment to be used for the **completion of the Works at the risk and cost of the Contractor**.

During audit of the accounts of Executive Engineer Building Division Orakzai for the financial year 2023-24, it was observed that the work "Establishment of Rescue-1122 Station at Ghiljo" was awarded to M/S Muzamil Khan Construction Enterprises at an estimated cost

of Rs.39.159 million and bid cost of Rs.35.243 million (10% below MRS-2019), against which up-to-date payment of Rs.5.803 million was paid to the contractor vide third running bill dated 15.02.2022.

Further scrutiny of record revealed that the contractor abandoned the work on 13.04.2021, as evident from repeated notices issued by the Executive Engineer, and despite lapse of more than three years, the work remained incomplete as on November 2024. Resultantly, the work was awarded to M/S Haji Qasim Gul vide work order dated 09.10.2025 at the cost of Rs.76.430 million. However, the contract was not awarded at the risk-and-cost of the defaulting contractor, as required under standard contractual provisions, which resulted into loss of Rs.41.187 million (Rs.76.430 million – 35.243 million) to the government.

The lapse occurred due to weak contract management, non-observance of contractual conditions, and negligence on the part of the Executive Engineer and supervisory officers in enforcing financial safeguards.

This resulted in non-recovery of dues and failure to safeguard public funds against defaulting contractors.

The department was requested vide letter dated 17.01.2025 followed by 6th reminder letter dated 30.09.2025, for holding a DAC meeting. However, the same was not convened till finalization of this report.

Audit recommends conducting inquiry into the matter for fixing of responsibility on the officers at fault besides recovery of the excess amount, and initiation of blacklisting proceedings against the defaulter contractor.

PDP No. 687 (2023-24)

10.4.8 Unauthorized Retention of Tribal Commission in Deposit-V – Rs. 6.718 million

According to Para 399(iii) of the *Central Public Works Accounts (CPWA) Code*, all balances unclaimed for more than three complete accounting years under Public Works Deposits shall be credited to the Government as lapsed deposits.

During audit of the accounts of Executive Engineer Highway Division Bajaur for the financial year 2023-24, it was observed that the work *"Improvement, Widening and Rehabilitation of Kamar to Mena Road (6.200 Kms)"* was awarded to M/S Imranullah Khan & Brothers, against which up-to-date payment of Rs.3.299 million was made. Further scrutiny of record revealed that an amount of Rs.6.718 million collected from contractors on account of *Tribal Commission* since 2014 was retained in Deposit-V instead of distributing the same amongst the tribesmen.

Audit holds that the amount, which had remained unadjusted for more than three complete accounting years, was required to be credited to the Government treasury as lapsed deposit. However, the Division continued to retain it in the deposit head without adjustment or clearance.

The lapse occurred due to negligence of the concerned officers and failure to reconcile and close aged deposit balances.

This resulted in unauthorized retention of Rs. 6.718 million in Deposit-V, depriving the Government treasury of its due credit.

In the exit meeting, it was replied that the tribal commission, deducted from contractor bills as per the PC-I ratio, was placed in the 5th deposit account. This commission is meant for local landowners / tribal maliks via the Local Administration upon project completion. However, the projects were frozen shortly after commencement at high-level directives, meaning only a partial amount was collected. Since the projects stalled midway, the accumulated funds remain in the 5th deposit, pending its fate.

The reply was not tenable and the amount in question be deposited into the government treasury.

The department was requested vide letter dated 12.12.2024 followed by 6th reminder letter dated 30.09.2025, for holding a DAC meeting. However, the same was not convened till finalization of this report.

Audit recommends immediate transfer of the retained amount to the government treasury and initiation of action against the officers/officials responsible for the lapse.

PDP No. 488 (2023-24)

10.4.9 Unauthorized payment on account of escalation charges - Rs. 34.714 million

According to Clause 12.4 of the standard bidding documents for procurement of works, the rates and prices quoted by the bidders are subject to adjustment during the performance of the Contract. The procuring entity shall furnish the prescribed information for the price adjustment formula in Appendix–C to Bid, and shall submit with their bids such other supporting information as required under Clause 70 of the Conditions of Contract – which states that the amounts payable to the Contractor shall be adjusted in respect of the rise and fall in the cost of labor, materials and other inputs to the Works, by applying to such amount the adjustment formula.

During audit of the accounts of Executive Engineer C&W Highway Division Khyber for the financial year 2021-22, it was observed that an amount of Rs. 24.524 million was paid

to M/S J.A Builders (JV) New Sadat Builders on account of price escalation in the work "Construction of Black Top Road from Sher Khel Sarzai Kandow up to Dara Masjid Tribal District Khyber (10.5 KM)" vide Voucher No. 14-J dated 26-04-2022.

Similarly, an amount of Rs. 10.192 million was paid to M/S Zaib Afridi construction company on account of price escalation in the work "Construction of 6 KM Black Top Road from Dera Masjid to Shaddly in Tirrah District Khyber" vide Voucher No. 09-B dated 14-06-2022.

However, further scrutiny of record revealed that price escalation was neither provided in the technical sanction nor in the Administrative Approval. Also, the Appendix-C to contract agreement was blank as neither the items were specified nor were the coefficients and base rates determined but still escalation was paid to the contractors.

The lapse occurred due to violation of standard bidding documents which resulted into unauthorized payment.

In the DAC meeting held on 27, 29 & 30.05.2025, the department produced agreements where no provision for escalation was available. The DAC directed to recover the full amount from the contractors; however, no progress was intimated till finalization of this report.

Audit recommends recovery of the amount from the contractors.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2024-25 vide DP No. 3.4.5, 3.4.13 & 3.4.19 having financial impact of Rs. 156.663 million. Recurrence of same irregularity is a matter of serious concern.

PDP No. 720 & 727 (2021-2022)

10.4.10 Fraudulent withdrawal of funds from government treasury – Rs. 4.393 million

According to Para 397 of the Federal Treasury Rules Vol-1, no payment should be made to a contractor except for work actually done or supplies actually received.

During audit of the accounts of Executive Engineer C&W Highway Division Bannu for the financial year 2023-24, it was observed from the monthly vouchers of February 2024 that the Executive Engineer withdrew an amount of Rs. 4.393 million from the government treasury through different cheques in the name of M/S Taj Ali Khan, as detailed below;

S. No.	Cheque No.	Dated	Amount
1	A953711/AO 9538	28.02.2024	925,000
2	A953712/AO 9538	28.02.2024	1,734,375
3	A953713/AO 9538	28.02.2024	1,734,375
Total			**4,393,750**

However, further scrutiny of record revealed that supporting documents in support of the payments were neither maintained by the management nor submitted to AG KP through monthly accounts. Upon telephonic confirmation by the audit team from the contractor concerned, it was submitted, vide letter dated *Nil*, that no work had been carried out in the DC office and that the amount drawn in my name was subsequently handed over to the management.

The lapse occurred due to weak financial control which resulted into fraudulent withdrawal of funds.

During the exit meeting, the management refused to furnish a reply.

The department was requested vide letter dated 10.02.2025 followed by 6th reminder letter dated 30.09.2025, for holding a DAC meeting. However, the same was not convened till finalization of this report.

Audit recommends conducting inquiry into the matter for fixing of responsibility against the persons at fault besides recovery of the amount.

PDP No. 823 (2023-24)

10.4.11 Unauthorized payment on account of escalation charges - Rs. 15.668 million

According to Clause 12.4 of the standard bidding documents for procurement of works, the rates and prices quoted by the bidders are subject to adjustment during the performance of the Contract. The procuring entity shall furnish the prescribed information for the price adjustment formula in Appendix–C to Bid, and shall submit with their bids such other supporting information as required under Clause 70 of the Conditions of Contract – which states that the amounts payable to the Contractor shall be adjusted in respect of the rise and fall in the cost of labor, materials and other inputs to the Works, by applying to such amount the adjustment formula.

During audit of the accounts of Executive Engineer Building Division Bannu for the Financial Year 2022-23, it was observed that the contract for the work "Construction of Khalifa Gul Nawaz Medical Complex at Bannu SH: Installation of Medical Gases System (Block No. 7 to 11)" was awarded to M/S Medicare Network J/V, with a bid cost of Rs.138.657 million (16.45% below on BOQ cost) with a time limit of 24 months. An upto date payment of Rs.175.819 million was made to the contractor vide VR No. 6/B ii dated 12.06.2023 14th Running Bill.

Further scrutiny of the bills revealed that a sum of Rs. 15,668,362/- was paid as escalation on labour and POL from 1st to 13th Running Bill. However, the payment of escalation was irregular and unjustified on the following grounds;

i. The nature of work was supply and installation of medical gases system (NSI) with fixed rates with transportation and installation instead of civil work, hence escalation was not applicable.
ii. The Appendix-C (Price adjustment) of the contract agreement was marked "NIL" and no weightage was given to the labour and POL which clearly showed that the payment of escalation was not made part of the contract agreement and payment was allowed in violation of the contract agreement.

The lapse occurred due to violation of standard bidding documents which resulted into unauthorized payment.

In the DAC meeting held on 23.07.2025, it was decided that a fact-finding inquiry may be conducted by the Chief Engineer (Center) C&W Department to fix responsibility against the persons at fault under E&D rules and submit report to Audit within 15 days. However, no progress was intimated till finalization of this report.

Audit recommends recovery of the escalation amount from the contractor besides fixing of responsibility against the persons at fault.

PDP No. 563 (2022-23)

10.4.12 Overpayment to contractors due to non-deduction of defray costs – Rs. 316.460 million

According to Finance Department KP Notification No.SO (Dev-II)/FD/12-6/2014-15 dated 21.04.2015, while preparing cost estimates of developmental projects falling in tax-exempt areas such as FATA/PATA, estimates shall be framed on Market Rate System with 7.5% less cost to defray the amount added in the rate analysis to meet withholding tax.

During Financial Attest Audit of Khyber Pakhtunkhwa Integrated Tourism Development Project (KITE) – C&W Component for the financial year 2024–25, it was observed that works including Rehabilitation & Remodeling of Mankyal Road (22.00 KM), Swat and Conservation & Development of Archaeological Site Stupa, District Khyber were awarded to various contractors at a total contract price of Rs. 5,780.291 million, against which payments amounting to Rs. 4,219.463 million were made.

Further scrutiny of record revealed that neither 7.5% defray deduction was made nor was income tax deducted from the contractors' bills on the plea that the works were executed in tax-exempt areas, despite the fact that taxes were already included in the bid rates. This resulted in overpayment amounting to Rs. 316.460 million, as detailed below and further details in **Annexure-VII**;

(Amount in Rs.)

S. No.	Name of Work / Site	Contractor	Contract Price	Amount Paid	Required Defray	Overpayment
1	Rehabilitation & Remodeling of Mankyal Road (22.00 KM) Swat	M/S Aitmad Builders & Developers	5,755,216,136	4,167,495,468	7.5%	**312,562,160**
2	Conservation & Development of Archaeological Site Stupa, District Khyber	M/S M. Younas Builders (Pvt.) Ltd.	25,075,180	51,967,932	7.5%	**3,897,595**
Total			**5,780,291,316**	**4,219,463,400**		**316,459,755**

The lapse occurred due to violating the Finance Department instructions which resulted in overpayment to the contractors.

When pointed out in September 2025, the management replied that the contracts were item-rate based and not on MRS; therefore, defray deductions were not applicable. It was further stated that FBR had granted tax exemption to the contractor and no overpayment was made. Audit did not agree, as the bid rates explicitly included taxes, which required defray adjustment. No further progress was reported till finalization of this report.

The department was requested vide letter dated 15.12.2025 to convene a DAC meeting; however, the same was not held till finalization of this report.

Audit recommends recovery of the defray amount from the contractors and fixing responsibility.

PDP No. 171 (2024-25)

10.4.13 Overpayment to contractor on account of escalation – Rs. 143.031 million

According to Part I Sections B-1, C-1 and C-5 and Part II (4) of the Standard Procedure and Formula for Price Adjustment, Pakistan Engineering Council Guidelines 2009, if any adjustable item other than labour and POL is not used in a billing period, the price ratio for that item shall be taken as one, and escalation shall be calculated only on actually utilized items. Cost elements having less than 5% impact in the BOQ shall not be considered for escalation, and escalation is admissible only on items actually utilized.

During Financial Attest Audit of KP Integrated Tourism Development Project – C&W Component for the financial year 2024–25, it was observed that contracts for Abbottabad–Thandiani Road Lot-1 and Lot-2 were awarded to M/S Aitmad Builders & Developers at a total contract cost of Rs.2994.120 million, against which payments amounting to Rs.2016.982 million were made up to June 2025. However, further scrutiny of record revealed that escalation amounting to Rs.626.295 million was paid to the contractor by including bitumen in the escalation formula, despite the fact that no bitumen was utilized up to IPC-11 which resulted into overpayment of Rs.18.635 million, as detailed below;

(Amount in Rs.)

Lot	Escalation Paid	Escalation Required	Overpayment
Lot-1	350,230,615	342,512,396	7,718,219
Lot-2	276,063,934	265,146,721	10,917,213
Total	**626,294,549**	**607,659,117**	**18,635,432**

Similarly, contracts for Mankyal Road Lot-1 and Lot-2 were awarded to M/S Aitmad Builders & Developers at a total contract cost of Rs.5755.216 million, against which payments amounting to Rs.4099.519 million were made. However, further scrutiny of record revealed that steel was assigned 10% weightage in the escalation formula despite its BOQ ratio of only 2.73%, which is below the 5% level to quality for escalation. Moreover, no steel was utilized up to IPC-11. This incorrect application of price escalation formula resulted in overpayment of Rs.124.396 million to the contractor, as detailed below;

(Amount in Rs.)

