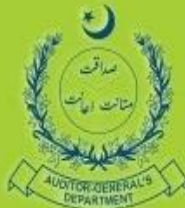




AUDIT REPORT

ON THE ACCOUNTS OF LOCAL GOVERNMENTS, WATER & SANITATION SERVICES COMPANIES KHYBER PAKHTUNKHWA

AUDIT YEAR 2024-25



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*

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

"IN THE NAME OF ALLAH, THE MOST BENEFICENT, THE MOST MERCIFUL"





PREFACE

Articles 169 and 170 of the Constitution of Islamic Republic of Pakistan, 1973 read with Sections 8, 12 & 15 of the Auditor-General's (Functions, Powers and Terms & Conditions of Service) Ordinance, 2001 and Section 37 of the Khyber Pakhtunkhwa Local Government Act 2013, (Amended 2022) mandate the Auditor-General of Pakistan to conduct audit of the accounts of receipts and expenditures of Local Governments in Khyber Pakhtunkhwa.

The report is based on audit of the accounts of offices of Local Governments i.e. Tehsil Municipal Administration, Capital Metropolitan Government, Local Council Board, Assistant Directors, Local Government & Rural Development Department, and Water & Sanitation Services Companies in the province for the Financial Year 2023-24. The Directorate-General of Audit, Local Governments, Khyber Pakhtunkhwa conducted audit during 2024-25 on 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 significant audit findings derived from special audit/special study/performance audit in addition to regularity audit. Relatively, less significant issues are listed in Annexure-1 of each district chapter of the Audit Report. The audit observations listed in Annexure-1 of each district chapter will be pursued with the Principal Accounting Officers and their DDOs. In all cases where Principal Accounting Officers do not initiate appropriate actions, the audit observations shall be brought to the notice of appropriate legislative forum through the next year's Audit Report.

Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

Some of the observations included in this report were finalized in the light of written replies of the departments. In most cases, DAC meetings were not convened despite repeated requests by the Audit.

There are certain audit paras which were also reported in last years' Audit Reports for the Financial Years 2018-19, 2019-20, 2020-21, 2021-22 and 2022-23. Recurrence of such irregularities is a matter of concern that needs to be addressed.

The Audit Report is submitted to the Governor Khyber Pakhtunkhwa, in pursuance of Article 171 of the Constitution of Islamic Republic of Pakistan, 1973 read with Section 37 of the Khyber Pakhtunkhwa Local Government Act, 2013 (Amended 2022) for causing it to be laid before the appropriate legislative forum.

Islamabad
Dated:

(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

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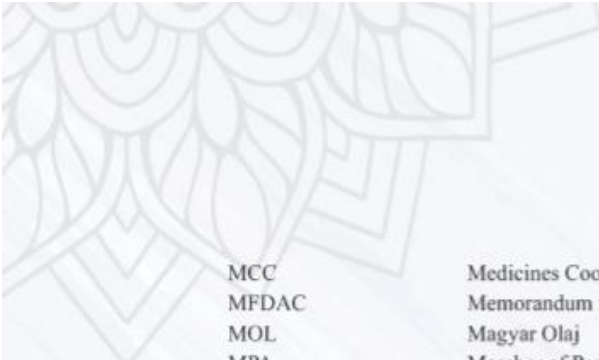
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ABBREVIATIONS AND ACRONYMS

AC	Assistant Commissioner
AD	Assistant Director
ADC	Additional Deputy Commissioner
ADP	Annual Development Programme
AG	Accountant General
AGP	Auditor-General of Pakistan
APPM	Accounting Policies and Procedures Manual
APRs	Actual Payee Receipts
ASDEO	Assistant Sub-Divisional Education Officer
ATL	Active Taxpayer List
BISE	Board of Intermediate & Secondary Education
BISP	Benazir Income Support Programme
B&R	Building & Roads
BoG	Board of Governors
BOK	Bank of Khyber
BOQ	Bill of Quantity
CCTV	Close Circuit Camera Television
CDLD	Community Driven Local Development Programme
CDR	Call Deposit Receipt
CEO	Chief Executive Officer
CGA	Controller General of Accounts
CHM	Clearing House Meeting
CNIC	Computerized National Identity Card
CPWA	Central Public Works Account
CRC	Class Room Consumable
CTR	Central Treasury Rules
CVT	Capital Value Tax
C&W	Communication and Works
DAO	District Accounts Office
DAC	Departmental Accounts Committee
DC	Deputy Commissioner
DCA	District Comptroller of Accounts
DD	District Director



DDO	Drawing & Disbursing Officer
DEO	District Education Officer
DG	Directorate-General
DGA	Directorate-General Agriculture
DPR	Disable Person Reserve Fund
DSC	District Selection Committee
DSS	Double Shift School
DSO	District Sports Officer
E&SE	Elementary & Secondary Education
ETEA	Education Testing & Evaluation Agency
FATA	Federally Administered Tribal Area
F&P	Finance & Planning
FBR	Federal Board of Revenue
FTR	Federal Treasury Rules
GBS	General Bus Stand
GFR	General Financial Rules
GGHS	Government Girls High School
GGHSS	Government Girls Higher Secondary School
GMS	Government Middle School
GPS	Global Positioning System
HDPE	High Density Polypropylene Pipe
HQ	Head Quarter
HR	Human Resource
IMU	Independent Monitoring Unit
INTOSAI	International Organization of Supreme Audit Institutions
IT	Information Technology
KM	Kilo Metre
KPCIP	Khyber Pakhtunkhwa Cities Improvement Projects
KP	Khyber Pakhtunkhwa
KPEMA	Khyber Pakhtunkhwa Education Monitoring Authority
KPPRA	Khyber Pakhtunkhwa Public Procurement Regulatory Authority
KPRA	Khyber Pakhtunkhwa Revenue Authority
LCB	Local Council Board
LGA	Local Government Act 2013
LG&RDD	Local Government & Rural Development Department
LPR	Leave Preparatory to Retirement
MB	Measurement Book



MCC	Medicines Coordination Committee
MFDAC	Memorandum for Departmental Accounts Committee
MOL	Magyar Olaj
MPA	Member of Provincial Assembly
MRS	Market Rate System
M&R	Maintenance & Repair
NESPAK	National Engineering Services Pakistan
NBP	National Bank of Pakistan
NCs	Neighbourhood Councils
NHA	National Highway Authority
NIT	Notice Inviting Tender
NLC	National Logistic Cell
NSI	Non-Schedule Item
NOC	No Objection Certificate
OGDCL	Oil & Gas Development Company Limited
PAC	Public Accounts Committee
PATA	Provincial Administered Tribal Area
PC-I	Planning Commission Form-I
PCC	Plain Cement Concrete
P&D	Planning & Development
PAO	Principal Accounting Officer
PESCO	Peshawar Electric Supply Company
PLA	Personal Ledger Account
PLS	Profit & Loss Sharing
POL	Petroleum Oil & Lubricant
PSDP	Public Sector Development Programme
PST	Primary School Teacher
PTC	Parent Teachers Council
RDA	Regional Directorate of Audit
TR	Treasury Rules
SAMA	Services and Assets Management Agreement
SAP	Systems Applications and Products in Data Processing
SDEO	Sub-Divisional Education Officer
SDO	Sub-Divisional Officer
SDW	Sub Division Waziristan
SW	South Waziristan





TAC	Tehsil Accounts Committee
TMA	Tehsil Municipal Administration
TMO	Tehsil Municipal Officer
TOR	Tehsil Officer Regulation
SBP	State Bank of Pakistan
VCs	Village Councils
WAPDA	Water and Power Development Authority
WSSC	Water Supply & Sanitation Services Company
WSSP	Water Supply & Sanitation Services Peshawar
WUAs	Water Users Association
XEN	Executive Engineer
ZAC	Zilla Accounts Committee

EXECUTIVE SUMMARY



The Directorate-General Audit, Local Governments, Khyber Pakhtunkhwa carried out the audit of Local Governments of thirty-six (36) districts of Khyber Pakhtunkhwa.

This Directorate-General has a human resource of 63 officers and staff with a total of 15,813 man-days. Annual budget amounting to Rs.265.509 million was allocated to the office for the FY 2024-25. The Directorate-General is mandated to conduct Regularity Audit, Financial Attest Audit, Performance Audit, Thematic Audit, Impact Audit, Information System Audit, Citizen Participatory Audit, Audit of Foreign Aided Projects (FAPs) and Special Studies etc.

The Local Governments of each District consist of the following three tiers which perform their operations under the Khyber Pakhtunkhwa Local Government Act, 2013 (Amended 2022).

- i. Tehsil Government;
- ii. Tehsil Municipal Administration;
- iii. Village and Neighborhood Councils;

The Act *ibid* provides for the establishment of Local Consolidated Fund and Public Account. The Tehsil Government comprises of one Principal Accounting Officer (PAO) i.e. Assistant Commissioner for the Tehsil Government, who is an officer incharge (Administrator) of 11 devolved departments including Assistant Director, Local Government & Rural Development Department (AD LG&RDD) in each district. Each Tehsil Municipal Administration has one PAO i.e. Tehsil Municipal Officer. There are 131 Tehsil Municipal Administrations in the province. The 4212 Village and Neighborhood Councils (V&NCs) of the province have ADs LG&RDD as their Principal Accounting Officers. .

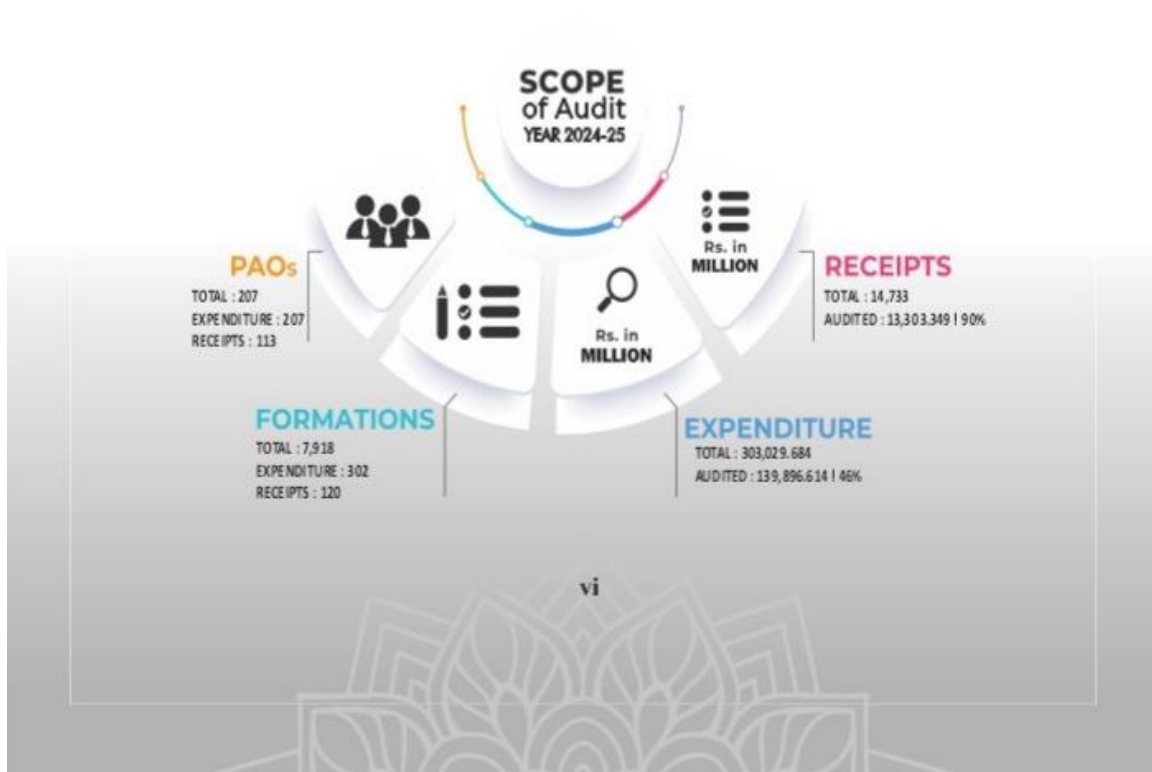
a. Scope of Audit

There are 7,918 formations of 207 PAOs which remain under the audit jurisdiction of this office. Total expenditure and receipts of these formations were Rs. 303,029.684 million and Rs. 14,733.946 million respectively for the Financial Year 2023-24.

Audit coverage relating to expenditure for the current audit year comprises 302 formations of 207 PAOs having a total expenditure of Rs. 139,896.614 million for the Financial Year 2023-24, which in terms of percentage is 46% of auditable expenditure.

Audit coverage relating to receipts for the current audit year comprises 120 formations of 113 PAOs having a total Receipts of Rs. 13,303.349 million for the Financial Year 2023-24, which in terms of percentage is 90% of auditable receipts.

In addition to this compliance audit report, the Directorate General of Audit Local Governments conducted Financial Attest Audits for which reports are being published separately.



b. Recoveries at the instance of Audit

As a result of audit, recovery of Rs. 10,424.657 million was pointed out in this report. Recovery amounting to Rs. 368.672 million was effected till finalization of the report.



c. Audit Methodology

The Audit Year 2024-25 witnessed intensive application of desk audit techniques in the DGA-LGs Khyber Pakhtunkhwa. This was facilitated by access to live SAP/R3 data, intranet, internet facility, and availability of permanent files. Desk review helped auditors in understanding the systems, procedures, environment, and the audited entity before starting field activity. Pre-departure meetings with all audit teams were held with DG. In these meetings, high risks areas were identified which helped the teams in their field activities.

d. Audit Impact

As a result of the audit, control environments of audited entities have been effectively strengthened by facilitating Local Governments' offices in risk mitigation and improving cluster of activities culminating into better service delivery. Moreover, fiscal discipline has been improved in the following areas:

- i. Recovery of Rs. 10,424.657 million was pointed out whereas Rs. 368.672 million was effected till finalization of the report.
- ii. Preparation of financial statements in WSSCs started and 1st draft was presented on pointation of audit.
- iii. Payments through DDOs were reduced by Rs. 1,368.223 million, from Rs. 2,387.904 million in audit year 2023-24 to Rs. 1,019.681 million in audit year 2024-25.
- iv. Inquiries initiated in number of cases involving Rs. 84.232 million.
- v. 23 offices converted their bank accounts from current to Profit & Loss Sharing (PLS) mode whereas profits earned on the bank balances were deposited into governments treasury.
- vi. Mandatory deduction of various allowances started on pointation of audit.

e. Comments on Internal Control

Internal controls are designed to address risks and provide reasonable assurance that entity's mission and its objectives are achieved. Comments on the five components of Internal Controls are given below:

- The organizational structure followed in the Local Governments Offices was not according to the Khyber Pakhtunkhwa Local Governments Act, 2013 (Amended 2022).
- Risks identification, risk evaluation and appropriate responses to the perils are absent in the Local Government.
- Accounts were neither submitted by TMAs to the respective DAOs for consolidation nor compiled by Tehsil Officer Finance of TMAs as per LGA 2013 (Amended 2022).
- Monitoring for tracking the Local Governments' efforts to achieve its objectives and strengthening internal controls by appointing internal auditors were missing.

f. Key audit findings of the report

- 01 Non-consolidation of accounts of Local Governments-Rs.26,998.335 million.
- 02 Irregular cash payments to DDOs instead of vendors-Rs. 2,594,038 million.
- 03 Excess expenditure on account of pay & allowances - Rs. 1,321.850 million.
- 04 Non-establishment of Local Funds and Public Account-Rs. 25,811.42 million.
- 05 Difference in closing Cash Balances – Rs. 2,226.67 million.
- 06 Un-verified payment of arrears on account of pay and allowances-Rs.551.534 million.
- 07 Fraud, embezzlement and misappropriation were detected in 06 cases amounting to – Rs. 68.225 million.
- 08 Non-production of record was noticed in 03 cases amounting to – Rs.57.258 million.

- 09 HR/Employees related irregularities were noticed in 55 cases amounting to – Rs. 2,829.514 million.
- 10 Procurement related irregularities were noticed in 48 cases amounting to – Rs.687.168 million.
- 11 Issues with managing Commercial Bank Accounts were noticed in 114 cases amounting to – Rs. 3549.31 million.
- 12 Value for money and service delivery issues were detected in 17 cases amounting to – Rs. 341.707 million.
- 13 Other issues including accidents, negligence etc; were detected in 197 cases amounting to – Rs. 4884.047 million.

g- Recommendations

- i. TMAs accounts need to be consolidated as per provisions of the KP, LGA 2013.
- ii. Audit recommends that Public Account may be established wherein all the revenues/ deductions of the district government may be credited.
- iii. Cheques are required to be issued to the suppliers/vendors instead of DDOs.
- iv. Arrears of Pay & Allowances be paid after applying pre-audit checks by the DAOs.
- v. Cash balances may be reconciled with the SBP/NBP.
- vi. Excess expenditure on account of pay & allowances may be regularized from Finance Department.
- vii. The DAC meetings need to be held frequently.
- viii. Current bank accounts may be converted into PLS mode and bank profits realized on PLS accounts may be deposited into Government treasury.
- ix. Disciplinary actions are to be initiated against the delinquents.
- x. Established recoveries are to be effected by the respective fora.
- xi. Installation & operation of Internal Controls.



CHAPTER-01

PUBLIC FINANCIAL MANAGEMENT



CHAPTER-1

PUBLIC FINANCIAL MANAGEMENT

1.1 Sectoral Analysis

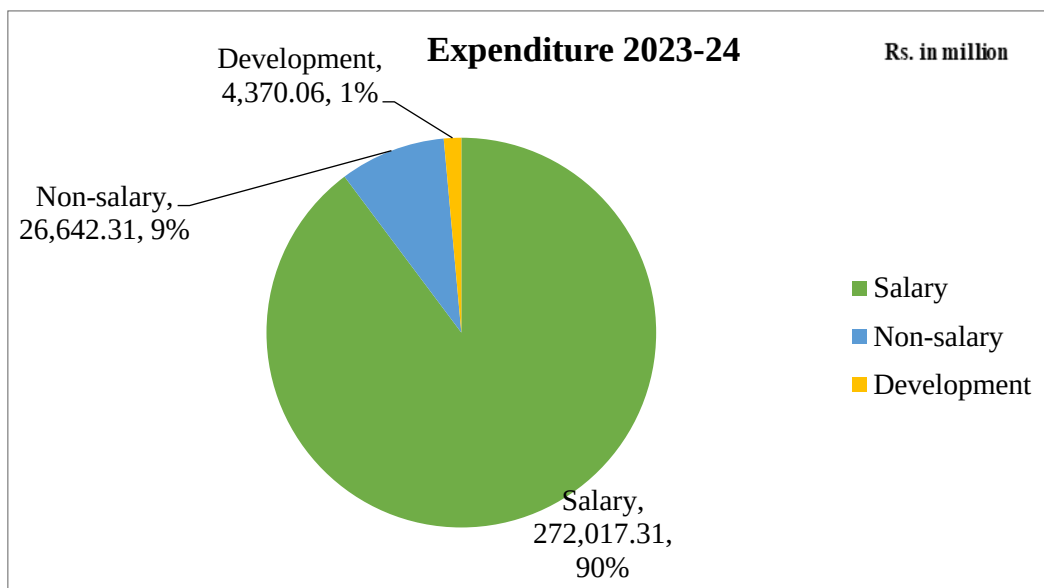
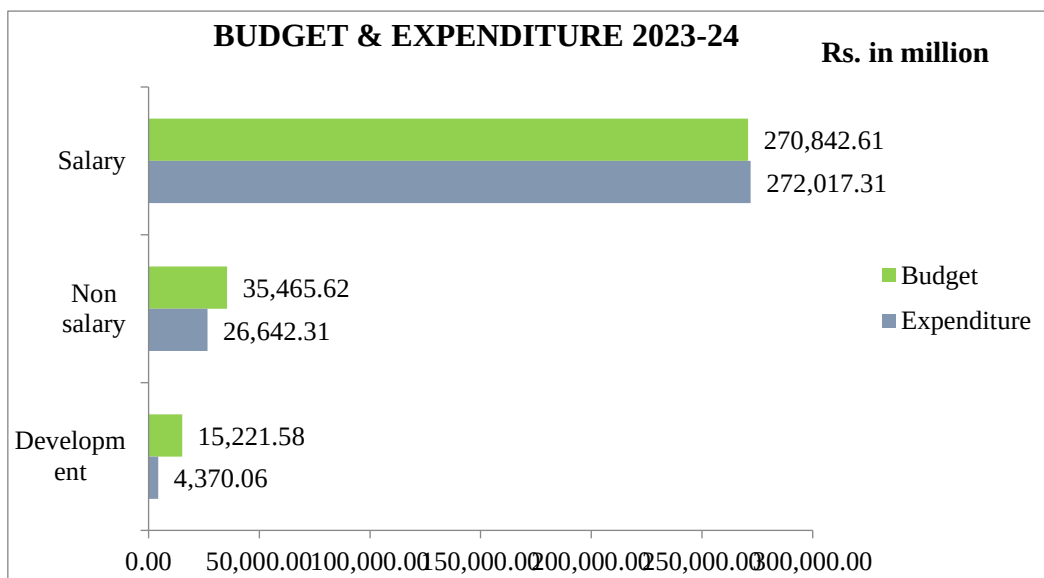
The Khyber Pakhtunkhwa, Local Government Act 2013 was amended in 2019, wherein the district tier of the local government was abolished. Accordingly, Tehsil Local Governments were established for which the Khyber Pakhtunkhwa City/Tehsil Local Government Rules of Business, 2022 were notified by the Local Government, Elections & Rural Development Department on dated 23rd June 2022. According to these rules, Assistant Commissioner is the Principal Accounting Officer for the devolved offices of a Tehsil Local Government. According to Section 107 (2) of the Khyber Pakhtunkhwa Local Government Act 2013 (Amended in 2022) “All actions required for giving effect to Sections 3 to 37 shall be completed within one year of the attainment of administrative transition under Sub-section (1) of Section 104 of this Act” however, the previous setup of district governments is still intact and the Deputy Commissioner is acting as Principal Accounting Officer (PAO) in respect of devolved offices in a district. Similarly, Tehsil Municipal Administration is headed by Tehsil Municipal Officer who is its Principal Accounting Officer. Furthermore, Assistant Director LG & RDD is the Principal Accounting Officer of Village/ Neighborhood Councils.

In the Districts of Khyber Pakhtunkhwa, funds amounting to Rs.321,529.811 million were allocated to 7,918 formations working under 207 PAOs, out of which, expenditure of Rs. 303,029.684 million was made resulting into saving of Rs. 18,500.123 million. Audit coverage relating to expenditure for the current audit year comprises of 302 formations of 207 PAOs having a total expenditure of Rs. 139,896.614 million for the Financial Year 2023-24. In terms of percentage, the audit coverage for expenditure is 46% of auditable expenditure and audit coverage for receipts is 90%. District wise details are given at **Annexure-1.1.**

BUDGET AND EXPENDITURE

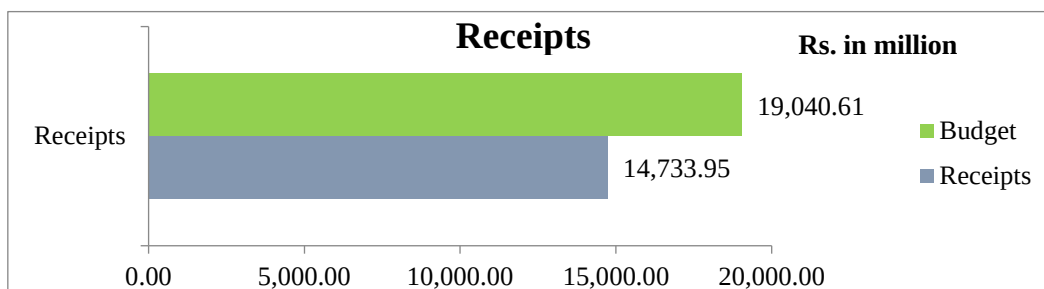
(Rs. in million)

Description	Budget	Actual Expenditure	Excess/ (Saving)	Expenditure Audited	%age
Salary	270,842.614	272,017.311	1,174.698	139,896.614	46%
Non-salary	35,465.622	26,642.313	(8,823.306)		
Development	15,221.575	4,370.060	(1,0851.515)		
Total	321,529.811	303,029.684	(18,500.123)	139,896.614	



RECEIPTS

(Rs. in million)				
Description	Budget	Receipts	Receipts Audited	%age
Receipts	19,040.613	14,733.946	13,303.349	90%



According to the Khyber Pakhtunkhwa City/Tehsil Local Government Rules of Business, 2022 notified by the Local Government, Elections & Rural Development, Department on dated 23rd June 2022, the Local governments provided services in the following sectors.

i. Education

According to City/Tehsil Local Government, Rules of Business 2022, Primary & Secondary Education is entrusted to provide compulsory and free education to all children, encouraging completion of primary education by all children, especially girls, distribution of free text books. The education sector is also mandated to plan and establish schools and improve the education infrastructure facilities. Moreover, promotion of sports and co-curricular activities in schools, Parents Teachers Councils and disbursement of Scholarships and stipends are also its important functions.

According to Bureau of Statistics, Khyber Pakhtunkhwa 2024 Report, there are 27298 primary schools, 3467 middle schools, 2702 secondary schools and 838 higher secondary schools in the province. The estimated Teacher Student Ratio is 1:39 at primary, 1:50 at middle, 1:12 at secondary and 1:5 at the level of higher secondary schools' level. The province literacy rate is 54.02%. The district-wise details at **Annexure 1.2**.

Khyber Pakhtunkhwa has offices of District Education Officers (DEOs) Male & Female in the thirty-five districts. Whereas the DEO offices are not yet established in the South Waziristan Lower district. Audit profile of District

Education Offices and Comments on its Budget and Accounts (Variance Analysis) is given below;

Audit Profile of the DEOs (Male & Female)

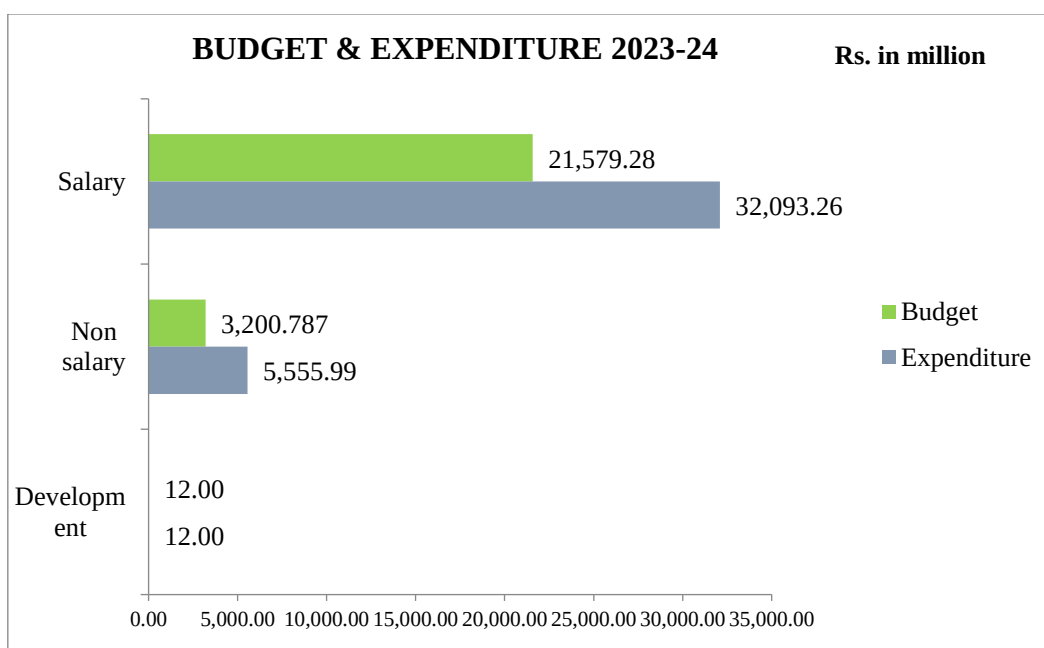
(Rs in million)

S.No.	Total No. of Formations	Formations Audited	Expenditure audited FY 2023-24	Revenue /Receipts audited FY 2023-24
1.	35	34	37,661.249	NIL

Comments on Budget and Accounts (Variance Analysis) 2023-24

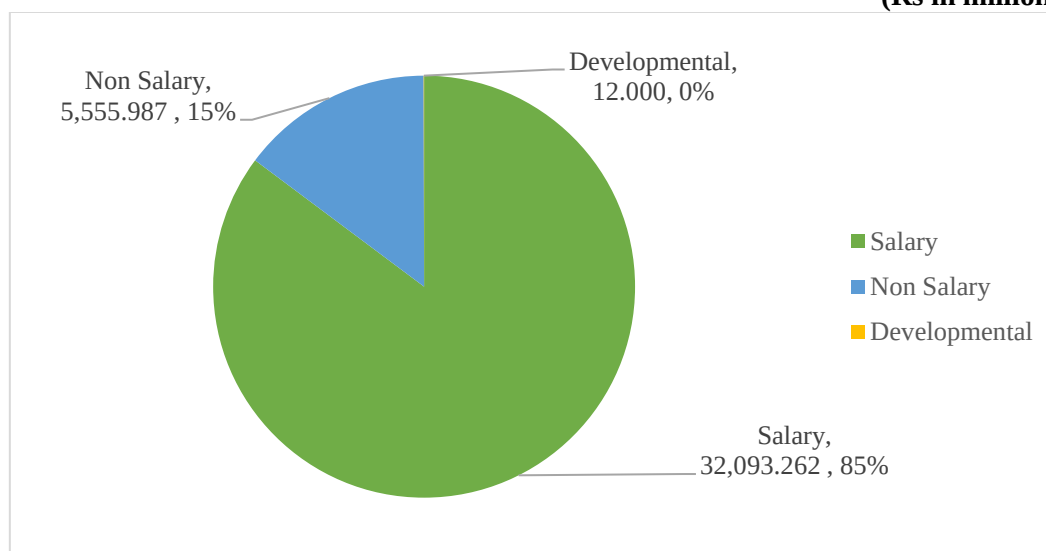
(Rs in million)

Description	Budget	Actual Expenditure	-Saving/+Excess	%age
Salary	21,579.284	32,093.262	10,513.977	48.72
Non-salary	3,200.787	5,555.987	2,355.201	73.58
Developmental	12.000	12.000	0	0
Total	24,792.071	37,661.249	12,869.178	51.90



EXPENDITURE 2023-24

(Rs in million)



The salary component was 85% of total expenditure whereas non-salary and developmental component was only 15% of the total expenditure. Non-allocation of developmental funds occurred due to limited fiscal space available with the Provincial Government. Business operations were limited due to which standard of living of the people was not improved. Moreover, it can be seen from the above variance analysis that the expenditure under the heads salary / non-salary was made in excess. The spending over the allowed budgets does not only indicate the inappropriate budgeting but also put question mark on the SAP controls for allowing excess expenditure.

ii. Social Welfare

The Social Welfare and Women Empowerment sector, as outlined in the City/Tehsil Local Government Rules of Business 2022, is dedicated to providing a social safety net for the most vulnerable and marginalized groups within society. The department implements programs aimed at the welfare and protection of destitute women, orphans, beggars, individuals with substance abuse issues, and persons with disabilities. In addition, the department facilitates the registration and regulation of community organizations, with a focus on improving the livelihoods

of impoverished individuals through economic empowerment and skill development initiatives.

To provide shelter to the homeless people, 11 Panagahs were established in the province. In welfare homes of the province, 292 orphans were admitted. Rehabilitation centers for drug addicts have 792 beds and it had treated 3215 patients during the financial year 2023-24 in the province. Similarly, special education facilities and various vocational and industrial trainings were provided by the Social Welfare Department. However, keeping in view the spread of drug use and incidence of poverty in the province, the efforts made by Social Welfare Offices, are not likely to bring about any visible improvement in the short or long run unless more resources are diverted to this sector. District-wise details are attached at **Annexure-1.3**.

In 33 districts of the Khyber Pakhtunkhwa, offices of Social Welfare are established and functional out of which, the Directorate General Audit, Local Governments Khyber Pakhtunkhwa, audited 8 offices in 8 districts. Audit profile of the District Offices, Social Welfare and its Budget and expenditure is given below;

Audit Profile of the District Offices Social Welfare

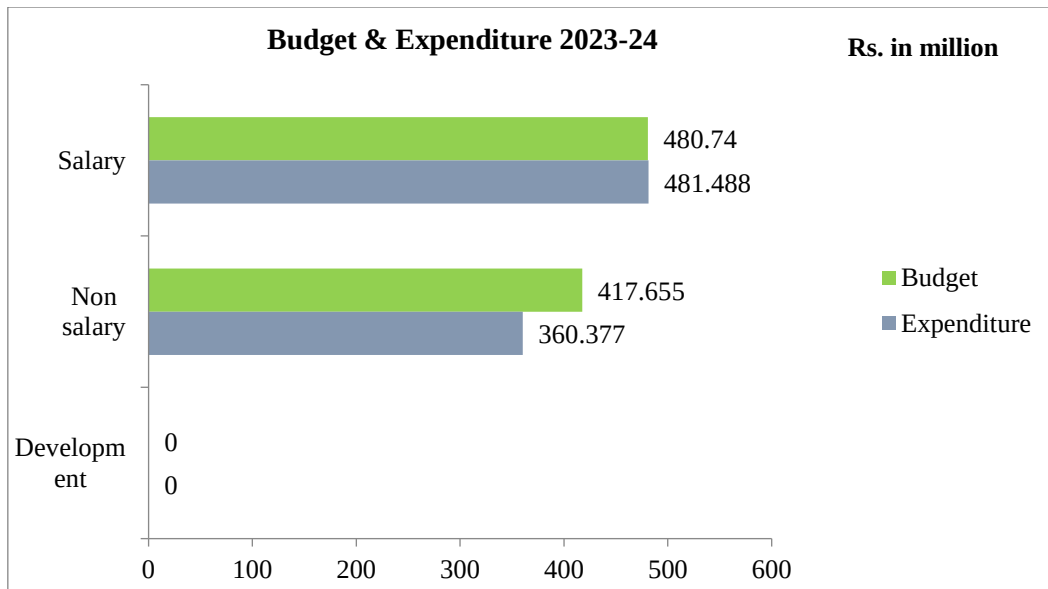
(Rs. in million)

S.No.	Total No. of Formations	Formations Audited	Expenditure Audited FY 2023-24	Revenue/ Receipts Audited FY 2023-24
1.	33	08	841.866	Nil

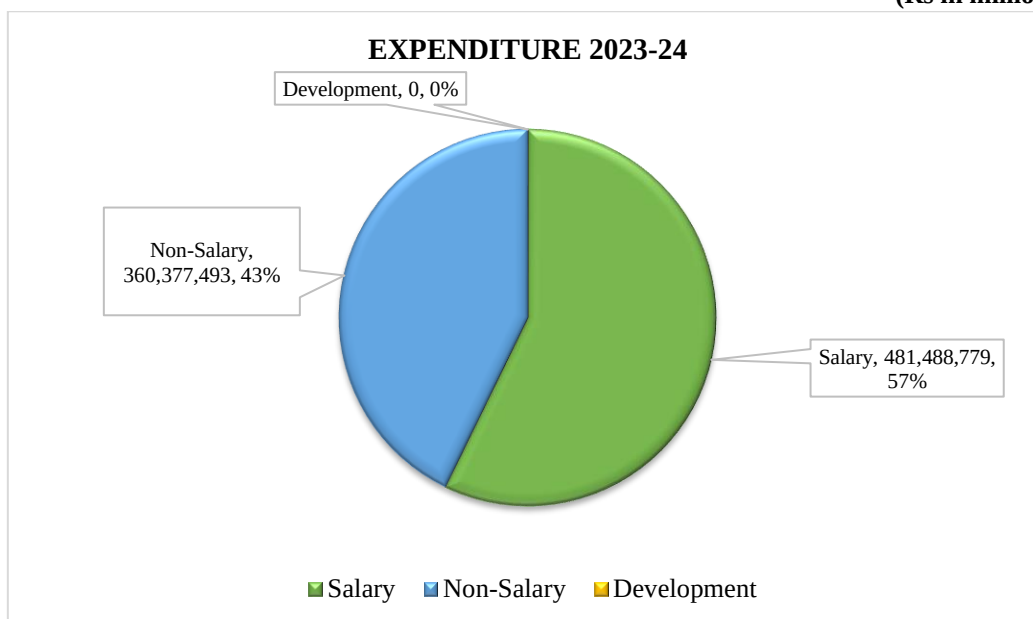
Comments on Budget and Accounts (Variance Analysis)

(Rs. in million)

Description	Budget	Actual Expenditure	Excess (+)/ Saving (-)	%age Excess/ Saving
Salary	480.740	481.488	0.748	0.15%
Non-salary	417.655	360.377	-57.277	13%
Development	0	0	0	0
Total	898.395	841.865	-56.529	6.29%



(Rs in million)



The salary component was 57% of total expenditure whereas non-salary component was 43% of the total expenditure. Non-allocation of developmental funds occurred due to limited fiscal space available with the Provincial Government. Business operations were not increased due to which standard of living of the people was not improved.

iii. Municipal Services

Tehsil Municipal Administration is also one of the important sectors in the local government. As per City/Tehsil Local Government Rules of Business 2022, it provides municipal services to the public at tehsil level that include provision of un-interrupted supply of clean water, Sanitation, solid waste management, environmental protection and control of pollution. TMA also provides protection to the public from floods, storms, and other natural calamities. This sector is involved in the collection, compilation and dissemination of primary data segregated by gender; Parks, forests, play grounds, sporting, and other recreational facilities, museums, art galleries, libraries, community and cultural centers. Conservation of historical and cultural assets Landscape, monuments, and municipal ornamentation are also significant functions of the TMA.