Lot	Escalation Paid	Escalation Required	Overpayment
Lot-1	688,924,396	606,593,377	82,331,019
Lot-2	314,094,322	272,028,901	42,065,421
Total	**1,003,018,718**	**878,622,278**	**124,396,440**

The lapse occurred due to non-observing the Escalation Guidelines which resulted in total overpayment of **Rs. 143,031,872/-** to the contractors.

When pointed out in September 2025, the management replied that escalation was paid as per contract provisions and approved formulae duly vetted by the Consultant. However, Audit is of the opinion that no quantity of bitumen was utilized up to IPC-11; therefore, escalation on bitumen was inadmissible. Moreover, steel did not meet the eligibility threshold and was not utilized hence payment of escalation was in violation of the PEC guidelines.

The department was requested vide letter dated 15.12.2025 to convene a DAC meeting; however, the same was not held till finalization of this report.

Audit recommends recovery of the overpaid amount from the contractors and fixing of responsibility against the persons at fault.

PDP No. 172 & 173 (2024-25)

10.4.14 Overpayment on account of non-BOQ items – Rs. 237.131 million

According to Section VII of the Contract Agreement executed on 27.09.2022, engineering materials and workmanship shall conform to specifications notified under MRS-2021 by the C&W Department, Government of Khyber Pakhtunkhwa.

During Financial Attest Audit of Khyber Pakhtunkhwa Integrated Tourism Development Project (KITE) – C&W Component for the financial year 2024–25, it was

observed that contracts for Rehabilitation and Remodeling of Mankyal Road and Thandiani Road were awarded to M/S - Aitmad Builders & Developers at a combined cost of Rs. 8,749.336 million, against which payments of Rs. 6,377.566 million were made up to June 2025.

Scrutiny revealed that Non-BOQ items were paid on MRS-2022 (Bi-Annual) rates instead of the approved MRS-2021 rates as stipulated in the contract, resulting in overpayment of Rs. 237.131 million, detailed below and further details given in **Annexure-VIII**;

(Amount in Rs.)

S. #	Work Name	Overpayment in Package-I	Overpayment in Package-II	Total
1	Rehabilitation and Upgradation of Thandiani Road Expansion, Abbottabad-24 KM	36,372,377	41,312,559	77,684,936
2	Rehabilitation and Remodeling of Mankyal Road (22.00 KM) Swat	70,406,982	89,039,531	159,446,513
Total				**237,131,449**

The lapse occurred due to non-compliance with contract provisions which resulted in overpayment to the contractors.

When pointed out in September 2025, the management replied that rates were analyzed and approved by the competent authority. However, Audit is of the opinion that the contract explicitly required application of MRS-2021. No further progress was reported.

The department was requested vide letter dated 15.12.2025 to convene a DAC meeting; however, the same was not held till finalization of this report.

Audit recommends recovery of the overpaid amount and fixing responsibility on the officials at fault.

PDP No. 175 (2024-25)

10.4.15 Loss to the government due to non-deduction of defray charges - Rs. 76.508 million

According to the Finance Department KP letter No. SO(Dev-II) FD/12-6/14-5 dated 21.04.2015, all Provincial Works Departments, while preparing cost estimates of development projects located in tax-exempted areas, shall frame estimates on the Market Rate System with a reduction of 7% (*7.5% applicable*) to defray the amount included in the rate analysis on account of withholding tax for works, construction, and supply items.

During Financial Attest Audit of the accounts of Construction of Infrastructure in Malakand Region Project for the Financial Year 2024-25, it was observed that different developmental works were awarded to various contractors on MRS 2021, which included

taxes. However, further scrutiny of record revealed that neither the PC-I, TS and BOQ were reduced to the extent of 7.5%, nor were deductions made from the payments to the contractors which resulted into loss of Rs.76.508 million, as detailed below;

(Amount in Rs.)

S. No.	Name of Scheme	Payment	7.5% defray
1	Construction of Thalassemia Department in DHQ Batkhila Malakand 10th running bill	104,065,216	7,804,891
2	Construction of Special Children School with special children teacher School at Swat 16th running bill	207,958,726	15,596,904
3	Upgradation of BHU Hayaseray to Category-D Hospital District Dir Lower 18th RB	438,562,689	32,892,202
4	Rehabilitation of Veternity Research & disease investigation center Balogram Swat 11th RB dated 26.06.2025	107,312,350	8,048,426
5	Rehabilitation of Agriculture Research Institute Mingora Swat-11th RB dated 25.05.2025	162,205,727	12,165,430
Total		**1,020,104,708**	**76,507,853**

The lapse occurred due to non-implementation of the above instructions, which resulted in loss to the government.

During the exit meeting, it was replied that the provision of the less defray amount shall be incorporated in the PC-I at the approval stage prior to processing of the Administrative Approval. These schemes were approved without defray of withholding amount and AA was issued accordingly. However, Audit is of the opinion that the policy regarding the defray charges is clear and the payment approving authority was required to deduct the defray charges at the time of making payment.

The department was requested for convening of DAC meeting vide letter dated 15.12.2025 which was not arranged till finalization of this report.

Audit recommends recovery of the amount from the contractors.

PDP No. 162 (2024-25)

Chapter-11

SCIENCE AND TECHNOLOGY & IT DEPARTMENT

11.1A Introduction

The Science & Technology and Information Technology Department (ST&IT Department) serves as the principal provincial agency in Khyber Pakhtunkhwa responsible for the promotion, development, and regulation of science, technology, and information technology sectors. Established on October 2, 2002, the department drives the adoption of modern technologies to enhance governance, public service delivery, innovation, and digital transformation across government departments and society. It focuses on generating and facilitating e-Government initiatives, implementing the National Policy on Science and Technology, organizing scientific and technological promotion activities, and fostering IT-enabled services, digital skills, and infrastructure to support socio-economic progress and efficient administration in the province. As a core Provincial Government entity, it receives budgetary allocations through the Finance Department, with its accounts consolidated within the Government of Khyber Pakhtunkhwa's financial statements.

The department operates under the administrative leadership of the Secretary, supported by technical wings, project management units, and the autonomous Khyber Pakhtunkhwa Information Technology Board (KPITB, established in 2011). It maintains close coordination with federal bodies (e.g., Ministry of IT & Telecom, Ignite – National Technology Fund), development partners, academia, and private sector stakeholders to implement digital governance projects, capacity building programs, IT parks, innovation hubs, and e-services initiatives throughout the province.

Pursuant to the Khyber Pakhtunkhwa Government Rules of Business, 1985 (as amended to date), the department is entrusted with key functions, including promotion of science and technology; human resource development in S&T and IT; launching R&D programs and upgrading infrastructure; initiating S&T and IT projects in sectors like agriculture, health, education, energy, and industry; monitoring outcomes of S&T projects and providing policy guidelines to R&D institutions; establishing district-level S&T and IT support mechanisms; generating, promoting, facilitating, and regulating e-Government activities across government departments; funding and project implementation mechanisms for technology initiatives; and any other matters related to science, technology, and information technology advancement. These responsibilities align closely with Sustainable Development Goal (SDG) 9 ("Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation") and SDG 17 ("Strengthen the means of implementation and revitalize the global partnership for sustainable development") by advancing digital governance, innovation ecosystems, technological access, and evidence-based policymaking, thereby contributing significantly to Pakistan's 2030 Agenda

commitments and the long-term digital and scientific development priorities of Khyber Pakhtunkhwa.

11.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The summarized position of actual expenditure for the financial year 2024-25 against the total of grants / appropriation was as follows:

Non-Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess / (Savings)
5-Information Technology	NC21	1,023,588,149	1,024,922,056	1,333,907
Total		**1,023,588,149**	**1,024,922,056**	**1,333,907**

Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess / (Savings)
50-ST & IT	NC22	278,466,466	278,466,466	0
50-ST & IT	NC12	301,955,912	293,274,445	-8,681,167
Total		**580,422,358**	**571,441,191**	**-8,681,167**

Overall expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	1,023.588	1,024.922	1.334	0.13%
Development	580.442	571.441	-8.681	-1.50%
Total	**1,604.011**	**1,596.663**	**-7.347**	

The Science and Technology and Information Technology Department maintained satisfactory budgetary control during the year under review, with overall expenditure remaining broadly in line with the approved allocations. Minor variations were observed under non-development heads, which appear attributable to routine operational requirements and do not indicate any material weakness in expenditure control.

Development expenditure reflected limited savings, suggesting deferment or phasing of certain development activities during the year. Overall, the observed variances were not material in nature and do not point to deficiencies in financial management. No material irregularities, misclassification, or indications of inefficient or wasteful expenditure were noted in the appropriation accounts.

11.1(C) Issues in ST&IT Department

The Science & Technology and Information Technology Department, through the Khyber Pakhtunkhwa Information Technology Board (KPITB), exhibited weaknesses in tax

deduction compliance and financial controls during the period under audit, as income tax was not deducted at the prescribed rate from contractor payments under major development projects despite clear contractual provisions and Finance Department notifications. The lapse resulted from misinterpretation of claimed tax exemptions, inadequate verification at the payment stage, and weak internal oversight, leading to short deduction and loss to the government exchequer, and underscores the need for strengthened payment controls, strict adherence to tax and contractual requirements, and timely recovery of under-deducted amounts.

11.2 Classified Summary of Audit Observations

Audit observation amounting to Rs.10.163 million (recovery-related) was raised in this report during the current audit of Science & Technology and Information Technology Department. Summary of the audit observations classified by nature is as follows:

Overview of Audit Observations;

(Rs. in million)

S. No.	Classification	Amount
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	10.163
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	-

11.3 Brief comments on the status of compliance with PAC directives:-

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil Compliance
1	2014-15	Transport	Nil	-	-	-
2	2015-16	-do-	Nil	-	-	-
3	2016-17	-do-	Nil	-	-	-

11.4 Audit Paras

11.4.1 Loss to the government due to non-defraying of rates – Rs. 10.163 million

According to Clause 4 of the Preamble of Estimates given in Appendix-D to Bid (BD-1) of the Contract Agreement executed on 21.06.2022, the rates and prices quoted in the Estimate include all costs of Contractor's plant, labour, supervision, materials, execution, insurance, profit, **taxes and duties** together with all general risks, liabilities and obligations

set out or implied in the Contract. Furthermore, all **duties, taxes and other levies** payable by the Contractor under the Contract, or for any other cause, as on the date 28 days prior to deadline for submission of Bid, shall be included in the rates and prices and the total Bid Price submitted by the Bidder.

Read with Finance Department KP Notification dated 21.04.2015, all the Provincial Works Departments, while preparing cost estimates of developmental projects, shall frame the same on MRS-2015 but with 7% (*7.5% applicable*) less cost to defray the amount added in the rate analysis of all the works items to meet the withholding tax requirements. All the relevant departments shall ensure incorporating these provisions during preparation of cost estimates prior to processing of their Administrative Approval.

During audit of the accounts of Khyber Pakhtunkhwa Information Technology Board Peshawar – Digital City Haripur for the Financial Year 2023-24, it was observed that two contracts were awarded to M/S NLC at a total contract cost of Rs. 895.909 million. An amount of Rs.135.510 million was paid to the contractor up to IPC-5 and IPC-4, respectively. However, the project management failed to defray the contract rates to the extent of 7.5% embedded income tax included in the MRS rates. As a result, excess payment amounting to Rs. 10.163 million was made, causing a loss to the Government, as detailed below:

(Amount in Rs.)

S. No.	Works	Contract Cost	LOA	IPC	Amount Paid
1	Construction of IT Park Building & Elevated Water Tank at Pakistan Digital City Haripur (Package-I)	542,470,295	27.05.2022	IPC-5 dated 16.10.2023	89,643,804
2	External Developmental Works of Digital City Haripur (Package-II)	353,438,965	27.05.2022	IPC-4 dated 04.10.2023	45,865,848
Total		**895,909,260**			**135,509,652**
Tax amount (Amount paid X 7.5%)					**10,163,224**

The lapse occurred due to violation of the Finance Department instructions and contract agreement which resulted into loss to the government.

When pointed out in June 2025, it was replied that the contract was awarded on G-2-G basis and the contractor has the tax exemption, therefore, the income tax cannot be deducted and that detailed response will be submitted later on. Audit, however, is of the view that income tax was already included in the rate analysis of items under the MRS, and the contract was awarded on MRS rates. Therefore, in case of income tax exemption, the contract rates should have been defrayed accordingly.

The department was requested vide letter dated 24.07.2025 for holding a DAC meeting, however, no DAC meeting was convened till finalization of this report.

Audit recommends recovery from the contractor.

PDP No. 423 (2023-24)

Chapter - 12

TRANSPORT DEPARTMENT

12.1A Introduction

The Transport Department, Government of Khyber Pakhtunkhwa, is responsible for the regulation, supervision, and management of the provincial transport system to ensure safe, efficient, and orderly movement of passengers and goods. Its mandate includes formulation and implementation of transport policies, administration of transport-related laws and rules, regulation of public and private transport services, and oversight of provincial and district transport authorities. Through these functions, the Department supports mobility, connectivity, and access to economic and social services essential for provincial development. Budgetary allocations to the Department are provided through the Finance Department, and its accounts form part of the consolidated financial statements of the Government of Khyber Pakhtunkhwa.