Khyber Pakhtunkhwa has 131 Tehsil Municipal Administrations. Audit profile of Tehsil Municipal Administrations and Comments on its Budget and Accounts (Variance Analysis) is given below;

Audit Profile of TMAs

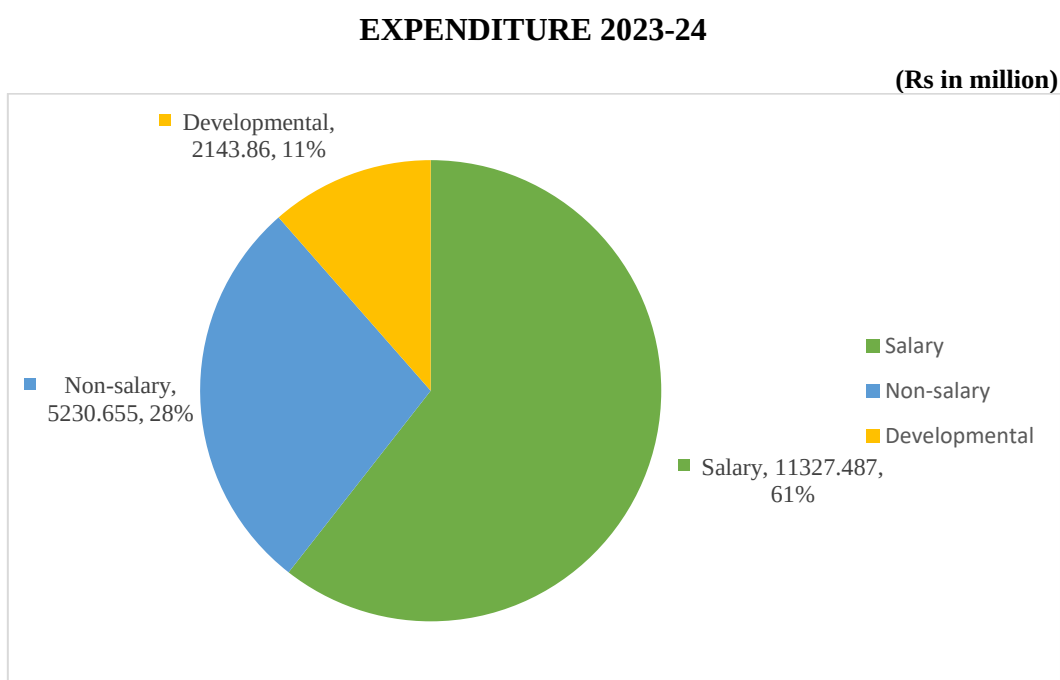
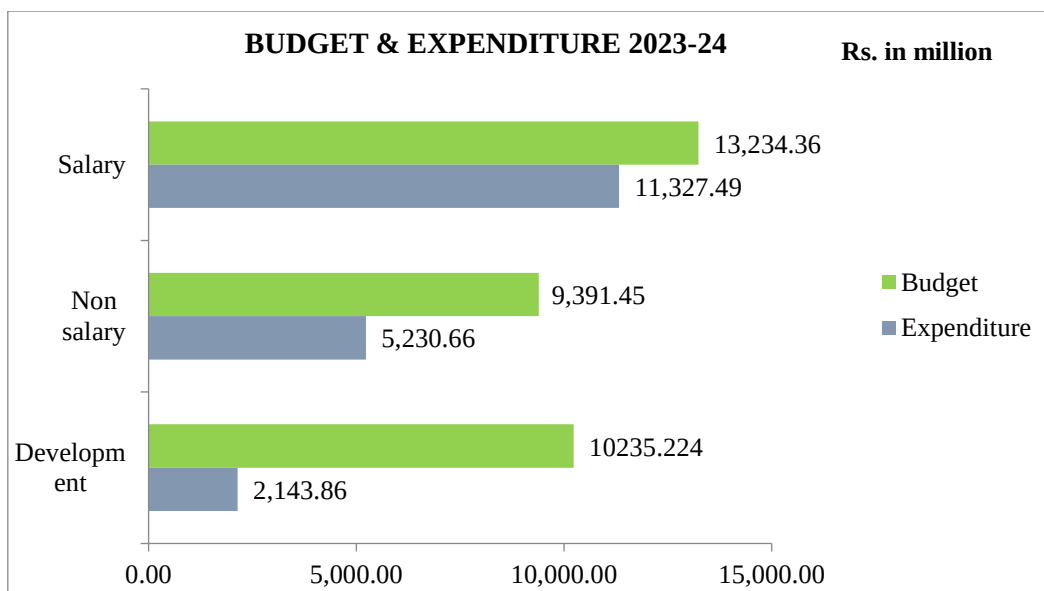
(Rs. in million)

S.No.	Total No. of Formations	Formations Audited	Expenditure Audited FY 2023-24	Revenue /Receipts Audited FY 2023-24
1.	131	111	18,701.988	10,472.7653

Comments on Budget and Accounts (Variance Analysis) 2023-24

(Rs in million)

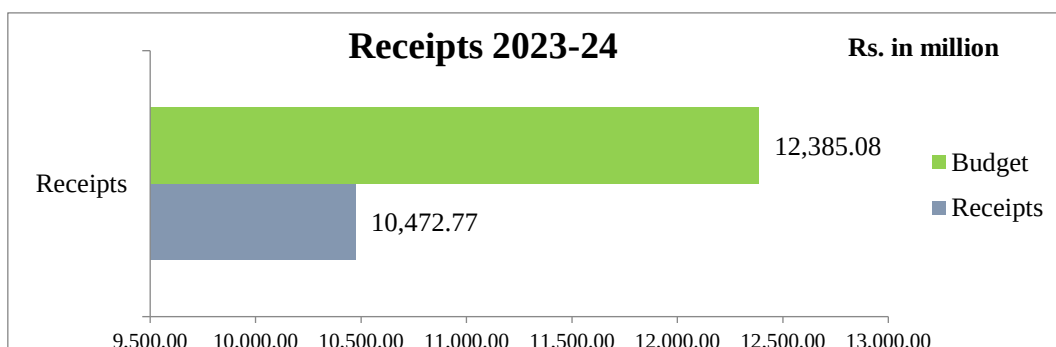
Description	Budget	Actual Expenditure	Excess / (Saving)	%age
Salary	13,234.364	11,327.487	-1,906.877	-14.409
Non-salary	9,391.45	5,230.655	-4,160.795	-44.304
Developmental	10,235.224	2,143.86	-8,091.364	-79.054
Total:	32,861.038	18,702.002	-14,159.036	-43.087



RECEIPTS 2023-24

(Rs in millions)

Description	Budget	Actual Receipts	Deficit	%age
Receipts	12,385.081	10,472.77	1,912.3157	15.440



The salary component was 61% of total expenditure whereas non-salary and developmental component was only 28% of the total expenditure. Minimum development expenditure occurred due to inefficiency in utilization of developmental funds on the part of the management at the Tehsil level that also resulted in inadequate job opportunities for the larger population. Business operations were not increased due to which standard of living of the people was not improved.

iv. Water and Sanitation Services

Some of the municipal services like clean drinking water and sanitation have been outsourced by the KP Government to WSSCs in Abbottabad, Swat, Mardan, D.I. Khan, Kohat, Bannu and Peshawar under Section 115A of the Khyber Pakhtunkhwa Local Government Act, 2013 (amended 2022). WSSCs were established in 2016 under Section 42 of the Companies Ordinance 1984 and Companies Act 2017 as separate entities, to take over water supply, sanitation and solid waste management services in union councils from respective Town Municipal Administrations. Water and Sanitation Services Companies are managed by the Board of Directors.

Trend analysis of expenditure and receipts of last four years is provided below:

S.No.	Financial Year	Own Source Receipt	Expenditure	%age of Receipt to Expenditure	%age of Expenditure (Increase/ Decrease)	%age of Receipt (Increase/ Decrease)
1	2020-21	46.512	439.85	10.575	(21.506)	(78.770)
2	2021-22	34.335	715.903	4.796	(62.761)	(26.180)
3	2022-23	32.344	628.751	5.122	12.174	(5.799)
4	2023-24	29.522	704.213	4.144	12.002	(8.725)

The WSSCs could only generate revenue of 10.575% in 2020-21, 4.796% in 2021-22, 5.122% in 2022-23 and 4.144 % as of their expenditure in 2023-24. However, the revenue generation is not sustainable and is still burden on provincial exchequer. The increase of expenditure is more than 12% since 2022-23 with receipts decreasing during the period which indicate that WSSCs financial model is not responding efficiently. The WSSCs need to increase revenue by further enhancing the number of water connections, predominantly focusing on its available resources by efficiently and timely collection of outstanding charges from the end users, efficiently managing the sources of underground water with modern techniques, recycling of solid waste and finding ways and means to ensure value for money. WSSCs statistics are given at **Annexure-1.4**.

Khyber Pakhtunkhwa has seven (7) Water Supply & Sanitation Services Companies (WSSCs). Audit profile of WSSCs and Comments on its Budget and Accounts (Variance Analysis) is given below;

Audit Profile of WSSCs Khyber Pakhtunkhwa

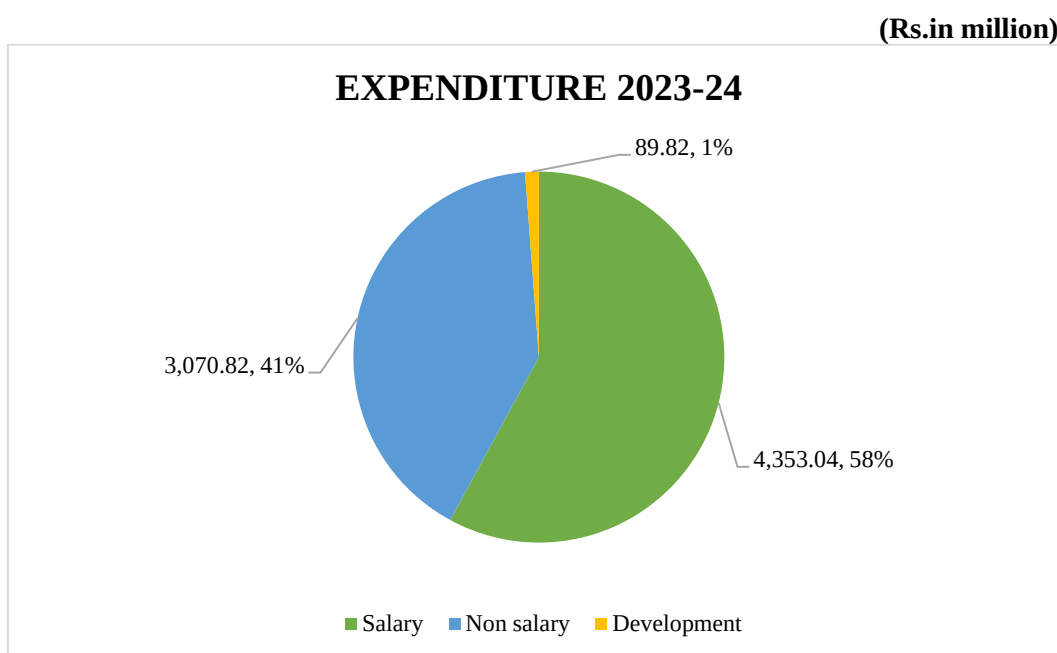
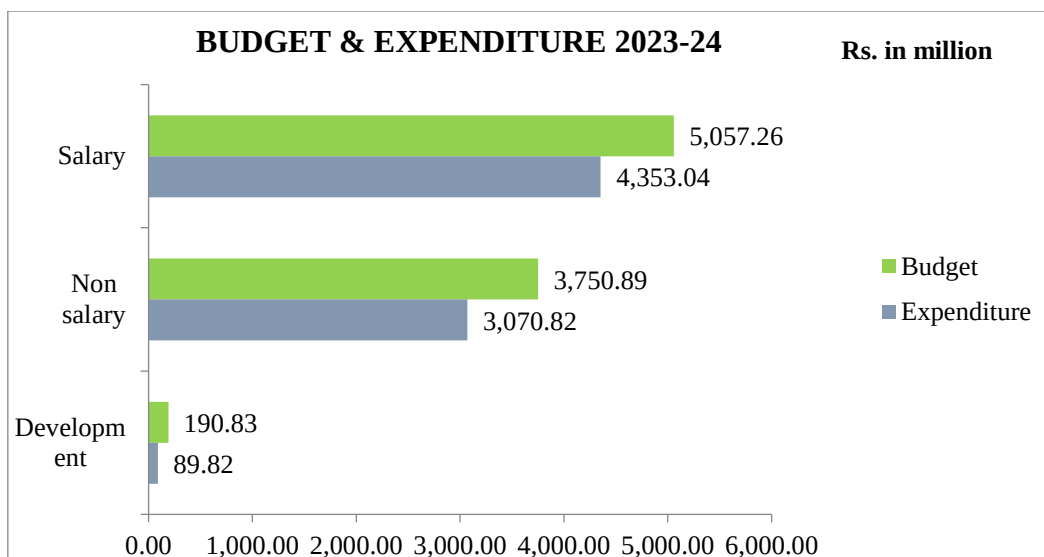
(Rs.in million)

S. No.	Total No. of Formations	Formations Audited	Expenditure Audited in FY2023-24	Revenue/ Receipts FY 2023-24
1	7	7	7,513.67	763.243

Comments on Budget and Expenditure (Variance analysis), FY 2023-24

(Rs.in million)

Description	Budget	Actual Expenditure	Excess/(Saving)
Salary	5,057.26	4,353.04	704.22
Non-salary	3,750.89	3,070.82	680.07
Development	190.83	89.82	101.01
Total	8,998.97	7,513.67	1,485.30



The salary component was 58%, non-salary was 01% and development was 41% respectively of the total expenditure. Non-allocation of developmental funds occurred due to limited fiscal space available with the Provincial Government. Business operations were not increased and ultimately standard of living of the people was not improved.

v. Assistant Director Local Government & Rural Development Department

According to City/Tehsil Local Government, Rules of Business 2022, the prime functions of the Local Government and Rural Development Department, in districts of Khyber Pakhtunkhwa include maintaining coordination, supervision of village and neighborhood councils, arranging grants and budget for the village and neighborhood councils. This sector also coordinates activities relating to the local council elections, population census and surveys in all the tehsils of the respective districts. Execution of civil works is also an important function of the department that include water supply, rural access roads, embankment and drainage works. This sector is also mandated to oversee the registration of births, deaths and marriages in village and neighborhood councils. AD LG&RDD has been entrusted with the functions of collection, compilation and dissemination of primary data, training and research in the areas of local governance.

ADs LG looks after the affairs of 4,212 Village & Neighborhood Councils in the province. The department failed to play its role in the district by promoting plantation of trees, landscaping and beautification of public places, regulating/establishing cattle mandis and providing protection against stray animals. It did not mobilize the local community for the conservation of trees and maintenance of culverts, bridges and buildings.

Khyber Pakhtunkhwa has thirty-five (35) Assistant Directors Local Government. Audit profile of ADs Local Governments and Comments on its Budget and Accounts (Variance Analysis) is given below;

Audit profile of ADs LG & RDD Khyber Pakhtunkhwa

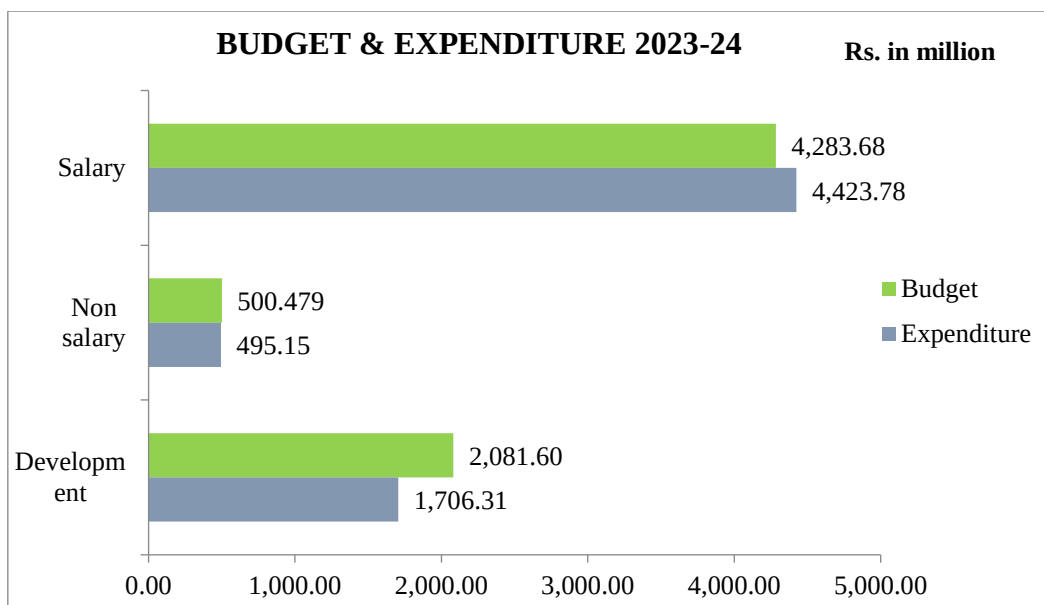
(Rs in million)

Sr No	Total No. of Formations	Formations Audited	Expenditure Audited FY 2023-24	Revenue /Receipts audited FY 2023-24
1	35	35	6,625.240	48.246

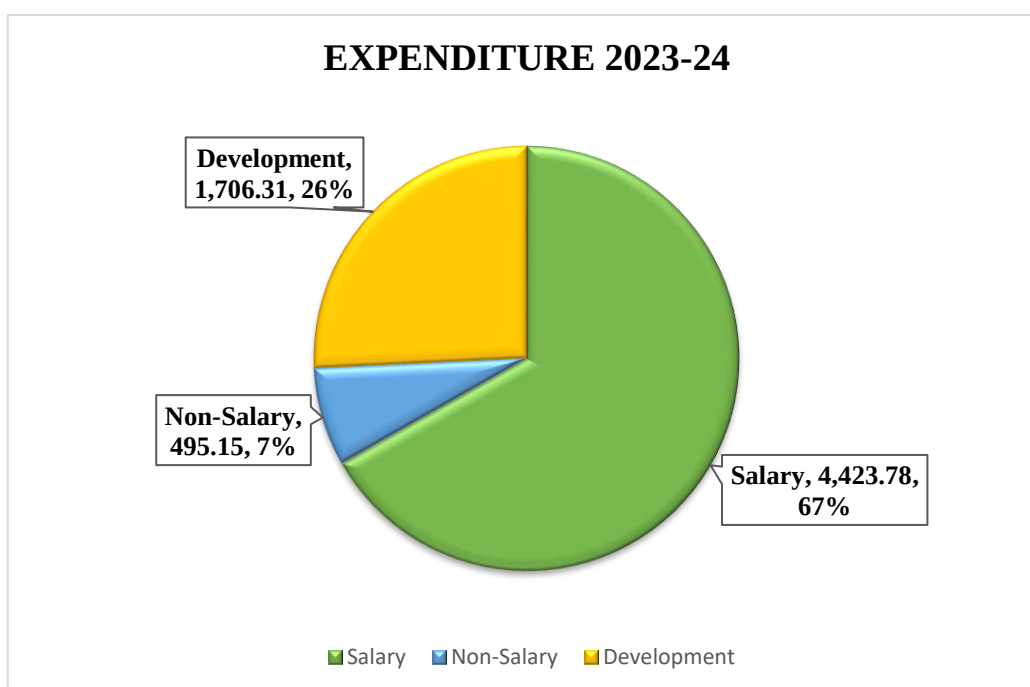
Comments on Budget and Accounts (Variance Analysis)

(Rs in million)

Description	Budget	Actual Expenditure	(Saving)/Excess	%age
Salary	4,283.680	4,423.782	140.102	3%
Non-salary	500.479	495.150	-5.329	1%
Developmental	2,081.600	1,706.308	-375.292	18%
Total	6,865.759	6,625.240	-240.519	3.5%



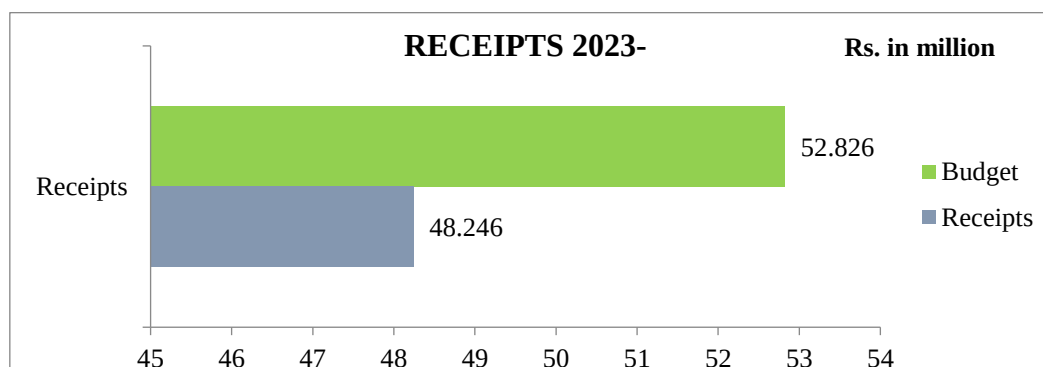
(Rs in million)



RECEIPTS

(Rs. in million)

Description	Budget	Actual Receipts	Deficit	%age
Receipts	52.826	48.246	4.580	8.66%



The salary component was 67% of total expenditure whereas non-salary component was 7% while development component was 26% of the total expenditure. Sufficient development expenditure occurred due to satisfactory allocation of funds by the provincial Government in the developmental activities at the district level. The saving in developmental funds was due to release of funds at the end of the financial year which could not be utilized due to closure of financial year. However, no visible efforts were made to generate revenues through Village Councils & Neighborhood Councils as total revenue realized during financial year 2023-24 was just 0.72% of the total expenditure.

1.2 Audit Paras (Financial Attest Audit)

1.2.1 Non-Consolidation of Accounts of the Local Governments worth–Rs.26,998.335 million

According to CGA Ordinance, Rule 5 (a & c) to prepare and maintain the accounts of the Federation, the Provinces and district governments in such forms and in accordance with such methods and principles as the Auditor-General may, with the approval of the President, prescribe from time to time; to prepare and maintain accounts of such organizations and authorities established, set up or controlled by the Federation or Provinces as may be assigned to him by the President or, as the case may be, the Governor of a Province;

Sub-Section 3 of Section 36 of the Local Government Act 2013 embodies that “The District Accounts Officer shall, quarterly and annually, consolidate the accounts of local government in the district separately for receipts from the Government and local resources and send a copy to Government, Accountant General and Nazim district council.”¹

During Certification Audits for the Financial Year 2023-24, it was pointed out that District Comptroller of Accounts/ District Accounts Officers of 35 districts did not compile the accounts of receipts and expenditure of the Local Governments i.e. TMAs amounting to Rs. 26,998.335 million as required under the rules. Detail is given at **Annexure-1.5**.

This violation of government rules resulted into incomplete financial statements of Local Government.

When pointed out in September 2024, the managements replied that presently, TMAs/VCs/NCs Accounts are not consolidated into District Annual Accounts prepared by the DAOs. The Para has already been referred to TMAs and Local Govt concerned for annotated replies supported by relevant documents/accounts at the earliest. As and when received in this office, same will be communicated to the quarter concerned accordingly.

¹According to Section 107 (2) of the Khyber Pakhtunkhwa Local Government Act 2013 (Amended in 2022) “All actions required for giving effect to Sections 30 to 37 shall be completed within one year of the attainment of administrative transition under sub-Section (1) of Section 104 of this Act.”

Reply was not satisfactory as per rules consolidation of accounts at district level should be carried out. DAC meetings and Pre-CHM were held on 17.10.2024 wherein it was decided that the matter may be taken up with the Provincial Government for amicable resolution as per relevant rules and laws.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault and suggesting the Government of Khyber Pakhtunkhwa to take necessary measures for consolidation of accounts.

1.2.2 Irregular cash payments to vendors through DDOs – Rs 2,594,038 million

As per direction 4.2.9.9 of APPM “Cheque payment should be released to the payee or personally collected by the payee or his authorized agent. Cheque payments made by the registered post should have Cheque envelop bearing a direction to return the uncashed Cheque (i.e. Unclaimed post) to the issuing department.”

As per direction 2.3.2.8 of the APPM, the accounting system shall improve controls to minimize the risk of fraud and corruption.

During Certification Audit of Districts Comptroller of Accounts/ District Accounts Offices of 36 districts for the Financial Year 2023-24, it was observed that the DCAs/ DAOs paid Rs. 2,594,038 million under the non-salary heads to various DDOs instead of direct bank transfer or issuance of crossed cheques to Vendors/Payees. Detail is given at **Annexure-1.6**.

The lapse occurred due to violation of APPM and weak internal controls, resulting into irregular cash payments to vendors through DDOs.

When pointed out in September 2024, the managements stated that these offices make all out efforts to discourage direct payments through DDO. However, some payments through DDO are inevitable due to reasons like payments of paid utilities claims to avoid additional surcharge, recoupment of petty cash, disbursement of financial assistance to legal heirs of deceased employees etc.; however, necessary documents in support thereto are duly obtained. Despite all this, it is assured that payments through DDO will be reduced as much as possible.

Reply was not tenable as the payment through DDOs in the above stated cases are not allowed. Furthermore, DAC directed in its meeting held in September

2024, that record may be verified by the Audit to substantiate the auditee point of view. During subsequent verification of record on sample basis, the auditee's assertion proved otherwise.

Audit recommends investigation into the matter and fixing of responsibility against person(s) at fault besides ensuring payments to vendors through crossed cheques.

1.2.3 Excess expenditure on account of pay & allowances-Rs. 1,321.850 million

According to Rule 79 of the District or City District Government (Budget) Rules, 2016, in the event that a Grant is likely to be exceeded, the Head of Offices shall take immediate steps to prevent the excess expenditure by (a) ensuring strict control over the affected Grant or (b) transferring funds under his powers of Re-appropriation and (c) submitting as soon as the necessity becomes definite, an application for Supplementary Grant.

As per direction 3.3.12.4 of APPM provides that any spending entity required to undertake work or incur expenditure on behalf of another is required to exercise proper budgetary control over the funds provided by the principal authority. The entity incurring the expenditure must ensure: -

- The funds provided by the principal entity are not exceeded
- The money is spent for the purpose intended.

During the Certification Audits of District Comptroller of Accounts/ District Accounts Officers of Eight (08) districts for the FY 2023-24, it was observed that the DCAs/ DAOs made expenditure on account of pay and allowances over and above the budgetary allocations amounting to Rs. 1,321.850 million. Detail is given at **Annexure-1.7**.

The lapse occurred due to weak internal controls resulting into violation of rules.

When pointed out in September 2024, the management stated that the pay and allowances are exempted from budget check in the SAP, so expenditure in excess than the budgetary allocations cannot be checked. Therefore, payment of pay and allowances cannot be stopped for the reason of non-availability of budget. However, the issue of excess expenditure has been taken up with the respective

District Finance Offices for corrective measures for incorporation in revised draft manuscript appropriation account.

Reply was not convincing as no progress was furnished till finalization of this report.

DAC meetings and Pre-CHM were held on 17.10.2024 wherein it was decided that the matter may be taken-up with Finance Department, Government of Khyber Pakhtunkhwa for regularization of the expenditure.

Audit recommends implementation of DAC/Pre-CHM directives besides strengthening of internal controls over budget and expenditure to avoid such lapse in future.

1.2.4 Non-establishment of Local Funds and Public Account-Rs 25,811.42 million

According to Section 30 (1) of Khyber Pakhtunkhwa Local Government Act 2013 There shall be established a district fund, a Tehsil fund, village fund and neighborhood fund, as the case may be, for each respective local government, read with section 30 (3) To the credit of respective Public Account of the local government shall be placed all revenues received by a local government from the following sources-

- a) Receipts accruing from trusts administered or managed by it;
- b) Refundable deposits received by it; and
- c) Deferred liabilities.

During Financial Attest Audit District Comptroller of Accounts/ Districts Account Officers in Thirty-Six (36) districts it was observed that the accounts offices deducted GPF, Benevolent Fund and other liabilities pertaining to major head "Special Deposits" from Local Government Employees amounting to Rs. 25,811.42 million but instead of retaining it in District Public Account it was transferred to the Provincial Account-I. Detail is given at **Annexure-1.8**.

The lapse occurred due to violation of the KP LGA 2013, resulting into non-establishment of local fund and public account.

When pointed out in September, 2024 the DAO Orakzai replied that as per practice in vogue, all the deductions of the Local Government employees are regularly transferred to Provincial Account.

Reply of the managements are not convincing, Section-30 of the LGA 2013 prescribes establishment of public account. DAC meetings and Pre-CHM were held on 17.10.2024 wherein it was decided that the matter may be taken with the Provincial Government for the establishment of Local Fund and Public Account.

Audit recommends that Public Account may be established wherein all the revenues/ deductions of the district government may be credited.

1.2.5 Difference in closing Cash Balances - Rs 2,226.67 million

As per direction 6.3.4.3 of APPM, “The respective Accountant General shall prepare a consolidated monthly reconciliation statement for each government bank account, as set out in direction 6.3.5.2.”

During Certification Audits of thirty-six (36) District Comptroller of Accounts/ Districts Accounts Officers for the financial year 2023-24; a variation of Rs. 2,226.67 million was pointed out in closing cash balances between the financial statements and those reflected in the system of State Bank of Pakistan. Detail is given at **Annexure – 1.9**.

The lapse occurred due to ineffective non-reconciliation of cash balances with the state bank of Pakistan by the AG/DAOs.

When pointed out in September, 2024 the managements stated that the Accountant General’s Organization is already in active liaison with the SBP/NBP and concerned District Finance Offices to resolve the issue. The reconciliation statements will be provided to audit at the earliest possible. Reply was not tenable as variation was not reconciled.

DAC meetings and Pre-CHM were held on 17.10.2024 wherein it the DAO was directed to ensure effective reconciliation with the respective bank branches within a week time and the outcome may be shared with audit for verification. However, no progress was shown to audit till finalization of this report.

Audit recommends that reconciliation with NBP should be made without further delay and action may be taken against person(s) at fault.

1.2.6 Un-verified Payment on account of arrears of Pay & Allowances - Rs.551.534 million

According to Rule 276 of CTR Arrears of pay, fixed allowances or leave salary shall be drawn, not in the ordinary monthly bill, but in a separate bill, the amount claimed for each month being entered separately, with quotation of the bill from which the charge was omitted or withheld, or on which it was refunded by deduction, or of any special order of competent authority granting a new allowance or an increase in pay. A note of the arrear bill shall invariably be made in the office copy of the bills for the period to which the claim pertains, over the dated initials of the drawer of the arrear bill, in order to avoid the risk of the arrears being claimed over again.

During Certification Audits of 12 District Comptroller of Accounts/ District Account Offices for the year 2023-24, while analyzing the HR Data, it was noticed that arrears/ adjustment on account of Pay & Allowances amounting to Rs. 551.534 million was shown made which could not be verified. Detail is given at **Annexure – 1.10.**

The lapse occurred due to weak internal controls of the DDOs and weak pre-audit checks at offices of the DCAs/DAOs resulting into un-verified payments.

When pointed out in September 2024, the managements stated that the organization of the Accountant General KP have a robust mechanism for pre-audit of all payments out of the public exchequer including pay and allowances. All payments on account of pay and allowances are being authorized after applying necessary pre-audit checks on the claims submitted by the concerned DDOs. The relevant record is ready for verification of audit.

Reply was not tenable as no progress was shown in this regard as the payments of the arrears were not verified.

DAC meetings and Pre-CHM were held on 17.10.2024 wherein it was decided that the field audit teams will verify the record at the respective DCAs/ DAOs within a week and final outcome may be reported to DG Audit LGs KP as well AG office KP at the earliest. Even after verification if the remaining amount falls within the materiality ambit may be reported to CHM for appropriate decision.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault. Moreover, complete record in support of arrears of Pay & Allowances may be produced to audit.

CHAPTER-2

DISTRICT ABBOTTABAD



District Abbottabad is the headquarter of Hazara Division of Khyber Pakhtunkhwa. According to census of 2023, it has a total area of 1967 sq.km. with population size of 1,419,072 comprising 50.20% male and 49.80% female. Geographically, it lies in the north east of the province approximately, 200 KMs away from the provincial capital- Peshawar. It is mainly known for tourism and good educational institutions. Some of its brief features are given below:

District Profile

Area: 1,967 Sq KM

Population: 1,419,072

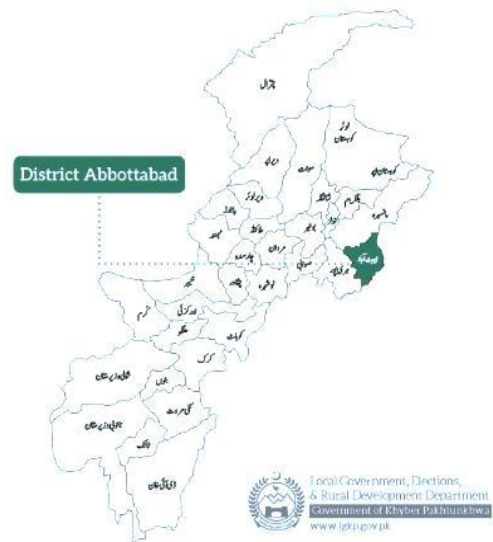
Languages: Hindko, Pahari

Tehsils: 4

No. of Village Councils: 195

No. of Neighborhood Councils: 14

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



2.1 Local Government, Abbottabad

2.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 116.912 million were raised in this audit. This amount also includes recoverables of Rs 17.057 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No.	Classification	Amount
1	Irregularities	-
A.	HR / Employees related irregularities	1.100
B.	Procurement related irregularities	6.985
C.	Management of Account with Commercial Banks	3.594
2	Others	105.233
Total		116.569

2.1.2 Comments on the Status of Compliance with ZAC / DAC / TAC Directives

The audit report pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

S.No.	Audit Year	ZAC/DAC/TAC Meeting
1.	2002-03 to 2023-24	Not Convened

2.1.3 Audit Paras

2.1.3.1 Irregularities

A. HR/Employees related Irregularities

2.1.3.1.1 Non-recovery of overpaid amount on account of Pay & allowances – Rs 1.100 million

According to Para 214 of Federal Treasury Rules Vol-I, when an Accountant General disallows a payment as un-authorized, the disbursing officer is bound not only to recover the amount disallowed without listening to any objection or protest but to refuse to pay it in future till the Accountant General authorises the payment to be resumed.

During audit of the accounts of District Education Office (Female), Abbottabad, for Financial Year 2023-24, it was observed that Rs 1,100,268 on account of pay & allowances as pointed out by the fixation party of Accountant General, Khyber Pakhtunkhwa in service books of the employees was not recovered. Detail at **Annexure-2.2**.

The irregularity occurred due to non-compliance of government rules/ AG instructions resulting into loss to the government.

When reported in August 2024, management stated that the case for recovery has been taken up with District Comptroller of Accounts Abbottabad. Reply was not convincing as no progress was reported till finalization of this report.

DAC meeting was held on 23.01.2025 wherein the management replied that source forms for recovery have already been intimated to DCA Abbottabad and recovery has been initiated from the employees. The forum decided that para stands till complete recovery of the amount. No progress was reported till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 01(2023-24)

B. Procurement related Irregularities

2.1.3.1.2 Loss due to non-acceptance of lowest bidder-Rs 4.285 million

According to Rule 6(1) & (2) (a) of the Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules, 2014, open competitive bidding is the principal method for procurement of goods exceeding Rs. 500,000. The single-stage, one-envelope procedure applies when cost is the sole determining factor, and the lowest evaluated responsive bid should be awarded the contract for simple, routine goods with no technical innovation.

During audit of the accounts of District Office Social Welfare, Abbottabad, for the Financial Year 2023-24, it was observed that contract for supply of ration was awarded to M/S Malik & Co. Scrutiny of record revealed that M/S Sayyam & Faheem offered lowest rates which were not accepted with remarks that various items with minimal rates were quoted and supply of food items would not be possible on these rates. Rates offered by 2nd lowest M/S Malik & Co were also irrational and at higher side, but were accepted and contract was accordingly awarded, resulting into loss of Rs 4,284,633 to Government. Detail at **Annexure-2.3** (a,b&c).

The lapse occurred due to weak administrative controls resulting into loss to the Government.

When pointed out in October 2024, management replied that the case is sub-judice in the court, action will be taken according to the decision of the court. Reply was not convincing as the KPRRA rules were violated.

PAO (DC Abbottabad) was requested in December 2024, to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends corrective measures in light of the court's decision.

AIR Para No. 02(2023-24)

2.1.3.1.3 Un-authorized expenditure on repair and maintenance – Rs.2.700 million

As per Rules 11(1) & 14(1) of KPPRA 2014, open competitive bidding is mandatory for works exceeding Rs. 500,000. Procurements from Rs. 500,000 to

Rs. 2.5 million must be posted on the procuring entity's and Authority's websites and may be advertised in print media if necessary.

During audit of the accounts of District Sports Office, Abbottabad, for the Financial Year 2023-24, it was observed that Rs 2,700,000 was spent on account of repair and maintenance of City Sports Complex Hall out of funds allocated under the head of account A05270-Others "Promotion of Sports". Audit observed the following:

1. The work was not advertised and executed through quotations in violation of KPPRA rules.
2. The expenditure was misclassified as the amount was allocated for the promotion of sports activities not for M&R.
3. Approval of the local council was not obtained.

The lapse occurred due to weak internal controls resulting into unauthorized expenditure.

When pointed out in February 2024, management stated that the expenditure was made on minor repair under permissible limit of less than Rs.500,000 on need basis under head promotion of sports others (5270) in the best interest of public. Reply was not convincing as major work was executed without advertisement and without approval.

PAO (DC Abbottabad) was requested in February 2024, with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends investigation into the matter besides strengthening the internal controls to avoid such lapse in future.

AIR Para No. 2(2022-23)

C. Management of Accounts with Commercial Bank

2.1.3.1.4 Non-Deposit of Bank Profit into Government Treasury Rs.3.594 million

According to Para 3(ix) of Finance Department Khyber Pakhtunkhwa letter No. 2/3-(F/L)/FD/2019-20/Vol-XIII dated 3rd February 2020, in case of current account, the same be converted to PLS mode and the profit earned be deposited in

Government Treasury under relevant head of account immediately and not later than a week when declared by the concerned bank.

During audit of the accounts of District Education Offices, Male & Female, Abbottabad for the Financial Year 2023-24, it was noticed that profit of Rs 3,593,963 was realized on placement of funds in the designated bank accounts of the DEOs as well as subordinate offices but the same was not deposited into government treasury and still lying in the bank accounts as per detailed given at **Annexure-2.4** (a & b).

The lapse occurred due to violation of the Finance Department, KP instructions resulting into loss to government.

When pointed out in August 2024, the management (DEO Male) stated that profit on all bank accounts will be deposited into government treasury. While DEO Female, stated that matter will be taken with higher Authority and reply will be communicated. Reply was not convincing as no progress was intimated till finalization of this report

DAC meeting was held on 23.01.2025 wherein the management replied that Rs 1,147,373 was deposited into Government treasury and efforts are being made to deposit the remaining amount. The forum decided that para stands till deposit of the full amount of bank profit. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC decision.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2022-23 & 2023-24 vide paras number 2.4.2.18 & 2.4.8.8 respectively having financial impact of Rs 4.596 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 02 (DEO Male) (2023-24)
AIR Para No. 02 (DEO Female) (2023-24)

2.1.3.2 Others

2.1.3.2.1 Loss due to non-recovery of rent on account of office/residential accommodations– Rs 9.479 million

According to the Rule No. 33 of the Khyber Pakhtunkhwa Residential Accommodation at Districts (Procedure for Allotment) Rules 2018, “the rent, at the rate of such market value, shall be charged from an allottee, in respect of each category of a residential accommodation, as determined and fixed by the Communication and Works Department in a district concerned, on annual basis.

During audit of the accounts of Deputy Commissioner, Abbottabad for the Financial year 2023-24, it was observed that various residential accommodations were illegally occupied by officers/officials of various departments and bodies. The management neither deducted the rent amounting to Rs 5,758,740 from the occupants nor took any legal action against them. Detail at **Annexure-2.5(a)**.

Similarly, rooms at DC office were occupied by various government offices. However, rent amounting to Rs 3,720,000 as per assessment made by the C&W department was not recovered from the occupants. Moreover, recovery on account of Electricity and Gas charges was also not made since their occupation. Detail at **Annexure-2.5(b)**.

The lapse occurred due to non-compliance of government rules resulting into illegal occupation of residential accommodation and non-recovery of rent.

When pointed out in July 2024, the management replied that Committee has been constituted under the chairmanship of ADC General and meeting has been conducted with departments concerned for execution of rent agreement, installation of separate electricity/ gas meters and for recovery of rent. Progress report will be shared with the audit. No progress was intimated till finalization of this report.

DAC meeting was held on 11.02.2025 wherein the forum was apprised that notices have been issued however, recovery has not been effected. Para stands till recovery of the amount from the occupants of the government accommodation. No progress was reported till finalization of this report.

Audit recommends implementation of the DAC decision.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2022-23 & 2023-24 vide paras number 2.4.3.2, 2.4.3.3 & 2.4.4.1 respectively having financial impact of Rs 15.415 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 01(2023-24)

2.1.3.2.2 Non-Disbursement of Financial Assistance & Blockage of FundstoAima – Rs.79.770 million

According to letter No. SO (Auqaf-1)3-1/2017/637-54dated19.01.2018, of the Auqaf, Hajj, Religious & Minority Affairs Department, Government of KP Assistant Commissioners/Chairmen Sub Divisional Security Committees are requiredtofinalizenominationsforawardoffinancialassistancetoAima of Jamia Masjid in KP, and forward their names on the specified format within 07 days so that disbursement amongst the recipients could be made on 01st march, 2018.

During audit of the accounts of the Deputy Commissioner, Abbottabad for the Financial Year 2023-24, it was observed that Rs 83,850,000 was withdrawn on simple receipts for onward disbursement to the aima karam as financial assistance. However, the amount of Rs 4,080,000 was disbursed leaving Rs.79,770,000 undisbursed in designated bank account No. 3003739178 maintained at Bank of Khyber Abbottabad.

The lapse occurred due to non-adherence to Government instructions, resulting into blockage of funds and depriving Aima from receiving the financial assistance.

When pointed out in July 2024, management replied that the payment to the Aima-e-Karam is subject to the verification reports of Intelligence Agencies/approval of DICC. The case will be pursued for expediting the verification by LEAs to ensure early disbursement of the payments. Reply was not convincing as no progress was reported till finalization of this report

DAC meeting was held on 11.02.2025 wherein the forum decided that para stands till disbursement of funds in the light of SOPs.

Audit recommends implementation of the DAC decision.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2022-23 & 2023-24 vide paras number 2.4.4.1 & 2.4.4.7 respectively having financial impact of Rs 119.086 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 03(2023-24)

2.1.3.2.3 Un-authorized Loan from Scout Fund – Non-Recovery of – Rs.2.884 million

According to para 2 &3 of letter no.5-2/10669-94 dated 19.09.2018 of the Khyber Pakhtunkhwa Boys Scouts Association addressed to all District Education Officers wherein the DEOs (Male) have been directed to stop the practice of misuse/loans out of scout fund. Moreover, those who have violated the orders be directed to deposit the outstanding amount along with profit as per banking rules.

During audit of the accounts of District Education Office Male, Abbottabad for the financial year 2023-24, it was observed that an unauthorized payment of Rs. 2,540,900 was granted as loan to the employees. Moreover, the amount along with profit Rs 343,022 (Rs 2,540,900 x 13.50%) was also not recovered from the officials concerned. Detail at **Annexure-2.6**.

The lapse occurred due to non-adherence to government rules and regulations resulting into un-authorized use of funds.

When pointed out in August 2024, the management stated that recovery will be made from the concerned and will be deposited accordingly. Reply was not convincing as no progress was furnished till finalization of this report.

DAC meeting was held on 23.01.2025 wherein the forum decided that the payment from scout fund should be stopped henceforth and recovery/re-coupment of funds should be made. Para stands till full recovery/re-coupment of fund. No progress was reported till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 03(2023-24)

2.1.3.2.4 Non-utilization of funds under Conditional Grant–Rs.13.100 million

According to the Government of Khyber Pakhtunkhwa Elementary & Secondary Education Department (Reforms & Implementation Wing) Notification No. SO (IMP-II)/(R&I)/E&ESD/Re-adjustment (CGP)/2023-24 dated 25.01.2024, the competent authority allowed all the DEOs (settled districts) in Khyber Pakhtunkhwa for re-adjustment of the funds under Conditional Grant Program in consultation with Deputy Commissioner (DCs) and District Officers (F&P), in order to utilize unspent funds according to the Judicious needs of the schools and early utilization of funds.

During audit of the accounts of District Education Office Female, Abbottabad for Financial Year 2023-24, it was observed that Rs 13,100,999 were released to various schools under conditional grants during financial years 2014-15 to 2020-21. However, the amount was neither utilized nor re-appropriated to other needy schools. Detail at **Annexure-2.7**.

The lapse occurred due to weak internal controls of monitoring and budgeting resulting into non-utilization of funds.

When reported in August 2024, management stated that the matter was taken up with the Deputy Commissioner Abbottabad for re-adjustment of funds. whereas the Elementary & Secondary Education Department (Reforms & Implementation Wing) directed to stop re-adjustment process and utilization till further orders. Reply was not convincing as the issue remained unresolved since long, despite numerous directives from Elementary & Secondary Education Department (Reforms & Implementation Wing) from time to time to take up the matter with respective Deputy Commissioners for re-adjustment of unutilized conditional grant funds.

DAC meeting was held on 23.01.2025 wherein the management replied that the case for re-adjustment of funds was taken up with Secretary E&SE Khyber Pakhtunkhwa however, progress is awaited. The forum decided that para stands till re-adjustment of funds. No progress was reported till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 07/2023-24

2.2 Tehsil Municipal Administrations, Abbottabad

2.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 27.014 million were raised in this audit. This amount also includes recoverables of Rs 27.014 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No.	Classification	Amount
1.	Others	27.014
Total		27.014

2.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

S.No.	Audit Year	TAC Meeting
1.	2002-03 to 2023-24	Not Convened

2.2.3 Audit Paras

2.2.3.1 Others

2.2.3.1.1 Loss to the Government on account of non-deposit of Security of Shops–Rs.25.403 million

According to clause 2 of Notice for Inviting Tender (NIT) of TMA Abbottabad, the successful bidders were required to deposit 25% of bid amount within 24 hours and remaining 75% within one week.

During audit of the accounts of Tehsil Municipal Administration, Abbottabad, for the Financial Year 2023-24, it was observed that Tehsil Municipal Officer Abbottabad auctioned 23 shops of Jinnah Plaza Abbottabad. The successful bidders were required to deposit 25% of security amount within 24 hours and remaining 75% within one week. However, the bidders failed to deposit the amount of Rs.25,403,750 (75%) as security. Detail at **Annexure-2.8**.

The lapse occurred due to weak financial controls, resulting into loss to the Government.

When pointed out in November, 2024, the management stated that due to a court case the security amount was not recovered as yet.

Reply was not convincing as the amount is still outstanding against the successful bidder.

PAO (TMO Abbottabad) was requested in December 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends pursuing legal measures for swift recovery of security deposits and ensuring strict compliance with auction terms.

AIR Para No. 04(2023-24)

2.2.3.1.2 Loss due to non-recovery of Building Plan Fee –Rs 1.611 million

As per Serial No. 2, Clause 2 of the fee schedule dated 05.08.2024 issued by Tehsil Lower Tanawal, District Abbottabad, the approved building plan fee for a commercial plaza is set at Rs. 30 per square foot.

During audit of the accounts of Tehsil Municipal Administration, Lower Tanawal, for the Financial Year 2023-24, it was observed that total 35 No's

commercial and Private Buildings were constructed in Tehsil Lower Tanawal under the supervision of Tehsil Municipal Officer. However, Rs 1,611,200 on account of Building Plan Fee was not recovered till the date of audit. Detail at **Annexure-2.9**.

The lapse occurred due to weak financial controls, resulting into loss to the Government.

When pointed out November 2024, Management replied that notices have been served for early recovery of building Plan fee and the progress will be shown to audit accordingly. The reply was not convincing as no effort for the same was made till finalization of the report.

PAO (TMO Lower Tanawal) was requested in December 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate recovery of outstanding amount.

AIR Para No. 02(2023-24)

2.3 Assistant Director LG & RDD, Abbottabad

2.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 43.571 million were raised in this audit. This amount also includes recoverables of Rs 1.771 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No.	Classification	Amount
1.	Irregularities	-
A.	Procurement related irregularities	1.800
2.	Others	41.771
Total		43.571

2.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VAC/NAC Meetings are given below:

S.No.	Audit Year	VACs / NACs Meetings
1.	2013-14 to 2023-24	Not Convened

2.3.3 Audit Paras

2.3.3.1 Irregularities

A. Procurement related irregularities

2.3.3.1.1 Loss to Government due to award of work at higher rate – Rs.1.800 million

According to Rule 6(1) & (2) (a) of the Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules, 2014, open competitive bidding is the principal method for procurement of goods exceeding Rs. 500,000. The single-stage, one-envelope procedure applies when cost is the sole determining factor, and the lowest evaluated responsive bid should be awarded the contract for simple, routine goods with no technical innovation.

During audit of the accounts of Assistant Director LG&RDD, Abbottabad, for the Financial Year 2023-24, it was observed that developmental scheme “Package-10 PK-36 Abbottabad” was awarded to contractor M/S Nader Ali & Co @ at par with estimated cost of Rs. 12,000,000. Scrutiny of record revealed that three contractors participated in the bidding process and M/S Muhammad Saboor Khan offered lowest rate of 15% below on engineer estimate. Award of contract at a higher rate resulting into loss of Rs 1,800,000 to the Government. Detail given below:

(Amount in Rs)				
Rate offered by Lowest bidder	Contract awarded @	Difference	Estimated Cost	Loss
15% below	0% below	15%	12,000,000	1,800,000

The lapse due to weak internal controls resulting into loss to the Government.

When pointed out in October 2024, the management stated that letter was sent to the DG LG&RDD KP for debarring the contractor. Reply was not convincing as no progress was reported till finalization of this report.

DAC meeting was held on 23.01.2025 wherein the forum decided that the department will send the case for debarring the contractor(s) permanently. The forum decided that the para stands till debarring of the contractor(s) permanently. No progress was reported till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 08(2023-24

2.3.3.2 Others

2.3.3.2.1 Irregular expenditure on repair of transformers – Rs 40.00 million

According to section 11.3.4 Chapter II of Consumer Service Manual-2021 of National Electric Power Regulatory Authority “In case of more than one Connection on the same substation /transformer with different ownerships such as commercial plazas/apartments/shops/residences, where bills are issued separately, the responsibility of maintenance, repair and replacement of the said system or up gradation/reinforcement thereof shall rest with the DISCO (PESCO).

During audit of the accounts of Assistant Director LG&RDD Abbottabad for the Financial Year 2023-24, it was observed that Rs. 40,000,000 was withdrawn from treasury on account of repair and maintenance of transformers and retained in designated bank account. Audit held that the release and withdrawal of the subject amount was irregular as the repair and maintenance of transformers is the responsibility of the PESCO in the light of above rules.

The lapse occurred due to weak financial controls resulting into non-adherence to the government’s instructions.

When pointed out in October 2024, the management stated that the amount was withdrawn from treasury and deposited into designated bank account (AD LG&RDD Abbottabad) on the direction of higher authorities. The reply was not convincing as repair & maintenance of transformers was the responsibility of PESCO.

DAC meeting was held on 23.01.2025 wherein the forum decided that in the light of audit para, clarification will be sought from the PESCO and Finance Department. Para stands till clarification from PESCO and Finance Department KP is obtained. No progress was reported till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 06 (2023-24)

2.3.3.2.2 Non-deposit of rent of shops into Government treasury- Rs.1.771 million

According to rule 69 2(a) of the District Govt. Budget Rules 2016, Guiding principles while receiving money on behalf of the government shall be “public money shall in so far as possible be deposited directly in the bank through prescribed Challan forms on the same day but not later than the close of following day.”

During audit of the accounts of Assistant Director LG&RDD, Abbottabad, for the Financial Year 2023-24, it was observed that an amount of Rs 1,771,236 were received on account of rent of shops up to 30.06.2024. However, the amount was retained in the designated account instead of depositing into Government treasury.

The lapse occurred due to weak internal controls resulting into loss to public exchequer.

When pointed out in October 2024, the management stated that the matter will be taken up with higher authorities and action will be taken as directed. The reply was not convincing as Government revenue was required to be deposited into treasury.

DAC meeting was held on 23.01.2025 wherein the management replied that the subject amount was deposited into Government Treasury. However, deposit challan shows, Account-IV instead of Account-I. The forum decided that para stands till verification of challan of the deposited amount in Account-I instead of Account-IV. However, verification was not made till finalization of this report.

Audit recommends implementation of the DAC decision.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2020-21, 2021-22, 2022-23 & 2023-24 vide paras number 4.5.2.1, 4.5.2.1, 4.4.1.1 & 4.4.2.1 having financial impact of Rs 24.594 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 14 (2023-24)

2.4 Water Supply and Sanitation Services Company (WSSC), Abbottabad

2.4.1 Classified Summary of Audit Observation

Audit observations amounting to Rs 34.481 million were raised in this audit. This amount also includes recoverables of Rs 27.126 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No.	Amount	Amount
1	Irregularities	-
A.	HR/Employees related Irregularities	10.551
2	Others	23.930
Total		34.481

2.4.2 Comments on the Status of Compliance with PAC Directives

The audit report pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of PAC Meetings are given below:

S.No.	Audit Year	PAC Meeting
1	2019-20 to 2023-24	Not Convened

2.4.3 Audit Paras

2.4.3.1 Irregularities

A. HR/Employees related Irregularities

2.4.3.1.1 Un-justified payment of Deputation Allowance-Rs 10.551 million

As per Services and Assets Management Agreement made between TMA Abbottabad and WSSCA on 08 April 2017 there is no provision of 20% deputation allowance to the employees of TMA Abbottabad temporarily adjusted in WSSCA.

During audit of the accounts of Water and Sanitation Services Company, Abbottabad, for the Financial Year 2023-24, it was observed that 181 employees of various cadres of TMA Abbottabad were temporarily transferred from TMA Abbottabad to WSSCA for strengthening the Municipal Services of WSSCA in urban areas of District Abbottabad. The WSSC Abbottabad paid 20% deputation allowance to the employees of TMA which was violation of SAMA agreement.

Un-justified payment of deputation allowance occurred due to weak financial and management control resulting into loss to the government.

When pointed out in December 2024 the department replied that letter has been written to the Secretary LG&RDD for clear instructions on stopping deputation allowance for all TMA transferred staff. The reply was not convincing as no progress was shown to audit till finalization of this report.

PAO (Secretary Local Government KP) was requested in December 2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends stoppage of deputation allowance and recovery of already paid amount.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2021-22 vide paras number 5.5.1.1 having financial impact of Rs 7.768 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 07(2023-24)

2.4.3.2 Others

2.4.3.2.1 Non-recovery of outstanding water user charges -Rs.16.575 million

According to clause 3(ix) of the SAMA agreement executed between TMA and WSSC Abbottabad on 08 April 2017, the WSSC Abbottabad is required to collect fees, taxes and user charges in respect of the services, receiving and appropriating all receipts and recoveries thereof.

During audit of the accounts of Water and Sanitation Services Company, Abbottabad for the Financial Year 2023-24, it was observed that an amount of Rs.16,574,795 on account of arrears of water charges was not recovered from consumers. Detail given below:

(Amount in Rs)			
S.No	Union Council	Total Customers	Arrears
1	Malik Pura	689	5,069,700
2	Urban City	593	4,082,053
3	Kehal	445	2,228,580
4	Nawasher	766	5,194,462
Total		2493	16,574,795

The lapse occurred due to weak internal controls, resulting into loss to the public exchequer.

When pointed out in December 2024, the department replied that WSSCA is working on recovery of arrears through involvement of District Administration under Section 14(A) of CrPc. The reply was not convincing as the amount is still outstanding.

PAO (Secretary Local Government KP) was requested in December 2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends immediate recovery of arrears from defaulters.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2020-21, 2021-22, 2022-23 & 2023-24 vide paras number 6.5.1.1, 5.5.2.1, 5.4.1.3 & 5.4.3.1 having financial impact of Rs 94.715 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 03(2023-24)

2.4.3.2.2 Un-authorized written off of bad debts – Rs.7.355 million

According to Public Sector Companies (Corporate Governance) Rules, 2013 amended vide S.R.O. No. 275(i)/2017 dated April 21, 2017 Section (7)(g), the Board of Governors (BoG) of WSSC-Abbottabad shall formulate policies for write-off of bad or doubtful debts, advances and receivables.

During Special Study on the accounts of Water and Sanitation Services Company, Abbottabad for the Financial Year 2023-24, it was observed that Water Charges amounting to Rs.7,355,956 was written-off without approval of the Board of Governors.

The lapse occurred due to weak internal controls, resulting into loss to the Company and the Government.

When pointed out in March 2024, management stated that the provision of Rs.7.35 million represents the amount set aside for expected credit losses over the last four years, from 2020 to 2023. IFRS 9, mandates a forward-looking approach to accounting for bad debts. This approach ensures the fair representation of financial reports. The provisions reflect expected credit losses and are recommended by external auditors. WSSC also made recovery of Rs 3,544,104 million from 466 households and the process is still going on. The Reply was not satisfactory as the outstanding balance needs to be recovered.

DAC meeting was held on 22.01.2025 wherein the management replied that the bad debts were transferred to WSSC-Abbottabad from TMA Abbottabad in 2017. The WSSC-Abbottabad conducted survey and confirmed that the bad debts arose due to faulty billing (Closed houses, water disconnected etc) therefore, the bad debts were written-off from BoG in the absence of policy. The forum decided that the company will formulate a policy for waiving off the bad debts and the subject case will be put to the BoG. Para stands till corrective measures are taken. No progress was reported till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 5.2.2 Special Study-WSSCA (2023-24)

CHAPTER-3

DISTRICT BAJAUR



District BAJaur is one of the merged tribal districts of Khyber Pakhtunkhwa, named BAJaur Agency before merger of Federally Administered Tribal Areas (FATA). According to the census of 2023, it has a total area of 1290 sq.km. with a population size of 1,287,960 comprising 50.5% male and 49.5% female. Geographically, it lies in the north west of the province, approximately 117 KMs away from the provincial capital-Peshawar. BAJaur is rich in minerals which are extracted and utilized within the country as well as exported abroad. Some of its brief features are given below:

District Profile

Area: 1,290 Sq KM

Population: 1,287,960

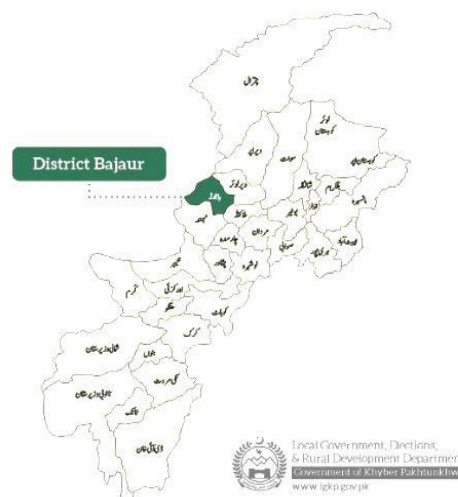
Languages: Pashto

Tehsils: 8

No. of Village Councils: 120

No. of Neighborhood Councils: 07

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



3.1 Local Government, Bajaur

3.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 115.837 million were raised as a result of this audit. This amount also includes recoverables of Rs. 42.446 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	67.968
B	Management of Accounts with Commercial Bank	8.837
2	Value for money and service delivery issues	4.477
3	Others	34.555
Total		115.837

3.1.2 Comments on the Status of Compliance with DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of DAC/TAC Meetings are given below:

Sr. No.	Audit Year	DAC/TAC Meetings
1.	2020-21 to 2023-24	Not convened

3.1.3 Audit Paras

3.1.3.1 Irregularities

A. HR/Employee related irregularities

3.1.3.1.1 Irregular expenditure on account of contingent paid staff – Rs.8.780 million

According to Para 6 of the Government of Khyber Pakhtunkhwa, Finance Department letter NO. BO-I/FD/5-8/2023-243/Austerity Measures dated 31.05.2024, the contingent paid staff shall be engaged during the course of Financial Years 2023-24 only after the approval of the Finance Department, Khyber Pakhtunkhwa.

During audit of the accounts of Deputy Commissioner, Bajaur, for the Financial Years 2023-24, it was observed that an amount of Rs. 8,780,000 was paid to daily wage staff. Audit held that the appointments were made without obtaining prior approval from the Finance Department, KP. Detail regarding the place of duty and attendance of the contingent paid staff was also not provided. The funds were withdrawn and disbursed in cash instead of making direct payments to concern. Detail is as under: -

(Amount in Rs.)

Month	Cheque No. & Date	Amount	No. of Staff
07,08 &09/2023	1107848 dated 21-09-2023	1,737,000	24
10/2023	1107943 dated 26-10-2023	611,000	24
11/2023	1109507 dated 23-11-2023	768,000	24
12/2023	1109627 dated 28-12-2023	768,000	24
01/2024	1109733 dated 30-01-2024	768,000	24
02/2024	1109824 dated 05-03-2024	768,000	24
03/2024	1109899 dated 27-03-2024	768,000	24
04/2024	1109978 dated 30-04-2024	864,000	27
05/2024	1110054 dated 31-05-2024	864,000	27
06/2024	1110473 dated 25-06-2024	864,000	27
Total		8,780,000	

The lapse occurred due to weak internal controls, resulting into irregular expenditure.

When pointed out in July 2024, management stated that detailed reply would be submitted after consulting the record. However, no reply was furnished till finalization of this report.

PAO (DC Bajaur) was requested in August 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends investigating the matter and fixing responsibility on the person(s) at fault.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2021-22 and 2022-23 vide para numbers 2.5.1.1 and 2.4.1.1 having financial impact of Rs. 8.4 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 05/2023-24

3.1.3.1.2 Un-authorized payment of salaries to teachers of DSS during leave -Rs. 9.128 million

According to the Policy of Double Shift Program notified vide Government of Khyber Pakhtunkhwa Elementary & Secondary Education Department No.SO (Imp-II) R&I/PTC 2021-22 dated 14th January 2022, stipends of the PTC hired teachers shall be transferred to PTC bank accounts for further payment to the concerned teachers.

During scrutiny of the PTC accounts of selected schools under the control of District Education Officer (Male & Female) Bajaur for the Financial Years 2023-24, it was observed that an amount of Rs 9,128,600 was paid on account of salaries to the staff of double shift classes by various schools during the month of May and June. However, audit held that double-shift classes were arranged exclusively for 1st year and 2nd year students, whose academic sessions concluded in April due to examinations. Therefore, the payment of salaries for the coming month of May and June, when no classes were held, is considered irregular and unjustified. Detail at **Annexure-03.2** (a,b&c).

The lapse occurred due to weak internal and financial controls resulting in un-authorized payments and loss to government.

When pointed out in August, 2024, the management stated that the matter will be taken up with the high ups for guidance. Reply was not tenable as neither

progress was shown in support of the reply nor the amount was recovered from the concerned staff till finalization of this report.

PAO (DC Bajaur) was requested in August 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends investigation into the matter besides recovery of the amount from the concerned staff.

AIR Para Nos: 07 & 18/2023-24

3.1.3.1.3 Un-authentic payment due to cash withdrawal from designated PTC Bank Accounts -Rs. 50.060 million

According to the Policy of Double Shift Program notified vide Government of Khyber Pakhtunkhwa Elementary & Secondary Education Department No.SO (Imp-II) R&I/PTC 2021-22 dated 14th January 2022, stipends of the PTC hired teachers shall be transferred to PTC bank accounts for further payment to the concerned teachers.

During scrutiny of the PTC accounts of selected schools under the control of District Education Officer (Male & Female) Bajaur for the Financial Years 2023-24, it was observed that Rs. 50,060,337 were paid in cash instead of direct payment to the DSS teachers through cross cheque. Moreover, attendance records of teachers were also not provided. Detail at **Annexure-03** (a&b).

The lapse occurred due to weak internal and financial controls resulting in un-authentic payments which may lead to misappropriation of fund.

When pointed out in August 2024, the management stated that Payment was made through open cheques to all the teachers. However, this practice will be stopped in future and crossed cheques will be issued to the teachers. Reply was not tenable as the payment was shown made in cash which increased the risk of misappropriation.

PAO (DC Bajaur) was requested in August 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends enquiry in the matter and provision of attendance record of DSS teachers to audit for verification.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2021-22, 2022-23 & 2023-24 vide para numbers 2.5.1.16, 2.4.1.14 and 2.4.1.17 having financial impact of Rs 347.895 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para Nos: 06 & 15/2023-24

B. Management of Accounts with Commercial Banks

3.1.3.1.4 Non-deposit of bank profit into the government treasury – Rs.3.149 million

According to Para 3(ix) of Finance Department Khyber Pakhtunkhwa letter No. 2/3-(F/L)/FD/2019-20/Vol-XIII dated 3rd February 2020, in case of current account, the same may be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately except where departments/offices/Autonomous & semi-autonomous Bodies/Organizations/ Corporations have been specifically permitted under some Statute/Act.

During audit of the accounts of Deputy Commissioner Bajaur for the Financial Year 2023-24, it was observed that profit of Rs. 3,149,699 was earned on the bank balances of the PLS account maintained at BOK Khar Branch. However, the profit earned was not deposited into the Government treasury. Detail is given below:

(Amount in Rs.)

Bank	A/C No.	Period	Profit earned
BOK	3003754951	01.07.2023 to 30.06.2024	3,149,699

The lapse occurred due to non-compliance with Finance Department KP instructions resulting into loss to the government.

When pointed out in July, 2024, Management stated that the profit will be deposited into government treasury. Reply was not tenable as no progress was shown by the department till finalization of this report.

PAO (DC Bajaur) was requested in August 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends depositing the earned profit in the Government treasury.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2023-24 vide para number 2.4.1.13 having financial impact of Rs 2.735 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 03/2023-24

3.1.3.1.5 Loss to government due to non-conversion of current bank account into PLS mode –Rs 5.688 million

According to Para 3(ix) of Finance Department Khyber Pakhtunkhwa letter No. 2/3-(F/L)/FD/2019-20/Vol-XIII dated 3rd February 2020, in case of current account, the same may be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately except where departments/offices/Autonomous & semi-autonomous Bodies/Organizations/Corporations have been specifically permitted under some Statute/Act.

During audit of the accounts of Deputy Commissioner Bajaur, for the Financial Year 2023-24, it was observed that the DC Bajaur did not convert the designated current bank account into PLS mode. Due to non-conversion of account to PLS mode, the government sustained loss of Rs. 5,688,973 (12% estimated). Detail is given below:

(Amount in Rs.)

Bank Name			Account No.	Opening Balance	Closing Balance	Average Balance	Expected Profit @ 12
NBP	Khaar	Branch	4097454934	67,493,475	27,322,750	47,408,112	5,688,973
Bajaur							

Non-conversion of current bank account into PLS mode occurred due to weak internal controls resulting in loss to government.

When pointed out in July, 2024 the management did not furnish any reply.

PAO (DC Bajaur) was requested in August 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends conversion of current account to PLS mode.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2021-22, 2022-23 & 2023-24 vide para numbers 2.5.1.19, 2.4.1.13 and 2.4.1.15

having financial impact of Rs 65.264 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 08/2023-24

3.1.3.2 Value for money and service delivery issues

3.1.3.2.1 Non-deposit of rent of shops into government treasury-Rs.4.477 million

According to Rule (5) (c) of the District Govt. Budget Rules 2016, The functions of the Collecting Officer are ensuring all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

During audit of the accounts of Deputy Commissioner, Bajaur for the Financial Years 2023-24, it was noticed that Rs. 4,477,330 was not deposited into government treasury realized on account of rent of shops and other buildings situated in Tehsil Khar. Detail at **Annexure-03.4**.

Non-deposit of rent of shops into government treasury occurred due to weak internal controls resulting in loss to government exchequer.

When pointed out in July, 2024, management stated that the realized amount of rent will be deposited into government treasury.

Reply was not tenable as no progress was shown by the department till finalization of this report.

PAO (DC Bajaur) was requested in August 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends that the rent of shops and other buildings may be deposited into government treasury.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2023-24 vide para number 2.4.2.1 having financial impact of Rs. 2.702 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 07/2023-24

3.1.3.3 Others

3.1.3.3.1 Loss due to non-depositing Stamp duty & Registration Fee into government treasury– Rs 8.863 million

According to Article 23 of Appendix “Schedule-1” of the Khyber Pakhtunkhwa Finance Act 2007, stamp duty @ 2% and Registration Fee @ 0.5% was chargeable on award of land (immovable property).

During audit of the accounts of Deputy Commissioner Bajaur for the Financial Year 2023-24, it was observed that an amount of Rs. 8,863,839 was collected as 2% stamp duty, 0.5% registration fee and 2% TMA tax of the cost of land from various departments on account of acquiring of land for different projects. However, the amount was not deposited into government treasury. Moreover, 2% share was also not transferred to TMA. The amount was retained in “Revenue Deposit”. Detail is given below:

(Amount in Rs.)					
S.No.	Particular	Stamp Duty @2%	Registration Fee @0.5%	TMA 2% tax of the cost of land	Grand Total
1.	Construction of road/removal of road curve at front of civil colony Nawagai tehsil Nawagai Tribal District Bajaur	342,298	85,574	342,298	770,170
2.	Construction of Munda Bypass Road at Tehsil Utmankhel Bajaur.	3,583,087	895,772	3,583,087	8,061,946
3	Construction of Police Station Salarzai at Chargo Tehsil Salarzai, Bajaur	14,099	3,525	14,099	31,723
Total		3,939,485	984,871	3,939,484	8,863,839

The lapse occurred due to weak internal controls, resulting in loss to government.