The Department operates under the administrative control of the Secretary, Transport Department, and discharges its functions through the Directorate of Transport, Provincial Transport Authority, District Regional Transport Authorities, and the Khyber Pakhtunkhwa Road Transport Board. It coordinates with national and provincial transport bodies, law enforcement agencies, traffic courts, local governments, and relevant public and private sector stakeholders for effective regulation, monitoring, and development of transport services, including public transport and mass transit systems.

In accordance with the Khyber Pakhtunkhwa Government Rules of Business, 1985 (as amended), the Department is entrusted with administration of the Motor Vehicles Ordinance, 1965 and rules framed thereunder; inspection and certification of roadworthy vehicles; issuance of route permits; fixation of fares and freight rates; regulation of traffic speeds, loading, parking, and halting places; classification of routes for public service vehicles; and management of public bus stands. The Department is also responsible for transport policy and planning, data collection and analysis, assistance in transport-related legislation, monitoring and evaluation of transport projects, settlement of disputes among transport authorities, operation of inter-provincial and cross-border transport services, and facilitation of private sector participation in the transport sector. These responsibilities align with SDG 11 (Sustainable Cities and Communities) and SDG 9 (Industry, Innovation and Infrastructure) by supporting safe, accessible, and sustainable transport systems and improved connectivity, contributing to Khyber Pakhtunkhwa’s development priorities and Pakistan’s 2030 Agenda.

12.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The Summarized position of actual expenditure 2024-25 against the total of grants/appropriation was as follows:

Non-Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess / (Savings)
45- Transport	NC21	4,596,032,514	4,596,017,045	-15469
Total		4,596,032,514	4,596,017,045	-15469

Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess / (Savings)
50-Tansport	NC22	19,675,562	19,675,562	0
Total		19,675,562	19,675,562	0

Overall expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	4596.03	4596.02	-0.02	0.00%
Development	19.68	19.68	0.00	0.00%
Total	**4615.71**	**4615.7**	**-0.02**	0.00%

The Transport Department of Khyber Pakhtunkhwa maintained effective budgetary control during FY 2024-25, with actual expenditure remaining closely aligned with the approved final grant. Variations under both non-development and development heads were negligible, indicating reasonable accuracy in budgeting and effective expenditure control. No material irregularities, misclassification, or instances of inefficient or wasteful expenditure were observed in the appropriation accounts.

The utilization of funds was consistent with the Department's assigned functions, including formulation and implementation of transport policies, regulation of public and private transport services, oversight of road transport authorities, issuance of route permits, management of vehicle fitness and registration, promotion of road safety, enforcement of traffic regulations, and development of transport-related infrastructure and mass transit initiatives. The Department's financial performance supports the objectives of SDG 11 (Sustainable Cities and Communities) through improved transport services and SDG 9 (Industry, Innovation and Infrastructure) by facilitating connectivity and mobility, contributing to the province's development priorities and Pakistan's 2030 Agenda.

12.1(C) Issues in Transport Department

The Transport Department of Khyber Pakhtunkhwa continued to exhibit deficiencies in contract enforcement, administrative controls, revenue realization, and compliance with notified policies during the audited period. Key irregularities included unjustified expenditure on cleaning and garbage disposal at Peshawar Bus Terminal despite explicit contractual liability on the toll tax contractor, unauthorized payment of pay and allowances to Class-IV employees absent from official duties and deployed illegally at private residences of senior officials, and less realization of vehicular emission testing fees due to improper application of exemptions not supported by the Transport Department notifications.

These lapses stemmed from weak oversight, non-enforcement of contractual clauses, lax administrative discipline, and failure to ensure full compliance with fee collection rules, resulting in financial losses to the government exchequer, unauthorized expenditures, revenue shortfalls, and erosion of accountability in the management of transport infrastructure and regulatory functions across the province.

12.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.60.007 million were raised in this report during the current audit of Transport Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations;

(Rs. in million)

S. No.	Classification	Amount
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	27.000
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	36.818

12.3 Brief comments on the status of compliance with PAC directives:

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil Compliance
1	2014-15	Transport	Nil	-	-	-
2	2015-16	-do-	Nil	-	-	-
3	2016-17	-do-	Nil	-	-	-

12.4 Audit Paras

12.4.1 Loss due to unjustified payment of cleaning charges - Rs. 23.418 million

According to Clause 8 of contract agreement, the contractor will be responsible for disposal of garbage and cleanliness of Peshawar Bus Terminal. The department will only provide a tractor with driver. POL and maintenance cost will be borne by the contractor concerned.

During audit of the accounts of Director Transport Khyber Pakhtunkhwa for the year 2023-24, it was observed that the contract of Toll Tax of Peshawar Bus Terminal was awarded to Mr. Dilawar Khan w.e.f 13.02.2019 to 30-06-2024. However, a separate contract for the cleanliness of the Peshawar Bus Terminal was awarded to another contractor and expenditure to the tune of Rs.23.418 million incurred despite the fact that it was part of the toll tax contract that the contractor will be responsible for disposal of garbage and cleanliness of Peshawar Bus Terminal.

The lapse occurred due to wilful negligence and laxity on the part of the controlling officer.

This resulted into unjustified payment of Rs.23.418 million which was the liability of the Toll Tax contractor.

When pointed out in May 2025, the management replied that nothing is mentioned in the agreement between contractor and Directorate of Transport about cleanliness of PBT by the Contractor. Clause 8 of the agreement clearing that the Ex-Contractor of Toll Tax should be bound to take all garbage/trashes outside from premises of PBT through Tractor Trolley and maintenance and repair of tractor trolley should be responsibility of the contractor. Now the contract of Toll Tax collection for the year 2025-26 was awarded to Mr. Farman Ullah DRK Construction and he shall be responsible for the complete cleanliness of the Terminal.

Audit did not agree with the reply of the management. It is clearly mentioned in the Clause-08 of the agreement that the contractor will be responsible for disposal of garbage and cleanliness of Peshawar Bus Terminal. The department will only provide a tractor with driver. POL and maintenance cost will be borne by the contractor concerned.

The department was requested vide letter dated 06.01.2026 for holding a DAC meeting, however, no DAC meeting was convened till finalization of this report.

Audit recommends conducting inquiry into the matter for fixing of responsibility and making good the loss from the responsible officers.

PDP No. 628 (2023-24)

12.4.2 Unauthorized payment on account of pay and allowances - Rs. 27.000 million

According to the Finance Department KP letter No.SO(FR)/FD/5-14/2014 dated 16.12.2014, the government employees who remain absent from duty without authorization or fail to perform their assigned duties, loses the right to payment of pay and allowances for such periods, besides making themselves liable for disciplinary proceedings. All the concerned offices are duty bound to deduct pay and allowances of the defaulting government employees for the period of absence and non-performance of duty.

During audit of the accounts of Directorate of Transport Khyber Pakhtunkhwa for the financial year 2023-24, it was observed that 25 Class-IV employees of Peshawar Bus Terminal (Directorate of Transport KP) were absent from duty and were working at the residences of ex-secretaries, ministers, advisors and other secretariat officers from the date mentioned in the attendance register and deployment list. However, further scrutiny of record revealed that these employees were being paid by the department regularly and salaries amounting to Rs.27.000 million (Rs. 30,000 per month salary X 25 employees X 36 months) were paid to these employees for working in places other than their work station.

The lapse occurred due to weak administrative controls which resulted into unauthorized payment.

When pointed out in May 2025, it was replied that in light of audit observation, the controlling officer has issued directions vide letter dated 15-07-2025 to the concerned Class-IV employees to immediately report to their original place of posting at the PBT.

The department was requested vide letter dated 06.01.2026 for holding a DAC meeting, however, no DAC meeting was convened till finalization of this report.

Audit recommends immediate retrieval of the employees illegally working at places other than their officials place of posting.

PDP No.624 (2023-24)

Chapter – 13

CLIMATE CHANGE, ENVIRONMENT, FORESTRY & WILDLIFE DEPARTMENT

13.1A Introduction

The Climate Change, Forestry, Environment & Wildlife Department serves as the principal provincial agency in Khyber Pakhtunkhwa responsible for the protection, conservation, sustainable management, and rehabilitation of forests, environment, wildlife, and natural ecosystems. Through innovative technologies, applied research, institutional strengthening, and efficient resource management, the department works to combat climate change, prevent environmental degradation, control pollution, promote energy conservation, and ensure ecological balance for present and future generations. It delivers direct benefits to the general public, rural communities dependent on forest resources, and the overall biodiversity and ecological systems of the province. As a core Provincial Government entity, it receives budgetary allocations through the Finance Department, with its accounts consolidated within the Government of Khyber Pakhtunkhwa's financial statements.

The department has evolved over the years by integrating previously separate wings of Forestry, Wildlife, and Environment into a unified entity to address emerging challenges of climate change and environmental sustainability more effectively. Headed by the Secretary, it operates through specialized directorates (Forestry, Environment Protection Agency, Wildlife) and field formations at divisional and district levels, supported by research, training, and extension units that facilitate community participation, particularly in guzara forests and protected areas.

Pursuant to the Khyber Pakhtunkhwa Government Rules of Business, 1985 (as amended to date), the department is entrusted with a wide array of functions, including environmental protection and energy conservation; forest settlement, re-afforestation, range management, soil erosion and denudation control, watershed management, and applied research and training in forestry; protection, preservation, conservation, and management of wildlife and habitats, conservation education, and research; sericulture development encompassing mulberry nurseries, silk worm breeding, disease control, cocoon purchase, silk yarn production, and farmer training; establishment of cooperatives in guzara forests; and promotion of ecology and sustainable development. These responsibilities align directly with Sustainable Development Goal (SDG) 13 (Climate Action), SDG 15 (Life on Land), and contribute to SDG 7 (Affordable and Clean Energy) and SDG 11 (Sustainable Cities and Communities), thereby advancing Pakistan's 2030 Agenda commitments through climate resilience, biodiversity conservation, sustainable forest management, and improved environmental governance in Khyber Pakhtunkhwa.

13.1B Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

The summarized position of actual expenditure 2023-24 against the total of grants/appropriation was as follows:

Non-developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
21- Environment and Forestry	NC21	4,334,403,545	4,332,249,295	-2,154,250
22- Forestry (Wildlife)	NC21	1,385,886,882	1,385,886,882	0
				0
61- Forestry	NC21	1,180,336,918	1,181,082,039	745,121
Total		6,900,627,345	6,899,218,216	-1,409,129

Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50- Forestry	NC22	2,236,362,190	2,236,362,190	0
50- Environment	NC22	45,841,194	45,995,275	154,081
50- Forestry	NC12	9,700,000	9,700,000	0
50- Environment	NC12	0	0	0
Total		**2,291,903,384**	**2,292,057,465**	**154,081**

Overall expenditure against the final grant:

(Rs. In million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	6,900.63	6,899.22	-1.41	-0.02%
Development	2,291.90	2,292.06	0.15	0.01%
Total	**9,192.53**	9,191.28	-1.26	-0.01%

The Environment Department of Khyber Pakhtunkhwa maintained effective budgetary control during FY 2024-25, with overall expenditure remaining closely aligned with the approved allocations. The minor savings and excesses observed under both non-development and development heads were negligible in nature and reflect reasonable accuracy in budgeting and effective expenditure monitoring. No material irregularities, misclassification, or indications of inefficient or wasteful expenditure were observed in the appropriation accounts.

The utilization of funds was generally consistent with the Department's assigned functions, including environmental protection, climate change mitigation and adaptation,

forestry and afforestation activities, wildlife conservation, enforcement of environmental laws, pollution control, and sustainable management of natural resources. The Department's financial performance supports the objectives of SDG 13 (Climate Action) and SDG 15 (Life on Land), and contributes to SDG 11 (Sustainable Cities and Communities) through environmentally sustainable initiatives, thereby aligning with provincial development priorities and Pakistan's commitments under the 2030 Agenda.

13.1C Issues in Environment Department

The Climate Change, Forestry, Environment & Wildlife Department of Khyber Pakhtunkhwa continued to face deficiencies in revenue management and financial controls during the audited period. A key irregularity involved short-deposit of government receipts, where a substantial portion of fines imposed remained un-deposited into the treasury.

This lapse stemmed from weak financial oversight, inadequate follow-up with judicial and revenue authorities, and failure to enforce timely deposit mechanisms, resulting in revenue leakage, under-realization of provincial receipts, and erosion of fiscal accountability in the management of forest-related penalties and environmental enforcement collections across the department.