When pointed out in July, 2024, management stated that detailed reply will be furnished after scrutiny of record. However, no progress was shown by the department till finalization of this report.

PAO (DC Bajaur) was requested in August 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends depositing the stamp duty and registration fee into government treasury and transfer of TMA fee to its respective department.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2021-22, 2022-23 and 2023-24 vide para numbers 2.5.2.2, 2.4.2.3 and 2.4.2.3 having financial impact of Rs. 11.635 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 11/2023-24

3.1.3.3.2 Loss on account of Compulsory Acquisition Charges – Rs.25.692 million

According to Section 23(2) of Land Acquisition Act 1894, in addition to the market value of the land, the court shall in every case award a sum of 15% on such market value, in consideration of the compulsory nature of the acquisition”.

According to Para 23 of GFR Vol-1 every Govt. Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Govt. through fraud or negligence on his part or on the part of his subordinate staff.

During audit of the accounts of Deputy Commissioner, Bajaur for the Financial Year 2023-24, it was observed that Rs. 25,692,227 were collected as 15% compulsory acquisition charges for further payment to various land owners on acquisition of land for Khaar bypass road. However, Compulsory acquisition charges were allowed without any court order as required under Section 23(2) read with Section 3(d) of Land Acquisition Act 1894 and no written objection, obstruction, refusal or appeal made to the Collector/Court by the owners as required under Section 18(1) & (2) of the Act. Detail is given below:

(Amount in Rs.)		
S.No.	Particular	15% Charges
1	Construction of road/removal of road curve at front of civil colony Nawagai tehsil Nawagai Tribal District Bajaur	2,232,375
2	Construction of Munda Bypass Road at Tehsil Utmankhel Bajaur.	23,367,900
3	Construction of Police Station Salarzai at Chargo Tehsil Salarzai, Bajaur	91,952
4	Establishment of small industrial estate Bajaur (SIDB)	0
5	Construction of road / Bridge at Bagorai, Khar (Award not found). However, cheque received. Cheque received but award not found attached.	0
6	Land compensation for Judicial Complex. Cheque received but award not found attached.	0
Total		25,692,227

The lapse occurred due to weak internal controls, resulting in loss to the government.

When pointed out in July 2024, Management stated that detailed reply will be submitted after consulting the detailed record. However, no progress was intimated till finalization of this report.

PAO (DC Bajaur) was requested in August 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of 15% compulsory acquisition charges from the land owners and its refund to the acquiring department.

AIR Para No. 12/2023-24

3.2 Tehsil Municipal Administrations, Bajaur

3.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 43.580 million were raised as a result of this audit. This amount also includes recoverables of Rs. 21.124 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	22.456
B	Management of Accounts with Commercial Banks	9.45
2	Value for money and service delivery issues	11.674
Total		43.58

3.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

Sr. No.	Audit Year	TAC Meetings
1.	2020-21 to 2023-24	Not convened

3.2.3 Audit Paras

3.2.3.1 Irregularities

A HR/Employees related irregularities

3.2.3.1.1 Irregular expenditure on pay & allowances of the contingent paid staff -Rs 22.456 million

According to Para 6&7 of the Finance Department letter No BO.1/FD/5-8/2022-23 Austerity measures dated 30-6-2022 contingent staff shall be engaged during the course of the financial year 2022-23 only after approval of the Finance Department.

During audit of the accounts of Tehsil Municipal Officers, Khar and Nawagai for the Financial Year 2023-24, it was observed that expenditure of Rs.22,456,475 was incurred on account of payment of salaries to the contingent paid staff. On scrutiny of record, it was observed that hiring of the staff was made without approval of the Finance Department. Detail is given below:

(Amount in Rs.)		
S.No	Name of Office	Amount Paid
1	TMO Khaar	17,409,600
2	TMO Nawagai	5,046,875
Total		22,456,475

The lapse occurred due to weak administrative controls, resulting in irregular payment to contingent paid staff and loss to the government exchequer.

When pointed out in November 2024, management stated that the case will be taken up with the finance department for regularization. Reply was not convincing as no evidence was produced.

PAO (Secretary LCB) was requested in December 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility besides strengthening internal controls to avoid such lapse in future.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2021-22, 2022-23 and 2023-24 vide para numbers 3.5.1.2, 3.4.1.1 and 3.4.1.1 having financial impact of Rs. 13.525 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para Nos. 2&2/2023-24

B Management of Accounts with Commercial Banks

3.2.3.1.2 Loss to government due to non-deposit of bank profit into government treasury – Rs 9.45 million

According to Para 3 (ix) of the Finance Department Khyber Pakhtunkhwa letter No.2/3-(F/L)FD/2019-20/Vol-X111 dated 3-2-2020, in case of current account, the same be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately except where Department/Offices/Autonomous & Semi-autonomous Bodies organization/Corporations have been specially permitted under some statute/Act.

During audit of the accounts of Tehsil Municipal Administration, Khar for the Financial Year 2023-24, it was observed that bank profit Rs 9,451,067 was earned on amounts placed in designated bank accounts. However, the earned profit was not deposited into the government treasury as per detail given below:

(Amount in Rs.)

Name of Bank	Account Title	A/C No	Amount of Profit earned
Bank of Khyber	Tehsil Trust Account	2007604559	78,988
	Tehsil Municipal Officer	016302509016	4,918,865
	Special Deposit Account	2007600014	109,163
	Tehsil General Account	2007599873	4,344,051
Total			9,451,067

The Lapse occurred due to violation of rules resulting in loss to government.

When pointed out in November 2024, management stated that the profit was included in own revenue sources. Reply was not convincing as the profit was required to be deposited into Government treasury.

PAO (Secretary LCB) was requested in December 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends depositing the profit in to government treasury.

AIR Para No. 03/2023-24

3.2.3.2 Value for money and service delivery issues

3.2.3.2.1 Loss to Government due to non-recovery of outstanding amount Rs-11.674 million

According to Rule 6 of TMA budget rules 2016, It is the duty of TMO to ensure that all sums due to the TMA are regularly and promptly assessed, realized and duly credited in the Tehsil Fund.

During audit of the accounts of Tehsil Municipal Administration Khar for the Financial Year 2023-24, it was observed that out of the total amount Rs 30,199,992 of awarded contracts, only Rs 18,525,810 was recovered while remaining amount of Rs.11,674,182 is still outstanding against the contractors. Detail is given below:

(Amount in Rs.)

SNo	Name of Contract	Year	Bid Amount	Collected Amount	Outstanding Amount
1	Jinnah Bus stand Khar	2023-24	21,400,360	12,645,710	8,754,650
2	Shingas Market adda	2023-24	5,344,506	3,625,100	1,719,406
3	Public Latreen at Khar Bazaar	2023-24	1,715,566	935,760	779,806
4	Sign Boards	2023-24	351,320	0	351,320
5	Public latrines at JBT	2023-24	211,860	173,340	38,520
6	Shop at JBT	2023-24	1,176,380	1,145,900	30,480
Total			30,199,992	18,525,810	11,674,182

The lapse occurred due to weak internal controls, resulting in loss to the government.

When pointed out in November 2024, management stated that the amount will be recovered from the concerned and the notices have already been issued to the defaulters. Reply was not convincing as no serious efforts were made by the department till finalization of this report.

PAO (Secretary LCB) was requested in December 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of the outstanding amount from the contractors concerned.

AIR Para No. 07/2023-24

3.3 Assistant Director LG & RDD, Bajaur

3.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 21.984 million were raised as a result of this audit. This amount also includes recoverables of Rs. 21.984 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Value for money and service delivery issues	20.184
2	Others	1.8
Total		21.984

3.3.2 Comments on the Status of Compliance with VAC/NAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of Village/Neighborhood Accounts Committees (VACs/NACs) Meetings are given below:

Sr. No.	Audit Year	VACs/NACs Meetings
1.	2020-21 to 2023-24	Not convened

3.3.3 Audit Paras

3.3.3.1 Value for money and service delivery issues

3.3.3.1.1 Loss due to non-deduction of income tax @7.5% - Rs. 20.184 million

According to Finance Department Khyber Pakhtunkhwa Notification No. SO(Dev-II) FD/12-6/14-5 dated 21.04.2015, all Provincial Works Departments, while preparing Cost Estimates of developmental projects which fall in the tax exempted areas such as PATA, shall frame the same on Market Rate System (MRS) but with 7.5% less cost to defray the amount added in the rate analysis of all works/construction/supply items to meet withholding tax.

During audit of the accounts of Assistant Director LG&RDD Bajaur for the Financial Years 2023-24, it was observed that expenditure of Rs 269,131,000 was incurred on account of developmental works, however, income tax @ 7.5% amounting to Rs 20,184,000 was not deducted on the basis of work done/ expenditure due to which the government sustained a loss.

The lapse occurred due to weak internal controls, resulting in loss to the Government.

When pointed out in October 2024, management stated that the merged districts are exempted from tax, therefore, no tax was deducted. Reply was not satisfactory as tax adjustment was required under Provincial Government notification.

PAO (DC Bajaur) was requested in October 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of income tax at the prescribed rate from the contractors concerned.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2021-22 & 2022-23 vide para numbers 4.5.2.3 and 4.4.2.2 having financial impact of Rs. 20.338 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 01/2023-24

3.3.2 Others

3.3.3.2.1 Loss due to non-award of shops on lease through open auction- Rs 1.800 million (Approx)

According to Rule 14(1) Chapter-III) KPPRA Rules 2014 amended in 2022, the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of non-consulting services over the value of Rs. 500,000.

According to Government of Khyber Pakhtunkhwa Revenue & Estate Department Letter No. Rev:IV/4/S. Land Lease Policy/2015/19213-62 dated 24.08.2015 that all expired lease shall be renewed at the prevalent market rates for a specified period with conditions very clearly spelled out.

During audit of the accounts of AD LG&RDD Bajaur for the Financial Year 2023-24, it was observed that the local did not auction fifteen shops on lease through open tender due to which the Government sustained a loss of Rs.1,800,000 (Approx). Detail is given below:

(Amount in Rs.)

Detail of Shops not Auctioned	No of Shops	Rent per Year	Average Monthly Rent	Total Rent per Month (Approx)	Total Rent per Year
Shops at Khar Munda Road main chowk	15	45,000	10,000	150,000	1,800,000

The lapse occurred due to weak internal controls, resulting in loss to Government.

When pointed out in October 2024, management stated that the matter regarding enhancement of rent of properties is under discussion for approval with the district administration. As and when the matter decided the outstanding rent would be recovered from the defaulters and progress would be shown to audit. Reply was not tenable as the shops were required to be auctioned in open bidding to generate maximum revenue. No progress was shown to audit till issuance of this report.

PAO (DC Bajaur) was requested in October 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends award of shops on market rate through open auction.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2022-23 & 2022-23 vide para numbers 4.4.1.1 and 4.4.2.1 having financial impact of Rs. 1.980 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 07/2023-24

CHAPTER-4

DISTRICT BANNU



District Bannu is the headquarter of Bannu Division of Khyber Pakhtunkhwa. According to census of 2023, it has a total area of 1227 sq.km. with a population size of 1,167,892 comprising 51 % male and 49 % female. Geographically, it lies in the south of the province, approximately 145 KMs away from the provincial capital-Peshawar. It is mainly known for its rich culture and hospitality with tribal culture. Bannu is economically famous for Manufacturing, Leather, Agriculture, Dairy and Livestock. Some of its brief features are given below:

District Profile

Area: 1,227 Sq KM

Population: 1,167,892

Languages: Pashto

Tehsils: 6

Number of Village Councils: 111

Number of Neighborhood Councils: 05

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



4.1 Local Government, Bannu

4.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 501.623 million were raised in this report during current audit of Local Government Bannu. This amount also includes recoveries of Rs. 203.93 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount (Rs.)
1	Irregularities	
A	HR/Employees related irregularities	1.988
B	Management of Accounts with commercial bank	439.458
2	Others	60.177
Total		501.623

4.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Status of ZAC/DAC/TAC Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meetings
1.	2002-03 to 2023-24	Not convened

4.1.3 Audit Paras

4.1.3.1 Irregularities

A. HR/Employees related irregularities

4.1.3.1.1 Irregular appointment of Class-IV during ban period.

Election Commission of Pakistan vide Notification No.F.2(1)/ 2023-Cord, dated January, 22, 2023, imposed ban on all kinds of recruitments in any Ministry, Division, Department or Institution under the Provincial Governments and Local Governments of Punjab and Khyber Pakhtunkhwa with immediate effect.

During audit of the District Education officer (Male) Sub Division Wazir (SDW), Bannu for the Financial Years 2023-24, it was observed that the DEO (Male) SDW Bannu appointed 22 numbers of candidates as Class-IV under merit, medically retired and deceased son's quota. Detail at **Annexure-4.2**.

Audit observed the following irregularities;

- i. Appointment on Medical Grounds were made during ban period imposed by the Election Commission of Pakistan vide notification as referred above.
- ii. Election Commission of Pakistan, in their above referred notification all the Ministry, Division, Departments of Provincial Governments were authorized regarding recruitment pertaining to the deceased son's quota only and they were not authorized regarding recruitment against the medical board son's quota.
- iii. Secretary Education Department have also not issued NOC for recruitment against Medical Board Son's quota.
- iv. The DSC was constituted by the DEO (M) Bannu at their end attended by the un-authorized non-gazetted official as member of the DSC, and without the representative from the Administration Department.

The lapse occurred due to weak internal controls, resulting in irregular appointments.

When pointed out in August 2024, the management did not furnish any reply.

DAC meeting was held on 10.01.2025 wherein the management replied that inquiry has already been initiated and Pay of the officials concerned has been stopped. The forum decided that report of the Inquiry be expedited and shared with Administration and Audit Department.

Audit recommends implementation of the DAC decision.

AIR Para-14/ FY 2023-24

4.1.3.1.2 Irregular payment on account of hiring of teachers for Double Shift Schools—Rs. 1.988 million

According to Rule 290 of Federal Treasury Rules, “No money should be drawn in advance from Government Treasury unless required for immediate disbursement or to prevent the lapse of budget grant.”

During audit of the accounts of the District Education Officer (Female) Bannu, for the Financial Years 2023-24, it was observed that the District Education Officer (Female) Bannu, incurred an expenditure of Rs.1,988,000 on account of hiring of teachers for Double Shift Schools (DSS) Program. However, the following irregularities were noticed;

- i. Advertisement for hiring of the teachers and selection criteria of the teachers were not produced to Audit for verification.
- ii. Verified documents/testimonials of the hired teachers were also not available as per record.
- iii. Daily attendance of the hired staff was not found as per record.
- iv. CNICs of the hired teachers were also not available as per office record.
- v. Numbers of the students registered in the double shift and morning shift programs was also not produced to Audit for authentication.
- vi. APRs were not produced to audit.
- vii. Comparative statements, academic documents, and domicile certificates of the hired candidates were also not found as per record.

The lapse occurred due to weak internal controls, resulting in irregular expenditure.

When pointed out in August 2024, the management did not furnish any reply.

DAC meeting was held on 10.01.2025 wherein the management replied that all record is available in the office which can be verified by Audit. The forum decided that the relevant record be provided to Audit for verification. However, verification was not made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para-04/2023-24

4.1.3.1.3 Irregular appointment of Female PSTs during ban period.

Election Commission of Pakistan vide Notification No.F.No.2(1)/ 2023-Cord, dated January, 22, 2023, imposed ban on all kinds of recruitments in any Ministry, Division, Department or Institution under the Provincial Governments and Local Governments of Punjab and Khyber Pakhtunkhwa with immediate effect.

During scrutiny of the appointments record of the District Education officer (Female) Bannu for the Financial Years 2023-24, it was observed that the DEO (Female) Bannu appointed 08 number of Females as Primary School Teachers (PSTs). Detail at **Annexure-4.3**.

Audit observed the following;

1. Appointments were made during ban imposed by the Election Commission of Pakistan.
2. The DSC was constituted by the DEO (Female) Bannu at their end without the representative from the district administration office.

When pointed out in August 2024, the management did not furnish any reply.

DAC meeting was held on 10.01.2025 wherein the forum decided to initiate an inquiry by the AC (HQ) Bannu, and submit its recommendations to the Deputy Commissioner Bannu for further necessary action. However, no progress was made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para-01/2023-24

B. Management of Accounts with Commercial Banks

4.1.3.1.4 Irregular retention of funds in designated Bank Accounts – Rs.439.458 million

According to S No. 3 (ii) and (ix) of Government of KP Finance Department instructions issued vide no 2/3(F/L)/FD/2019-20/vol-xii dated 03-02-2020, “no funds should be kept in any bank account by any Drawing & Disbursing Officer unless expressly authorized by finance department. Such funds lying in the banks should be drawn and credited to government treasury immediately.

During Audit of the accounts of the Deputy Commissioner Bannu, for Financial Years 2023-24, it was observed that a sum of Rs. 439,458,948 was retained in the designated Bank Accounts as on 3.06.2024 which is violation of above-mentioned rules/ Finance Department instructions.

(Amount in Rs.)

S.No	Particulars of Bank Account	Bank	Amount
01	Tehsildar Baka Khel	BOK	2,364,810
02	Assistant Commissioner HQ (Aima)	BOK	23,037,616
03	Tehsildar Bannu	NBP	114,844,071
04	Tehsildar Miryan	BOK	173,068,697
05	Tehsildar Kakki	BOK	126,143,754
Total			439,458,948

The lapse occurred due to weak Internal Controls resulting in irregular retention of funds.

When pointed out in July 2024, the management did not furnish any reply.

DAC meeting was held on 10.01.2025 wherein the management replied that all record showing payments and actual payee receipts is available in the office which can be verified by Audit. The forum decided that the relevant record showing payee information and receipts be provided to Audit for verification. However, verification was not made till finalization of this report.

Audit recommends provision of record for verification as per the DAC decision.

AIR Para-13/2023-24

4.1.3.2 Others

4.1.3.2.1 Non-deduction and non-deposit of income tax into government treasury –Rs.203.93 million

According to Section 153 (1) (a) of Income Tax Ordinance 2001, “Income tax be deducted @ 5.5 % from the persons appearing in the Active Tax Payers list and @ 11% from the persons not appearing in the active tax Payers list in case of sale of goods and any other case.”

During audit of the accounts for Financial Years 2023-24, it was noticed that District Soil & Water Conservation office Bannu did not deduct and deposit income tax into government treasury amounting to Rs.20,393,484. Detail is given at **Annexure-4.4**.

Non-deduction of income tax occurred due to weak financial controls, resulting in loss to Government treasury.

When pointed out in February & March 2024, the management did not furnish any reply.

DAC meeting was held on 10.01.2025 wherein the management replied that all record showing deduction of income tax is available in the office which can be verified by Audit. The forum decided that the relevant record showing deduction of income tax be provided to Audit for verification. However, verification was not made till finalization of this report.

Audit recommends provision of record for verification as per DAC decision.

AIR Para No. 21/2023-24

4.1.3.2.2 Blockage of funds of Stipend, Incentives, Awards for students- Rs.31.680 million

According to Rule 290 of Federal Treasury Rules, no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget.

During audit of the account of the District Education Officer (Male), Bannu for the Financial Years 2023-24, it was observed that an amount of Rs.31,680,000

was withdrawn from government treasury on account of Stipends, Incentives, and Awards for students. However, Audit observed that these funds were retained in the designated bank account and were not disbursed among the eligible students till the date of audit and thus the students were deprived.

The lapse occurred due to weak Internal Controls, resulting in depriving the Students from the Government compensation.

When pointed out in August 2024, the management did not furnish any reply.

DAC meeting was held on 10.01.2025 wherein the management replied that inquiry has already been initiated. The forum decided that report of the Inquiry be expedited and shared with Administration and Audit Department.

Audit recommends implementation of the DAC decision.

AIR Para-03/2023-24

4.1.3.2.3 Irregular cash withdrawal from designated bank account-Rs.8.104 million

According to Direction 2.3.2.8 of the APPM, the accounting system shall include controls to minimize the risk of fraud and corruption. This objective shall be addressed by issue of payment through direct bank transfer and cheques (to employees/vendors concerned).

During scrutiny of the accounts of the District Education Officer (M), Bannu, for the Financial Year 2023-24, it was observed that DEO (M) withdrew a sum of Rs. 8,104,985 from designated Bank account No 4044754772 in NBP Bannu in cash instead of payments through crossed cheques, in violation of the Finance Department KP, instructions. Furthermore, Actual Payee Receipts (APRs) in support of the payment were also not available on record.

The lapse occurred due to weak internal and financial controls, resulting in un-authorized cash withdrawals.

When pointed out in August 2024, the management did not furnish any reply.

DAC meeting was held on 10.01.2025 wherein the management replied that inquiry has already been initiated. The forum decided that report of the Inquiry be expedited and shared with Administration and Audit Department.

Audit recommends implementation of the DAC decision.

AIR Para-09/2023-24

4.2 Tehsil Municipal Administrations, Bannu

4.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 17.506 million were raised as a result of this audit. This amount also includes recoverables of Rs. 6.489 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No.	Classification	Amount
1	Irregularities	-
A	Management of Accounts with Commercial Banks	8.925
2	Others	8.581
Total		17.506

4.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

Sr. No.	Audit Year	TAC Meetings
1.	2002-03 to 2023-24	Not convened

4.2.3 Audit Paras

4.2.3.1 Irregularities

A Management of Accounts with Commercial Banks

4.2.3.1.1 Irregular cash withdrawal of funds from bank account - Rs.8.925 million

According to S, No. 2 of Finance Department KP letter No.BO-(W&M)/6-5/2019-20 dated 06-04-2021, in order to stop all kinds of cash payment and issuance of open cheques, all kinds of cheques issued by the AG office/ DAO shall be deposited in the same account instead of presenting the same in the state bank of Pakistan, cash counter. Upon receipt of credit to their designated accounts, the amount may be disbursed to the beneficiary through cross cheques.

During audit of the accounts of Tehsil Municipal Administration, Bannu for the Financial Years 2023-24, it was observed that an amount of Rs. 8,925,237 was withdrawn in cash from bank account No. 3 044742384, National Bank of Pakistan, Bannu branch. However, detail of further utilization and acknowledgment of cash disbursement was not available on record. Detail is in table given below:

(Amount in Rs.)

S. No.	Month	Cash Withdrawal
1.	Aug,2023	725,000
2.	Nov, 2023	751,33 0
3.	Feb, 2024	1,026,099
4.	Mar, 2024	1,702,959
5.	Apr, 2024	3,623,429
6.	May, 2024	1,096,420
Total		7,448,907

Irregularity occurred due to weak internal controls resulting in unauthorized cash payments.

When reported in November 2024, the management replied that detailed reply will be provided after reviewing the relevant records.

PAO (TMO, TMA Bannu) was requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends strengthening the internal controls to avoid recurrence of such irregular instances besides provision of relevant record in support of payments for audit verification.

AIR Para No 4/2023-24

4.2.3.2 Others

4.2.3.2.1 Loss to TMA due to non-collection of Government dues - Rs.6.489 million

According to S. No (6) (1) of the Tehsil Municipal Administration (budget) rules 2016, “The primary obligation of the TO (Regulation) shall be to ensure (a) Preparing the estimates of receipts under his jurisdiction; (b) All matters relating to realization, and deposits of receipts; (c) Ensuring all sums due to the TMA are regularly and promptly assessed, realized and duly credited in the Tehsil Fund.

During audit of the accounts of Tehsil Municipal Administration Bannu, it was observed that various contracts of collection of local fee and taxes were auctioned for Rs. 31,259,312 during Financial Years 2023-24, while an amount of Rs. 24,770,000 was collected up to 3.06.2023 resulting into loss of Rs.6,489,032 to Government. Detail is given in **Annexure-4.5**.

Non-collection of Government dues occurred due to weak internal controls resulting in loss to Government.

When reported in November 2024, the management stated that the efforts are being made for collection of full amounts from the contractors. However, progress will be intimated to audit in due course of time.

PAO (TMO, TMA Bannu) was requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of government dues from the contractors concerned.

AIR Para No 3/2023-24

4.2.3.2.2 Irregular award of contract without contract agreement Rs. 1.498 million and Non-Forfeiture of Earnest money Rs. 0.100 million and non-recovery of outstanding amount of Rs. 0.594 million.

According to Condition No. 04 of policy guideline of contracts issued by Local Council Board vide No. AOII/LCB/6-11/2022 dated 12.04.2022, the successful bidder will deposit 5% security and 15% advance money and execute agreement with the local council on stamped paper within seven days subject to

the verification of CDR and other documents. However, the successful bidder shall also produce guarantee of two local notables having property equivalent to the contract amount duly attested by the 1st class magistrate. In case the contractor/firm does not deposit advances or do not enter into agreement within specified period then the bid shall stand cancelled and the earnest money will be forfeited in favor of concerned local council.

During audit of the accounts of TMO, TMA Baka Khel for the FY 2023-24, it was observed that contract of “Cattle Fare Market Baka Khel” was awarded to the Mr. Hamid Khan S/O Bahadar Nawaz Government Contractor for Rs. 1,498,000. However, Audit observed the following Irregularities:

1. The contract agreement was not signed between the contractor and the TMA Baka Khel.
2. The department did not forfeit the earnest money of Rs.100,000 which was required under the above rule.
3. The department did not recover the out-standing amount of Rs.594,200 from the contractor.

The lapse occurred due to weak internal controls resulting in irregular award of contract

When reported in November, 2024, the management stated that detail reply will be submitted after verification of record.

The PAO (TMO Bakka Khel) was requested to convene DAC meeting in December, 2024, which could not be convened till finalization of this report.

Audit recommends forfeiture of earnest money besides action against person (s) at fault.

AIR Para No. 04/2023-2

4.3 Assistant Director LG & RDD, Bannu

4.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 14.105 million were raised as a result of this audit. This amount also includes recoverables of Rs. 11.266 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S.No.	Classification	Amount
1.	Irregularities	-
A	Management of Accounts with Commercial Banks	11.266
2	Others	2.839
Total		14.105

4.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VAC/NAC Meetings are given below:

Sr. No.	Audit Year	VACs/NACs Meetings
1.	2002-03 to 2023-24	Not convened

4.3.3 Audit Paras

4.3.3.1 Irregularities

A. Management of Accounts with Commercial Banks

4.3.3.1.1 Non-deposit of Bank Profit into Government Treasury–Rs.11.266 million

According to para 3 (ix) of the Government of Khyber Pakhtunkhwa, Finance Department letter No. 2/3/(F/L)/FD/2019-20/Vol-XIII dated 03.02.2020, “In case of current account, the same shall be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately except where department/ offices/ Autonomous & Semi-Autonomous Bodies/ Organizations/ Corporations have been specifically permitted under some statute / Act in the following head of account”.

During Audit of the accounts of the Assistant Director LG & RDD Bannu, for the Financial Year 2023-24, it was observed that a sum of Rs. 11,266,672 was earned as bank profit on the balances kept in designated bank accounts. However, the profit was retained in bank accounts instead of depositing into Government Treasury. Detail at **Annexure-4.6**.

The lapse occurred due to non-compliance of rules, resulting in non-deposit of bank profit into government treasury.

When pointed out in October 2024, the management did not furnish any reply.

DAC meeting was held on 10.01.2025 wherein the forum decided that full amount be recovered. However, no recovery was made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 01/2023-24

4.3.3.2 Others

4.3.3.2.1 Non-deduction of 7% income tax from Government contractors - Rs.2.839 million

As per Finance department KP notification No. SO (Dev-II)/FD /12-6/2014-15 dated 21.04.2015 “while preparing cost estimate of development project which fall in the tax exemption areas such as PATA, shall frame the same on the Markets Rate System 2015 (MRS-2015) but less cost with 7% Less cost to defray the amount added in rate analysis of all works construction supply items to meet withholding tax”

During Audit of the accounts of the Assistant Director LG & RDD Bannu, for the Financial Year 2023-24, it was observed that an expenditure amounting to Rs.40,564,817 was incurred on various development works. However, the department failed to deduct income tax @7 % amounting to Rs. 2,839,536 from the bills of the contractors which were already included in cost estimates prepared on the basis of MRS-2020. Detail at **Annexure-4.7**.

Non-deduction of 7% income tax occurred due to weak internal controls, resulting in loss to government

When pointed out in August 2024, the management did not furnish any reply.

DAC meeting was held on 10.01.2025 wherein the forum decided that full amount be recovered within 15 days. However, no recovery was made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 12/2023-24

4.4 Water Supply & Sanitation Services Company, Bannu

4.4.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 22.548 million were raised as a result of this audit. This amount also includes recoverables of Rs. 1.041 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	21.507
B	Management of Accounts with Commercial Banks	1.041
Total		22.548

4.4.2 Comments on the Status of Compliance with PAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of PAC Meetings are given below:

Sr. No.	Audit Year	PAC Meetings
1.	2018-19 to 2023-24	Not convened

4.4.3 Audit Paras

4.4.3.1 Irregularities

A. HR/Employees related irregularities

4.4.3.1.1 Un-authorized payment on account of daily wages staff-Rs.3.137 million

As per LG&RDD notification No AO/LCB/1-8/2023 dated 13.11.2023 section 2 provided that such cost of daily wages employee must be remain less than 10% of own sources of revenue.

During audit of the accounts of CEO, WSSC Bannu, it was observed that an expenditure of Rs. 3,137,706 was incurred under head daily wages charges during the Financial Years 2023-24. Detail is given in **Annexure-4.8**.

It was observed the following;

- i. Despite having adequate sanitary staff available, expenditure was incurred for various activities by hiring additional staff on a daily wage basis. This appears un-justified and inefficient use of resources.
- ii. The own source of revenue for WSSC Bannu is limited to water charges amounting to Rs. 9,383,357, and as per the prescribed guidelines, only 10% of this amount (Rs. 938,335) could be utilized for additional expenditure. However, WSSC Bannu incurred a total expenditure of Rs.29,199,371, exceeding the authorized limit by Rs. 28,261,036, which is a significant violation of financial discipline.
- iii An amount of Rs. 3,137,706 was withdrawn in cash for payment purposes instead of directly crediting to employee's bank accounts.

Furthermore, acknowledgment of these payments was not provided, raising concerns over transparency and accountability.

Hiring of staff on daily wage basis occurred due to weak internal controls resulting in un-authorized expenditure.

When reported in December 2024, the management stated that reply would be submitted after scrutiny of record.

PAO (Secretary LGRDD) was requested to convene DAC meeting in December 2024, which could not be convened till finalization of this Report.

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

AIR Para No.02/2023-24

4.4.3.1.2 Loss due un-authorized payment of deputation allowance Rs.18.37 million

As per SAMA agreement between TMA Bannu and WSSC Bannu, payment of salaries will be made by the WSSC to borrowed/deputed staff on behalf of TMA. As per Government rules, an employee may not receive deputation allowance beyond the period of 3 years

During audit of the accounts of CEO, WSSC Bannu, it was observed that CEO, WSSC Bannu paid Rs.1,837,184 on account of deputation allowance to borrowed/transferred in staff from TMA Bannu. It was noticed that deputation allowance was continued after completion of three years period. Extension was not obtained from the competent authority. Thus, payment on account of deputation allowance was held un-authorized and maybe recovered from the concerned employees.

Lapse occurred due to weak internal controls resulting in loss to WSSC Bannu.

When reported in December 2024, the management stated that reply would be submitted after scrutiny of record.

PAO (Secretary LGRDD) was requested to convene DAC meeting in December 2024, which could not be convened till finalization of this Report.

Audit recommends recovery of deputation allowance from the employees concerned.

AIR Para No.04/2023-24

B. Management of Accounts with Commercial Banks

4.4.3.1.3 Loss due to non-deposit of profit in government treasury worth-Rs.1.041 million

According to Para 3(ix) of Khyber Pakhtunkhwa Finance Department Letter No. 2/3(F/L)2019-20/Vol-XIII Dated Peshawar the 03rd February, 2020, in case of current account the same be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government treasury immediately

except where department /offices/autonomous & Sami-autonomous bodies /organizations/ corporations have been specifically permitted under some statute/act.

During audit of the accounts of CEO, WSSC Bannu, it was observed that CEO, WSSC Bannu did not deposit profit amounting to Rs. 1,041,051 into Government treasury realized on PLS Bank Account No.301737049 maintained in Bank of Khyber during 2023-24.

Non-deposit of bank Profit into Government treasury was occurred due to non-compliance of rules resulting in loss of revenue to Government.

When reported in December 2024, the management stated that reply would be submitted after scrutiny of record.

PAO (Secretary LGRDD) was requested to convene DAC meeting in December 2024, which could not be convened till finalization of this Report.

Audit recommends immediate deposit of the bank profit into government treasury.

AIR Para No.01/2023-24

CHAPTER-5

DISTRICT BATTAGRAM



District Battagram is situated in Hazara Division of Khyber Pakhtunkhwa. According to census of 2023, it has a total area of 1301sq.km with population size of 554,133 comprising 50.76% male and 49.23% female. Geographically, it lies in the North- East of the province, approximately 293 KMs away from the provincial capital-Peshawar. It is mainly known for its natural beauty and tourism, some of its brief features are given below.

District Profile

Area: 1,301 Sq KM

Population: 554,133

Languages: Pashto, Hindko

Tehsils: 2

No. of Village Councils: 79

No. of Neighborhood Councils: 11

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



5.1 Local Government, Battagram

5.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 16.112 million were raised as a result of this audit. This amount also includes recoverables of Rs 3.735 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No.	Classification	Amount
1.	Reported cases of fraud, embezzlement and misappropriation	3.735
2.	Irregularities	-
A	Procurement related irregularities	1.133
B	Management of Accounts with Commercial Banks	11.244
Total		12.377

5.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

S.No	Audit Year	ZAC/DAC/TAC Meeting
1.	2002-03 to 2023-24	Not Convened

5.1.3 Audit Paras

5.1.3.1 Reported cases of fraud, embezzlement and misappropriation

5.1.3.1.1 Suspected Misappropriation of public money – Rs 2.560 million

According to Rule 75(2) of District or City District Government (Budget) Rules, 2016” that Each Head of Offices is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

During audit of the accounts of Sub Divisional Education Office (Male), Battagram, for the Financial Years 2023-24, it was observed that Rs 2,560,247 were withdrawn under different heads of accounts for the period from July 2023 to May 2024. However, supporting vouchers, actual payee’s receipts, stock entries, cash book entries and other relevant records were not available in the office. Expenditure of Rs 583,300 was incurred on repair and POL of vehicle that has already been declared condemns and parked in the office for auction. Audit held that fake bills were prepared to withdraw money from treasury.

Irregularity occurred due to weak internal controls resulting into loss to Government.

When pointed out in August 2024, the management stated that the matter will be referred to SDEO (Male) Battagram for corrective measures and provision of record. The reply was not convincing as the expenditure was made on condemned vehicle and amount was withdrawn on simple Contingent bills without any supporting vouchers.

DAC meeting was held on 23.01.2025 wherein the forum directed completion of inquiry within stipulated period and submission of report to audit besides action against the person(s) at fault. No progress was shown till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No.05/2023-24)

**5.1.3.1.2 Loss due to theft of solar batteries, inverter and sound system –
Rs 1.175 million**

According to Rule 75(2) of District or City District Government (Budget) Rules, 2016” that Each Head of Offices is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

During audit of accounts of District Education Office Male, Battagram, for the Financial Years 2023-24, it was observed that solar batteries, inverter and sound system worth Rs 1,175,000 were stolen from schools despite proper chowkidars were posted in these schools, however, no action was taken for recovery of the same. Detail at **Annexure-5.2**.