13.2 Summary of Audit Observations

Audit observation amounting to Rs.5.041 million (recovery-related) was raised in this report during the current audit of Environment Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

(Rs. in million)

S. No.	Classification	Amount
1	Reported cases of fraud, embezzlement and misappropriation	-
2	HR/Employees related irregularities	-
3	Procurement related irregularities	-
4	Value for money and service delivery issues	5.041
5	Others	-

13.3 Brief comments on the status of compliance with PAC directives:

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2003-04	Environment	12	07	-	05
2.	2004-05	-do-	29	13	-	16
3.	2005-06	-do-	18	07	-	11
4.	2007-08	-do-	07	01	-	06

5.	2008-09	-do-	09	03	-	06
6.	2009-10	-do-	10	06	-	04
7.	2010-11	-do-	22	13	-	09
8.	2011-12	-do-	03	01	-	01
9.	2012-13	-do-	05	01	-	04
10.	2013-14	-do-	14	02	-	12
11.	2014-15	-do-	11	04	-	07
12.	2015-16	-do-	22	09	-	13
13.	2016-17	-do-	28	8	6	14

13.4 Audit Paras

13.4.1 Short-deposit of Government Receipts – Rs.5.041 million

According to Rule 26 of the General Financial Rules Volume-I, it is the duty of the Departmental Controlling Officer to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the Public Account.

During audit of the accounts of Divisional Forest Office Kalam at Madyan for the financial year 2023-24, it was observed that an amount of Rs.5.859 million was imposed as fine by the Forest Magistrate, as evident from the statement of PC Cases for the Financial Year 2023-24. However, further scrutiny of record revealed that an amount of Rs.0.818 million was deposited into the government treasury only, and the balance amount of Rs.5.041 million in cash was held by the Forest Magistrate instead of depositing the entire amount into the government treasury.

The lapse occurred due to weak financial controls and lack of effective oversight.

This resulted into short deposit of government revenue amounting to Rs.5.041 million.

In the DAC meeting held on 30th to 31st December 2025, it was decided that the matter will be taken up with the concerned Forest Magistrate, Home Department, and Senior Member Board of Revenue. However, no progress was intimated to Audit till finalization of this report.

Audit recommends recovery and deposit of the outstanding amount into the Government treasury and fixation of responsibility.

PDP No. 122 (2023-24)

Chapter – 14

HOME & TRIBAL AFFAIRS DEPARTMENT

14.1A Introduction

The Home and Tribal Affairs Department (commonly referred to as the Home Department) occupies a central and strategic position in Khyber Pakhtunkhwa as the supreme policymaking body for maintaining law and order, peace building, rule of law, and internal security across the province. It serves as the parent administrative department for key law enforcement and justice institutions, including Police, Prisons, Prosecution, Probation & Reclamation, and Civil Administration at divisional and district levels. In response to evolving security challenges, the department has modernized its implementing arms—transforming the Police into a professional force with specialized units such as the Counter Terrorism Department (CTD), Elite Force, and Rapid Response Force; establishing a dedicated Prison Security Force; and strengthening prosecution capabilities—while fostering close liaison and functional coordination with the Armed Forces, paramilitary forces, judiciary, and other stakeholders to combat terrorism, extortion, kidnapping, and other threats. As a core Provincial Government entity, it receives budgetary allocations through the Finance Department, with its accounts consolidated within the Government of Khyber Pakhtunkhwa's financial statements.

The department operates under the administrative leadership of the Secretary, supported by specialized wings (Police, Prisons, Prosecution, etc.), district administrations, and field formations. It maintains robust inter-agency coordination mechanisms to address border incidents, Afghan refugee matters, public order emergencies, and security of vital installations. Historically pivotal in provincial stability, the department continues to adapt through strategic reforms, capacity building, and intelligence-led approaches to ensure effective governance in a complex security environment.

Pursuant to the Khyber Pakhtunkhwa Government Rules of Business, 1985 (as amended to date), the department is entrusted with a wide range of functions, including public order and internal security; police establishment, administration, and gallantry awards; prisons, probation, and prisoner management; arms, explosives, and public amusements regulation; criminal law, evidence, extradition, passports, and preventive detention; rent control, smuggling, hoarding, and black marketing; border incidents, pilgrims, political pensions, and Afghan refugees; traffic control under the Motor Vehicles Act; protection of key installations; administration of Provincially Administered Tribal Areas (PATA), including budget, law extension, and tribal recruitment; and prosecution-related matters. These responsibilities align closely with Sustainable Development Goal (SDG) 16 ("Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels") by strengthening rule of law, institutional capacity, public safety, and peacebuilding efforts, thereby contributing

significantly to Pakistan's 2030 Agenda commitments and the long-term stability and governance priorities of Khyber Pakhtunkhwa.

14.1B Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts:

The Summarized position of actual expenditure 2024-25 against the total of grants/appropriation was as follows:

Non-Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
08-Home and TA	NC21	2,952,041,622	2,952,706,529	664,907
09-Jails and Convict's Settlement	NC21	7,889,926,730	7,973,985,156	84,058,426
10-Police	NC21	91,149,531,332	91,433,714,147	284,182,815
61- Home	NC21	2,215,913,233	2,215,913,233	-
61-Jails and Convict's Settlement	NC21	449,257,275	464,595,831	15,338,556
Total		**104,656,670,192**	**105,040,914,896**	**384,244,704**

Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50 - Home & TA	NC22	2,379,746,391	2,381,582,832	1,836,441
50 - Home & TA	NC12	2,454,123,755	2,453,227,198	896,557
Total		**4,833,870,146**	**4,834,810,030**	**939,884**

Overall expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	104,656.67	105,040.91	14.47	0.01%
Development	4,833.87	4,834.81	22.12	0.46%
Total	**109,490.54**	109,875.72	36.59	0.03%

The Home and Tribal Affairs Department of Khyber Pakhtunkhwa maintained strong budgetary control during FY 2024-25, with overall expenditure remaining closely aligned with the approved allocations. Only negligible variations were observed under both non-development and development heads, reflecting sound financial planning, effective expenditure monitoring, and timely utilization of resources. No material irregularities, misclassification, or indications of inefficient spending were observed in the appropriation accounts.

Minor variations appear attributable to operational requirements such as personnel and staff-related expenditures under key institutions like Police and Jails, heightened security measures, prison management, and essential adjustments to address dynamic law and order needs, managed through internal re-appropriations. Overall, the Department's prudent financial management supports its mandate of overseeing law and order, peace-building, rule of law, and coordination of critical institutions—including Police, Prisons, Prosecution, Counter Terrorism Department, and tribal affairs—while liaising with security forces to ensure public safety. This performance contributes to **SDG 16** (Peace, Justice and Strong Institutions) by strengthening institutional capacity, access to justice, accountable governance, and sustainable peace in KP.

14.1C Issues in Home & Tribal Affairs Department

The Home and Tribal Affairs Department of Khyber Pakhtunkhwa, including its field formations such as the Capital City Police Office (CCPO), continued to exhibit weaknesses in financial discipline, fund utilization, and internal controls during the audited period. Key irregularities included prolonged retention of un-disbursed balances earmarked for specific purposes (such as incentives for police personnel involved in polio eradication campaigns) in designated bank accounts, in violation of treasury rules requiring prompt and accountable disbursement to entitled recipients.

These lapses stemmed from inadequate monitoring, weak oversight mechanisms, failure to ensure timely payments to field personnel, and non-compliance with financial accountability provisions. Collectively, they resulted in blockage of public funds, deprivation of entitled beneficiaries, and erosion of fiscal transparency and efficiency in the management of operational and incentive-related allocations across the department.

14.2 Summary of Audit Observations

Audit observations amounting to Rs.71.577 million were raised in this report during the current audit of Home & Tribal Affairs Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

(Rs. in million)

S. No.	Classification	Amount
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of Accounts with Commercial Banks	71.577
4	Value for money and service delivery issues	-
5	Others	-

14.3 Brief comments on the status of compliance with PAC directives:

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
01	2002-03	Home & TA	18	08	-	10
02	2003-04	-do-	12	09	-	03
03	2004-05	-do-	37	25	-	13
04	2005-06	-do-	04	03	-	01
05	2007-08	-do-	04	03	-	01
06	2008-09	-do-	12	05	-	07
07	2009-10	-do-	13	07	-	07
08	2010-11	-do-	39	10	-	29
09	2011-12	-do-	27	15	-	12
10	2012-13	-do-	12	06	-	06
11	2013-14	-do-	19	08	-	11
12	2014-15	-do-	18	09	-	09
13	2015-16	-do-	21	14	-	07
14	2016-17	-do	32	08	-	24
15	2017-18	-do	-	-	-	-
16	2018-19	-do	09	05	-	04

14.4 Audit Paras

14.4.1 Un-disbursed balance lying in Polio Fund Account – Rs. 71.577 million

According to Rule 28(2) of the Federal Treasury Rules, Volume-I, a government officer supplied with funds for expenditure shall be responsible for their proper utilization and accounting until the account is rendered. The officer must also ensure that payments are made only to persons legally entitled to receive them.

During audit of the accounts of Capital City Police Office (CCPO) Peshawar for the financial year 2022-23, it was observed that an amount of Rs. 71,577,929/- was received for onward disbursement among police personnel who performed duties during polio eradication campaigns. Audit scrutiny revealed that this amount remained un-disbursed and was lying in Bank Account No. 4004200471 as of 30.06.2023.

The lapse occurred due to weak internal controls, ineffective monitoring, and non-observance of financial discipline by the CCPO management.

This resulted in blockage of government funds amounting to Rs.71.577 million, besides depriving field personnel of due payments for services rendered in the polio eradication campaigns.

In the Departmental Accounts Committee (DAC) meeting held on 11.02.2025, it was decided that complete disbursement details be provided to Audit.

In the light of the DAC decision, the department was requested vide letter dated 19.11.2025 for provision of relevant record like list of Police personnel deployed for polio duties during the period, sanctioned amounts, duty-wise entitlement, approved rates, disbursement details, details of unpaid cases and reconciliation statements etc. However, no progress was intimated to Audit till finalization of this report.

Audit recommends implementation of the DAC decision.

PDP No. 218 (2022-23)

Chapter-15

CULTURE, TOURISM, ARCHAEOLOGY AND MUSEUMS DEPARTMENT

15.1A Introduction

The Culture, Tourism, Archaeology and Museums Department KP is the principal provincial entity responsible for preservation of cultural heritage, promotion of tourism, conservation of archaeological sites, and management of museums across the province. The department formulates policies and strategies aimed at safeguarding tangible and intangible cultural assets, promoting eco-tourism and heritage tourism, and enhancing the province's image as a cultural and recreational destination. It plays a vital role in fostering economic growth through tourism development, preservation of historical monuments, and promotion of arts, crafts, and cultural activities. As a core provincial department, it receives budgetary allocations through the Finance Department, and its accounts are consolidated in the financial statements of the Government of Khyber Pakhtunkhwa.

Administratively, the department operates under the leadership of the Secretary and is supported by its attached directorates and entities, including the Directorate General of Archaeology and Museums and the Directorate of Tourism, along with district and site-level formations responsible for conservation, site management, and tourism facilitation. It oversees planning and execution of development projects under the Annual Development Programme (ADP), implements heritage conservation and infrastructure initiatives, and coordinates with local administrations, federal agencies, development partners, and the private sector to enhance tourism services and visitor facilities. The department also regulates tourism operators, promotes public-private partnerships, and ensures compliance with heritage protection laws.

In accordance with the Khyber Pakhtunkhwa Government Rules of Business, 1985 (as amended), the department is entrusted with functions relating to protection of archaeological sites, maintenance of museums, regulation and promotion of tourism activities, organization of cultural events, and preservation of historical monuments and artifacts. These responsibilities directly contribute to Sustainable Development Goal (SDG) 8 (Decent Work and Economic Growth) and SDG 11 (Sustainable Cities and Communities), while indirectly supporting sustainable development through cultural preservation, community engagement, and responsible tourism management across Khyber Pakhtunkhwa.

15.1 B) Comments on budget & accounts (variance analysis)

Summary of the Appropriation Accounts

The summarized position of actual expenditure for the financial year 2024-25 against the total of grants / appropriation was as follows:

Non-Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess / (Savings)
38-Tourism	NC21	0	0	0
38-Promotion of Cultural Activities	NC21	115,106,046	116,553,606	1,447,560
38-Archives, Libraries and Museums	NC21	8,442,458	8,442,458	0
61-Sports, Culture, Tourism and Museums	NC21	29,750,722	29,750,722	0
Total		**153,299,226**	**154,746,786**	**1,447,560**

Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess / (Savings)
50-Archives, Libraries and Museums	NC22	252,291,057	252,291,057	0
Total		252,291,057	252,291,057	**0**

Overall expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	153.299	154.747	1.448	0.94%
Development	252.291	252.291	0	0
Total	**405.590**	**407.038**	**1.448**	**0.36%**

The Culture, Tourism, Archaeology and Museums Department KP demonstrated overall sound budgetary management during FY 2024-25, with total expenditure closely aligned with the approved allocations. The aggregate variance remained minimal, reflecting effective financial planning and expenditure control. Developmental expenditure was fully utilized in accordance with the final grant, indicating proper execution of planned activities under development schemes. The minor excess observed under non-development expenditure constituted a negligible percentage of the total allocation and does not indicate any material deviation from approved limits.

The limited variation appears attributable to routine operational requirements under promotion of cultural activities and administrative functions, which were managed within the broader approved framework. No abnormal savings, significant excesses, or indications of misclassification were evident from the appropriation data. Overall, the Department maintained fiscal discipline consistent with its mandate of cultural promotion, heritage conservation, and tourism development, supporting efficient resource utilization and effective implementation of provincial initiatives in the culture and tourism sectors.

15.1(C) Issues in Culture, Tourism, Archaeology and Museums Department

The Culture, Tourism, Archaeology and Museums Department, particularly under the KITE project, exhibited weaknesses in financial compliance and contract cost controls during the audited period. Audit observations revealed non-adherence to Finance Department instructions regarding defray adjustments in tax-exempt areas, resulting in overpayment to contractors. The failure to deduct the prescribed percentage from estimates and contractor payments, despite inclusion of taxes in quoted rates, reflects inadequate scrutiny of cost estimates and weak enforcement of government financial policies.

Further irregularities were noted in the execution of non-scheduled items, where overhead charges were applied in excess of the limits prescribed under the approved Market Rate Analysis. This indicates insufficient vetting of rate analyses, weak internal review mechanisms, and non-compliance with standardized costing parameters. The absence of timely corrective action and non-convening of DAC meetings further highlight gaps in accountability and oversight, undermining financial discipline in conservation and heritage development projects undertaken by the department.

15.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.22.300 million (recovery-related) were raised in this report during the current audit of Culture, Tourism, Archaeology and Museums Department. Summary of the audit observations classified by nature is as follows:

Overview of Audit Observations;

(Rs. in million)

S. No.	Classification	Amount
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	22.300
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	-

15.3 Brief comments on the status of compliance with PAC directives:-

S. No.	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1	2001-02	Culture and Tourism	14	14	-	-
2	2002-03	-do-	12	11	-	01
3	2003-04	-do-	06	06	-	-
4	2004-05	-do-	03	01	-	02
5	2005-06	-do-	04	03	-	01
6	2008-09	-do-	14	05	-	09
7	2009-10	-do-	32	09	-	23
8	2010-11	-do-	25	08	-	17
9	2011-12	-do-	20	08	-	12
10	2012-13	-do-	08	07	-	01
11	2013-14	-do-	12	06	-	06
12	2014-15	-do-	-	-	-	-
13	2015-16	-do-	-	-	-	-
14	2016-17	-do-	8	6	-	2

15.4 Audit Paras

15.4.1 Overpayment to contractors due to non-deduction of defray costs – Rs. 18.516 million

According to Finance Department, Government of Khyber Pakhtunkhwa Notification No.SO(Dev-II)/FD/12-6/2014-15 dated 21.04.2015, all Provincial Works Departments, while preparing cost estimates of developmental projects falling in tax-exempt areas such as FATA/PATA, shall frame the estimates on Market Rate System-2015 with 7.5% less cost to defray the amount added in the rate analysis of works to meet withholding tax.

During Financial Attest Audit of Khyber Pakhtunkhwa Integrated Tourism Development Project (KITE) – DoT Component for the financial year 2024-25, it was noted that the project management awarded civil works contracts amounting to Rs. 246.886 million for conservation, preservation, and flood damage rehabilitation works at various archaeological and heritage sites in District Swat and Khyber.

Further scrutiny of record revealed that neither defray cost at the applicable rate was deducted from the approved estimates nor was Income Tax deducted from contractor payments, despite the fact that bidders had included all applicable taxes in their quoted rates. As a result, defray cost amounting to Rs. 18.516 million was not adjusted, leading to overpayment.

Detail of CPWD of Flood Damages Archaeological Site 2024-25		
S.NO	**Description**	**Payment up to June 2025 (M)**
1	Crown Construction Company Additional work of Conservation & Development Works at Pishmal,Klam,Udigram Mosques	69.833
2	M/S seena Gul Conservation /Preservation work og Jamrud Fort Khyber	88.347
3	Crown Construction Company Foold dameges Swat Museum Store Room in Swat	35.567
4	Crown Construction Company Foold dameges Main Kalam Mosque in District Swat	29.137
5	Crown Construction Company flood dameges Butkara-1 District Swat	24.002
	Total	**246.886**
	Defray cost at the rate of 7.5%	**18.516**

The lapse occurred due to non-compliance with the Finance Department instructions which resulted in overpayment to contractors.

When pointed out in September 2025, the management replied that the matter was noted and detailed analysis would be carried out and shared with Audit. However, no progress was reported till finalization of this report.

The department was requested vide letter dated 15.12.2025 to convene a DAC meeting; however, the same was not held till finalization of this report.

Audit recommends recovery of the defray amount from the contractors, besides fixing responsibility against the officials at fault.

PDP No. 188 (2024-25)

15.4.2 Overpayment on account of non-scheduled items of work – Rs. 3.784 million

According to Clause contained in Market Rate Analysis 2021, overhead charges including contractor's profit, taxes, and other related costs for non-scheduled items shall be limited to 22% of the actual cost of items.

During Financial Attest Audit of Khyber Pakhtunkhwa Integrated Tourism Development Project (KITE) – DoT Component for the financial year 2024-25, it was noted that non-scheduled items of work were executed under various contracts, and payments amounting to Rs. 47.295 million were made to contractors on account of these items.

Further scrutiny of record revealed that the project management applied overhead charges at the rate of 30% in the rate analysis instead of the approved rate of 22% as per Market Rate Analysis 2021. The excess application of 8% resulted in overpayment amounting to Rs. 3.784 million to the contractors.

The lapse occurred due to violation of Market Rate Analysis 2021 which resulted in overpayment to contractors.

When pointed out in September 2025, the management replied that the matter was noted for compliance and a detailed report would be obtained from the Directorate General of Archaeology and Museums and Procurement and shared with Audit. However, no progress was reported till finalization of this report.

The department was requested vide letter dated 15.12.2025 to convene a DAC meeting; however, the same was not held till finalization of this report.

Audit recommends recovery of the overpaid amount from the contractors and ensuring compliance with approved market rate analysis in future.

PDP No. 199 (2024-25)

Chapter-16

PLANNING & DEVELOPMENT DEPARTMENT

16.1A Introduction

The Planning and Development Department (P&DD) of Khyber Pakhtunkhwa serves as the apex planning body and principal provincial agency responsible for formulating medium- and long-term development strategies, preparing the Annual Development Programme (ADP), coordinating provincial and federal development initiatives, conducting economic appraisals of projects, monitoring implementation progress, and providing evidence-based policy advice to the government. It plays a pivotal role in resource allocation, project prioritization, data management, statistical reporting, and ensuring alignment of development efforts with provincial priorities and national goals. Through its oversight of planning processes and coordination with line departments, donors, and federal entities, the department drives sustainable socio-economic development, infrastructure growth, and efficient public investment across Khyber Pakhtunkhwa. As a core Provincial Government entity, it receives budgetary allocations through the Finance Department, with its accounts consolidated within the Government of Khyber Pakhtunkhwa's financial statements.

The department operates under the administrative leadership of the Secretary, supported by specialized wings (Development, Foreign Aid, Monitoring & Evaluation, Bureau of Statistics, etc.), the Provincial Development Working Party (PDWP), and field units for project appraisal and monitoring. It maintains close coordination with federal institutions (e.g., Planning Commission, Ministry of Planning), international development partners, and provincial line departments to formulate the Public Sector Development Programme (PSDP), process PC-I forms, conduct mid-year reviews, and publish statistical yearbooks and economic reports.

Pursuant to the Khyber Pakhtunkhwa Government Rules of Business, 1985 (as amended to date), the department is entrusted with key functions, including planning, development, and control of industries (including cottage industries); industrial research, training, exhibitions, and surveys; trade and commerce within the province, including government commercial undertakings, Merchandise Marks Act, railway freight, import/export controls, capital issues, insurance, registration of accountants/auditors, Partnership Act, trade condition reports, and agreements; administration of Boilers Act, Patents and Designs Act, Explosives Act, and Companies Act; registration of joint stock companies, firms, and societies; management of Store Purchase Department and procurement of stores/capital goods (including for government presses and PWD); advisory panels for industries and minerals; and matters relating to chambers and associations of commerce and industry. These responsibilities align closely with Sustainable Development Goal (SDG) 17 ("Strengthen the means of implementation and revitalize the global partnership for sustainable development") through enhanced planning, monitoring, evidence-based

policymaking, and multi-stakeholder coordination, while indirectly supporting all SDGs by ensuring efficient allocation of resources for provincial development priorities and advancing Pakistan's 2030 Agenda commitments in Khyber Pakhtunkhwa.

16.1B Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2024-25 is given below:

Non-Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
04 - Planning & Development and Bureau of Statistics	NC21	1,206,986,833	1,224,681,084	17,694,251
61 - Planning & Development	NC21	382,419,540	382,383,108	- 36,432
61- Bureau of Statistics	NC21	4,909,203	4,909,203	-
Total		**1,594,315,576**	**1,611,973,395**	**17,657,819**

Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50-Planning & Development	NC22	0	0	-
Total		**0**	0	-

Overview of expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	1,594.32	1,611.97	17.66	1.11%
Development	-	-	-	0.00%
Total	**1,594.32**	1,611.97	17.66	1.11%

The Planning and Development Department of Khyber Pakhtunkhwa maintained effective budgetary control during FY 2024-25, with overall expenditure remaining closely aligned with the approved allocations. The minor variation observed was confined to non-development heads and reflects sound financial planning, accurate forecasting, and effective expenditure monitoring. No material irregularities, misclassification, or indications of inefficient or wasteful expenditure were observed in the appropriation accounts.

The limited deviation appears attributable to routine operational requirements such as personnel-related costs, administrative expenses, project monitoring activities, and statistical and planning functions, which were managed through internal adjustments within the approved framework. Overall, the Department's prudent financial management supports its role as the apex planning and coordinating body of the province, responsible for formulation of development strategies, preparation and oversight of the Annual Development Programme, inter-governmental coordination, project appraisal and monitoring, and generation of statistical and policy inputs. This fiscal discipline aligns with SDG 17 (Partnerships for the Goals) by strengthening planning, coordination, and evidence-based policymaking, while indirectly supporting the achievement of all SDGs through efficient and strategic allocation of development resources in Khyber Pakhtunkhwa.

16.1C Issues in the Planning & Development Department

The Planning & Development Department KP including projects executed under its oversight such as the Pakistan Community Support Project, exhibited weaknesses in financial compliance and enforcement of government cost adjustment policies during the audited period. Audit observed non-implementation of Finance Department instructions relating to defray adjustments in tax-exempt areas, where estimates and payments were processed without applying the prescribed reduction under the Market Rate System. This resulted in overpayments to contractors and avoidable loss to the government exchequer.

The lapse reflects inadequate scrutiny at the stage of PC-I preparation, technical sanction, and bill processing, as well as weak coordination between planning, engineering, and finance functions. The failure to ensure compliance even after DAC directions further indicates gaps in internal control and follow-up mechanisms. Collectively, these weaknesses undermine financial discipline and highlight the need for strengthened oversight over cost estimation, statutory deductions, and adherence to codal instructions in development projects managed by the department.

16.2 Summary of Audit Observations

Audit observation amounting to Rs.6.915 million (recovery-related) was raised in this report during the current audit of Planning & Development Department. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

(Rs. in million)

S No.	Classification	Amount
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	6.915
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	-
5	Others	

16.3 Brief comments on the status of compliance with PAC directives:

S#	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1.	2001-02	Planning & Development	08	06	-	02
2.	2003-04	-do-	04	03	-	01
3.	2004-05	-do-	08	02	-	06
4.	2007-08	-do-	05	01	-	04
5.	2008-09	-do-	08	05	-	03
6.	2011-12	-do-	10	05	-	05
7.	2012-13	-do-	24	11	-	13
8.	2013-14	-do-	02	01	-	01
9.	2014-15	-do-	03	01	-	02
10.	2015-16	-do-	00	00	-	00
11.	2016-17	-do-	00	00	-	00
12.	2017-18	-do-	-	-	-	-
13.	2018-19	-do-	02	01	-	01

16.4 Audit Paras

16.4.1 Loss to the government due to non-deduction of defray charges – Rs. 6.915 million

According to the Finance Department KP letter No. SO(Dev-II) FD/12-6/14-5 dated 21.04.2015, all Provincial Works Departments, while preparing cost estimates of development projects located in tax-exempted areas, shall frame estimates on the Market Rate System with a reduction of 7% (*7.5% applicable*) to defray the amount included in the rate analysis on account of withholding tax for works, construction, and supply items.

During Financial Attest Audit of the accounts of Pakistan Community Support Project for the FY 2023-24, it was observed that payments amounting to Rs. 92.205 million were made to various contractors against different packages / works in District Khyber. The works were awarded on Market Rate System inclusive of taxes. However, neither the PC-I, Technical Sanctions, BOQs were reduced to the extent of 7.5%, nor was the corresponding defray amount deducted from the contractors' payments which resulted into loss of Rs. 6.915 million to the government, as detailed below;

(Amount in Rs.)

S. No.	Name of Contractor & Work	E. Cost	Expenditure till 11/2023	7.5% Defray Value
01	Package-1 Landi Kotal Khyber	35,590,306	33,263,585	2,494,769
02	Package-2 Ali Masjid Khyber	25,335,499	8,708,974	653,173
03	Package-3 Rahman Shoaib/ Flood Protection Wall in Lala Cheena Khyber	27,569,020	12,278,888	920,917
04	GGPS Bar Wali Khel Khyber	10,008,750	8,588,933	644,170
05	GGPS Haji Khan Zamir Khyber	4,239,833	3,879,501	290,963
06	GPS Dora Mera Khyber	10,080,517	9,730,259	729,769
07	THQ Dogra Hospital Khyber	15,754,500	15,754,500	1181,588
Total		**128,578,425**	**92,204,640**	**6,915,349**

The lapse occurred due to non-implementation of government instructions relating to defray charges which resulted into loss to the government.