Theft of Government assets occurred due to weak internal controls or negligence of the management, resulting into loss to Government.

When pointed out in August 2024, the management stated that two physical verification committees have been constituted. Progress report will be shared with audit. The reply was not convincing as the school authority had already reported missing of the items and responsibility was also fixed against the person(s) at fault, however recovery was not made.

DAC meeting was held on 23.01.2025 wherein the forum directed completion of inquiry within stipulated period and submission of report to audit besides recovery and action against the person(s) at fault. However, no progress was shown till the finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para-09/2023-24

5.1.3.2 Irregularities

A. Procurement related irregularities

5.1.3.2.1 Non-disbursement of funds on account of land compensation—Rs 1.133 million

According to Part V, Section 31(1) of Land Acquisition Act 1894, “on making an award under Section II, the Collector shall tender payment of the compensation awarded by him to the persons interested entitled thereto according to the award, and shall pay it to them unless prevented by someone or more of the contingencies mentioned in the next sub-section”

During audit of the accounts of Deputy Commissioner, Battagram, for the Financial Years 2023-24 it was observed that an amount of Rs 2,944,367 was received as compensation of land for further disbursement among the landowners. The local office failed to disburse amounting to Rs.1,133,555 till the date of audit i.e July 2024 as detailed below:

(Amount in Rs.)

S. No	Particular	Name of Acquiring Department	Total Amount	Amount Disbursed	Balance
01	Construction of Banda Akhunzadgan bridge at Moza Shinglia Bala and Gijbori, Tehsil and District Battagram	Work & Services	2,944,367	1,810,812	1,133,555

The lapse occurred due to weak financial controls resulting into blockage of funds and depriving the landowners from their due rights.

When pointed out in July 2024, the management stated that efforts are being made for the disbursement of the amount among the landowners and when disbursement is completed, progress will be shown to audit. The reply was not convincing as no progress was shown to audit till finalization of this report.

DAC meeting was held on 23.01.2025 wherein the forum directed that record of disbursement duly authenticated by Head of the office be provided to audit for verification within 30 days. However, no report of disbursement was provided to audit till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para-03/2023-24

5.1.3.2.2 Non-mutation of school's land in the name of Government

According to Government of Khyber Pakhtunkhwa, E&SE Department letter No CPO/SPO-I/PO-III/E&SED/Summary to CM/2022-23 dated 03-08-2023, concerned officers including DEOs & SDEOs are directed to ensure mutation of such lands in the name of Govt of Khyber Pakhtunkhwa, E&SE Department within two weeks positively.

During audit of the accounts of District Education Office (Female), Battagram, for the Financial Year 2023-24, it was observed that land for 91 schools was not mutated in the name of Government of Khyber Pakhtunkhwa E&SE Department in violation of the aforementioned instructions. Detail at **Annexure-5.3.**

The irregularity occurred due to weak internal controls resulting into non-compliance of Government directives.

When pointed out in August 2024, the management replied that action will be taken in light of Government instructions in coordination with Revenue department at the earliest. The reply was not cogent as mutation of land in the name of Government was required prior to the construction of school building. Moreover, time allowed for mutation vide aforementioned criteria had also been lapsed and no action was taken by the department since one year.

DAC meeting was held on 23.01.2025 wherein the forum did not accept the stance of the department and directed that a focal person be nominated to pursue the matter and mutation of school's land in the name of government be completed within one month. Para stands till mutation of land in the name of Government is made and verified by audit. No progress was shown till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No.03/2023-24

B. Management of Accounts with Commercial Banks

5.1.3.2.3 Irregular retention of funds in designated bank accounts-Rs.11.244 million.

According to para 3(ii), (iv) and (v) of the Government of Khyber Pakhtunkhwa Finance Department letter No 2 / 3- (F/L) / FD / 2019-20 / Vol-XIII dated:03-02-2020; According to para 3(ii), (iv) and (v) of the Government of

Khyber Pakhtunkhwa Finance Department letter No 2 / 3- (F/L) / FD / 2019-20 / Vol-XIII dated:03-02-2020; Funds must not be retained in designated bank accounts by Drawing and Disbursing Officers without Finance Department authorization, and any unspent balances must be credited to the Government Treasury or revived from the Finance Department for use in the next financial year.

During audit of the accounts of Deputy Commissioner and District Education Office (Female), Battagram, for Financial Years 2023-24, it was observed that a sum of Rs 5,289,819 and Rs 5,954,036 was available as opening and closing balance respectively in the following designated bank accounts.

(Amount in Rs)					
S.No	Department	Bank Account	Name of Bank	Opening Balance as on 01.07.2023	Closing Balance as on 30.06.2024
1	DC Battagram	4093524811	NBP Battagram	2,025,699	2,617,937
2	DEO Female Battagram	4093497502	NBP Battagram	594,046	1,703,842
3	SDEO Female Battagram	4093497459	NBP Battagram	1,251,962	1,632,257
4	SDEO Female Allai	4138670014	NBP Battagram	1,418,112	0
Total:				(A) 5,289,819	(B) 5,954,036
Grand Total A+B				11,243,855	

Audit observed the following;

- i) Details of opening and closing balances were not available on record.
- ii) Authority of Finance Department for keeping the amount in bank accounts was not available.
- iii) The amount was required to be credited into the Government Treasury, which was not done.
- iv) Closing balance was not intimated to the Finance Department.
- v) Opening balance was available during Financial Year 2023-24, without revival by the Finance Department.

The lapse occurred due to weak internal controls and financial mismanagement resulting into irregular retention of funds.

When pointed out in July 2024, management stated that the amount is meant for disbursement among the enumerators during census. Disbursement

process is underway and when the process is completed, progress will be shown to audit. No progress was shown to audit till finalization of this report.

DAC meeting was held on 23.01.2025 wherein the forum directed the management to provide complete record in respect of disbursement of funds to Audit for verification within 30 days and in future, no funds shall be utilized without prior approval/revival of the Finance Department. However, verification was not made till the finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para-01 DC/2023-24

AIR Para-07 DEO (F)/2023-24

5.2 Tehsil Municipal Administrations, Battagram

5.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 13.290 million were raised as a result of this audit. This amount also includes recoverables of Rs. 13.290 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No.	Classification	Amount
1	Others	13.290
Total:		13.290

5.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

Sr. No.	Audit Year	TAC Meetings
1.	2009-10 to 2023-24	Not Convened

5.2.3 Audit Paras

5.2.3.1 Others

5.2.3.1.1 Non-imposition of penalty for delay in completion of works – Rs.11.520 million

According to clause 2 of the conditions of standard contract agreement for developmental schemes, 1% should be deducted from the contractor's bill for every day delay. The penalty is subject to maximum of 10%.

During audit of the accounts of Tehsil Municipal Administrations, Battagram and Allai, for the Financial Years 2023-24, it was observed that developmental schemes costing Rs 66,000,000 (TMA Battagram) and Rs. 49,200,000 (TMA Allai) were awarded with completion period of three months. The schemes were not completed in stipulated period nor penalty @ 10% amounting to Rs.6,600,000 and Rs.4,920,000 were imposed/recovered. Detail at **Annexure-5.4.**

The lapse occurred due to violation of the contract agreement resulting into loss to Government.

When pointed out in October 2024, management stated that schemes were delayed due to late release of funds. The reply is not tenable as according to work order, the work was required to be completed within 180 days, however, schemes could not be completed despite the lapse of two financial years.

PAOs (TMO Battagram and Allai) were requested in September 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of penalty from defaulting contractors.

AIR Para No.03/2023-24(TMA Battagram)

AIR Para No.05/2023-24(TMA Allai)

5.2.3.1.2 Less recovery from contractors on account of various revenue contracts – Rs 1.770 million

According to Rule 6 of TMA budget rules 2016, It is the duty of TMO to ensure that all sums due to the TMA are regularly and promptly assessed, realized and duly credited in the Tehsil Fund.

During audit of the accounts of Tehsil Municipal Administration, Battagram, for the Financial Years 2023-24, it was observed that contracts of revenue collection of Sign Boards fee, Adda fee Battagram and Adda fee Thakot were awarded to various contractors. However, recovery of Rs 3,429,000 against demand of Rs 5,200,650 was made till the close of Financial Years 2023-24, resulting in less recovery of Rs 1,769,650. However, neither penalty was imposed nor contract was cancelled by the management. Detail as below:

(Amount in Rs.)

S. No	Particulars	Total Value	Amount Recovered	Less Recovery
1	Sign Board Fee	801,000	382,000	417,000
2	Adda Fee Battagram	2,372,000	1,610,000	762,000
3	Adda Fee Thakot	2,027,650	1,437,000	590,650
Total		5,200,650	3,429,000	1,769,650

Less recovery of revenue occurred due to weak administrative control resulting into loss to Government.

When pointed out in November 2024, the management stated that notices for recovery have been issued to contractors and progress will be shown to Audit. The reply is not tenable as no progress was intimated till finalization of this report.

PAO (TMO Battagram) was requested in September 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate recovery of outstanding dues, besides imposition of penalty on contractors.

AIR Para No.05/2023-24 (TMA Battagram)

5.3 Assistant Director LG & RDD, Battagram

5.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 20.00 million were raised as a result of this audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No.	Classification	Amount
1	Others	20.00
Totals		20.00

5.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs Meetings are given below:

S. No.	Audit Year	VACs/NACs Meeting
1	2002-03 to 2023-24	Not Convened

5.3.3 Audit Paras

5.3.3.1 Others

5.3.3.1.1 Irregular expenditure on repair of transformers-Rs.20.00 million

According to section 11.3.4 Chapter II of CONSUMER SERVICE MANUAL-2021 of National Electric Power Regulatory Authority “In case of more than one Connection on the same substation /transformer with different ownerships such as commercial plazas/apartments/shops/residences, where bills are issued separately, the responsibility of maintenance, repair and replacement of the said system or up gradation/reinforcement thereof shall rest with the DISCO (PESCO).

During audit of accounts of Assistant Director Local Government & Rural Development Department, Battagram, for the Financial Years 2023-24, it was observed that an amount of Rs.20,000,000 was withdrawn from treasury on account of repair and maintenance of transformers and deposited in designated bank account. Audit held that the release and withdrawal of the subject amount was irregular as the repair and maintenance of transformers is the responsibility of the PESCO in the light of above rules.

The lapse occurred due to weak financial controls resulting into non-adherence to the government’s instructions.

When pointed out in October 2024, the management did not furnish any reply.

DAC meeting was held on 23.01.2025 wherein the forum directed the management to obtain clarification from PESCO and Finance Department KP regarding utilization of funds on repair and maintenance of transformers as it was the responsibility of PESCO. No progress was shown till the finalization of this report.

Audit recommends implementation of the DAC decision

AIR Para No.02/2023-24

CHAPTER-6

DISTRICT BUNER



District Buner is situated in Malakand Division of Khyber Pakhtunkhwa. According to the census of 2023, it has a total area of 1,865 sq. km with a population size of 1,016,869 comprising 49.7% male and 49.3% female. Geographically, it lies northeast of the province, approximately 156 KMs away from the provincial capital-Peshawar. It is mainly known for its scenic beauty, tobacco, dense forests, and natural resources like marble and granite. Some of its brief features are also given below:

District Profile

Area: 1,865 Sq KM

Population: 1,016,869

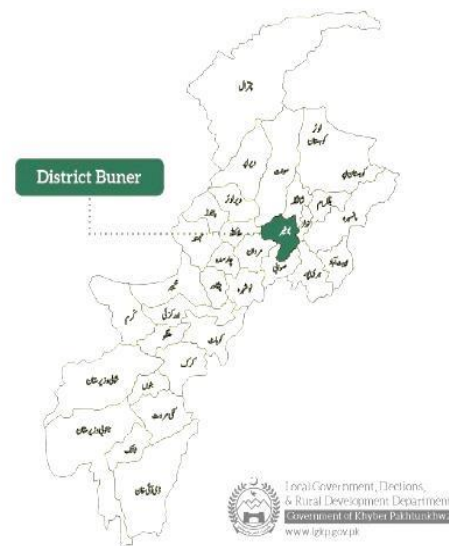
Languages: Pashto

Tehsils: 6

No. of Village Councils: 105

No. of Neighborhood Councils: 0

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



6.1 Local Government, Buner

6.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 44.424 million were raised as a result of this audit. This amount also includes recoverables of Rs 3.939 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	0.774
B	Procurement related irregularities	38.983
C	Management of Accounts with Commercial Banks	2.571
2	Others	2.096
Total		44.424

6.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meetings
1.	2002-03 to 2023-24	Not convened

6.1.3 Audit Paras

6.1.3.1 Irregularities

A HR/Employees related irregularities

6.1.3.1.1 Un-authorized and irregular grant of honoraria-Rs 920,160 and overpayment therein for Rs 773,770

According to Finance Department of Khyber Pakhtunkhwa letter No. E&A/FD/1-49/2014 dated 14.02.2014, grant of honoraria shall be restricted to the relevant head of account and shall be granted only from which the employee is drawing his salary.

During Audit of the accounts of District Officer Sports, Buner, it was observed that Rs 627,380 were paid on account of honoraria to the employees of other offices i.e DC office and DAO @ two months' (Basic Pay) during Financial Years 2022-23 for which they were not entitled and needs to be recovered from the employees concerned.

Furthermore, honoraria for Rs 292,780 were paid to the employees of the office of District Sport Office Buner @ two months (Basic pay) instead of one month (Basic Pay), resulting into overpayment of Rs 146,390 and needs to be recovered.

Thus, total amount of Rs 773,770 was overpaid on account of honoraria in both mentioned cases which need to be recovered. Detail is as per **Annexure-6.2**.

In addition, the payment of honoraria was made without sending consolidated statement to the Chief Secretary and Finance Department showing names and amount resulting in un-authorized and irregular grant of honoraria.

The Lapse occurred due to weak internal controls, resulting into loss to Government.

When pointed out in April 2024, the management did not furnish any reply

DAC meeting was held on 29.01.2025 wherein the management replied that the Deputy Commissioner is competent authority to sanction honoraria as per Delegation of Financial Powers. This office organized various sports activities including sports gala for six tehsils, therefore two months honoraria was approved by the Deputy Commissioner. The forum decided that one extra honorarium

granted may be adjusted/recovered in financial year 2024-25 from the respective offices and record be provided to audit for verification. Moreover, the practice of granting honoraria to other departments may be stopped henceforth. However, no progress was intimated to audit till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 09/2022-23 (Lean Period Audit)

B Procurement related irregularities

6.1.3.1.2 Overpayment on account of POL – Rs 1.069 million

According to Administration Department Khyber Pakhtunkhwa letter No. SOT(AD)4-5/Transport rules /2022 dated 17.06.2022, POL ceiling for all ACs/AACs Malakand Division is 228 liters per month including all local/out-station and patrolling/field duties.

During Audit of the accounts of Deputy Commissioner Buner, it was observed that a sum of Rs 1,069,414 on account of POL overpaid by allowing excess POL than the allowed limit during Financial Years 2023-24, resulting loss to the Government. Detail at **Annexure-6.3**.

The irregularity occurred due to weak internal controls, resulting into loss to the Government.

When pointed out in July 2024, the management stated that detailed reply would be given after scrutiny of record. No reply was furnished to audit till finalization of this report

PAO (DC Buner) was requested in September 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of overpaid amount from the officers concerned.

AIR Para No. 01(2023-24)

6.1.3.1.3 Non-utilization of conditional grant funds - Rs 7.543 million

According to Treasury Rules Para 290, no money shall be withdrawn from the treasury unless it is required for immediate disbursement. It is not permissible

to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants.

During Audit of the accounts of District Education Officer (Female) Buner for the Financial Years 2023-24 it was observed that conditional grants funds amounting to Rs 7,542,613 were lying unspent since 2018, resulting in blockage of developmental funds. Details as per **Annexure-6.4**.

Non-utilization of conditional grant occurred due to weak financial management, resulting into non-utilization of the conditional grant fund.

When pointed out in August 2024, the management stated that corrective action will be taken in the matter and progress will be shown to audit. However, no progress was reported.

PAO (DC Buner) was requested in September 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends utilization of conditional grant fund.

AIR Para No. 05 (2023-24)

6.1.3.1.4 Un-authentic expenditure on account of PTC funds 30.370 million

As per Serial No-1 under Financial Management Section of PTC Guidelines – “record to be maintained”, PTC shall maintain complete record of income and expenditure and shall submit copies thereof to the DEO concerned and inspection will be carried out by the inspection committee at the closure of financial year.

During Audit of the accounts of District Education Officers (Male & Female) Buner for the Financial Years 2023-24, it was observed that Rs 30,370,232 were transferred on account of petty repair & CRC to the Parent Teachers Council (PTC) of various Middle and Primary schools (Male & Female) in the district. However, record i.e. vouchers, cash book and other supporting documents were not obtained from the schools for inspection and third-party validation. Hence, expenditure remained un-authentic. Details at **Annexure-6.5** (a&b).

The lapse occurred due to deviation from PTC guidelines, resulting into un-authentic expenditure and possibility of misappropriation could not be ruled out.

When pointed out in August 2024, the management stated that relevant vouchers, progress reports and record will be obtained from the schools and progress will be shown to audit.

PAO (DC Buner) was requested in September 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends maintenance of record as per PTC Guidelines, besides strengthening of internal controls to avoid the recurrence of such lapse in future.

AIR Para No. 06 & 07(2023-24)

C. Management of Accounts with Commercial Banks

6.1.3.1.5 Non-deposit of bank profit into the government treasury – Rs.2.571 million

According to Para 3 (ix) of the Government of Khyber Pakhtunkhwa, Finance Department letter No. 2/3/(F/L)/FD/2019-20/Vol-XIII dated 03.02.2020, “In case of current account, the same shall be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately except where department/ offices/ Autonomous & Semi-Autonomous Bodies/ Organizations/ Corporations have been specifically permitted under some statute / Act.”

During Audit of the accounts of Deputy Commissioner Buner for the Financial Years 2023-24, it was observed that an amount of Rs 2,570,739 was earned as profit from bank account # 3146087533 (NBP-Buner). However, the profit was not deposited into the Government treasury.

Non-deposit of bank profit into government treasury occurred due to non-observance of government rules/instructions, resulting into loss to Government

When pointed out in July 2024, the management stated that compliance will be made and progress will be shown to audit.

DAC meeting was held on 29.01.2025 wherein the management replied that bank profit amounting to Rs. 2,570,739 had already been deposited into government treasury. The forum decided to verify the documents (challan)

regarding deposit of the bank profit into government treasury. However, verification was not made till finalization of this report.

Audit recommends implementation of the DAC decision.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2023-24 vide Para No. 2.4.1.8 having financial impact of Rs 1.015 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 02(2023-24)

6.1.3.2 Others

6.1.3.2.1 Non-recovery of Shaheen/Scouts and Red Crescent fund-Rs.2.096 million

According to Directorate of Elementary and secondary education KP Peshawar letter No. 9104-80/A-25/pupil fund dated 15.03.2023, rates fixed for collection of pupil funds and fee in the schools from the students of Primary, middle, high and Higher secondary schools have notified.

During Audit of the accounts of District Education Officer (Male) Buner, for the Financial Years 2023-24, it was observed that Rs 2,021,265 on account of Boys Scout/Shahen fund and Rs 75,370 as Red Crescent fund were not recovered from various primary, middle, high & higher secondary schools in the district. Detail at **Annexure-6.6**.

Non-recovery of Shaheen/Scouts and Red Crescent fund occurred due to weak internal controls, resulting into loss to Government.

When pointed out in August 2024, the management stated that recovery of Shaheen/Scouts and Red Crescent fund would be made after verification of record. Reply was not convincing as no recovery was made till finalization of this report.

PAO (DC Buner) was requested in September 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of the fees besides action against the person(s) at fault.

AIR Para No. 11 (2023-24)

6.2 Tehsil Municipal Administrations, Buner

6.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 143.882 million were raised as a result of this audit. This amount also includes recoverables of Rs 143.882 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	Management of Accounts with Commercial Banks	137.384
2	Others	6.498
Total		143.882

6.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Details of TAC Meetings are given below:

Sr. No.	Audit Year	TAC Meeting
1.	2009-10 to 2023-24	Not Convened

6.2.3 Audit Paras

6.2.3.1 Irregularities

A Management of Accounts with Commercial Banks

6.2.3.1.1 Non-deposit of bank profit into Government treasury – Rs.137.384 million

According to Para 3(ix) of Finance Department Khyber Pakhtunkhwa letter No. 2/3-(F/L)/FD/2019-20/Vol-XIII dated 3rd February 2020, in case of current account, the same be converted to PLS mode and the profit earned be deposited in Government Treasury under relevant head of account immediately and not later than a week when declared by the concerned bank.

During Audit of Various Tehsil Municipal Administrations in District Buner for the Financial Years 2023-24, it was observed that an amount of Rs.137,383,786 was earned as profit from designated bank accounts. However, profit earned was not deposited into government treasury. Detail at **Annexure-6.7.**

Non-deposit of profit occurred due to weak financial controls, resulting into loss to Government.

When pointed out in November 2024, management stated that profit would be deposited into government treasury after clarification from LCB. Reply was not satisfactory as no profit was deposited into Government treasury till finalization of this report.

PAOs (TMOs) were requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends deposit of profit into government treasury.

Note: The issue was also reported in Audit Reports for Audit years 2020-21, 2021-22, 2022-23 and 2023-24 vide Para No. 3.5.1.3, 3.5.1.2, 3.4.1.2, 3.4.1.3 and 3.4.1.3 to 3.4.18 having financial impact of Rs 79.94 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 02, 01, 02, 05, 02 & 02 (2023-24)

6.2.3.2 Others

6.2.3.2.1 Non-recovery of outstanding loan –Rs 4.00 million

According to Secretary LCB Khyber Pakhtunkhwa letter No.AO/LCB/Grant/MCs-DCs/2014 dated 11.04.2014, the competent authority has been pleased to accord sanction for release of funds to the Municipal Committee Lachi Rs 4.00 million for the payment of outstanding monthly salaries on loan basis out of local fund of TMA Totalai/Khadukhel, as and when special grant release by the Finance Department, the amount will be refunded.

During Audit of the accounts of Tehsil Municipal Administration Khadukhel, Buner for Financial Years 2023-24, it was observed that loan amount of Rs 4,000,000 was paid vide Cheque No. 1847135 dated 14.04.2014. However, the loan was not recovered from TMA Lachi Kohat till date of audit i.e November 2024.

Non-recovery of loan occurred due to weak financial controls, resulting into loss to TMA.

When pointed out in November 2024, management stated that notices will be issued to the TMA concerned for recovery of loan. Progress will be shown to audit. No progress was shown to audit till finalization of this report.

PAO (TMO) was requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of loan amount from the TMA concerned.

AIR Para No. 01 (2023-24)

6.2.3.2.2 Non-recovery of outstanding dues from contractors –Rs 2.498 million

According to Para 6(c) of TMA budget rules 2016 of the Khyber Pakhtunkhwa, the function of the TOR shall be to ensure that all sums due to the TMA are regularly and promptly assessed, realized and duly credited in the Tehsil Fund.

During Audit of the accounts of TMAs Daggar and Gagra, District Buner for the Financial Years 2023-24, it was observed that outstanding dues amounting

to Rs 2,498,850 were not recovered from various contractors, resulting into loss to TMAs. Detail at **Annexure-6.8**.

Non-recovery of outstanding dues from the contractor occurred due to weak financial controls, resulting into loss to TMAs.

When pointed out in November, 2024 the management stated that notices will be issued to the contractors concerned for recovery and progress will be shown to audit.

PAOs (TMOs) were requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of the outstanding dues from the contractors and deposit into the TMAs accounts.

Note: The issue was also reported in Audit Reports for Audit Years 2020-21, 2021-22, 2022-23 and 2023-24 vide paras No. 3.5.2.10, 3.5.2.2, 3.4.3.1 and 3.4.2.2 having financial impact of Rs 6.634 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No 01 & 01 (2023-24)

6.3 Assistant Director LG & RDD, Buner

6.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 9.944 million were raised as a result of this audit. This amount also includes recoverables of Rs 5.175 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	4.769
B	Management of Accounts with Commercial Banks	5.175
Total		9.944

6.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs Meetings are given below:

Sr. No.	Audit Year	VACs/NACs Meeting
1.	2003-24 to 2023-24	Not convened

6.2.4 Audit Paras

6.2.4.1 Irregularities

A HR/Employees related irregularities

6.2.4.1.1 Irregular payment on account of arrears of pay and allowances – Rs 4.769 million

According to Para 4.2.14.2 of APPM, only those claims against the government raised within six months of their becoming due can be presented without prior authority from the Accountant General. This rule does not apply to payments of claims on account of pensions (see Section 4.7.9), nor to payments of interest on government securities or any other type of payments which are governed by special rules or orders by the Government. 4.2.14.2 Claims of government employees to arrears of pay or allowances shall be dealt in accordance with rules given in the General Financial Rules (GFR).

During Audit of the accounts of Assistant Director LGE&RDD Buner for the financial year 2023-24, it was observed that an amount of Rs 4,768,840 was paid on account of arrears of pay and allowance of 07 Community Driven Local Development Program (CDLD) employees. However, investigation Sanction was not obtained from the competent authority.

The lapse occurred due to weak internal controls, resulting into irregular expenditure.

When pointed out in October 2024, the management stated that corrective action would be taken and progress will be shown to audit.

DAC meeting was held on 29.01.2025 wherein the management replied that corrective action would be taken in the matter. The forum was apprised that arrears of pay and allowances were paid to the staff of CDLD in compliance with the directions of the Secretary LGE&RDD. The forum decided that the relevant record be furnished to audit for verification. However, verification was not made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 02 (2023-24)

B. Management of Accounts with Commercial Banks

6.2.4.1.2 Non-deposit of bank profit into Government treasury – Rs.5.175 million

According to Para 3(ix) of Finance Department Khyber Pakhtunkhwa letter No. 2/3-(F/L)/FD/2019-20/Vol-XIII dated 3rd February 2020, in case of current account, the same be converted to PLS mode and the profit earned be deposited in Government Treasury under relevant head of account immediately and not later than a week when declared by the concerned bank.

During Audit of the accounts of Assistant Director Local Government Elections & Rural Development Department Buner for the financial year 2023-24, it was observed that an amount of Rs 5,175,452 was earned as profit from designated bank account No. 3002947268 BOK. However, profit earned was not deposited into government treasury.

Non-deposit of profit occurred due to weak internal and financial controls, resulting into loss to Government.

When pointed out in October 2024, the management stated that profit would be deposited into government treasury and progress will be shown to audit.

DAC meeting was held on 29.01.2025 wherein the management replied that bank profit amounting to Rs. 5,175,452 had already been deposited into government treasury. The forum decided to verify the documents (challan) regarding deposit of the bank profit into government treasury. However, verification was not made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 03 (2023-24)

CHAPTER-7

DISTRICT CHARSADDA



District Charsadda is situated in Peshawar Division of Khyber Pakhtunkhwa. According to Census of 2023, it has a total area of 996 sq. km with a population size of 1,610,960 comprising 49% male and 51% female. Geographically it lies in North of the province, almost 42 KM away from the provincial capital-Peshawar. It is mainly known for its rich culture, leather footwear, kaddi made cloth, agriculture, dairy, livestock and traditional rice. Some of its brief features are also given below:

District Profile

Area: 996 Sq KM

Population: 1,610,960

Languages: Pashto

Tehsils: 3

Number of Village Councils: 126

Number of Neighborhood Councils: 20

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



7.1 Local Government, Charsadda

7.1.1 Classified Summary of Audit observations

Audit observations amounting to Rs. 93.468 million were raised as a result of this audit. This amount also includes recoverables of Rs.52.655 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	-
B	Management of Accounts with Commercial Banks	14.885
2	Others	78.583
Total		93.468

7.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meetings
1.	2002-03 to 2023-24	Not convened

7.1.3 Audit Paras

7.1.3.1 Irregularities

A. HR/Employees related irregularities

7.1.3.1.1 Irregular recruitment of staff

According to Finance Department Government of KPK letter No. BO.I/FD/5-8/2016-17 dated 04.07.2016; there shall be complete ban on creation of posts. No appointment shall be made against leave and vacant posts without prior approval from Finance Department KPK and obtaining NOC from the concerned Surplus Pool.

According to Clause-10(3) of Civil Servant Act-1973, A candidate for initial appointment to a post must possess the educational qualification or technical qualifications and experience and except as provided in the rules framed for the purpose of relaxation of age limit, must be within the age limit as laid down for the post.

According to clause A(iii) of Notification No. SOS 6(E&AD) 1-3/2007 dated 22.03.2007 issued by Administration Department (Regulation Wing) Govt. of KPK, “a Departmental Selection Committee would be bound to recruit employees from BPS 1 to 4 through District Employment Exchange. In absence of District Employment Exchange, the recruitment would be made through Departmental Selection Committee after vacancies have been advertised in newspapers.

During audit of the accounts of District Officer Fisheries, Charsadda for the financial year 2022-23, it was observed that various employees were recruited in different cadres. Detail at **Annexure-7.2**. Audit noticed the following irregularities in the recruitment process:

- Lists from the employment exchange were not acquired for appointment.
- Detail of total vacant posts and reserved for various quotas was also not available on record.
- Verified testimonials/documents of the selected candidates were not available on record.

- Class-IV employees were appointed without observing the deceased/employees Son quota.
- The appointments were made without prior approval from Finance Department KP and obtaining NOC from the concerned Surplus Pool.

The lapse occurred due to weak internal controls, resulting into irregular appointment.

When pointed out in April 2024, the management did not furnish any reply.

PAO (DC Charsadda) was requested in March 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against persons at fault.

AIR Para No.10 (2022-23)

B. Management of Accounts with Commercial Banks

7.1.3.1.2 Non-deposit of bank profit into government treasury- Rs.14.885 million

According to Finance Department Khyber Pakhtunkhwa letter No. 2/3(F/L)FD/2021-22/DDOs dated 30.12.2022, All sums realized as profit on the un-disbursed balance in the Designated Accounts (PLS) shall be credited to Government Treasury (Provincial Account-1) under the head of accounts after making adjustment against bank charges etc under intimation to Finance Department.

During audit of the Deputy Commissioner Charsadda for the financial year 2023-24, it was observed that profit amounting to Rs. 14,885,012 was earned during the year on account of bank profit from PLS accounts maintained at various branches of the BOK. However, the profit was not deposited into the government treasury till the date of audit. Detail at **Annexure-7.3**.

The lapse occurred due to non-compliance with Finance Department KP instructions, resulting into non-deposit of bank profit into government treasury.

When pointed out in July 2024, management stated that bank profit will be deposited into government treasury. Reply was not convincing as no progress was intimated till finalization of this report.

PAO (DC Charsadda) was requested in August 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends deposit of bank profit into government treasury.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2021-22, 2022-23 and 2023-24 vide paras number 2.4.1.9, 2.1.1.14 and 2.4.1.16 respectively having financial impact of Rs. 19.20 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No.15/2023-24

7.1.3.2 Others

7.1.3.2.1 Non-transfer of 2% Property Tax to TMAs-Rs 4.191 million

According to Local Government, Election and Rural Development Department Notification No. SOG/LG/7-4/Notification/2022/4806 dated 14.07.2022, collection of 2% Local Council Fee on transfer of Immovable Property has been restored w.e.f 01.7.2022.

During audit of the accounts of the Deputy Commissioner, Charsadda for the financial year 2023-24, it was observed that 2% Property Tax/Local Council Fee amounting to Rs. 4,191,500 was not transferred to TMAs on account of purchase of land for different acquiring departments. Detail is given below:

(Amount in Rs.)			
S#	Name of scheme	Cost	2% TMA Tax
1	Acquisition of additional land for Security Fence left bank Access Road and Marshaling Area	160,401,472	3,208,029
2	Acquisition of land for construction of establishment of tehsil complex Shabqadar Charsadda	49,173,538	983,471
Total			4,191,500

The lapse occurred due to weak internal controls, resulting into non-transfer of 2% property tax to the TMAs concerned.

When pointed out in July 2024, the management stated that the cases were under process and needful would be done in due course of time.

Reply was not tenable as no progress in the matter was intimated till finalization of this report.

PAO (DC Charsadda) was requested in August 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate transfer of the amount of 2% property tax to the quarter concerned.

AIR Para No. 01/2023-24

7.1.3.2.2 Loss to Government due to hiring of vehicles in excess of demand-Rs 5.400 million

According to Officer Commanding of Army Camp Charsadda letter No. A/0823/General Correspondence dated 11/01/2024 addressed to Deputy

Commissioner Charsadda, Deputy Commissioner Charsadda was requested for provision of vehicles for 04 days wef 6th February to 9th February 2024 for General Elections 2024.

During audit of accounts of the office of Deputy Commissioner Charsadda, it was observed that an amount of Rs 16,200,000 was paid on account of hiring of 135 vehicles for Pak Army for General Elections 2024 @ Rs 20,000 each/day. Audit observed that Pak Army had demanded vehicles for 4 days i.e 6th to 9th February 2024 whereas the local office showed hiring of vehicle for 6 days w.e.f 5th February to 10th February 2024 resulting in excess expenditure. Thus, payment for 6 days instead of demanded 4 days was un-justified due to which the Government sustained a loss of Rs.5,400,000.

The lapse occurred due to weak internal controls, resulting in loss to Government.

When pointed out in July 2024, the management stated that the vehicles were actually used by Pak Army for security purpose for 6 days and was duly certified by Commanding Officer of Pak Army.

Reply was irrelevant as audit basically objected use of vehicles for 6 days instead of 4 days resulting in loss to Government.

PAO (DC Charsadda) was requested in August 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

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

AIR Para No. 08/2023-24

7.1.3.2.3 Non-deduction of 3% income tax from sellers and purchasers on transfer of immovable property -Rs 16.512 million

According to section 236C(1)(2A) of Income Tax Ordinance 2001, any person responsible for registering, recording or attesting transfer of any immovable property shall at the time of registering, recording or attesting the transfer shall collect from the seller or transferor advance tax at the rate 3% specified in Division X of Part IV of the First Schedule.

According to sub-Section 1 of Section 236K of Income Tax Ordinance 2001, any person responsible for registering, recording or attesting transfer of any immovable property shall at the time of registering, recording or attesting the transfer shall collect from the purchaser or transferee advance tax at the rate 3% specified in Division XVIII of Part IV of the First Schedule.

During audit of the accounts of the Deputy Commissioner, Charsadda for the financial year 2023-24, it was observed that 3% income tax amounting to Rs 8,256,388 was not deducted from the sellers/owners of land purchased for different acquiring departments. Similarly, 3% Income Tax for Rs 8,256,388 was required to be deducted from the purchasers/acquiring departments and to be deposited into the Government treasury which was not done. Detail is given as under:

(Amount in Rs.)			
Particulars	Cost	3% Income Tax from Seller	3% Income Tax from Purchaser
Acquisition of additional land for Security Fence left bank Access Road and Marshaling Area	160,401,472	4,812,044	4,812,044
Acquisition of land for construction of Shabqadar Batagram Road to Matta Munda Road	65,637,925	1,969,138	1,969,138
Acquisition of land for construction of establishment of tehsil complex Shabqadar Charsadda	49,173,538	1,475,206	1,475,206
Total		8,256,388	8,256,388

The lapse occurred due to weak internal controls, resulting in loss to the Government.

When pointed out in July 2024, the management stated that the cases were under process and the leviable tax would be deducted at prevailing rates.

Reply was not convincing as no progress was intimated till finalization of this report.

PAO (DC Charsadda) was requested in August 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of the Income Tax and deposit of the same into Government treasury.

AIR Para No. 23/2023-24

7.1.3.2.4 Non-deduction of 2% Capital Value Tax- Rs 5.504 million

According to Revenue & Estate Department, Board of Revenue, KP letter No. AS(S)3/240/2023-24/RM/20614-63 dated 03.09.2023, registering authorities shall collect/charge Capital Value Tax @ 2% on execution of mutations/ registered deeds w.e.f 01.07.2023.

During audit of the accounts of the Deputy Commissioner, Charsadda for the financial year 2023-24, it was observed that Capital Value Tax @2% was not deducted from different departments on acquisition of land. Audit is of the opinion that the CVT needs to be recovered and deposited into Government treasury as per detail given below.

(Amount in Rs.)		
Particulars	Cost	2% CVT
Acquisition of additional land for Security Fence left bank Access Road and Marshaling Area	160,401,472	3,208,029
Acquisition of land for construction of Shabqadar Batagram Road to Matta Munda Road	65,637,925	1,312,759
Acquisition of land for construction of establishment of tehsil complex Shabqadar Charsadda	49,173,538	983,471
Total	275,212,935	5,504,259

The lapse occurred due to weak internal controls, resulting in non-deduction of CVT.

When pointed out in July 2024, the management stated that the cases were under process and the leviable tax would be deducted at prevailing rates.

Reply was not convincing as no progress was intimated till finalization of this report.

PAO (DC Charsadda) was requested in August 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of the Capital Value Tax and its deposit in the Government treasury.

AIR Para No. 24/2023-24

7.1.3.2.5 Irregular Withdrawal of Funds from Treasury through DDOs and Cash Payments from Designated Bank Accounts-Rs.20.712 million

According to Para 2.3.2.8 of APPM, “the accounting system shall include controls to minimize the risk of fraud and corruption. This objective shall be addressed by; Issue of payment through direct bank transfer and cheques”.

During audit of the devolved offices of District Government, Charsadda for the financial years 2022-23 and 2023-24, it was noticed that an amount of Rs.20,712,379 was withdrawn from the government treasury through DDOs. Detail at **Annexure-7.4**.

Audit observed the following;

- i. These funds were either directly disbursed in cash or deposited into the designated bank accounts from where the amount was further paid in cash instead of using crossed cheques.
- ii. In some cases, details of the vendors, the purpose of the payments, and Actual Payee Receipts in support of the cash payments from designated bank accounts were not available on record to verify these payments.

The lapse occurred due to collusion of the DAO Charsadda and the offices concerned, resulting into irregular withdrawal of funds from treasury through DDOs.

When pointed out by audit, the management did not furnish any reply.

PAO (DC Charsadda) was requested with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends stoppage of withdrawals through DDOs immediately besides action against the officers/ officials at fault for irregular payments.

Note: The issue was also reported earlier in the Audit Report for the Audit Years 2023-24 vide para number 2.4.2.23 having financial impact of Rs.30.738 million. Recurrence of same irregularity is a matter of serious concern.

AIR Paras No.2,12,1,2/2022-23/2023-24

7.1.3.2.6 Un-justified withdrawal and Transfer of the DSS Funds – Rs.2.454 million

According to Para 290 of the Federal Treasury Rules Vol-I, no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants.

During performance audit of DSS of District Charsadda for the financial years 2021-22 & 2022-23, it was observed that an amount of Rs 2,454,206 was withdrawn from the government exchequer on 13.03.2023 and retained in the designated bank account No.4109892035 of DEO Female for 04 months instead of crediting the same directly into the PTCs accounts of the respective schools. Subsequently, out of the said amount, a sum of Rs 1,724,054 was paid to the Principals of GGHS Wardaga, GGHS Umarzai and GGHS Utmanzai on account of stipend of the DSS teachers during July 2023. However, whereabouts of the remaining amount of Rs 730,152 was not shown to audit. Details are as under:

(Amount in Rs.)			
S#	Cheque No	Dated	Amount
1	288318596	05.07.2023	424,632
2	288318594	05.07.2023	509,822
3	288318595	05.07.2023	789,600
Total			1,724,054

Moreover, based on their routine demand, a sum of Rs 1,620,361 (212,528+679,000+728,833) had already been transferred directly to the PTC accounts of the said schools on account of DSS stipend during the FY 2022-23. In such circumstances, withdrawal of funds of Rs 2,454,206 from the government treasury, parking them in the designated bank account of DEO, transferring most of them to the specific schools without any reconciliation of funds on record was un-justified.

The lapse occurred due to weak administrative and financial management resulting into the irregular utilization of DSS funds.

When pointed out in April 2024, management stated that reply will be given after consulting the relevant record.

PAO (Deputy Commissioner) was requested to convene DAC meeting in May & September 2024 which could not be convened till finalization of this report.

Audit recommends inquiry into the matter, fixing responsibility and action against the person(s) at fault besides strengthening financial controls inter alia through regular conduct of internal audit to avoid the recurrence of lapse in future.

AIR Para No 4.2.3/2022-23

7.1.3.2.7 Irregular Payment of DSS Stipend during Summer Vacations- Rs.13.497 million

According to DSS policy notified by the Government of Khyber Pakhtunkhwa Elementary & Secondary Education Department vide No.MO-II/ESRU/D.Shift/2021 dated 01.03.2021, the monthly salary shall not be paid to teachers/staff hired for DSS program during summer, winter, spring and other vacation notified by the Government. The Government of Khyber Pakhtunkhwa, Elementary & Secondary Education Department intimated vide letter No.SO (Reforms)/R&I/DSS-RELEASE/1-24/2022 dated 25.11.2022 that salary shall not be paid to DSS staff during summer vacation in summer zone and during winter vacation in winter zone.

During performance audit of DSS program in District Charsadda for the financial years 2021-22 and 2022-23, it was observed that an amount of Rs 8,137,333 and Rs 5,360,000 was paid to the DSS staff of female and male schools respectively during June 2022 despite summer vacations in violation of the above cited policy and instructions. Detail at **Annexure-7.5**.

The irregular payment of stipend to the DSS teachers occurred due to weak internal controls and hence, non-compliance with the government orders resulting into loss to the public exchequer.

When pointed out in April 2024, both DEO male & female offices stated that reply will be given after consulting the relevant record.

PAO (Deputy Commissioner) was requested to convene DAC meeting in May & September 2024 which could not be convened till finalization of this report.

Audit recommends recovery of the overpaid stipend from DSS teachers concerned or those who are responsible for making the payment and depositing it into the government treasury under intimation to Audit.

AIR Para No 4.2.4/2022-23

7.1.3.2.8 Un-justified and irregular cash withdrawal of the DSS Funds – Rs.8.624 million

According to para 2.3.2.8 of the APPM, the accounting system shall improve controls to minimize the risk of fraud and corruption. This objective shall be addressed by issue of payment through direct bank transfer and cheques (to employees/ vender concerned) instead of payment through the DDOs.

During performance audit of DSS program in District Charsadda for the financial years 2021-22 and 2022-23, the accounts of selected schools were checked and it was observed that stipend amounting to Rs 8,623,702 was withdrawn in cash from the PTC accounts of 08 schools instead of direct transfer to the bank accounts of teachers/payees concerned. It is worth mentioning that out of 08 DSS, 04 were closed by DEOs due to less/zero enrolment during 2022-23. The fund transfer to non-functional DSS and their withdrawal in cash was un-justified and irregular. Details are as under:

(Amount in Rs.)

S#	Name of DSS	Stipend Funds withdrawn in cash from PTCs Accounts	Status of the DSS (Closed/Functional)
1	GGPS Hajiya Gul killi	771,300	Closed on 03.10.2022
2	GGPS Bakro Baba Turangzai	1,660,165	Functional
3	GGPs Ibrahimzai	570,000	Closed on 03.10.2022
4	GGPS Mufti Abad	1,094,222	Functional
5	GGPS Amir Zada Killi	1485679	Functional
6	GGPS Tala Shah	1,211,671	Functional
7	GPS Dalazak No 2	911,666	Closed on 01.06.2023
8	GPS Odigram	918,999	Closed on 01.09.2023
Total		8,623,702	

The lapse occurred due to weak financial controls resulting into irregular cash withdrawal of DSS funds.

When pointed out in April 2024, management stated that the teachers of DSS of the said schools had no bank accounts; therefore, their salaries were disbursed in cash by the principals on acquaintance roll. However, attested copies of acquaintance roll, CNICs of the payees, their contract Numbers and personal bank accounts opened subsequently would be provided well before the DAC meeting. Reply was not tenable as no evidences were provided in support of reply till finalization of this report.

PAO (Deputy Commissioner) was requested to convene DAC meeting in May & September 2024 which could not be convened till finalization of this report.

Audit recommends that inquiry may be conducted to ascertain why personal accounts were opened and withdrawal of funds made from the PTCs bank accounts in violation of rules. Besides, relevant record may be produced to audit for verification to authenticate payments already made.

AIR Para No 4.2.5/2022-23

7.1.3.2.9 Irregular expenditure on account of Sehri / Aftari – Rs. 1.689 million

According to Government of KP, Directorate of Social Welfare, Peshawar lette No. DD (Admin)/DSW/2023-24/2954-57 dated 24.06.2024 addressed to Deputy Commissioners the claim may be supported with following documents:

- i. Verified list of beneficiaries entertained at Panagah.
- ii. Pictorial evidence of Sehri & Aftari programme
- iii. Vigilance/Monitoring & Evaluation Committee authentication report.

During audit of the accounts of District Officer Social Welfare Charsadda for the Financial Year 2023-24, it was observed that expenditure of Rs. 1,689,000 was incurred on account of arrangement and supply of food at Sehri/Aftari in Panagah during Ramadan. Audit observed the following irregularities:

1. Open competitive bidding was not used to achieve economical rates.
2. Verified list of beneficiaries duly signed and entertained at Panagah for Sehri/Aftari Program, CNIC number, Cell number, Pictorial Evidences, Entry in Food Register of Panagah were not available on record.
3. Vigilance/Check & Balance/ Monitoring & Evaluation Committee authentication report was not found on record.

The lapse occurred due to weak internal controls, resulting into irregular expenditure.

When pointed out in December 2024, management did not reply.

PAO (Deputy Commissioner) was requested in December 2024 with several reminders to convene DAC meeting in December 2024 which could not be convened till finalization of this report.

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

AIR Para No 03/2023-24

7.2 Tehsil Municipal Administrations, Charsadda

Audit observations amounting to Rs. 205.941 million were raised as a result of this audit. This amount also includes recoverables of Rs 71.225 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr.No.	Classification	Amount
1	Reported cases of fraud, embezzlement and misappropriation	5.00
2	Others	200.941
Total		205.941

7.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

Sr. No.	Audit Year	DAC/ZAC meetings
1.	2002-03 to 2013-14	Not convened

7.2.3 Audit Paras

7.2.3.1 Reported cases of fraud, embezzlement and misappropriation

7.2.3.1.1 Misappropriation on account of Improvement of TMA Office, Bus Terminal and School -Rs 5.00 million and non-imposition of penalty -Rs 0.500 million

According to Ministry of Finance and Revenue, Revenue Division S.R.O. 179(1)/2023 dated the 14th February, 2023, sales tax has been enhanced from seventeen percent under sub section (1) of section 3 of the Sales Tax Act, 1990 to eighteen percent.

During audit of the accounts of Tehsil Municipal Administration, Charsadda for the Financial Year 2023-24, it was observed that Contract of Improvement of TMA Office, Bus Terminal and School was awarded to M/S Zohaib Construction on 20 % below. Audit is of the opinion that the said works were not executed and the funds were misappropriated on the following grounds.

1. Before and after photographs, videos and pictorial evidences of the sites where works executed were not available on record thus violating condition No.6 of the Administrative Approval.
2. PC-1/Cost Estimate was not signed by the TMO.
3. On Physical verification of the sites, it was observed that works were incomplete and only a small portion of the work had been completed.
4. Inverter AC 1.5 purchased @ Rs 395,000 for which no Market rate analysis was conducted. This item was not included in the Estimates/PC-1. Sales tax for Rs. 71,100 was not deducted and stock entry was also not made.
5. Internal Electrification, Supply and Erection of 12 V VRLA GEL battery per AH and water Supply were required as per PC-1/ Cost Estimates, whereas, no such works were executed as evident from the Bills.
6. Fake entries were recorded in two MBs of different numbers, 73 and 74(A) for the said work. Moreover, MB No.74 (A) is illegal and un-justified.
7. Blank Work completion certificate was found on record, which indicates that the work was not completed in time. The security was released and penalty Rs 500,000 was not imposed.
8. According to notice issued to the contractor on 22/07/2024, the contractor executed work in TMA office only, which was 30% of the total work and left the remaining work despite of payments. Upon physical verification of

the TMA office, it was found that no work was carried out as required under BOQ of the scheme.

9. Most of the record relevant to works was not available and some available record was poorly maintained due to the fact that responsibility of maintenance of record was given to a Class-iv employee.

The lapse occurred due to weak internal controls, resulting into misappropriation of funds.

When pointed out in November 2024, the management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAO (TMO) was requested in December 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

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

AIR Para No.01/2023-24

7.2.3.2 Others

7.2.3.2.1 Un-authorized execution of works Rs 10.898 million

According to Government of the Khyber Pakhtunkhwa, Local Government, Elections and Rural Development Department letter No. AO (Planning)/LCB/TMA/T-1 Pesh;/1-1/2016 dated 02.02.2018, SOPs for Replacement / Repair of Damaged Transformers are mentioned as below.

- i. On receipt of written request by the MPA, the damaged transformer will be shifted to the approved PESCO workshop after Inspection report by the SDO PESCO concerned with the detail of transformer i.e., Make, Sr. No., P.O No, Date of Manufacture, Location and Capacity will be entered in a separate register to be maintained for this purpose only in the sub-Division concerned.
- iii. After repair of the transformer, the committee mentioned above inspects the transformer regarding all the necessary technical PESCO SOP and ensure the quality of the repair of the transformer.
- v. Before delivery of repaired transformers necessary entries may be recorded in a register.
- vi. SDO PESCO concerned will verify the bills of repair of Transformers

Clause 2 of the Contract Agreement states Penalty @ 1 % and shall not exceed ten % on the estimated Cost of the work.

According to condition No.2 of the E-bidding Notice, if rate offered 20% below then rate analysis of all BOQ items will be provided, otherwise the offer will be rejected.

During audit of the accounts of TMA Charsadda for the Financial Year 2023-24, it was observed that an expenditure of Rs 10,897,549 was incurred on account of repair of transformers as per detail given below:

(Amount in Rs.)			
Name of Scheme	E/Cost	Bid Cost	Amount Paid
Rep of Transformer at NA-24	5,641,200	38.99 % below	2,596,800
Rep of Transformer at PK-57	5,316,000	20 % below	5,706,811
Rep of Transformer at PK-59	9,950,000	20 % below	2,593,938
Total			10,897,549

The following irregularities were noticed:

- a. In maximum cases three number coils were replaced and oil was changed in the range of 70 ltr to 145 ltr, which is totally un-justified.
- b. MB was prepared and signed by Civil engineer instead of Electrical Engineer, violating the Guidelines/SOPs.
- c. The works were awarded 53% and 38.99 % below without obtaining rate analysis from the bidders.
- d. No penalty was imposed on late completion of schemes which comes to Rs 2,090,720.
- e. Work was not carried out through PESCO Approved repair contractors.
- f. Items replaced were not auctioned neither recorded in dead stock register.
- g. Sales tax @ 17% was not imposed on NSI.
- h. Photographs and visual videos of before and after completion of works were not available on record in violation to Vide serial No.7 of Administrative Approval.

Un-authorized execution of works having serious irregularities occurred due to negligence of the controlling officers, resulting into loss to Government.

When pointed out in November 2024, the management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAO (TMO) was requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2021-22 and 2023-24 vide paras number 3.5.2.9 and 3.4.2.20, respectively having financial impact of Rs. 19.839 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No.02/2023-24

7.2.3.2.2 Non-recovery of water charges- Rs.51.696 million

According to Rule 51(1), the Khyber Pakhtunkhwa Tehsil Municipal Administration Budget Rules 2016, the primary obligation of the TO (Regulation) shall be to ensure that all revenue due is claimed, realized and credited immediately into the Tehsil Fund under the proper receipt head.

During audit of the TMAs Charsadda and Tangi for the Financial Year 2023-24, it was observed that an amount of Rs. 51,696,214 was outstanding against domestic and commercial consumers on account of water charges upto June, 2024. However, the amount was not recovered till the date of audit ie. November 2024. Detail is given at **Annexure-7.6**.

The lapse occurred due to weak internal controls resulting in loss to the government.

When pointed out in November 2024, management did not furnish any reply.

PAOs (TMOs) were requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of outstanding water charges and action against the person(s) fault.

AIR Paras No. 01 & 04/2023-24

7.2.3.2.3 Blockage of fund on account of land acquisition charges- Rs.88.799 million

Under Rule -36 Sub Rule (i) of Land Acquisition Rules-2020, the land may be registered in the name of acquiring department.

According to section 23(2) of Land Acquisition Act 1894, “in addition to the market value of the land, the court shall in every case award a sum of 15% on such market value, in consideration of the compulsory nature of the acquisition”.

According to Section 3(d) of the Act “Court” means a Principal Civil Court of original jurisdiction, unless the Provincial Government has appointed a special judicial officer within any specified local limits to perform the functions of the Court under this Act.

According to Section 18(1) & (2) of Land Acquisition Act 1894, any person interested who has not accepted the award may, by written application (application shall state the grounds on which objection to the award is taken) to the collector, the matter be referred by the collector for the determination of the Court, whether his objection be to the measurement of the land, the amount of the compensation, the person to whom it is payable or the apportionment of the compensation among the persons interested.

During audit of the Tehsil Municipal Administration Charsadda for the Financial Year 2023-24, it was observed that an amount of Rs 88,799,420 was paid to the Deputy Commissioner Charsadda for acquisition of 50 Kanal land for dumping of waste vide Cheque No. 189361 dated 14/03/2022. However, the land was not acquired till the date of audit. Audit observed the following irregularities:

1. Compulsory acquisition charges were allowed without any court order as required under section 23(2) read with section 3(d) of Land Acquisition Act 1894.
2. No written objection, obstruction, refusal or appeal made to the Collector/Court by the owners as required under section 18 (1) & (2) of the Act.

The lapses occurred due to violation of rules, government instructions and weak financial controls resulting into financial mismanagement.

When pointed out in November 2024, management did not furnish any reply.

PAO (TMO) was requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry in the matter and action against the responsible persons besides procurement of land and recovery of interest.

AIR Paras No. 05/2023-24

7.2.3.2.4 Loss due to non-recovery of income tax – Rs. 1.128 million

According to section 236A of Income Tax Ordinance 2001, 10% Income Tax (Filer) shall be deducted on sale by auction from the successful bidders.

During audit of the accounts of Tehsil Municipal Administration, Tangi for the financial year 2023-24, it was observed that receipts contracts were awarded to different contractors. However, Rs.1,127,678 on account of income tax from the successful bidders at the prescribed rate was not recovered till date of audit i.e. 11/2024. Detail is given below:

(Amount in Rs.)

S#	Name of Contract	Name of Contractor	Contract Amount	Income Tax O/S
1	Cattle Fair Tangi	Abdul Mussawir	10,165,000	1,016,500
2	Sign Board	Javeed Khan	1,111,786	111,178
Total			11,276,786	1,127,678

The lapse occurred due to weak internal controls, resulting in loss to the Government.

When pointed out in November 2024, the management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAO (TMO) was requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of income tax and its deposit into proper head of account besides action against the person(s) at fault.

AIR Para No.10/2023-24

7.3 Assistant Director LG & RDD, Charsadda

7.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 18.344 million were raised as a result of this audit. This amount also includes recoverables of Rs 18.344 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr.No.	Classification	Amount
1	Irregularities	-
	AHR/Employees related irregularities	0
2	Others	18.344
Total		18.344

7.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VAC/NAC Meetings are given below:

Sr. No.	Audit Year	VAC/NAC Meetings
1.	2002-03 to 2023-24	Not convened

7.3.3 Audit Paras

7.3.3.1 Irregularities

A. HR/Employees related irregularities

7.3.3.1.1 Irregular appointment of staff under Deceased/ Medically Retired quota

Rules 36 (4) of Khyber Pakhtunkhwa Civil Servants (Appointment, Promotion and Transfer) Rules, 1989 states that where a civil servant dies or is rendered incapacitated or invalidated permanently during service or retired on medical board, notwithstanding the procedure provided for in sub-rule (2), the appointing authority may appoint one of the children of such civil servant or if the child has not attained the age prescribed for appointment in Government service, the widow or wife as the case may be, of such civil servant, to a posts in any of the basic pay scales 3 to 11 in Provincial cadre post and basic pay scales 3 to 12 in District cadre posts.

During audit of the accounts of Assistant Director Local Governments, Charsadda for the financial year 2023-24, it was observed that 03 employees i.e 02 Junior Clerks and 01 Naib Qasid were appointed under Deceased/ Medically retired quota. Audit observed the following irregularities:

1. Appointments were made during the ban period imposed by the Election Commission of Pakistan.
2. Mr. Atif Usman whose father was died on 25.02.1999 and was on top of the deceased/ medically retarded employees list was rejected for the post of Junior Village Council Secretary, whereas candidates at S.No.3 & 4 were appointed as Junior Clerks BPS-11 thus ignoring the senior most candidate.
3. Death & Medical Board Certificates were not available on record.
4. Police Verification, Educational qualification and other documents proving the eligibility of the candidates were also not available on record.

The lapse occurred due to non-observance of government policy and directives resulting in irregular appointments.

When pointed out in October 2024, the management stated that replies would be submitted after consulting record.

PAO (DC Charsadda) was requested in November 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry into the matter and action against the person(s) at fault besides provision of relevant record for verification.

AIR Para 04 (2023-24)

7.3.3.2 Others

7.3.3.2.1 Loss to Government due to non-deposit of bank profit and taxes into government treasury-Rs.18.344 million

According to para 3 (ix) of the Government of Khyber Pakhtunkhwa, Finance Department letter No. 2/3/(F/L)/FD/2019-20/Vol-XIII dated 03.02.2020, “In case of current account, the same shall be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately.”

According to Rule 5(1) (c) of the Khyber Pakhtunkhwa, District or City District Governments, Budget Rules 2016, the collecting officer shall ensure 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 Assistant Director, Local Government Charsadda, for the financial year 2023-24, it was observed that bank profit amounting to Rs.15,483,902 was earned on the balances kept at the designated bank account of various Village & Neighborhood Councils working. Moreover, taxes amounting to Rs. 2,860,229 were also deducted from various contractors/suppliers but the amount was lying in bank accounts of the VCs/NCs instead of depositing it into government treasury. Detail is given below:

(Amount in Rs.)				
S#	Description	Amounts	AIR Para No.	Further Detail
1	Bank Profit VCs/NCs	15,483,902	AIR Para 02/2023-24	Annex-7.7
2	Taxes	2,860,229	AIR Para 03/2023-24	Annex-7.7a
Total		18,344,131	-	

The lapse occurred due to violation of KP Finance Department instructions and Budget rules, resulting in loss to the government.

When pointed out in October 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAO (Deputy Commissioner) was requested in October 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry for fixing responsibility against person(s) at fault besides immediate deposit of amounts into government treasury.

Note: The issue was also reported earlier in the Audit Reports for the Audit Year 2023-24 vide Para No.4.4.1.3having financial impact of Rs 89.789 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para 2,3/2023-24

CHAPTER-8

DISTRICT CHITRAL LOWER



District Lower Chitral is situated in Malakand Division of Khyber Pakhtunkhwa. According to the census of 2023, it has a total area of 6458 sq.kms with a population size of 320,407 comprising 51% male and 49% female. Geographically, it lies in North of the province, approximately 370 KMs away from the provincial capital-Peshawar. It is mainly known for its rich culture especially in its Kalash valley, scenic beauty, handicraft, and palaces of the Mehtar (Chieftain) of Chitral, Orchards specially dry fruits. Some of its brief features are also given below:

District Profile

Area: 6,458Sq KM

Population: 320,407

Languages: Khowar

Tehsils: 02 (Drosh and Chitral)

No. of Village Councils (Lower): 56

No. of Neighborhood Councils (Lower): 05

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



8.1 Local Government, Chitral Lower

8.1.1 Classified Summary of Audit observations

Audit observations amounting to Rs. 230.679 million were raised as a result of this audit. This amount also includes recoverable of Rs.12.394 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	1.337
B	Management of Accounts with Commercial Banks	2.624
2	Others	226.718
Total		230.679

8.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meetings
1.	2002-03 to 2023-24	Not convened

8.1.3 Audit Paras

8.1.3.1 Irregularities

A. HR/Employees related Irregularities

8.1.3.1.1 Un-authorized payment of Conveyance & Teaching Allowance during leave - Rs 1.337 million

According to Para (iv) of the Government of Khyber Pakhtunkhwa, Finance Department (Regulation Wing) Notification No. FD(SOSR-II)2-5/2021-22/Teaching Allowance dated 07.07.2021, teaching allowance will not be admissible to the Officer/Officials who are on earned leave/ extraordinary leave/study leave except casual leave.

According to Rule 7 of Sub-Treasury Rules, conveyance allowance is not allowed during leave period.

During audit of the accounts of District Education Officer (Female) Lower Chitral, for the financial year 2023-24, it was observed that an amount of Rs. 1,337,867 was not deducted on account of Conveyance & Teaching Allowance during leave period. Detail as per **Annexure-8.2**.

The lapse occurred due to weak internal controls, resulting in loss to the Government.

When pointed out in August 2024, management stated that recovery would be made from the concerned teachers & other staff. Reply was not satisfactory as no progress was reported till finalization of this report.

PAO (DC Chitral Lower) was requested in September 2024, with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends immediate recovery besides strengthening internal controls to avoid such lapse in future.

AIR Para no 01/2023-24

B. Management of Accounts with Commercial Banks

8.1.3.1.2 Non-deposit of bank profit into government treasury – Rs.2.624million

According to Finance Department Khyber Pakhtunkhwa letter No. 2/3(F/L)FD/2021-22/DDOs dated 30.12.2022, all sums realized as profit on the undisbursed balance in the Designated Accounts (PLS) shall be credited to Government Treasury (Provincial Account-1) under the head of accounts after making adjustment against bank charges etc under intimation to Finance Department.

During audit of the accounts of Deputy Commissioner Chitral Lower for the financial year 2023-24, it was observed that profit Rs. 2,623,918 was earned from PLS bank accounts maintained at BOK Chitral Branch. However, the earned profit was not deposited into the Government treasury. Detail is at **Annexure-8.3**.

The lapse occurred due to non-compliance with Finance Department KP instructions resulting into loss to the government.

When pointed out in July 2024, management stated that profit would be deposited into government treasury. Reply was not tenable as no progress was shown by the department till finalization of this report.

PAO (DC Chitral Lower) was requested in September 2024, with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends deposit of profit into the Government treasury.

AIR Para No. 04/2023-24

8.1.3.2. Others

8.1.3.2.1 Loss on account of Compulsory Acquisition Charges – Rs.8.476 million

According to section 23(2) of Land Acquisition Act 1894, "in addition to the market value of the land as above provided, the court shall in every case award a sum of 15% on such market value, in consideration of the compulsory nature of the acquisition".

According to Para 23 of GFR Vol-1 every Govt. Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Govt. through fraud or negligence on his part or on the part of his subordinate staff.

Deputy Commissioner (Lower Chitral) collected Rs 8,476,258 on account of compulsory acquisition charges @ 15 to 25% with the original cost of land of Rs 40,864,868 of seven (07) schemes during financial year 2023-24 in violation of the Act referred to above. The cost of compulsory acquisition charges was initially included in the demand without claim by the landowners and without award of such charges by the Court in every case. Detail is given at **Annexure-8.4**.

The lapse occurred due to violation of rules, resulting in loss the Government.

When pointed out in July 2024, management stated that the observation would be forwarded to the concerned section for furnishing proper reply. However, no reply was furnished till finalization of this report.

PAO (DC Chitral Lower) was requested in September 2024, with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends recovery and fixing responsibility on the person (s) at fault.

Note: the issue was also reported earlier in the Audit Reports of the years 2020-21, 2021-22, 2022-2 and 2023-24 vide paras No. 2.5.3.1, 2.3.5, 2.4.3.15 and 2.4.1.4 respectively having financial impact of Rs 130.15. Recurrence of the same irregularity is the matter of serious concern.

AIR Para No. 01/2023-24

8.1.3.2.2 Unnecessary retention of savings of land compensations in Revenue Deposit Account - Rs 109.928 million

According to Para 95 of General Financial Rules Volume-I, all anticipated saving should be surrendered well before close of financial year.

During audit of the accounts of Deputy Commissioner (Lower Chitral for the financial year 2023-24 it was observed that savings of Rs 109,928,069 of fifteen (15) completed land acquisition cases were lying in Revenue Deposit Account under the head G-11215 which was un-authorized. Moreover, the amount lying in deposits and remained unclaimed for more than three years should have been lapsed to Government. Detail is as per **Annexure-8.5**.

The lapse occurred due to weak internal controls, resulting in blockage of public funds.

When pointed out in July 2024, management stated that the observation would be forwarded to the concerned sectional head for furnishing proper reply. However, no reply was furnished till finalization of this report.

PAO (DC Chitral Lower) was requested in September 2024, with several reminders to convene DAC meeting which could not be convened till finalization of this report

Audit recommends deposit of the savings into Government treasury.

AIR Para No. 02/2023-24

8.1.3.2.3 Non-recovery of outstanding loans for redemption of mortgaged walnut trees and grape vines – Rs 8.433 million

According to Para 8 and 26 of the General Financial Rules Volume I, each administrative department to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury.

Deputy Commissioner Lower Chitral transferred funds of Rs 12,394,000 to Tehsildar Chitral as revolving funds for further payment of loans to Kalash people for redemption of mortgaged walnuts trees and grape vines in Kalash Valley of Bumbrate, Birir and Rumboor since 1983 to 2010. Out of which recovery of Rs 3,960,300 was made till 30th June 2024 whereas the remaining loan of Rs 8,433,700 was not recovered. Moreover, no proper record of such funds was maintained in

the office of Tehsildar Chitral except an old register with un-authentic entries of receipts and payments without supplementary files.

Non-recovery occurred due to weak financial management, resulting in loss to the Government.

When pointed out in July 2024, management stated that the observation would be forwarded to the concerned sectional head for furnishing proper reply. However, no reply was furnished till finalization of this report.

PAO (DC Chitral Lower) was requested in September 2024, with several reminders vide DG Office letter No 13-80 dated 13112224 and RDA Swat letter No 1880-187 dated 22-11-2024 to convene DAC meeting which could not be convened till finalization of this report

Audit recommends recovery of loans and deposit into government treasury besides provision of complete record for verification.

AIR Para No. 10/2023-24

8.1.3.2.4 Un-authentic expenditure due to issue of DDO Cheques instead of direct payment to vendors – Rs 96.711 million

According to Finance Department Letter No: BO(W&M)/6-5/2019-20 dated 19/02/2020 states that in order to streamline the management in public account and observe fiscal discipline, it has been decided to stop forthwith all payments through open cheques or cash payments.

According to section 2.3.2.8 of APPM, the accounting system shall improve controls to minimize the risk of fraud and corruption. This objective shall be addressed by issue of payment through direct bank transfer and cheques (to employees/ vender concerned) instead of payment through DDOs read with section 4.2.9.4. of APPM, the payment of approved claims must be made only to the claimant as indicated on the claim voucher.

During audit of the accounts of Deputy Commissioner and DEO (M&F) Lower Chitral during financial year 2023-24, it was observed that an amount of Rs 96,711,717 was withdrawn from the Government treasury on account of non-salary heads through DDO Cheques instead of direct payments to the concerned vendors. Two cheques of Rs 33,570,000 (at serial No. 02 & 05) were deposited in designated bank account while four Cheques of Rs 22,504,100 were directly cashed without

reflection in designated bank account and cash payments were shown. Detail is given at **Annexure-8.6** (a &b).

The lapse occurred due to non-compliance with Finance Department's instructions, resulting in un-authentic cash payments from designated bank account.

When pointed out in July 2024, management stated that most of the DDO Cheques pertain to the activities of General Elections 2024. Account Office was requested to issue DDO Cheques for speedy and timely completion of all arrangements i.e. installation of CCTV Cameras, transportation of goods to all the 172 polling stations and clearance of roads from snow for smooth participation and movement of the general public. The amount has properly been utilized and all the payments were made to the concerned.

Reply was not convincing as the entire withdrawal was made through DO Cheques instead of direct payments to the concerned due to which actual expenditure and payments remain un-authentic.

PAO (DC Chitral Lower) was requested in September 2024, with several reminders vide DG Office letter No 13-80 dated 13112224 and RDA Swat letter No 1880-187 dated 22-11-2024 to convene DAC meeting which could not be convened till finalization of this report

Audit recommends inquiry for fixing responsibility besides provision of record in support of payments for audit verification.

AIR Para No. 12 (DC) 07 & 08 (M & F) /2023-24

8.1.3.2.5 Overpayment due to allowing high rates - Rs 3.170 million

Para 23 of GFR Vol.-I states that every Government officer is personally responsible for any loss sustained by Government through fraud or negligence either on his part or on the part of his subordinate staff.

According to Para 220 and 221 of CPWA Code, the Sub Divisional Officer, before making payments to the contractors is required to compare the quantities in the bills and see that all the rates are correctly entered and that all the calculations have been checked arithmetically.

During audit of the accounts of Deputy Commissioner Lower Chitral for the financial year 2023-24 it was observed that overpayment of 1,630,595 was made to M/S Babar Uddin on account of solarization of DC office & DC house due to allowing higher rates than admissible/approved in the quotation as per detail given below:

(Amount in Rs.)

S.No	Item Code	Rate admissible as per MRS 2022 (Bi Annual)	Rate Paid	Difference	Quantity	Overpayment
1	26-01-m-01	34.99	100	65.01	19800	1287198
2	26-01-i-06	65.48	75	9.52	20000	190400
3	26-01-o	7.33	10.22	2.89	19800	57222
4	26-01-b-02	110.75	430	319.25	300	95775
Total						1630595

Moreover, Rate of Solar Panel for Rs 55,000 was offered & approved in quotation while rate of Rs 76,389 was claimed in the bill which further overpaid Rs 770,004 to the contractor. Furthermore, quotation of 50 Nos Solar Panel was approved while 36 Nos Solar Panels were actually supplied which further resulted into overpayment of Rs 770,000 (50-36=14 No. x Rs 55,000).

Overpayment occurred due to weak internal controls, resulting in loss to the Government.

When pointed out in July 2024, management stated that payment has been made to the contractor in accordance with approved bid and no overpayment was made to the contractor but extra payment was made to the existing contractor for the additional work due to change of scope of work and site requirements.

Reply was not cogent as excess rates than MRS and approved rates were paid and lesser quantity of solar panels were supplied than approved BOQ.

PAO (DC Chitral Lower) was requested in September 2024, with several reminders vide DG Office letter No 13-80 dated 13112224 and RDA Swat letter No 1880-187 dated 22-11-2024 to convene DAC meeting which could not be convened till finalization of this report

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

AIR Para No. 27/2023-24

8.2 Tehsil Municipal Administrations, Chitral Lower

8.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 19.955 million were raised as a result of this audit. This amount also includes recoverable of Rs. 3.561 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	Management of Accounts with Commercial Banks	10.561
2	Others.	9.394
Total		19.955

8.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

Sr. No.	Audit Year	TAC Meetings
1.	2002-03 to 2023-24	Not convened

8.2.3 Audit Paras

8.2.3.1 Irregularities

A. Management of Accounts with Commercial Banks

8.2.3.1.1 Un-authorized transfer of developmental funds to designated bank account – Rs 7.00 million

According to Government of Khyber Pakhtunkhwa Finance Department letter No.2/3(F/L) FD/2007-08/Vol-IX dated 10th February 2014 that no funds shall be placed in any commercial bank from the PLAs or Assignment Accounts without prior approval of the Finance Department as contained in Para-6 & 7 of GFR Volume-I.