In the DAC meeting held on 17.04.2025, it was decided that recovery may be made from the contractors. However, no progress was intimated to Audit till finalization of this report.

Audit recommends recovery as per DAC decision.

PDP No. 65 (2023-24)

Chapter-17

AGRICULTURE DEPARTMENT

17.1A Introduction

The Agriculture Department KP is the principal provincial agency responsible for policy formulation, regulation, and promotion of the agriculture sector, which remains a cornerstone of the province's economy and rural livelihoods. The department formulates strategies for enhancing crop productivity, ensuring food security, improving farm incomes, and promoting sustainable agricultural growth. It oversees matters relating to crop husbandry, plant protection, seed quality control, soil fertility, water management, agricultural mechanization, and agribusiness development. As a key provincial entity, it receives budgetary allocations through the Finance Department, and its accounts are consolidated within the financial statements of the Government of Khyber Pakhtunkhwa.

Administratively, the department operates under the leadership of the Secretary Agriculture and is supported by various specialized wings and attached formations, including Agriculture Extension, Agriculture Research, Soil Conservation, Water Management, Agricultural Engineering, and Pest Warning & Quality Control of Pesticides, along with district-level field offices and research institutions. It is responsible for planning and executing development projects under the Annual Development Programme (ADP), implementing federally and provincially funded initiatives, and providing advisory and extension services to farmers. Through coordination with federal institutions, development partners, research bodies, and the private sector, the department facilitates adoption of modern farming techniques, climate-resilient practices, and improved input management systems.

In accordance with the Khyber Pakhtunkhwa Government Rules of Business, 1985 (as amended), the department is entrusted with functions relating to agricultural development, regulation of inputs, capacity building of farmers, promotion of value chains, and strengthening of agricultural markets. These responsibilities contribute directly to Sustainable Development Goal (SDG) 2 (Zero Hunger) and support broader objectives of poverty reduction, economic growth, and environmental sustainability. By promoting efficient resource utilization and evidence-based planning, the Agriculture Department plays a central role in advancing inclusive and sustainable rural development across Khyber Pakhtunkhwa.

17.1B Comments on budget and accounts (variance analysis)

Summary of the Appropriation Accounts:

A summary of grants/appropriations and actual expenditure in FY 2024-25 is given below:

Non-Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
18-Agriculture	NC21	3,425,915,722	3,427,080,936	1,165,214
61-Agriculture	NC21	379,152,535	379,152,535	0
Total		**3,805,068,257**	**3,806,233,471**	**1,165,214**

Developmental expenditure:

(Amount in Rs.)

Grant # and Name of Department	Grant Type	Final Grant	Total Actual Expenditure	Excess/ (Savings)
50-Agriculture	NC22	3,636,710,931	3,679,245,441	42,534,510
50-Agriculture	NC12	316,828,000	316,828,000	0
60-Agriculture	NC12	1,000,000	1,000,000	0
60-Agriculture	NC22	15,470,402	15,470,402	0
Total		**3,970,009,333**	**4,012,543,843**	**42,534,510**

Overview of expenditure against the final grant:

(Rs. in million)

Grant Type	Final Grant	Total Actual Expenditure	Excess/(Savings)	Variance %
Non-Development	3,805.070	3806.230	1.170	0.03%
Development	3,970.010	4,012.540	42.530	1.07%
Total	**7,775.080**	**7,818.780**	**43.700**	**0.56%**

The Agriculture Department KP maintained overall effective budgetary control during FY 2024-25, with total expenditure remaining broadly aligned with the approved allocations. Non-development expenditure reflected a negligible variance against the final grant, indicating sound control over recurring operational costs such as salaries, field operations, extension services, and administrative functions. The minimal deviation suggests effective forecasting and prudent financial management in managing routine departmental activities.

Development expenditure recorded a moderate excess over the final grant, resulting in an overall variance of slightly above one percent under this head. While the deviation is not material in proportionate terms, it indicates the need for closer monitoring of development releases and expenditure pacing, particularly in projects related to agricultural extension, research, and infrastructure support. Overall, the Department demonstrated reasonable fiscal discipline in managing substantial allocations for both operational and development activities, consistent with its mandate to promote agricultural productivity, food security, and sustainable rural development across the province.

17.1C Issues in the Agriculture Department

The Agriculture Department KP, particularly the Gomal Zam Dam Command Area Development Project (GZ-CADP), exhibited significant weaknesses in contract management, procurement compliance, and financial oversight during the audited period. Audit observations revealed non-recovery of unspent balances from an MOU partner despite incomplete execution of assigned works and explicit directions of the Project Implementation Committee. The failure to enforce recovery and ensure timely completion of works reflects ineffective follow-up mechanisms, weak financial controls, and inadequate monitoring of project agreements, resulting in avoidable financial exposure to the government.

Serious procurement irregularities were also observed in the award of civil works contracts involving substantial financial implications. Contracts were awarded by an officer holding additional charge in violation of delegated powers, and mandatory requirements of the KPPRA Rules were not complied with, including deficient advertisement, non-observance of eligibility conditions, and non-obtaining of performance securities. Furthermore, tender-related receipts and statutory deductions were not properly accounted for or deposited into the government treasury. These lapses constitute mis-procurement and demonstrate systemic deficiencies in governance, internal controls, and enforcement of regulatory frameworks, thereby undermining transparency, accountability, and value for money in development projects undertaken by the department.

17.2 Summary of Audit Observations

Audit observations amounting to Rs.436.546 million were raised in this report during the current audit of Agriculture Department which included recovery of Rs.14.657 million. Summary of the audit observations classified by nature is as under:

Overview of Audit Observations:

(Rs. in million)

S No.	Classification	Amount
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR/Employees related irregularities	-
B	Procurement related irregularities	421.889
C	Management of Accounts with Commercial Banks	-
4	Value for money and service delivery issues	14.657
5	Others	

17.3 Brief comments on the status of compliance with PAC directives:

S No	Audit Year	Name of Department	Total No. of actionable points	Full compliance	Partial compliance	Nil compliance
1	2001-02	Agriculture Department	14	14	-	-
2	2002-03	-do-	12	11	-	01
3	2003-04	-do-	06	06	-	-
4	2004-05	-do-	03	01	-	02
5	2005-06	-do-	04	03	-	01
6	2008-09	-do-	14	05	-	09
7	2009-10	-do-	32	09	-	23
8	2010-11	-do-	25	08	-	17
9	2011-12	-do-	20	08	-	12
10	2012-13	-do-	08	07	-	01
11	2013-14	-do-	12	06	-	06
12	2014-15	-do-	-	-	-	-
13	2015-16	-do-	-	-	-	-
14	2016-17	-do-	09	3	4	2
15	2017-18	-do-	-	-	-	-
16	2018-19	-do-	3	-	-	3

17.4 Audit Paras

17.4.1 Non-recovery of unspent balance from MOU partner – Rs. 14.657 million

According to the decision of the 8th Project Implementation Committee meeting held on 07.06.2023, Agenda Item No. 03, the concerned MOU partner was required to complete the assigned works at the earliest and to clear the outstanding liabilities.

During Financial Attest Audit of the accounts of Gomal Zam Dam Command Area Development Project (GZ-CADP) for the FY 2022-23, it was observed that Packages No. 10 and 12 (Construction of 33 Water Courses) and Packages No. 16 and 17 (Construction of 7.30 KM Earthen Shingle Roads) were awarded to On-Farm Water Management through an MOU in August 2020 at the approved rates.

Further scrutiny of record revealed that the MOU partner i.e. District Director OFWM Tank completed only two water courses, while no progress was recorded on the remaining works since the Year 2022. However, despite repeated intimation by the project management to complete the works and to clear the outstanding liabilities amounting to Rs. 14.657 million as mentioned in the minutes of the 8th Project Implementation Committee meeting held on 07.06.2023, no action was taken by the management for effecting recovery of the unspent balance from the MOU partner.

The lapse occurred due to ineffective follow-up which resulted in non-recovery of liabilities and consequent loss to the government.

In the DAC meeting held on 07.02.2025, the forum directed to ensure complete recovery. However, no progress was intimated to Audit till finalization of this report.

Audit recommends recovery as per DAC decision.

PDP No. 209 (2022-23)

17.4.2 Irregular awarding of civil work contracts - Rs. 421.889 million

According to the Establishment Department KP Notification No.SO (Policy) E&AD/1-3 dated 07.12.2022 - Para No.3, an officer holding look-after or additional charge shall not exercise financial and administrative powers involving major administrative or financial implications, as such powers are not delegated by the competent authority.

According to Chapter-III, Rule-19 of the KPPRA Rules 2014, procurement exceeding the prescribed financial limits shall be conducted through open competitive bidding and advertised in at least one national English and one Urdu daily newspaper with nationwide circulation, in addition to publication on the procuring entity's website and the KPPRA website, clearly indicating opening and closing dates.

According to Chapter-V of the KPPRA Rules, 2014, any breach of these rules constitutes mis-procurement and attracts action under the relevant law. As per NIT conditions, bidders shall comply with eligibility requirements, performance security shall be obtained in the prescribed form and amount, and applicable taxes and duties shall be deducted at source.

During Financial Attest Audit of the accounts of Gomal Zam Dam Command Area Development Project (GZ-CADP) Grant No. 391-DOA-GZDC for the FY 2022-23, it was observed that 10 development packages amounting to Rs. 421.889 million were advertised and awarded under single-stage two-envelope procedure. However, further scrutiny of record revealed that the contracts involving substantial financial implications were awarded by an officer holding additional charge, in violation of delegated financial and administrative powers. Audit further observed that;

- Procurements were advertised in only one English daily newspaper, not published in a national Urdu newspaper, not uploaded on the KPPRA website, and did not indicate opening and closing dates of tenders.
- NIT conditions and eligibility requirements were violated, as bidders applied for multiple packages despite restrictions, tender documents were issued to contractors with ongoing and incomplete works, and multiple sets of tender documents were issued to individual bidders.

- Performance security as provided in the contract agreement in the form of bank guarantee amounting to Rs. 42.10 million was not obtained, tender form fees of Rs.468,000 on account of sale of 156 forms was neither accounted for nor deposited into the government treasury, and stamp duty amounting to Rs.360,000 was not deducted from the contractors.

The lapse occurred due to non-adherence to procurement rules, delegated financial powers, and NIT conditions, resulting in mis-procurement.

In the DAC meeting held on 07.02.2025, the forum directed that a fact-finding inquiry into the matter may be conducted within one month and progress be shown to Audit.

The department was requested vide letter dated 27.01.2026 to share the latest status of the inquiry and fixing of responsibility against the persons at fault. However, no progress was intimated to Audit till finalization of this report.

Audit recommends strict implementation of the DAC decision.

PDP No. 195 (2022-23)

GLOSSARY

Abandoned Work
Work discontinued before completion without lawful closure or recovery of advances, leading to potential loss to government.

Administrative Approval
Formal approval accorded by the competent authority to a development scheme in principle, indicating acceptance of scope and estimated cost prior to technical sanction.

Agreement
Legally binding contract executed between the Government and contractor specifying scope, rates, time, conditions, and liabilities.

Aid / Assistance
Financial support provided by an external donor in the form of grant or loan for development activities.

Appropriation Accounts
Annual financial statement showing expenditure incurred against grants and appropriations authorized by the legislature, highlighting excesses, savings, and compliance with budgetary provisions.

Arrears of Revenue
Government dues that remains unrealized beyond the prescribed period due to weak recovery mechanisms, disputes, or administrative lapses.

Audit Certification
Independent assurance report issued in accordance with financing agreement requirements confirming proper utilization of donor funds.

Audit Observation
Finding identified during audit indicating non-compliance, control weakness, irregularity, or deficiency requiring corrective action.

Audit Para
Formally documented audit observation included in the Audit Report for consideration by departmental authorities and the Public Accounts Committee.

Audit Risk
Risk that the auditor expresses an inappropriate conclusion when the subject matter is materially misstated.

Base Index
Official price index prevailing at benchmark date used as reference in escalation calculations.

Bid Security (Earnest Money)
Financial guarantee submitted by bidder to ensure seriousness of bid; forfeitable upon withdrawal or default under procurement rules.

Bill of Quantities (BOQ)
Itemized statement of quantities of work to be executed, forming basis of bidding and payment.

Budget Availability Review
Process of verifying whether sufficient budget provision exists under the relevant head before authorizing expenditure or entering into commitments.

Budget Surrender
Return of unutilized budget provision by a department to the Finance Department before the close of the financial year.

Capital Expenditure
Expenditure incurred for acquisition, construction, or enhancement of physical assets, or for schemes resulting in long-term benefits.

Certification Audit
Independent examination conducted to provide assurance on the accuracy, completeness, and reliability of financial statements and accounts.

Chart of Accounts
Structured classification framework used by government entities to record, categorize, and report financial transactions uniformly.

Commitment Charge
Fee payable on undisbursed portion of a loan under terms of financing agreement.

Completion Certificate
Certificate issued by competent authority confirming completion of work as per contract specifications.

Contract Management
Systematic administration of contract conditions including variations, extensions, penalties, and securities.

Contractor Default
Failure of contractor to perform obligations within stipulated time, cost, or quality parameters.