During audit of the accounts of Tehsil Municipal Officer, Chitral Lower for the financial year 2023-24, it was observed that developmental funds amounting to Rs.7,000,000 was transferred from the Government treasury (PLA/ Assignment Account) on 26th June 2024 to designated bank account in violation of Government instructions.

The lapse occurred due to violation of government instructions, resulting in un-authorized transfer of fund.

When pointed out in November 2024, management stated that the developmental funds were released to the TMA at the end of the financial year 2023-24 and transferred from PLA to designated bank account for incurrence of expenditure of the respective developmental works due to frequent closure and opening of PLA.

Reply was not convincing as the fund was transferred to designated bank account in violation of government orders.

PAO (TMO Chitral Lower) was requested in December 2024, with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility besides strengthening internal controls to avoid such lapse in future.

AIR Para No. 05 (2023-24)

8.2.3.1.2 Non-deposit of profit of into the government treasury – Rs.3.561 million

According to Para 3(ix) of Finance Department Khyber Pakhtunkhwa letter No. 2/3-(F/L)/FD/2019-20/Vol-XIII dated 3rd February 2020, in case of current account, the same may be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately except where departments/offices/Autonomous & Semi-autonomous Bodies/Organizations/Corporations have been specifically permitted under some Statute/Act.

During audit of the accounts of Tehsil Municipal Officer Chitral Lower for the Financial Year 2023-24, it was observed that profit of Rs. 3,561,263 was earned on the bank balances of the PLS accounts maintained for developmental fund and securities of contractors. However, the earned profit was not deposited into the Government treasury.

The lapse occurred due to non-compliance with Finance Department Khyber Pakhtunkhwa instructions resulting into loss to the government.

When pointed out in November 2024, management stated that the profit of the designated bank accounts of the TMA has been properly reflected in the books of accounts of the TMA as income. Moreover, the practice of depositing profit of accounts is not in vogue in all the TMAs of the province. However, the matter will be taken up with the provincial Government for obtaining clarifications and audit will be intimated accordingly.

Reply was not convincing as the profit should have been deposited into Government treasury as per orders of the Government as referred to above whereas no clarifications were obtained from the Finance Department despite lapse of considerable time of some years.

PAO (TMO Chitral Lower) was requested in December 2024, with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends deposit of profit into the Government treasury.

Note: the issue was also reported earlier in the Audit Report for the year 2023-24 vide para No. 3.4.1.3 having financial impact of Rs 1.310 million. Recurrence of the same irregularity is the matter of serious concern.

AIR Para No. 03/2023-24

8.2.3.2 Others

8.2.3.2.1 Loss due to payment of rent of land adda without running of adda – Rs 1.444 million

According to Para 8 and 26 of the General Financial Rules Volume I, each administrative department to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury.

During audit of the accounts of Tehsil Municipal Officer, Chitral Lower for the financial year 2023-24, it was observed that lease agreement was executed with M/S Nooruddin for lease of land of Gahtak Adda @ Rs 40,000 per month for 10 years with 25% increase after every three years with effect from 1st September 2021 to 31st August 2030. Despite lapse of three years, neither the adda has been established nor any initiatives were taken so far whereas Rs.1,440,000 was spent on payment of rent during the period from 1st September 2021 to 31st August 2024 without any receipts from the adda.

The lapse occurred due to weak financial management, resulting in loss to the Council/TMA.

When pointed out in November 2024, management stated that said piece of land was taken on lease for running of the existing stands/addas therein which could not be functionalized so far for some reasons. However, efforts are made to shift the existing stands to the new place.

Reply was not convincing as no efforts were visible on the grounds even after lapse of more than three years of the lease and despite of a handsome rent, resulting in loss to the TMA.

PAO (TMO Chitral Lower) was requested in December 2024, with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility for the loss sustained by the Council/TMA besides immediate efforts for running of adda for generation of revenues.

AIR Para No. 01/2023-24

8.2.3.2.2 Un-authorized expenditure without pre-audit and issue of open cheques – Rs 7.950 million

According to Local Government Department letter No.AO/LCB/4(I)06/2009-10 dated 4.9.2010, no payment shall be made by the local councils unless the bill is pre checked in audit by the staff of Local Fund Audit Department.

During audit of the accounts of Tehsil Municipal Officer Chitral Lower for the Financial Year 2023-24, it was observed that an amount of Rs 7,950,527 was spent on non-salary heads during financial year 2023-24 without pre-audit by the staff of the Local Fund Audit Department. Similarly, open cheques were issued in the name of the payees in violation of rules. Detail is as per **Annexure-8.7**.

The lapse occurred due violation of government instructions resulting into un-authorized expenditure.

When pointed out in November 2024, management stated that detailed reply would be furnished after scrutiny of record. However, no reply was furnished till finalization of this report.

PAO (TMO Chitral Lower) was requested in December 2024, with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault besides regularization from the concerned staff of the Local Fund Audit Department.

AIR Para No. 06/2023-24

8.3 Assistant Director LG & RDD, Chitral Lower

8.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 3.553 million were raised as a result of this audit. This amount also includes recoverable of Rs. 3.553 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)		
Sr. No.	Classification	Amount
1	Irregularities	-
A	Management of Accounts with Commercial Banks	2.173
2	Value for money and service delivery issues	1.380
Total		3.553

8.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs Meetings are given below:

Sr. No.	Audit Year	VACs/NACs Meetings
1.	2013-14 to 2023-24	Not convened

8.3.3 Audit Paras

8.3.3.1 Irregularities

A. Management of Accounts with Commercial Banks

8.3.3.1.1 Non-deposit of bank profit into government treasury– Rs.2.173 million

According to Para 3(ix) of Finance Department Khyber Pakhtunkhwa letter No. 2/3-(F/L)/FD/2019-20/Vol-XIII dated 3rd February 2020, in case of current account, the same may be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately except where departments/offices/Autonomous & semi-autonomous Bodies/Organizations/Corporations have been specifically permitted under some Statute/Act.

During audit of the accounts of the Assistant Director LG&RDD Lower Chitral for the Financial Year 2023-24, it was observed that profit of Rs. 2,173,367 was earned on the bank balances of the PLS accounts maintained at BOK. However, the earned profit was not deposited into the Government treasury. Detail is given below:

(Amount in Rs.)

Bank	A/C No.	Period	Profit Earned
BOK	PK26KHYB0137000000943003	01.07.2023 to 30.06.2024	2,173,367

The lapse occurred due to non-compliance with Finance Department KP instructions resulting into loss to the government.

When pointed out in October, 2024, Management stated that the profit would be deposited into government treasury. Reply was not tenable as no progress was shown by the department till finalization of this report.

PAO (DC Lower Chitral) was requested in September 2024, with several to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends depositing the earned profit in the Government treasury.

AIR Para 02/2023-24

8.3.3.2 Value for money and service delivery issues

8.3.3.2.1 Loss due to non-imposition of penalty for non-completion of schemes within the stipulated time period – Rs 1.380 million

According to clause 2 of the contract agreement and work orders, penalty of 1% per day and up to maximum of 10% of the bid cost shall be imposed for delay in completion of work.

During audit of the accounts of AD LG&RDD (Lower Chitral) for the Financial Year 2023-24, it was observed that different contracts of developmental schemes having estimated cost of Rs 13,800,000 were awarded to various contractors. However, the schemes were not completed within the stipulated time period and the AD LG&RDD Lower Chitral was required to take initiatives to speed up the works besides imposing penalty @10% of the estimated cost valuing Rs1,380,000, which was not done. Detail is given at **Annexure-8.8**.

Non-imposition of penalty occurred due to violation of rules, resulting in loss to Government and deprivation of the public of their rightful facilities.

When pointed out in October 2024, the management stated that the mentioned schemes were administratively approved by Deputy Commissioner on 08th Feb, 2022 and after completion of all codal-formalities work orders were issued to contractors. Provincial Government has not yet completely released the committed amount after multiple demands from the undersigned office. Reply was not convincing as penalty should be imposed for late/ non-completion of the developmental schemes as per agreement.

PAO (DC Lower Chitral) was requested in September 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends recovery of penalty, completion of the schemes without further delay and fixing responsibility on the person(s) at fault.

AIR Para 04/2023-24

CHAPTER-9

DISTRICT CHITRAL UPPER



District Upper Chitral is situated in Malakand Division of Khyber Pakhtunkhwa. According to the census of 2023, it has a total area of 8,392 sq. km with a population size of 195,528 comprising 51.4% male and 48.6% female. Geographically, it lies North of the province, approximately 445 KMs away from the provincial capital-Peshawar. It is mainly known for its rich culture, scenic beauty, handicraft and Orchards with unique taste like apples, apricots, plums and dry fruits like almonds, walnuts, dry figs. Some of its brief features are also given below:

District Profile

Area: 8.392 Sq KM

Population: 195,528

Languages: Khowar

Tehsils: 2

No. of Village Councils: 39

No. of Neighborhood Councils: 0

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



9.1 Local Government, Chitral Upper

9.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 105.558 million were raised as a result of this audit. This amount also includes recoverable of Rs. 18.473 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	20.947
B	Management of Accounts with Commercial Banks	63.280
2	Others	21.331
Total		105.558

9.1.2 Comments on the Status of Compliance with DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of DAC/TAC Meetings are given below:

Sr. No	Audit Year	DAC/TAC Meeting
01	2020-21 to 2023-24	Not convened

9.1.3 Audit Paras

9.1.3.1 Irregularities

A. HR/Employees related irregularities

9.1.3.1.1 Loss due to unnecessary expenditure on account of stipends of Double Shift Schools Teachers- Rs.20.947 million

As per Policy of Double Shift Schools the second shift may be started only for those classes where minimum student strength of the second shift class is 20 and for the same class in the first shift the enrolled students are not less than 40 and at least twenty students shall be required for a class in double shift.

During audit of the accounts of the offices of District Education Officers (Male & Female) Upper Chitral for the financial year 2023-24, it was observed that payment of Rs.20,947,352 was made on account of stipends of teachers of those Double Shift Schools in which the minimum number of students were not enrolled in double shift classes. Thus, unnecessary expenditure was incurred as per **Annexure-9.2.**

The lapse occurred due to weak financial controls, resulting in loss to the Government.

When pointed out in August 2024, DEO (Male) stated that the said schools were upgraded schools and upgraded schools were based on distance as per DSS policy. Reply was not convincing as there was no such provision in the policy and huge expenditure was incurred on less than minimum number of students as required under the relevant policy. DEO (Female) replied that improvement of enrollment would be enhanced according to the criterion otherwise the said schools would be recommended for de-notification from DSS programme.

Reply was not tenable as huge expenditure was incurred so far and neither any improvement in the enrollment was reported nor the schools were recommended for de-notification.

PAO (DC Upper Chitral) was requested in September 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends de-notification of the schools besides fixing responsibility on the persons at fault for incurring huge unnecessary expenditure and loss sustained by the Government.

AIR Para No. 03 (M) & 02 (F) /2023-24

B. Management of Accounts with Commercial Banks

9.1.3.1.2 Non-deposit of profit earned on placement of funds in designated PLS bank accounts – Rs.7.123 million

According to Para 1 and 2 of Finance Department Khyber Pakhtunkhwa letter No. 2/3-(F/L)/FD/2007-08/Vol-IX dated 10th February 2014, Khyber Pakhtunkhwa Finance Department has from time to time allowed sanctioned Bank accounts in the commercial bank for various Departments/Autonomous/ Semi-Autonomous Bodies/Corporations in Khyber Pakhtunkhwa for particular and specific purposes. Such accounts may be converted to PLS mode and the profit earned be deposited in Government Treasury under relevant head of account immediately and not later than a week when declared by the concerned bank.

During audit of the office of Deputy Commissioner Upper Chitral for the financial year 2023-24, it was observed that profit amounting to Rs.7,123,486 was earned on the bank balances of PLS accounts maintained at NBP. However, the profit was not deposited into the government treasury. Detail is given below:

(Amount in Rs.)

S.No	Name of Bank and Branch	Bank Account No.	Profit during 2023-24
01	NBP Booni Upper Chitral	31599950245	2,680,693
02	NBP Booni Upper Chitral	31599945895	4,442,793
Total			7,123,486

Non-deposit of profit occurred due to non-compliance to Finance Department KP instructions, resulting in loss to the Government.

When pointed out in July 2024, management stated that profit would be deposited into Government treasury under the relevant head and Challans produced to audit for verification. However, no further progress was reported till finalization of this report.

PAO (DC Upper Chitral) was requested in September 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends depositing profit into Government treasury under the proper head.

AIR Para No.07/2023-24

9.1.3.1.3 Irregular retention of land compensations in designated bank account – Rs. 10.260 million

According to Section 31 (a) and (c) of the Khyber Pakhtunkhwa Land Acquisition Rules, 2020, Land Acquisition Collectors are required to deposit the funds for Land Acquisition in the Government treasury under the head Revenue Deposit as security for payment of compensation.

According to Government of Khyber Pakhtunkhwa Finance Department letter No.2/3(F/L)FD/2022 dated 9th March 2022, addressed to all Commissioners, Deputy Commissioners and Land Acquisition Collectors in Khyber Pakhtunkhwa, all funds for Land Acquisition deposited in Commercial Banks shall immediately be transferred to Government Treasury to the relevant head of account within 15 days failing which the funds shall be credited to Provincial Account through State Bank of Pakistan and strict disciplinary action under the rules shall be initiated.

During audit of the accounts of Deputy Commissioner Upper Chitral for the Financial Year 2023-24, it was observed that Funds of land compensations amounting to Rs.10,260,113 were kept in designated bank account instead of crediting the said funds in Revenue Deposit Account. As per instructions of the Government, the amount should have been transferred to Government treasury to the relevant head of Revenue Deposit within 15 days i.e. 24th March 2022 while the funds were still lying in the designated bank account till date of audit i.e. 23rd July 2024.

The lapse occurred due to violation of rules, resulting into irregular retention of funds in designated bank account.

When pointed out in July 2024, management stated that the amount would be deposited in the Revenue Deposit Account.

Reply was not tenable as the amount was unnecessarily retained in designated bank account in violation of rules referred to above and no further progress regarding transfer of funds to Revenue Deposit Account was reported till finalization of this report.

PAO (DC Upper Chitral) was requested in September 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends transferring land compensations funds to Revenue Deposit Account besides action against the person(s) at fault.

AIR Para No.11/2023-24

9.1.3.1.4 Non-surrender of savings of land compensations of completed schemes – Rs.5.897 million

According to Para 95 of General Financial Rules Volume I, all anticipated saving should be surrendered well before close of financial year.

During audit of the accounts of Deputy Commissioner Upper Chitral for the Financial Year 2023-24, it was observed that savings amounting to Rs.5,897,034 of completed land acquisition cases were lying in designated bank account. The said savings should have been surrendered to the acquiring departments which was not done.

Unnecessary retention of savings in designated bank account occurred due to weak financial control resulting in blockage of public funds.

When pointed out in July 2024, management stated that detailed reply would be furnished after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAO (DC Upper Chitral) was requested in September 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends surrender of saving amount to the acquiring departments or deposit of the amount into Government treasury.

AIR Para No.12/2023-24

9.1.3.1.5 Un-justified issue of open DDO Cheques instead of issue of crossed cheques to contractors – Rs.40.00 million

According to the instructions circulated vide Government of Khyber Pakhtunkhwa Finance Department Letter No. BO (W&M) 6-5/2019-20 dated 19th February 2020, in order to eliminate cash payments and reduce issuance of open Cheques by Accountant General Khyber Pakhtunkhwa and to stop payments in cash, all Principal Accounting Officers and DDOs were advised to stop all unnecessary cash payments and open Cheques except critical payments in unavoidable circumstances.

According to Para 2 of the Government of Khyber Pakhtunkhwa Finance Department release order No. BO (PFC-II) FD/1-5/2023-24/N/Salary dated 30.01.2024, the expenditure will be incurred subject to observance of all codal formalities as required under the rules.

During audit of the accounts of Deputy Commissioner, Upper Chitral, for the Financial Year 2023-24, it was observed that the Deputy Commissioner withdrew Rs.40,000,000 from Government treasury on account of clearance of roads in snow bound areas of the district in connection with General Elections 2024.

- i. Contractor bills were submitted to DAO office through DC office while open DDO Cheques were issued to the Assistant Director LG&RDD Upper Chitral instead of contractors which was un-justified.
- ii. The payment was made to the Assistant Director LG&RDD instead of direct payments to the concerned contractors on work done basis.
- iii. Illegal cash withdrawal of all the three Cheques was made by Assistant Director LG&RDD as evident from the paid Cheques in bank instead of credit to designated bank account and further issue of crossed Cheques to the concerned contractors.
- iv. No further record regarding actual utilization of the amount was neither available on record nor provided to audit for detailed scrutiny, therefore, misappropriation could not be ruled out.

Un-justified withdrawal occurred due to weak financial controls, resulting in advance payment to irrelevant officer.

When pointed out in July 2024, management stated that being executing agency the funds were transferred to Assistant Director LG&RDD for snow clearance of roads to ensure smooth movement of the general public and participation in the General Elections 2024.

Reply was not convincing as the payment should have been made to the respective contractors instead of AD LGE&RDD.

PAO (DC Upper Chitral) was requested in September 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends conducting of detailed inquiry to probe into the matter of actual utilization of funds. .

AIR Para No.18/2023-24

9.1.3.2. Others

9.1.3.2.1 Non-deduction of Government taxes from the works bills – Rs.4.063 million

According to Government of Khyber Pakhtunkhwa Finance Department notification No: B O(Res-111)FD/2-2/2019-20/VOI- VI: The Competent Authority is pleased to approve the inclusion of KP sales tax in Market Rate System (MRS) 2021 in the light of the decision of the provincial cabinet in its 39th meeting held on 21 July, 2020 as per following details:

- i. KPRA Sales tax @ of 2% on construction services to be included in the unapproved ADP Scheme with effect from 1-07-2021.
- ii. KPRA Sales tax @ of 2% may be included in all item codes of MRS-2021 on analogy of income tax already included in MRS.2021 and will be paid to KPRA as specified under S. No 14 of Khyber Pakhtunkhwa Finance Act, 2021.

During audit of the accounts of Deputy Commissioner, Upper Chitral, for the Financial Year 2023-24, it was observed that the Deputy Commissioner withdrew Rs. 40,000,000 from Government treasury on account of clearance of roads in snow bound areas of the district. Payment was made to the contractors on the basis of Market Rates System (MRS) rates whereas deductions of the following taxes were not made from the contractor's bills detail given below:

(Amount in Rs.)

Total Claim	Income Tax 7.5%	KPRA Tax 2 %	DPR Fund	Professional Tax	Stamp Duty	Total Deductions
40,000,000	3,000,000	800,000	80,000	90,000	93,750	4,063,750

Non-deduction of taxes occurred due to violation of rules resulting in loss to the Government.

When pointed out in July 2024, management stated that the concerned executing agency would be asked to provide details of deductions from the bills of the concerned contractors

Reply was not convincing as all deductions should have been made in the bills of the contractors before payment of bills.

PAO (DC Upper Chitral) was requested in September 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends recovery of government taxes and deposit into Government treasury.

AIR Para No.19/2023-24

9.1.3.2.2 Non-collection of Scout Fund Rs. 1.39 million

According to Directorate of E&SE Khyber Pakhtunkhwa Notification No.4204-33/F.No.P-7/P-Fund/General/DD(F&A) dated 29.04.2010, Sports, Examination, Poor, Red Crescent, Medical, Shaheen, Boys Scouts and Girls Guide funds should be collected from students at the following prescribed rates.

Student Level	Sport Fund	Exam Fund	Medical Fund	Poor Fund	Red Crescent	Scout/GG Fund	Shaheen Fund	Total Fund
Primary Boys	3	2	1	2	0	5	2	15
Primary Girls	3	2	1	2	0	5	0	12
Middle Male	30	40	8	8	2	25	0	113
Middle Female	30	40	8	8	2	12	0	100
High Male	40	50	10	10	2	25	0	137
Higher secondary male/Male	40	50	10	10	2	12	0	124

During audit of the accounts of the office of District Education Officer (Male) Upper Chitral for the financial year 2023-24, it was observed that collections of Rs.1,392,348 on account of various funds from the students were not made as per detail given below.

(Amount in Rs.)

Name of Schools	Enrolment (Nos)	Rate of Scout Fund	Amount
Higher Secondary Schools	1648	124	204,352
High Schools	6219	137	852,003
Middle Schools	1501	113	169,613
Primary Schools	11092	15	166,380
Total			1,392,348

The lapse occurred due to weak internal controls, resulting in loss to the Government.

When pointed out in August 2024, management stated that the amount has been deposited in private/pupils fund accounts of the schools. Reply was not satisfactory as no evidence was shown to audit.

PAO (DC Upper Chitral) was requested in September 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

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

AIR Para No. 01/2023-24

9.1.3.2.3 Irregular expenditure on class room consumables & petty repair - Rs. 15.878 million

According to PTC Guide Chapter “Responsibilities of the Elementary & Secondary Education Department Officers” clause No.08, the ASDEO Circle will collect & submit quarterly reports of all primary schools in the circle to SDEO while DDEO concerned will collect monthly report from middle, high and higher secondary schools and will submit to DEO after consolidation who shall submit the same to Directorate.

During the audit of the accounts of District Education Officer (Male & Female), Upper Chitral, it was observed that the District Education Officers withdrew 15,879,400 from Government treasury on account of class room consumables & petty repair. Neither the ASDEOs, SDEOs nor the DDEO concerned collected & submitted monthly reports of all Primary, Middle, High and Higher Secondary Schools to DEO for onward submission in the consolidated form to the Directorate of Elementary and Secondary Education. Detail is as under:

(Amount in Rs.)				
S.No	Name of Office	CRC	Petty Repair	Total
01	DEO Male Upper Chitral	4,374,500	7,700,000	12,074,500
02	DEO Female Upper Chitral	1,633,500	2,171,400	3,804,900
Total		6,008,000	9,871,400	15,879,400

The lapse occurred due to violation of rules, resulting into irregular expenditure.

When pointed out in August 2024, management stated that the reports would be shown to audit in DAC meeting. Management reply was not convincing as the reports should have been available for verification during the course of audit.

PAO (DC Upper Chitral) was requested in September 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends provision of detailed reports of all the schools for verification besides action against the person(s) at fault.

AIR Para No. 08 (M) & 09 (F) /2023-24

9.2 Tehsil Municipal Administrations, Upper Chitral

9.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 85.002 million were raised as a result of this audit. This amount also includes recoverable of Rs. 4.120 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	
A	Procurement related irregularities	20.000
B	Management of Accounts with Commercial Banks	20.000
2	Others	45.002
Total		85.002

9.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Details of TAC Meetings are given below:

Sr. No.	Audit Year	TAC Meetings
1	2020-21 to 2023-24	Not Convened

9.2.3 Audit Paras

9.2.3.1 Irregularities

A. Procurement related irregularities

9.2.3.1.1 Loss due to excess payment than approved bid cost – Rs.2.382 million and non-surrender of savings - Rs.1.738 million

According to clause 12.1 & 12.2 of the Planning & Development guidelines notified vide Government of Khyber Pakhtunkhwa Planning & Development Department (Rural Development Section) Notification No. C/RD/ P&DD/6-24/1850-1970 dated 19th October 2015 amended vide Notification No. C/RD/P&DD/6-24/1617-1891 dated 8th August 2016, the upward revision of cost, or a major change in the objective or scope of a development project shall require the approval of the respective Council. The revision within the cost approved by the respective Councils shall be approved by the respective approving Committees provided that the objectives and scope are not altered.

TMO Mulkow, Upper Chitral, awarded a work of estimated cost of Rs.20,000,000 to a contractor at bid cost of Rs.15,880,000 and paid Rs.18,262,000 due to which excess payment of Rs.2,382,000 was occurred. Moreover, the saving amount of Rs.1,738,000 (Rs.20,000,000 – Rs.18,262,000) was not surrendered to the Government.

Excess payment occurred due to weak financial control, resulting in loss to the Government.

When pointed out in November 2024, management stated that the extra payment has been made due to site requirements and scope of work within the permissible limits up to 15 % of the estimated cost on the awarded rates.

Management reply was not convincing as excess up to 15% was applicable in the complex nature of works in which exact estimation was not possible at the initial stage. The process of issuance of variation order to the contractor and adjustment under clause 12 of the agreement was also to be followed. The said work was neither so complex in nature that exact estimation was not possible nor the due process of observance of clause 12 and issuance of variation order was followed but simply the enhancement of 15% was added just to extend undue favour to the contractor by utilizing the saving amount due to below rates.

Audit recommends recovery of the excess payment besides action against the person(s) at fault.

AIR Para No. 10/2023-24

9.2.3.1.2 Un-authorized payments to irrelevant person other than approved contractor - Rs.18.262 million

According to rule 6(1) read with rule 6(3b) (iv) of KPPRA 2018, the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs.500,000 (rupees five hundred thousand), as amended, and the lowest offer from the qualified bidder shall be accepted for award of the contract and will be the best evaluated bid.

During audit of the accounts of TMO Mulkow, Upper Chitral, for the Financial Year 2023-24, it was observed that the TMO Mulkow awarded a work “Reconstruction of Bridge at Galasht Kuragh” of estimated cost of Rs.20,000,000 to M/S Ruhail Builders @ 20.60% while the payment was made to M/S Balach Construction in violation of award of work. Moreover, there was discrepancy in the payees between the PLA cash book and PLA passbook because as per PLA cash book, 2nd, 3rd and Final bills were shown paid to M/S Ruhail Builders (approved contractor) while as per PLA pass book, the same bills were paid to M/S Balach Construction. Furthermore, payment record of 1st running bill was neither available on file nor reflected in PLA cash book and PLA passbook. Hence, actual payment to the approved contractor could not be authenticated. Detail is as under:

(Amount in Rs.)

S.No	Bill No	Cheque No	Date	Amount	Paid to	
					As per PLA Cash Book	As per PLA Pass Book
01	1 st running bill	Not mentioned	--	5,005,946	No entry	No entry
02	2 nd running bill	089542	15.11.2022	5,053,100	Ruhail Builders	Balach Construction
03	3 rd running bill	089552	05.01.2023	1,949,405	Ruhail Builders	
04	4 th & Final bill	089576	10.10.2023	4,173,700	Ruhail Builders	
05	Refund of securities	133928	10.06.2024	1,460,960	Balach Construction	
Total				17,643,111		

The irregularity occurred due to violation of tender approval and award resulting in un-authentic payments.

When pointed out in November 2024, management stated that the payments were made to the nominated contractor on the basis of an agreement between the originally approved contractor and the contractor to whom the payment was made. Copy of agreement between parties would be provided to audit.

Management reply was not convincing as there was no provision of execution of agreement by the approved contractor with the third person and yet there were discrepancies in the payment entries between the PLA pass book and PLA cash book.

PAO (TMO Mulkow) was requested in December 2024 to convene DAC meeting which could not be convened till finalization of this report.

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

AIR Para No. 12/2023-24

B Management of Accounts with Commercial Banks

9.2.3.1.3 Un-authorized lump sum transfer of developmental funds to designated bank account without approval – Rs.20.00 million

According to Government of Khyber Pakhtunkhwa Finance Department Letter No.2/3(F/L) FD/2007-08/Vol-IX dated 10th February 2014 that no funds shall be placed in any commercial bank from the PLAs or Assignment Accounts without prior approval of the Finance Department as contained in Para-6 & 7 of GFR Volume-I.

During audit of the accounts of TMO Mulkow, Upper Chitral, it was observed that the TMO Mulkow withdrew developmental funds of Rs.20,000,000 from the Government treasury (PLA/ Assignment Account) and unnecessarily shifted to designated bank account without prior approval of the Finance Department Khyber Pakhtunkhwa.

The irregularity occurred due to violation of rules, resulting in un-authorized shipment of developmental funds from the Government treasury to designated bank account.

When pointed out in November 2024, management stated that the developmental funds were released to the TMA at the end of the financial year 2023-24 and accordingly credited to the PLA through the District Accounts Office

Upper Chitral. The funds were then transferred from PLA to designated bank account for incurrence of expenditure of the respective developmental works due to frequent closure and opening of PLA. The payments were in progress during current financial year 2024-25 in accordance with the work done of the concerned schemes and record would be shown to next audit.

Management reply was not convincing as the funds were unnecessarily transferred to designated bank account in violation of rules referred to above.

PAO (TMO Mulkow) was requested in December 2024 to convene DAC meeting which could not be convened till finalization of this report.

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

AIR Para No. 05/2023-24

9.2.3.2 Others

9.2.3.2.1 Irregular expenditure without approval of Tehsil Chairman – Rs.45.002 million

According to agenda No. 22 of the minutes of the 85th meeting of the Provincial Cabinet held on January 3rd 2023, circulated vide Government of Khyber Pakhtunkhwa, Establishment and Administration Department (Cabinet Wing) letter No. SOG (E &AD) 9-85/2023 dated 16th January 2023, read with Government of Khyber Pakhtunkhwa, Local Government Elections and Rural Development Department letter No. CU (LG&RDD) TLG/2-2/2023 dated 6th February 2023 and Local Council Board letter No. AO-III/LCB/2-1/2023 dated 28th March 2023, to ensure that all expenditures of Tehsil Municipal Administrations are sanctioned from concerned Mayor/Chairman prior to incurring of expenditure.

TMO Mulkow, Upper Chitral, incurred expenditure of Rs.45,002,582 during financial year 2023-24 without approval of the Tehsil Chairman as required under the rules referred to above due to which the expenditure was irregular. Detail is as under:

(Amount in Rs.)

EXPENDITURE DURING 2023-24					
General Account	PLA	Development Account	Pension Account	Security Account	Total
26,652,298	14,517,961	1,280,920	74,896	2,476,508	45,002,582

Audit observed that irregular expenditure occurred due to violation of rules, resulting in misuse of powers

When pointed out in November 2024, management stated that as the Tehsil Council was not practically functional therefore, the Tehsil Chairman was not permanently available in the TMA to timely obtain sanctions for each and every transaction for smooth running of the day-to-day business of the TMA. Moreover, the practice was not in vogue in almost all the TMAs of the province due to non-availability of clear instructions of the provincial Government.

Management reply was not convincing as clear instructions for obtaining sanctions from the Tehsil Chairman, before incurring the expenditure, were issued by the LCB three month prior to the commencement of financial year 2023-24 i.e. during the month of March 2023.

PAO (TMO Mulkow) was requested in December 2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends regularization of the expenditure from the competent authority besides fixing responsibility on the person(s) at fault.

AIR Para No. 04/2023-24

9.3 Assistant Director LG & RDD, Upper Chitral

9.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 19.233 million were raised as a result of this audit. This amount also includes recoverable of Rs. 19.233 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	Procurement related irregularities	14.976
B	Management of Accounts with Commercial Banks	4.257
Total		19.233

9.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Details of VACs/NACs Meetings are given below:

Sr. No.	Audit Year	VACs/NACs Meetings
1.	2020-21 to 2023-24	Not convened

9.3.3 Audit Paras

9.3.3.1 Irregularities

A. Procurement related irregularities

9.3.3.1.1 Overpayment due to allowing composite rate of MRS & non-exclusion of labour rate – Rs.1.814 million

According to the Government of Khyber Pakhtunkhwa Finance Department notification No.MRS/FD/4-2/NOTIFICATION/2021-22 dated 28.09.2021 read with analysis of the Market Rates System 2021, labour charges were included in the composite rates of all items of works of the MRS.

During audit of the accounts of Assistant Director LG&RDD Upper Chitral for the Financial Year 2023-24, it was observed that the Assistant Director LG&RDD Upper Chitral awarded a work “Provision of ten thousand feet HDPE pipe” of estimated cost of Rs.20.00 million to M/S Samiullah Builders @ 15.40 % below on MRS 2021 during the month of April 2022. As evident from the approval of the scheme and relevant record, HDPE pipes of different dia were supplied to the people of the various areas of Upper Chitral while composite rate of MRS 2021 was paid to the contractor without excluding labour rate due to which overpayment of Rs. 1,814,348 was made to the contractor. Detail is given at **Annexure-9.3**.

Non-deduction sales tax occurred due to violation of rules, resulting in loss to the Government.

When pointed out in October 2024, management stated that approved rates of the relevant items as per MRS 2021 were paid in accordance with the approved cost estimates and technical sanctions. Reply was not convincing as composite rate was paid for just provision/supply of pipes instead of reduced rates by excluding labour charges.

PAO (DC Upper Chitral) was requested in November 2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends recovery from the contractor or persons at fault and deposit into Government treasury.

AIR Para No.08/2023-24

9.3.3.1.2 Loss to Government due to non-deduction of Sales Tax – Rs.6.00 million

According to Khyber Pakhtunkhwa Sales Tax on Service Act, 2022, 15% tax was applicable on payment to others for services rendered i.e. A03919.

During audit of the accounts of AD LG&RDD Upper Chitral for the Financial Year 2023-24, it was observed that the AD LG&RDD Upper Chitral received three Cheques of Rs.40,000,000 from the office of the Deputy Commissioner/DAO Upper Chitral on account of payment for snow clearance of roads in connection with General Elections 2024. The AD LG&RDD Upper Chitral executed the works through contractors but KP Sales tax on services amounting to Rs.6,000,000 was not deducted from the bills of the contractors.

Non-deduction KP sales tax occurred due to violation of rules, resulting in loss to the Government.

When pointed out in October 2024, management that the matter would be taken up with DC office and detailed reply would be furnished later on. However, no reply was furnished till finalization of this report.

PAO (DC Upper Chitral) was requested in November 2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends recovery of government taxes and deposit into Government treasury.

AIR Para No.17/2023-24

9.3.3.1.3 Overpayment due to allowing payment in excess of the actual measurement at site – Rs.7.162 million

According to Para 209 (d) of CPWA Code provides that it is incumbent upon the person, responsible for measurements in the measurement book (MB), to record the correct and actual figures.

Assistant Director LG&RDD Upper Chitral received three Cheques of Rs.40,000,000 from the office of the Deputy Commissioner/DAO Upper Chitral on account of payment to others for services rendered under the head A03919 for snow clearance of roads in connection with General Elections 2024. Out of the total eight (08) contractor bills, three bills of Rs.19,700,000 were paid against the

measurement of Rs. 12,538,758 as evident from the attached copies of measurements due to which overpayment of Rs.7,162,232 was made to AD office. However, original measurement book was not provided despite repeated requests. Detail is as under:

(Amount in Rs.)

S.No	Total Bill Paid	Payable amount as per Measurement	Overpayment
01	4,700,000	2,400,000	2,300,000
02	7,400,000	5,000,000	2,400,000
03	7,600,000	5,137,758	2,462,232
Total	19,700,000	12,537,758	7,162,232

Overpayment occurred due to weak internal controls resulting in loss to the Government.

When pointed out in October 2024, management stated that detailed reply would be furnished after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAO (DC Upper Chitral) was requested in November 2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends recovery from the persons at fault besides fixing responsibility on the persons at fault.

AIR Para No.19/2023-24

B. Management of Accounts with Commercial Banks

9.3.3.1.4 Non-deposit of profit of designated PLS bank accounts – Rs.4.257 million

According to Para 1 and 2 of Finance Department Khyber Pakhtunkhwa letter No. 2/3-(F/L)/FD/2007-08/Vol-IX dated 10th February 2014, Khyber Pakhtunkhwa Finance Department has from time to time allowed sanctioned Bank accounts in the commercial bank for various Departments/Autonomous/ Semi-Autonomous Bodies/Corporations in Khyber Pakhtunkhwa for particular and specific purposes. Such accounts may be converted to PLS mode and the profit earned be deposited in Government Treasury under relevant head of account immediately and not later than a week when declared by the concerned bank.

During audit of the office of Assistant Director, LG&RDD, Upper Chitral, for the financial year 2023-24, it was observed that profit of Rs.4,257,528 was earned on the bank balances of the PLS account at various banks. However, the profit was not deposited into the government treasury till the date of audit. Moreover, huge amount in million as earned during financial years 2015-16 to 2022-23 was also lying in designated bank accounts of the Village Councils and was not deposited into Government treasury. Detail is given at the **Annexure-9.4**.