Control Failure
Breakdown in preventive or detective internal control mechanism.

Cost Center
Accounting unit used in financial systems to track and record expenditure and receipts for specific activities or offices.

Cost Escalation
Increase in contract price due to approved escalation formula linked to inflation indices during execution.

Counterpart Funds
Local currency contribution provided by the provincial government in donor-funded projects.

Current Index
Official index prevailing during execution period used for price adjustment.

Debt Ledger
Detailed record maintained to track loan receipts, repayments, interest, and outstanding balances.

Debt Servicing
Repayment of principal and interest on borrowed funds.

Defective Work
Work not conforming to approved specifications, drawings, or quality standards.

Defray Charges
Adjustment made by reducing estimated cost in tax-exempt areas to offset embedded withholding tax included in schedule rates.

Delay in Completion
Failure to complete work within stipulated time; subject to liquidated damages.

Departmental Accounts Committee (DAC)
Forum comprising departmental and audit representatives convened to discuss audit observations and recommend corrective actions.

Development Scheme
Government-approved project undertaken to create assets or improve public services under development budgets.

Deviation Order
Formal approval allowing variation from original BOQ quantities within permissible limits.

Detailed Estimate
Engineer-prepared cost estimate based on design, drawings, and schedule of rates.

Disbursement
Release of loan or grant funds upon fulfillment of agreed conditions.

Domestic Debt
Borrowings raised by the government from internal sources within the country.

Economic Affairs Division EAD) Reconciliation
Matching foreign loan balances between Accountant General records and EAD statements.

Engineer's Estimate
Official cost estimate prepared by the engineering authority based on approved designs and rates.

Excess Payment
Payment made beyond admissible quantity, rate, or contractual entitlement.

External Debt
Liability owed to foreign creditors under signed loan agreements.

Final Bill
Last payment bill submitted after completion and measurement of work.

Finance Accounts
Annual statement presenting the overall financial position of the government including assets, liabilities, receipts, and expenditures.

Financial Attest Audit
Audit conducted to verify the legality, accuracy, and propriety of financial transactions.

Financial Concurrence
Approval of finance authority before incurring expenditure beyond delegated powers.

Fiscal Discipline
Adherence to financial rules and budgetary limits to ensure prudent resource management.

Fiscal Sustainability
Government's capacity to maintain long-term financial stability without excessive debt accumulation.

Foreign Debt Ledger
Register showing disbursement, repayment, interest, and balance of foreign loans.

Foreign Exchange Fluctuation
Variation in loan liability due to change in currency exchange rates.

Government Receipts
All revenues and inflows collected by government including taxes, non-tax receipts, grants, and recoveries.

Grant-in-Aid
Financial assistance provided without repayment obligation.

Guarantee Period / Defect Liability Period
Specified time after completion during which contractor remains responsible for defects.

Improper Measurement
Recording of inflated or unverifiable quantities in Measurement Book.

Implementing Agency
Provincial department responsible for executing a project.

Interim Payment Certificate (IPC)
Engineer-certified document authorizing progressive payments for work executed.

Internal Controls:
Policies and procedures established to ensure compliance, safeguard assets, and prevent fraud.

Internal Audit:
Independent assurance function evaluating risk management and controls.

Legislative Authority
Authorization granted by Provincial Assembly for expenditure.

Liability Register
Official record maintained to track all recognized government liabilities.

Liquidated Damages
Pre-determined compensation recoverable for delay in contract performance.

Loan Agreement
Legal contract specifying borrowing terms and repayment obligations.

Market Rate System (MRS)
Approved schedule of rates used for evaluating non-scheduled items.

Measurement Book (MB)
Primary record of physical measurement of works forming basis of contractor payment.

Misclassification of Expenditure
Incorrect recording of expenditure under inappropriate account heads.

Mobilization Advance
Advance paid to contractor to mobilize resources; recoverable from bills.

Negative Balance
Accounting condition where payments exceed available receipts or credits.

Non-Admissible Escalation
Escalation paid without contractual entitlement or beyond permissible limits.

Non-Scheduled Item (NSI)
Work item not included in approved schedule requiring rate analysis.

Operating Expenditure
Routine expenditure incurred for day-to-day functioning of government operations.

PC-I
Standard planning document containing scope, cost, and implementation details of a development project.

Performance Security
Guarantee ensuring contractor's faithful performance of obligations.

Price Adjustment
Contractual mechanism allowing revision of contract price due to input cost fluctuations.

Principal Repayment
Repayment of borrowed capital excluding interest.

Progressive Payment
Payment made based on percentage completion of work.

Professional Judgment
Application of auditor expertise in evaluation and decision-making.

Public Accounts Committee (PAC)
Legislative oversight body examining audit reports and ensuring accountability.

Quality Assurance
System ensuring compliance with technical specifications and standards.

Reasonable Assurance
High but not absolute level of assurance in audit engagements.

Re-appropriation
Transfer of budget provision from one head to another with approval.

Reconciliation of Expenditure
Process of matching departmental records with AG accounts.

Risk Management:
Systematic process of identifying and mitigating risks.

Annexure-I

(Amount in Rs.)

1.2.2 Unauthorized punching of Budget in SAP in excess of the amount approved in the Schedule of Authorized expenditure - Rs. 104,262 million				
Page No.	**No. and Name of the Grant**	**Schedule of Authorized Expenditure**	**Budget Punched in the SAP**	**Excess Punching**
293	50-Development (Provincial) NC12/22	27,319,276,000	47,524,022,424	20,204,746,424
328	51-Rural and Urban Development NC12/22	43,615,579,000	50,634,828,700	7,019,249,700
344	53-Education and Training NC12/22	8,026,997,000	12,789,484,622	4,762,487,622
352	54-Health Services NC12/22	10,125,553,000	17,271,725,057	7,146,172,057
363	55-Construction of Irrigation Works NC12	11,721,054,000	13,410,837,067	1,689,783,067
366	56-Construction of Roads, Highways and Bridges NC12	15,121,538,000	21,713,356,647	6,591,818,647
368	57-Special Programme NC12/22	25,838,544,000	26,538,427,000	699,883,000
389	60-Newly Merged Areas Development	119,757,590,000	138,999,044,499	19,241,454,499
505	62-COVID-19 Contingency	300,000,000	600,000,000	300,000,000
42	8-Home & T.A NC21	267,167,000	617,000,000	349,833,000
58	10-Police NC21	253,009,000	2,707,038,864	2,454,029,864
77	11-Administration of Justice NC24 & NC21	1,032,122,000	1,045,764,000	13,642,000
	11-Administration of Justice NC24 & NC21	1,703,798,000	1,796,494,450	92,696,450
92	12-Higher Education Archives and	1,939,974,000	1,948,584,000	8,610,000
164	17-Local Government NC21	2,872,268,000	2,922,268,000	50,000,000
190	24-Irrigation NC21	820,910,000	835,057,000	14,147,000
223	29-Technical Education & Manpower Training NC 21	44,126,000	600,000,000	555,874,000
250	37-Auqaf, Religious and Minority Affairs	96,322,000	273,000,000	176,678,000
270	45-Transport	1,050,428,000	2,059,429,000	1,009,001,000
273	46-Elementary & Secondary Education NC21	1,295,340,000	1,315,340,000	20,000,000
293	50-Development (Provincial)NC12/22	7,684,345,000	11,034,527,826	3,350,182,826
328	51-Rural and Urban Development NC12/22	5,920,559,000	7,650,071,000	1,729,512,000

344	53-Education and Training NC12/22	4,822,783,000	5,270,521,000	447,738,000
352	54-Health Services NC12/22	2,691,004,000	4,238,787,000	1,547,783,000
363	55-Construction of Irrigation Works NC12	5,819,190,000	7,029,210,000	1,210,020,000
368	57-Special Programme NC12/22	1,639,811,000	1,646,810,988	6,999,988
377	59-FOREIGN AIDED PROJECTS NC12	-	19,184,028,150	19,184,028,150
389	60-Newly Merged Areas Development	664,090,000	3,375,295,000	2,711,205,000
440	61-Newly Merged Areas Current	290	1,674,332,000	1,674,331,710
Total		**302,443,377,290**	**406,705,284,294**	**104,261,907,004**

Annexure-II

(Amount in Rs.)

1.2.6 Overpayments from the Public Account – Rs. 39,583 Million					
Object Head	**Description**	**Balance as on 01.07.24**	**Receipts**	**Payments**	**Balance as on 30.06.25**
G10108	Deposit of department of petroleum and minerals	-2,570,851			-2,570,851
G10112	Sanitary Board Fund	-127,063,443			-127,063,443
G10113	Public Works/Pakistan PWD Deposits	-2,054,970,286	4,765,849,266	33,357,330,096	-30,646,451,116
G10131	Forest Cheques	-233,278,150	10,236,624,947	10,308,097,504	-304,750,707
G10407	PWD Remittances	-78,273,605	240,703	221072	-78,253,974
G10413	Sales Tax Remittances	-203,622			-203,622
G10429	Internal Cheque (Public Works)	-8,303,135,577	99,921,985,450	100,042,674,576	-8,423,824,702
G06101	Indian Civil Services Provident Fund	100,141	846,053	1,059,422	-113,228
G06102	Indian Civil Services (NEM) Provident Fund	-65,596			-65,596
G06124	Other Miscellaneous Provident Fund	-85,678	-		-85,678
G06208	Federal Govt. Employees Benevolent Fund Food Wing	-174			-174
Total		**-10,799,546,841**	**114,925,546,419**	**143,709,382,670**	**-39,583,383,091**

Annexure-III

(Amount in Rs.)

2.4.1 Less realization of Government Receipts – Rs. 4.834 million								
SAP Receipt Data FY 2024-25 BJ4380 Bajaur Dairy Farm								
S. No.	**G/L Acc**	**Description**	**Document Type**	**Posting Date**	**C. Center**	**Profit Center**	**Amount**	**Assignment No.**
1	C03231	Others	RT	03/02/2025	BJ4380	AG-BJ	-32,625	AC 1 PROVINCIAL
2	C03231	Others	RT	04/03/2025	BJ4380	AG-BJ	-30,450	AC 1 PROVINCIAL
3	C03231	Others	RT	05/03/2025	BJ4380	AG-BJ	-6,000	AC 1 PROVINCIAL
4	C03231	Others	RT	05/03/2025	BJ4380	AG-BJ	-481,320	AC 1 PROVINCIAL
5	C03231	Others	RT	07/04/2025	BJ4380	AG-BJ	-551,100	AC 1 PROVINCIAL
6	C03231	Others	RT	07/04/2025	BJ4380	AG-BJ	-6,000	AC 1 PROVINCIAL
7	C03231	Others	RT	08/04/2025	BJ4380	AG-BJ	-34,800	AC 1 PROVINCIAL
8	C03231	Others	RT	09/05/2025	BJ4380	AG-BJ	-32,625	16000357002024
9	C03231	Others	RT	12/05/2025	BJ4380	AG-BJ	-534,375	16000357012024
10	C03231	Others	RT	12/05/2025	BJ4380	AG-BJ	-5,000	16000357012024
11	C03231	Others	RT	12/05/2025	BJ4380	AG-BJ	-2,000	16000357012024
12	C03231	Others	RT	03/06/2025	BJ4380	AG-BJ	-466,055	16000417812024
13	C03231	Others	RT	03/06/2025	BJ4380	AG-BJ	-6,000	16000417812024
14	C03231	Others	RT	04/06/2025	BJ4380	AG-BJ	-32,625	16000417822024
15	C03231	Others	RT	30/06/2025	BJ4380	AG-BJ	-2,000	dairy farm
16	C03231	Others	RT	30/06/2025	BJ4380	AG-BJ	-485,095	dairy farm
17	C03231	Others	RT	30/06/2025	BJ4380	AG-BJ	-6,000	dairy farm
Total							**-2,714,070**	

Annexure-IV

(Amount in Rs.)

5.4.5 Loss to the government due to purchase of medicine at higher rates - Rs. 5.571 million							
Name of the Supplier	**Amount**	**MCC Rate**	**Purchased Rate**	**Diff**	**Quantity**	**Diff in amount**	**Item Procured**
Dir Adezai	120,000	9.92	20	10.08	600	6,048	Surgical Cotton
Dir Adezai	400,000	9.92	20	10.08	20000	201,600	Syring 5cc
Dir Adezai	900,000	26.1	45	18.9	20000	378,000	IV set
Dir Adezai	800,000	84.5	160	75.5	5000	377,500	IV Cannola
Dir Adezai	804,000	56.5	160	103.5	5000	517,500	IV Cannola
Dir Adezai	675,000	33.33	135	101.67	5000	508,350	Flygel 100 ml
Dir Adezai	40,000	110.33	200	89.67	200	17,934	Cotton
Dir Adezai	400,000	26.1	40	13.9	10000	139,000	IV set
Dir Adezai	400,000	26.1	40	13.9	10400	144,560	IV set
Dir Adezai	95,000	43.25	95	51.75	1000	51,750	Sticky Plaster
Dir Adezai	155,000	110.33	310	199.67	500	99,835	Cotton
Dir Adezai	100,000	110.33	200	89.67	500	44,835	Cotton
Din Medical	98,000	48.25	98	49.75	1000	49,750	Ringer
Din Medical	157,000	33.33	157	123.67	1000	123,670	Flagyl
Din Medical	400,000	26.1	40	13.9	10000	139,000	IV set
Din Medical	200,000	26.1	40	13.9	5000	69,500	IV set
Din Medical	200,000	26.1	40	13.9	5000	69,500	IV set
Din Medical	60,000	9.92	12	2.08	5000	10,400	Syrng
Din Medical	54,000	9.92	108	98.08	500	49,040	Neomal Saline 1000ml
Din Medical	74,500	33.33	49	15.67	500	7,835	Flagyl
Dir Adezai	792,000	9.92	20	10.08	30000	302,400	Syring 5cc
Dir Adezai	40,000	9.92	20	10.08	20000	201,600	Syring 5cc
Dir Adezai	200,000	9.92	20	10.08	10000	100,800	Syring 5cc
Dir Adezai	454,850	48.28	90.97	42.69	5000	213,450	Ringer Lactat 500ml

Dir Adezai	400,000	9.92	20	10.08	20000	201,600	Syring 5cc
Dir Adezai	400,000	9.92	20	10.08	20000	201,600	Syring 5cc
Dir Adezai	75,000	43.25	150	106.75	500	53,375	Sticky Plaster
Dir Adezai	200,000	9.92	20	10.08	10000	100,800	Syring 5cc
Dir Adezai	287,000	460	560	100	200	20,000	Payodine
Dir Adezai	155,000	43.25	310	266.75	500	133,375	Cotton Roll
Din Medical	98,000	48.28	98	49.72	1000	49,720	Ringer Lactat 500ml
Din Medical	108,000	48.28	108	59.72	1000	59,720	Neomal Saline 1000ml
Din Medical	72,000	9.92	15	5.08	4800	24,384	Syring 5cc
Din Medical	150,000	9.92	15	5.08	10000	50,800	Syring 5cc
Din Medical	150,000	9.92	15	5.08	10000	50,800	Syring 5cc
Dir Adezai	186,000	110.33	310	199.67	600	119,802	Cotton
Dir Adezai	40,000	43.25	200	156.75	200	31,350	Cotton
Din Medical	200,000	26.1	40	13.9	5000	69,500	IV set
Din Medical	120,000	9.92	12	2.08	10000	20,800	Syring 5cc
Din Medical	120,000	9.92	12	2.08	10000	20,800	Syring 5cc
Din Medical	350,000	26.1	35	8.9	10000	89,000	IV set
Din Medical	240,000	9.92	12	2.08	20000	41,600	Syring 5cc
Din Medical	360,000	9.92	12	2.08	30000	62,400	Syring 5cc
Din Medical	350,000	26.1	35	8.9	10000	89,000	IV set
Din Medical	150,000	26.1	30	3.9	5000	19,500	IV set
Din Medical	240,000	9.92	12	2.08	20000	41,600	Syring 5cc
Din Medical	150,000	26.1	30	3.9	5000	19,500	IV set
Din Medical	60,000	9.92	12	2.08	5000	10,400	IV set
Din Medical	150,000	26.1	30	3.9	5000	19,500	Syring 5cc
Din Medical	90,000	26.1	30	3.9	3000	11,700	IV set
Din Medical	240,000	9.92	12	2.08	20000	41,600	Syring 5cc
Total	**12,760,350**					**5,478,083**	

Annexure-V

(Amount in Rs.)

5.4.7 Overpayment on account of project allowance due to non-freezing of basic pay – Rs. 4.459 million							
S. No.	**Name of officer**	**Date of posting**	**Basic pay at the time of posting (required to be frozen)**	**Basic pay drawn for the purpose of project allowance**	**Difference**	**Period**	**Total amount**
1-	Jamal Ahmad	25-02-2022	24,990	39,370	14380 x 2 basic pay = 28760	40-months & 04-days	1,154,235
2-	Zewar Khan	20-05-2022	38,670	59,710	21040 x 2=42080	34-months & 15-days	1,451,760
3-	Shahab Khan	21-05-2022	39,570	62,170	22600 x 2=45200	33-months & 14-days	1,512,693
4-	Ataullah	07-11-2022	55,330	58,750	3420 x 2=6840	31-months & 20-days	216,600
5-	Sadia Asghar	03-01-2024	110,000	113,470	3470 x 2=6940	17-months & 28-days	124,457
Total							**4,459,745**

Annexure-VI

(Amount in Rs.)

7.4.6 Overpayment to contractor on account of escalation due to application of incorrect rates – Rs. 4.223 million

Swat University of Engineering & Applied Sciences

Kabal Campus, Hostel, 800 sft flats, Library and 1500 sft buildings (Package-B)

CONSULTANT: UET Peshawar, Consultancy Cell

CONTRACTOR: M/S Zain ul Abideen & Sons

PRICE ADJUCTMENT STATEMENT

EPC No. and Date	Work Done	Coefficient						Current Rates 28 days prior to the date of submission of IPC					Base Rate 28 days Prior of Tender					Adjustment Factor (Pn)	Escalation Factor Pn-1	Escalation Amount (Rs)
		Fixed	Lab	HSD	Cement	Steel	Bricks	Lab	HSD	Cement	Steel	Bricks	Lab	HSD	Cement	Steel	Bricks			
1	33,060,362	0.35	0.05	0.10	0.15	0.30	0.05	700	117.54	660	170,000	14.33	700	112.55	620	142,000	13.66	1.0757	0.0757	2,503,276
	24,043,899.79	0.35	0.05	0.10	0.15	0.30	0.05	700	128.26	680	172,000	14.33	700	112.55	620	142,000	13.66	1.0943	0.0943	2,267,510
2	13,065,504.36	0.35	0.05	0.10	0.15	0.30	0.05	700	128.26	680	172,000	14.33	700	112.55	620	142,000	13.66	1.0943	0.0943	1,232,169
	18,410,483	0.35	0.05	0.10	0.15	0.30	0.05	700	141.53	700	180,000	14.33	700	112.55	620	142,000	13.66	1.1278	0.1278	2,353,550
	11,877,731	0.35	0.05	0.10	0.15	0.30	0.05	700	140.12	700	185,000	16.00	700	112.55	620	142,000	13.66	1.1433	0.1433	1,701,614
3	7,348,443	0.35	0.05	0.10	0.15	0.30	0.05	700	140.12	700	185,000	16.00	700	112.55	620	142,000	13.66	1.1433	0.1433	1,052,744
	18,705,126	0.35	0.05	0.10	0.15	0.30	0.05	700	143.12	690	190,000	16.00	700	112.55	620	142,000	13.66	1.1541	0.1541	2,881,905
	14,028,845	0.35	0.05	0.10	0.15	0.30	0.05	700	149.39	690	180,000	14.00	700	112.55	620	142,000	13.66	1.1312	0.1312	1,840,498
	6,052,710	0.35	0.05	0.10	0.15	0.30	0.05	700	149.39	690	180,000	14.00	700	112.55	620	142,000	13.66	1.1312	0.1312	794,078
	18,158,130	0.35	0.05	0.10	0.15	0.30	0.05	700	144.15	780	190,000	15.00	700	112.55	620	142,000	13.66	1.1731	0.1731	3,143,161
	18,158,130	0.35	0.05	0.10	0.15	0.30	0.05	700	144.15	830	195,000	15.00	700	112.55	620	142,000	13.66	1.1958	0.1958	3,554,627
4	19,671,308	0.35	0.05	0.10	0.15	0.30	0.05	800	148.99	830	196,000	15.00	700	112.55	620	142,000	13.66	1.2093	0.2093	

																			4,117,507
	5,296,121	0.35	0.05	0.10	0.15	0.30	0.05	800	233.73	913	230,000	17.00	700	112.55	620	142,000	13.66	1.3839	0.3839	2,033,266
5	5,241,741	0.35	0.05	0.10	0.15	0.30	0.05	800	233.73	913	230,000	17.00	700	112.55	620	142,000	13.66	1.3839	0.3839	2,012,388
	11,357,104	0.35	0.05	0.10	0.15	0.30	0.05	800	256.27	1,020	232,000	16.00	700	112.55	620	142,000	13.66	1.4303	0.4303	4,887,160
	7,425,799	0.35	0.05	0.10	0.15	0.30	0.05	800	244.70	1,000	232,000	16.00	700	112.55	620	142,000	13.66	1.4152	0.4152	3,083,183
6	5,154,936	0.35	0.05	0.10	0.15	0.30	0.05	800	244.70	1,000	232,000	16.00	700	112.55	620	142,000	13.66	1.4152	0.4152	2,140,323
	14,892,037	0.35	0.05	0.10	0.15	0.30	0.05	800	247.43	980	220,000	16.00	700	112.55	620	142,000	13.66	1.3874	0.3874	5,769,676
	13,173,725	0.35	0.05	0.10	0.15	0.30	0.05	800	235.30	970	212,000	18.00	700	112.55	620	142,000	13.66	1.3647	0.3647	4,803,879
Work done	**265,122,138**	**AMOUNT DUE**																		**52,172,513**
		AMOUNT PAID																		**56,395,629**
		OVERPAYMENT																		**4,223,115**

Annexure-VII

(Amount in Rs.)

10.4.12	**Overpayment to contractors due to non-deduction of defray costs – Rs. 316.460 million**				
PAYMENT DETAILS OF MANKYAL ROADS SWAT BY M/S AITMAAD BUILDERS					
Road Name	**Package**	**F. Year**	**Cheque No & Date**	**IPC No**	**Amount**
Rehabilitation and Remodeling Of Mankyal Road (Length 23KM) District Swat	LOT / Package-01 Mankial Bada Sarai Road Road (KM 0+000 to KM 09+300)	2022-23	289511839, DT 11-01-2023	IPC-01	29,203,747
			298259504, DT 15-02-2023	IPC-02	148,785,000
			298259506, DT 16-02-2023	IPC-03	148,785,000
		2023-24	49402240, DT 24-11-2023	IPC-04	63,399,096
			49402254, DT 06-12-2023	IPC-05	138,179,889
			59069333, 26-02-2024	IPC-06	24,855,044
			17848004, 26-04-2024	IPC-07	35,568,968
			17848012, 26-04-2024	IPC-08	1,382,347
			17848074, 24-06-2024	IPC-09	5,145
		2024-25	60078983, 08-05-2025	IPC-10	942,917,158
			60078988, 20-05-2025	IPC-11	546,543,350
			1326901434, 04-06-2025	IPC-11	479,523,244
			Sub Total		**2,559,147,987**
	LOT / Package-02 Bada Jabai Road (KM 0+000 to KM 12+700))	2022-23	289511839, DT 11-01-2023	IPC 1	9,100,298
			298259504, DT 15-02-2023	IPC-02	138,975,000
			298259506, DT 16-02-2023	IPC-03	138,975,000
		2023-24	49402239, DT 24-11-2023	IPC-04	55,042,392
			59069333, 26-02-2024	IPC-05	25,082,831
			17848004, 26-04-2024	IPC-06	37,509,212
			17848012, 26-04-2024	IPC-07	13,172,953
			17848074, 24-06-2024	IPC-08	5,120
		2024-25	60078905, 06-02-2025	IPC-09	457,065,543
			60078954, 18-04-2025	IPC-10	384,828,362
			60078988, 20-05-2025	IPC-11	2,191,570
			1326901434, 04-06-2025	IPC-12	346,399,200

		Sub Total	**1,608,347,481**
		Grand Total	**4,167,495,468**
		Defray cost	**312,562,160**

Annexure-VIII

15.3.6 Overpayment due to payment on MRS-2022 (Bi-Annual) – Rs. 237.131 million							
M/S AITMAAD BUILDERS & DEVELOPERS PVT LTD							
ADP NO.1899/170539 (2022-23) KHYBER PAKHTUNKHWA INTEGRATED TOURISM DEVELOPMENT PROJECT (KITE)							
REHABILITATION AND REMODELING OF THANDIANI ROAD (LENGTH 24.4KM) DISTRICT ABBOTTABAD							
IPC-11 PACKAGE 01							
head of account	**particulars**	**Unit**	**Rate paid as per MRS 2022 Bi**	**Rate as per MRS 2021**	**Diff.**	**Quantity executed upto June 2025**	**O/payment**
03-66-a Provisional Rate As per Clause 12.3 of GCC	Roadway Excavation in Surplus / unsuitable common material	CM	444.75	365.86	78.89	128,072.54	10,103,643
Non BoQ 03-66-c MRS 2022	Roadway Excavation in Surplus / Unsuitable Rock (Medium) Material requiring blasting	CM	712.86	684.84	28.02	85,855.97	2,405,684
Non-BoQ (03-20-a) (MRS 2022-B	Transportation of earth all types beyond 250m and upto 500m	CM	249.73	202.91	46.82	95,000.00	4,447,900
Non-BoQ (03-20-b) (MRS 2022-B	Transportation of earth all types beyond 100m and upto 500m upto 1.5km	CM	38.69	31.44	7.25	950,000.00	6,887,500
Non-BoQ (03-20-c) (MRS 2022-B	Transportation of earth all types beyond 500m extra lead beyond 1.5km up to 8km	CM	35.17	28.58	6.59	1,235,000.00	8,138,650

Non-BoQ (03-20-d) (MRS 2022-B	Transportation of earth all types for every 1km extra lead or part thereof beyond 8 km	CM	24.62	20.00	4.62	950,000.00	4,389,000
TOTAL							**36,372,377**