Non-deposit occurred due to non-compliance to Finance Department KP instructions resulting in loss to the Government.

When pointed out in October 2024, management stated that earned profit would be deposited into Government treasury and Challans would be provided to audit for verification. Reply was not tenable as no progress was shared with audit till finalization of this report.

PAO (DC Upper Chitral) was requested in November 2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends deposit of profit into Government treasury. Profit based on actual figures for the previous six Financial Years 2015-16 to 2022-23 may also be deposited into Government treasury.

AIR Para No.02/2023-24

CHAPTER-10

DISTRICT DERA ISMAIL KHAN



District D.I.Khan is the Headquarter of D.I.Khan Division of Khyber Pakhtunkhwa. According to census of 2023, it has a total area of 7,326 sq.km. with population size of 1,695,688 comprising 51.1% male and 48.9% female. Geographically, it lies south of the province, approximately 320 KMs away from the provincial capital-Peshawar. It is mainly known for its agriculture, minerals, and historical significance. Some of its brief features are given below:

District Profile

Area: 7,326 sq. km.

Population: 1,695,688

Languages: Saraiki and Pashto.

Tehsil: 6

No. of village Councils: 150

No. of Neighborhood Councils: 36

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



10.1 Local Government, D.I.Khan

10.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 65.319 million were raised as a result of this audit. This amount also includes recoverable of Rs. 20.319 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)		
Sr. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	5.685
B	Procurement related irregularities	25.821
C	Management of Accounts with Commercial Bank	2.851
2	Others.	31.473
Total		65.83

10.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meetings
1.	2002-03 to 2023-24	Not convened

10.1.3 Audit Paras

10.1.3.1 Irregularities

A. HR/Employees related irregularities

10.1.3.1.1 Loss to Govt due to illegal appointment of PSTs-Rs.3.849 million

According to office order issued in the light of recommendations of inquiry committee by the DEO (F) D.I. Khan vide No.429-35/DEO (F) dated 09.07.2024, the appointment orders bearing No.11205-9 dated 16.09.2022 and 11245-48 dated 27.09.2022 were found to be beyond the recommendation of the Departmental Selection Committee and initial appointment were suspended by the competent authority with direction to SDEOs concern to stop their salaries.

During Audit of the accounts of District Education Officer (Female) D.I.Khan for the financial year 2023-24, it was observed that local office appointed 27 Primary School Teacher (PST) BS-12 beyond the recommendation of the Departmental Selection Committee. While the teachers joined their duties on the basis of bogus appointment orders whereas entries of the ETEA score column have been wrongly entered with fraud and forgery and further more inquiry committee terminated their services with direction to SDEOs concern to stop their salaries. Moreover, during scrutiny of HR data in SAP system it was observed that various teacher concern withdrew their salaries amounting to Rs.3,849,693 during financial year 2023-24 as detail given in **Annexure-10.2**.

The lapse occurred due to weak internal controls, resulting in loss to Government exchequer.

When pointed out in August 2024, the management stated that recovery will be made from the person (s) concern and progress will be intimated to audit in due course of time. Reply was not tenable as no progress was shown by the department.

PAO (DC D.I.Khan) was requested in September 2024 with several reminders No. Admin/Follow-up/2024-25/1766-67 & 1772-73 dated 18-11-2024 and 21-11-2024 respectively to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry for fixing of responsibility and action against the person(s) at fault besides strengthening of internal controls to avoid such lapse in future.

AIR Para No. 11 (2023-24)

10.1.3.1.2 Overpayment on account of TA/DA – Rs.1.836 million

According to Rule 74 (a) of the Khyber Pakhtunkhwa Budget rules 2016, every officer incurring or authorizing expenditure from district fund shall be guided by high standards of financial propriety. Among the principles on which generally greater emphasis is laid down that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During Audit of the accounts of District Education Office (M) D.I. Khan for the financial year 2023-24, it was observed that an amount of Rs.1,835,870 was over paid on account of TA/DA in respect of various officials, as the Office concern claimed TA/DA of tour programs of Local Inspection of schools and Peshawar/ Islamabad while as per Bio-matric attendance record the officials concern were present in the office and also claimed excess daily charges than permissible rates which resulted into over payment from Government treasury. Detail given in **Annexure-10.3**.

Overpayment occurred due to weak internal controls, resulting in loss to Government.

When report in August 2024, the management stated that reply would be submitted after consulting record.

Reply was not tenable as in the absence of detailed reply the veracity of expenditure incurred could not be authenticated. PAO (DC D.I. Khan) was requested in September 2024 with several reminders No. Admin/Follow-up/2024-25/1766-67 & 1772-73 dated 18-11-2024 and 21-11-2024 respectively to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry for fixing of responsibility and action against the person(s) at fault besides strengthening of internal controls to avoid such lapse in future.

AIR Para No. 03 (2023-24)

B. Procurement related irregularities

10.1.3.1.3 Irregular and uneconomical expenditure on account of purchase of CCTV cameras Rs. 25.821 million.

As per S.No (3) (ii) of the Govt of Khyber Pakhtunkhwa Home & Triable Affairs Department letter No.SO (Security-II) /1-2/HD / General Election/2024 dated 2th May 2024, regarding minutes of the meeting about disposal of CCTV cameras UP and batteries installed for general elections-2024, the Deputy Commissioner concerned will make proper handing taking over with District Education Officer (DEO) concerned clearly mentioning the specification and condition of CCTV and accessories. DEO concerned will further make the necessary handing taking over with concerned school's Principal/ Headmaster.

During Audit of the accounts of Deputy Commissioner (D.I. Khan) for the Financial Year 2023-24, it was noticed that an expenditure of Rs.25,821,710 was incurred on account of purchase and installation of CCTV cameras along with accessories in 117 sensitive polling stations established in various Govt schools in District D.I. Khan during General Election 2024. Audit observed the following irregularities;

- i. CCTV Cameras, UPS, batteries and other IT related equipment were directly purchased from supplier (IT Expert D.I. Khan) without using open competitive bidding as the principal method of procurement for the procurement of IT equipment.
- ii. The Deputy Commissioner has not made any proper handing taking over of the said equipment with DEO (M & F) D.I. Khan and school's Principal concern in violation of Govt of Khyber Pakhtunkhwa Home & Triable Affairs Department letter mentioned above.
- iii. Detailed list of polling stations duly signed by the District Returning Officer where CCTV cameras were installed was not available on record.

The lapse occurred due to weak internal controls, resulting in uneconomical and irregular expenditure.

When pointed out in July, 2024, the management stated that detailed reply regarding placing of supply order and handing taking over of stock will be given in due course of time. Reply was not tenable as in the absence of detailed reply the veracity of expenditure incurred could not be authenticated.

PAO (DC D.I.Khan) was requested in August 2024 with several reminders No. Admin/Follow-up/2024-25/1772-73 & 1766-67 dated 11,21/11/2024 and No.1762-63 dated 18-11-2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry for fixing of responsibility and action against the person(s) at fault besides strengthening of internal controls to avoid such lapse in future.

AIR Para No. 01 (2023-24)

C. Management of Accounts with Commercial Banks

10.1.3.1.4 Irregular and un-justified cash withdrawal of funds from bank account Rs.2.851 million

According to Government of KPK Finance Department letter No. BO(W&M)/6-5/2019-20 Dated Peshawar the 19th February, 2020, “All the Principal Accounting Officers and DDOs are advised to stop henceforth all cash payments and open cheques payments.”

During audit of the District Education Office (M), D.I. Khan for the financial year 2023-24, it was observed that an amount of Rs.2,851,000 was withdrawn in cash from designated bank Account No.4063005243 (National Bank of Pakistan). However, the whereabouts and further disbursement / utilization, actual payee receipts were not available on record. Detail is given in **Annexure-10.4.**

Cash drawl from bank account occurred to weak internal controls, resulting in misappropriation of public money.

When pointed out in August 2024, the management stated that reply would be submitted after consulting record. Reply was not tenable as in the absence of detailed reply the veracity of expenditure incurred could not be authenticated.

PAO (DC D.I.Khan) was requested in August 2024 with several reminders No. Admin/Follow-up/2024-25/1772-73 & 1766-67 dated 11,21/11/2024 and No.1762-63 dated 18-11-2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry and action against the cheques drawing authority for drawl of funds in cash.

AIR Para No. 02 (2023-24)

10.1.3.2 Others

10.1.3.2.1 Un-authorized expenditures of Rs. 12.999 million.

According to rule-1 quoted in NIC “only those contractors/Firms can apply for supplying ration to Social Welfare subordinate offices/institutions who are in active tax payer list” & “contractor should provide registration certificate received from provincial/federal government”.

During Audit of the accounts of District Office Social Welfare, D.I. Khan for the Financial Year 2023-24, it was observed that an expenditure for Rs.12,999,566 was incurred on account of purchase of food items for the welfare home and drugs addiction center, D.I. Khan. It was observed that contractor was not active tax payer list of FBR at the time of participation in bidding/tendering process on 20/07/2023 and registered himself with FBR later on 07/12/2023.

Un-authorized expenditure occurred due to weak internal control which resulted into violation of government rules.

When reported in December 2024, management stated that detailed reply will be given after consulting the original record. However, no reply was furnished till finalization of this report. Reply was not tenable as no progress was shown by the department.

PAO (DC D.I.Khan) was requested in December 2024 with several reminders No. Admin/Follow-up/2024-25 No.1862-64 dated 23-12-2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends that the matter may either be justified or made an inquiry for fixing responsibilities on the person(s) at fault under intimation to Audit at the earliest.

AIR Para-08/2023-24

10.1.3.2.2 Loss to Govt. due to missing wheat stock -Rs.10.432 million

According to Rule 8 and 26 of the General Financial Rules Volume-I, each administrative department to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury.

During Audit of the accounts of District Director Agriculture (Agriculture Development Fund), D.I. Khan for the financial year 2022-23, it was observed that

Farm Manager purchased 1,029,500 kg (20,590 bags) of wheat seed at the rate of Rs.64/kg. As per Federal Seed Certification Officer, only 866,500 kg (17,330 bags) were processed for cleaning while the remaining seed of 163,000 kg (3,260 bags) @64/kg was un-accounted for, resulting in a loss of Rs.10,432,000 to the government exchequer.

(Amount in Rs.)

Wheat purchased from farms (Kg)	Wheat bags put to process (Kg)	Missing stock (Kg)	Rate paid per Kg	Loss to Govt
1,029,500 kg	866,500 kg	163,000 kg	64/kg	10,432,000

The lapse occurred due to weak internal controls, resulting in loss to Government.

When pointed out in February 2024, management stated that a detailed reply would be submitted after consulting relevant record. Reply was not tenable as in the absence of detailed reply the veracity of expenditure incurred could not be authenticated.

PAO (DC D.I. Khan) was requested in August 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

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

AIR No.09 (FY 2022-23)

10.1.3.2.3 Loss to Government due to non-deduction of income tax-Rs.5.428 million

According to section 153(1)(c) of Income Tax Ordinance 2001, every prescribed person making a payment in full or part including a payment by way of advance to a resident person on the execution of a contract, including contract signed by a sportsperson but not including a contract for the sale of goods or the rendering of or providing services, shall, at the time of making the payment, deduct tax from the gross amount payable (including sales tax, if any) at the rate of 14% from non-filer individual.

During audit of the accounts of District Director Soil Conservation, D.I. Khan for the financial year 2022-23, it was observed that income tax amounting to

Rs. 5,427,918 was not deducted from the contractor's bills of development schemes. Detail given in **Annexure-10.5**.

Non-deduction of income tax occurred due to weak financial controls, resulting in loss to Government.

When pointed out in March 2024, management replied that the Income tax was deducted accordingly. Evidence will be provided at the time of DAC.

Reply was not convincing as no documentary proof of the income tax deducted was shown to audit. PAO (DC D.I. Khan) was requested in August 2024 with several reminders No. Admin/Follow-up/2024-25/1772-73 & 1766-67 dated 11,21/11/2024 and No.1762-63 dated 18-11-2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry for fixing of responsibility and action against the person(s) at fault besides strengthening of internal controls to avoid such lapse in future.

AIR No.02 (FY 2022-23)

10.1.3.2.4 Overpayment on account of POL charges- Rs. 1.406 million

As per Administration Department (Transport wing) letter No.SO(T) AD/4-5/transport rules/2022 dated 17.06.2022, in compliance with directives issued by the Chief Minister KP in wake of massive hike in price of petroleum products, the competent authority / Chief Secretary is please to impose 35% cut on POL expenditure and revise POL ceiling limits for various post of Govt and revised ceiling of POL for Assistant Commissioner for both local and officials touRs.is fixed at 195 litters / month w.e.f June 2022.

During audit of the accounts of the Deputy Commissioner D.I. Khan for the FY- 2023-24, it was observed that the various Assistant Commissioners posted in District D.I. Khan consumed POL in excess quantity than permissible ceiling limits of 195 litters approved by Administration Department KP resulting into over payment of Rs.1,406,537. Detail given in **Annexure-10.6**.

Over payment occurred due to weak internal controls, resulting in loss to Government.

When pointed out in July, 2024, the management stated that the point of the audit has been noted and after consultation of record notices of recovery will be issued to officers' concern. Reply was not tenable as no progress was shown in this regard.

PAO (DC D.I.Khan) was requested in August 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry for fixing of responsibility and action against the person(s) at fault besides strengthening of internal controls to avoid such lapse in future.

AIR Para No. 06 (2023-24)

10.1.3.2.5 Overpayment to contractors in supply of food items Rs. 1.217 million

According to the DO Social Welfare Office, D.I. Khan letter No. DO/SWD/DIK/Food/2023-24/262 dated 31/07/2023, a committee has approved per head quantity and rates for supply of food items to quarter concern for orphan house and Rehabilitation center for drugs abdicated patients.

During Audit of the accounts of District Office Social Welfare, D.I. Khan for the financial year 2023-24, it was observed that payment of Rs.12,999,566 was made to M/S Haji Aurangzeb Khan Gandapur & Son and M/S Abdul Haseeb Government Contractor & General Order Supplier for the purchase of various food items, while an excess payment of Rs. 1,217,650 was made over and above approved rates and quantities. Moreover, according to attendance sheets attached with the bills, the total quantities claimed by the contractors/supplier in their bills are in excess then the actual persons admitted in the welfare home or Drugs Addicts Center in D.I. Khan. Detail given in **Annexure-10.7**.

Overpayment occurred due to weak internal controls resulting in loss to government.

When reported in December 2024, management stated that detailed reply will be given after consulting the original record. However, no reply was furnished till finalization of this report.

Reply was not tenable as no progress was shown by the department. PAO (DC D.I. Khan) was requested in December 2024 with several reminders No. Admin/Follow-up/2024-25 No.1862-64 dated 23-12-2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery from the person(s) at fault and strict action against those involved in for allowing undue favour to contractor concerned under intimation to Audit at the earliest.

AIR Para-01 (2023-24)

10.2 Tehsil Municipal Administrations, D.I. Khan

10.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 35.582 million were raised as a result of this audit. This amount also includes recoverable of Rs. 6.574 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	Procurement related irregularities	6.488
B	Management of Accounts with Commercial Bank	22.520
2	Others	6.574
Total		35.582

10.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

Sr. No.	Audit Year	TAC Meetings
1.	2002-03 to 2011-12	N/A
2.	2012-13 to 2023-24	Not convened

10.2.3 Audit Paras

10.2.3.1 Irregularities

A Procurement related irregularities

10.2.3.1.1 Doubtful & Un-economical expenditure on account of rent of excavator -Rs.6.488 million

According to Rule 74 (a) of the Khyber Pakhtunkhwa Budget rules 2016, every officer incurring or authorizing expenditure from district fund shall be guided by high standards of financial propriety. Among the principles on which generally greater emphasis is laid down that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

According to Rule 30 of KPPRA Rules-2014, each procuring entity shall plan its procurements with due consideration to transparency, economy, efficiency and timeliness, and shall ensure equal opportunities to all prospective bidders in accordance with section 22 of the Act.

During Audit of the accounts of Tehsil Municipal Administration, Paroa for the financial year 2023-24, it was observed that an expenditure of Rs.6,488,750 was incurred on account of rent for hiring of excavator for earth work during 2023-24. Detail given in **Annexure-10.8**. The expenditure seemed doubtful and un-economical on the following grounds;

- i. Work was directly executed by the department without inviting tender from the open market to get the economical rates.
- ii. Neither detailed cost estimates, PC-I, TS nor measurement book was maintained by the quarter concern.
- iii. Cost of work done is beyond the technical and financial powers of TOI.
- iv. Exact location of scheme was neither mentioned in any document nor was GPS coordinates available in record.
- v. Payments were shown made to excavator owner M/S Juma Khan in cash instead of cross Cheque which creates doubt about actual work done at site.

- vi. Incurrence of huge expenditure by a TMA which already facing financial constraints is wasteful and wastage of public money.

Lapse occurred due to weak internal controls resulting in un-economical expenditure.

When pointed out in October, 2024, management stated that detailed reply will be given after consultation of record. Reply was not convincing as in the absence of detailed reply, the veracity of expenditure incurred could not be authenticated.

PAO (TMO Paroa) was requested in November, 2024 with subsequent reminder to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry for fixing of responsibility and action against the person(s) at fault besides strengthening of internal controls to avoid such lapse in future.

AIR Para No. 03 (2023-24)

B Management of Accounts with Commercial Banks

10.2.3.1.2 Irregular cash drawl of funds from bank account Rs.22.520 million

According to direction 2.27.2.8 of APPM, “the accounting system shall include controls to minimize the risk of fraud and corruption. This objective shall be addressed by; Issue of payment through direct bank transfer and cheques”.

During Audit of the accounts of Tehsil Municipal Administration, Kulachi for the financial year 2023-24, it was observed that amount of Rs.22,520,115 was withdrawn in cash from designated bank account (the Bank of Khyber), while the whereabouts and further disbursement / utilization, actual payee receipts and justification for such huge amount of cash payment was not available in record and thus creating a doubt about of actual payment to payee concern. Detail given in **Annexure-10.9**.

Cash withdrawal from bank account occurred to weak internal controls resulting into misappropriation of public money.

When pointed out in October, 2024, management stated that complete reply will be given after consultation of record.

Reply is not convincing as payment to vender/ supplier may be made through crossed cheques i.e. "Payee Account Only". PAO (TMO Kulachi) was requested in November, 2024 with subsequent reminder, No. Admin/Follow-up/2024-25/1844-47 dated 17-12-2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry and action against the cheques drawing authority for withdrawal of funds in cash.

AIR Para No. 06 (2023-24)

10.2.3.2 Others

10.2.3.2.1 Non-recovery of auction amount from Contractors-Rs. 5.115 million.

According to Section 5 (1-C) of District Government budget rules 2016 stats that each controlling officer must ensure that all sums due to Government or regularly and promptly assessed, realized and duly credited in the Government treasury.

During Audit of the accounts of Tehsil Municipal Administration, D.I. Khan for the financial year 2023-24, it was observed that various contracts were auctioned for total worth for Rs.53,849,332, while a sum of Rs.48,733,458 was collected whereas a sum of Rs. 5,115,874 is still outstanding against the contractors. Detail given in **Annexure-10.10**.

Non-recovery of auction amount was occurred due to weak financial controls resulting in loss to TMA.

When reported in October, 2024, the management replied that after scrutiny of the relevant record proper reply will be given.

PAO (TMO D.I. Khan) was requested in November, 2024 with subsequent reminder No. Admin/Follow-up/2024-25/1844 - 47 dated 17-12-2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of balance amount from the defaulters and action against the person (s) at fault.

AIR Para No. 02 (2023-24)

10.2.3.2.2 Loss due to Non-recovery of Income Tax -Rs.1.459 million

According to section 236A of Income Tax Ordinance 2001 any person making sale by public auction or auction by a tender, of any property or goods (including property or goods confiscated or attached) either belonging to or not belonging to the Government, local Government, any authority, a company, a foreign association declared to be a company, shall collect advance tax, computed on the basis of sale price of such property and at the rate specified in Division VIII of Part IV of the First Schedule, from the person to whom such property or goods are being sold.

During Audit of the accounts of Tehsil Municipal Administration, Paharpur for the financial year 2023-24, it was observed that various receipts contracts were awarded to various contractor's but did deduct income tax-Rs.1,459,654. Details given in **Annexure-10.11**.

Lapse occurred due to weak internal controls resulting into non-recovery of income tax from the contractors' concern.

When pointed out in October 2024, management stated that amount will be recovered soon. However, no progress intimated till finalization of this report. Reply was not tenable as no progress was shown in this regard.

PAO (TMO Paharpur) was requested in November, 2024 with several reminders No. Admin/Follow-up/2024-25/1844-47 dated 17-12-2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry for fixing of responsibility and action against the person(s) at fault besides strengthening of internal controls to avoid such lapse in future.

AIR Para No. 06 (2023-24)

10.3 Assistant Director LG & RDD, D.I. Khan

10.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 57.286 million were raised as a result of this audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Others	57.286
Total		57.286

10.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs Meetings are given below:

Sr. No.	Audit Year	VACs/NACs Meetings
1.	2013-14 to 2023-24	Not convened

10.3.3 Audit Paras

10.3.3.1 Others

10.3.3.1.1 Irregular withdrawal of funds on simple receipt- Rs. 50.00 million

According to direction 2.27.2.8 of APPM, “the accounting system shall include controls to minimize the risk of fraud and corruption. This objective shall be addressed by; Issue of payment through direct bank transfer and cheques”.

According to Government of KPK Finance Department letter No. BO(W&M)/6-5/2019-20 Dated Peshawar the 19th February, 2020, “All the Principal Accounting Officers and DDOs are advised to stop henceforth all cash payments and open cheques payments.”

During Audit of the accounts of Assistant Director Local Govt D.I. Khan for the financial year 2023-24, it was observed that expenditure of Rs. 50,000,000 was incurred on an account of repair of machinery and equipment, However, amount was drawn in lump-sum on simple receipt vide Cheque No. 2836722 dated 22.06.2024 from Govt treasury. Moreover, no detail of further utilization of funds was available record.

The lapse occurred due to weak internal controls, resulting into advance payment.

When pointed out in October 2024, the management stated that funds were withdrawn on simple receipt to avoid the lapse of budget.

Reply of the department was not satisfactory as money can only be withdrawn from treasury after actual work done. Advance withdrawal is not allowed from treasury. PAO (DC D.I. Khan) was requested in November, 2024 with subsequent reminder Nos Admin/Follow-up/ 2024-25/1850-51 dated 17-12-2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry for fixing of responsibility and action against the person(s) at fault.

AIR Para-01 (FY-2023-24)

10.3.3.1.2 Irregular expenditure on account of developmental schemes- Rs.7.286 million

According to Government of Khyber Pakhtunkhwa, Planning and Development, Civil Secretariat Peshawar Coordination Section Letter No 1060-67 dated 10.05.2016, no project shall be processed for consideration /approval of competent Forum without GPS coordinates.

According to Rule 209 of CPWA requires that detailed measurement should be recorded nearly in Measurement Book (MB) by the Engineer in Charge.

According to terms and conditions given in Administrative Approval issued by the Deputy Commissioner D.I.Khan vide No.697/DC/AA/SAP-IV dated 31.12.2021 that: -

- i. Indication of exact location of schemes will be ensured through GPS coordinates.
- ii. It will be ensured by the executing agency that scheme is community based and not for individual interest.
- iii. It shall be responsibility of executing agency to ensure that there is no duplication of over lapping and public interest has been taken into account without general discrimination.
- iv. Executing agency shall maintain photographs & visual videos of existing condition of each site before and after completion of schemes.

During Audit of the accounts of Assistant Director Local Government D.I. Khan for the financial year 2023-24, it was observed that expenditure of Rs. 7,286,326 was incurred on account of construction of PCC streets at various locations. Detail given in **Annexure-10.12**.

Audit observed the following irregularities;

- i. Measurement book was not available on record to verify the quantity of work executed at site.
- ii. Exact location of schemes was neither mentioned in Administrative Approval nor GPS coordinates was available in record.
- iii. No pictorial evidences of site before and after execution of work were available in record.

- iv. No detailed cost estimates / PC-I was available in recorded to verify the actual quantity of work to be executed at site.
- v. No NOC was obtained from TMA as the same nature of work is also being executed by the department in the district.

Irregular expenditure occurred due to weak internal controls, resulting in wastage of public money.

The lapse occurred due to weak internal controls, resulting in irregular expenditures.

When pointed out in October 2024, the management stated that MBs and GPS Coordinates of schemes will be shown to audit in due course of time. Reply was not tenable as no progress was intimated till finalization of this report.

PAO (DC D.I. Khan) was requested in November, 2024 with several reminders No. Admin/Follow-up/2024-25/1850-51 dated 17-12-2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry for fixing of responsibility and action against the person(s) at fault besides strengthening of internal controls to avoid such lapse in future.

AIR Para-05 (FY-2023-24)

10.4 Water Supply & Sanitation Services Company, D.I. Khan

10.4.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 86.200million were raised as a result of this audit. This amount also includes recoverable of Rs. 2.520 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	Management of Accounts with Commercial Bank	46.447
2	Others	39.753
Total		86.200

10.4.2 Comments on the Status of Compliance with PAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of Public Accounts Committee (PAC) Meetings are given below:

Sr. No.	Audit Year	PAC Meetings
1.	2019-20 to 2023-24	Not convened

10.4.3 Audit Paras

10.4.3.1 Irregularities

A Management of Accounts with Commercial Banks

10.4.3.1.1 Cash withdrawal of funds from bank account Rs. 46.447 million

According to direction 2.27.2.8 of APPM, “the accounting system shall include controls to minimize the risk of fraud and corruption. This objective shall be addressed by; Issue of payment through direct bank transfer and cheques”.

According to Government of KPK Finance Department letter No. BO(W&M)/6-5/2019-20 Dated Peshawar the 19th February, 2020, “All the Principal Accounting Officers and DDOs are advised to stop henceforth all cash payments and open cheques payments.”

During Audit of the accounts of WSSC D.I. Khan for the financial year 2023-24, it was observed that cash for Rs. 46,447,460 was withdrawn from designated bank account No.2001437863 the Bank of Khyber (Branch Code 004 D.I. Khan) on account of non-salaries / non-developmental expenditure, while the whereabouts and further disbursement / utilization, actual payee receipts were not available in record. Detail given in **Annexure-10.13**.

Cash withdrawal from bank account occurred to weak internal controls resulting into misappropriation of public money.

When pointed out in December, 2024, management stated that complete reply will be given after consultation of record.

Reply is not convincing as payment to vender/ supplier must be made through crossed cheques i.e. “Payee Account Only”. PAO (Secretary Local Govt Department KP) was requested in December, 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry and action against the cheques drawing authority for withdrawal of funds in cash.

Note: This issue was also reported earlier in the Audit Reports for the Audit Years 2023-24 vide paras numberr 5.4.1.1 having financial impact of Rs.36.825 million. Recurrence of same irregularity is a matter of serious concernn.

AIR Para-01 (FY-2023-24)

10.4.3.2 Others

10.4.3.2.1 Irregular expenditure on POL of vehicles-Rs. 37.233 million

According to Motor Car Maintenance Rules 1997, Log book for Government vehicle shall be maintained for recording each and every entry of POL on each occasion.

During Audit of the accounts of WSSC D.I. Khan for the financial year 2023-24, it was observed that expenditure of Rs.37,233,172 was incurred on account of POL charges.

Following shortcomings were noticed; -

- i. Log books of vehicles of drawl & consumption of POL with reference to distance covered was not maintained by the CEO WSSC D.I.Khan.
- ii. Detail of vehicles along with ceiling was not found attach with claims.

Lapse occurred due to weak internal controls resulting into irregular expenditure.

When pointed out in December, 2024, management stated that Log Books are being updated and will be submitted to Audit for verification in due course of time.

Reply was not tenable as in the absence of detailed reply, the veracity of expenditure incurred could not be authenticated. PAO (Secretary Local Govt Department KP) was requested in December, 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

As such expenditure on POL of vehicles without maintenance of Log Books was held irregular, which needs to be justified.

AIR Para-05 (FY-2023-24)

10.4.3.2.2 Irregular payment on account of advances-Rs. 2.520 million

According to Rule 290 of CTR read with Rule 136 of GFR Vol-1, no money should be drawn from Government Treasury unless required for immediate disbursement and adjustment thereof required to submit within prescribed period or return to head quarter before or on 30th. June.

During Audit of the accounts of WSSC D.I. Khan for the financial year 2023-24, it was observed that advance payments for Rs.2,520,000 was made to various staff members without mentioning any reason/ purpose. Detail given in **Annexure-10.14.**

Audit observed the following;

- i. As per cash book amount for Rs.2,520,000 was paid to various employees (Rs.315,000 to each person) but the purpose for payment made was not mentioned in any document, moreover, the supporting vouchers were also not available in record.
- ii. Open cheques were issued to the officials instead of cross cheques in favour of payee.
- iii. The payment of advances was also acknowledged by the official concern.

Irregular payment of advances occurred due to weak internal controls resulting into misappropriation of funds.

When pointed out in December, 2024, management stated that Log Books are being updated and will be submitted to Audit for verification in due course of time. Reply was not tenable as in the absence of detailed reply, the veracity of expenditure incurred could not be authenticated.

PAO (Secretary Local Govt Department KP) was requested in December, 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends maintenance of Log Books and action against the person(s) at fault.

AIR Para-08 (FY-2023-24)

CHAPTER-11

DISTRICT DIR LOWER



District Lower Dir is situated in Malakand Division of Khyber Pakhtunkhwa. According to the census of 2023, it has a total area of 1,583 sq. km. with a population size of 1,602,323 comprising 49.25% male and 50.75% female. Geographically, it lies northwest of the province, approximately 240 KMs away from the provincial capital-Peshawar. It is mainly known for its natural resources, agriculture, and historical significance. Some of its brief features are given below.

District Profile

Area: 1,582 Sq KM

Population: 1,602,323

Languages: Pashto

Tehsils: 7

No. of Village Councils: 182

No. of Neighborhood Councils: 16

Source: Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024



11.1 Local Government, Dir Lower

11.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 99.775 million were raised as a result of this audit. This amount includes recoveries of Rs. 16.336 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Non-production of record	18.485
2	Irregularities	-
A	Procurement related irregularities	2.818
3	Value for money and service delivery issues	1.252
4	Others	77.22
Total		99.775

11.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail ZAC/DAC/TAC Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meetings
1.	2002-03 to 2023-24	Not convened

11.1.3 Audit Paras

11.1.3.1 Non-production of record

11.1.3.1.1 Non-production of auditable record of Farm Services Center – Rs 18.485 million

According to Government of Khyber Pakhtunkhwa, Finance Department Letter No. PA/AFS(PFC)/1-1/FD/2017-18, dated 13.08.2018, “non-production of record to the Audit Team is violation of Article 169 & 170 (2) of the Constitution of Pakistan 1973, read with section 8,9 & 14 of the Auditor General of Pakistan (AGP) Ordinance 2001. All such organizations where public money is involved are bound to carry out post audit by the Auditor General of Pakistan in light of the above statutory provision”.

During audit of the office District Director Agriculture, Dir Lower for the financial year 2022-23, it was noticed that the District Director Agriculture did not provide record of Rs. 18,485,853 of Model Farm Services Centre Timargara due to which receipts, payments, procurement, sales and other relevant record/ transactions of the Center and sub center remained un-verified.

Non-production of record occurred due to violation of rules, resulting in un-authentic receipts and expenditure

When pointed out in April 2024, management stated that as per bylaws of Model Farm Services Center/Farm Service Center, the accounts of the centers will be audited by the Director General Agriculture Extension Khyber Pakhtunkhwa or the persons authorized by DGA (Extension) KP. Moreover, the District audit party is only authorized to conduct audit of expenditure booked under Account-IV whereas the expenditure made under the Account-I and provincial Government funds comes under the orbit of DG Audit Khyber Pakhtunkhwa. Reply of the department was not convincing as per Section 37 of LGA 2013, audit of the devolved departments is the mandate of the Director General Audit, Local Government Khyber Pakhtunkhwa and Agriculture Department at District level is a devolved department and Farm Service Center is performing its functions under the control of District Director Agriculture.

Reply of the department was not convincing as per Section 37 of LGA 2013, audit of the devolved departments is the mandate of the Director General

Audit, Local Government Khyber Pakhtunkhwa and Agriculture Department at District level is a devolved department and Farm Service Center is performing its functions under the control of District Director Agriculture.

PAO (DC Dir Lower) was requested in April 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends production of record to audit besides initiating disciplinary action against officers/officials for hindering the auditorial functions of the Auditor-General of Pakistan.

AIR Para No. 03/2023-24 (Lean Period Audit)

11.1.3.2 Irregularities

A. Procurement related irregularities

11.1.3.2.1 Loss due to overpayment on account of compulsory acquisition charges of land – Rs 2.818 million

According to section 23(2) of Land Acquisition Act 1894, “in addition to the market value of the land as above provided, the court shall in every case award a sum of 15% on such market value, in consideration of the compulsory nature of the acquisition”.

During audit of the accounts of Deputy Commissioner Dir Lower for the financial year 2023-24, it was observed that an amount of Rs 18,789,390 was paid on account of acquisition of land for construction of Park/Stadium at Asbanr Abi Shah, Tehsil Adenzai and overpaid thereon Rs 2,818,409 as 15% compulsory acquisition charges. Audit observed the following:

1. Compulsory acquisition charges were allowed at initial stage of acquisition
2. No written objection, obstruction, refusal or appeal made to the Collector/Court by the owner.
3. 15% compulsory acquisition charges shall be allowed by the court under section 23(2) of the Act, not by the other authority.
4. The cases were neither referred to Court nor any proceeding was undertaken/carried out under section 20(a) & (b) mentioned in the criteria.

The lapse occurred due to weak financial controls, resulting in loss to Government.

When pointed out in July 2024, management stated that opinion of the Board of Revenue would be obtained. Reply was not convincing as compulsory acquisition charges were not paid according to the above-mentioned criteria.

PAO (DC Dir Lower) was requested in September 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends recovery besides stoppage of such illegal practice in the future and action against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2020-21 and 2023-24 amounting to Rs. 129.606 million and 22.487 million respectively having total financial impact of Rs. 152.093 million Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 01/2024-25

1.1.3.3 Value for money and service delivery issues

11.1.3.3.1 Un-authorized advance payment and non-supply of medicines – Rs 1.252 million

According to the Clause 22 (a) and (b) of Standard Bidding Documents of Director-General Health Services, Government of Khyber Pakhtunkhwa, the supply of stock shall be completed within 30 days after the receipts of supply order. The supplier may avail 15 days extension with 3% penalty and another 15 days with 7% penalty on the cost of non-supplied items.

During audit of the office of District Population Welfare Officer, Dir Lower for the financial year 2022-23, it was noticed that the District Population Welfare Officer incurred expenditure of Rs 3,603,750 on account of purchase of medicines out of which medicines of Rs 1,252,719 were not supplied after lapse of 10 months despite the fact that the local office made advance payment on 12th June 2023. Detail is given below:

(Amount in Rs.)			
S.No	DDO Code	Name of firm	Amount
01.	DA 6237- Office of the DPWO	GlaxoSmithKline Pakistan	999,329
02.	DA 6346 – Five FWCs		197,343
03.	DA 6352 – Reproductive Health Services Centers Type-A.		56,047
Total:			1,252,719

The lapse occurred due to weak internal and financial controls, resulting in loss to the Government.

When pointed out in April 2024, management stated that the firm has now shown willingness for supply within 10 to 15 days and in case of non-supply the amount would be recovered and deposited into Government treasury. Reply was not convincing as advance payment without supply on the basis of fake invoice was made to the firm without sanction of the competent authority.

PAO (DC Dir Lower) was requested in April 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends immediate recovery or supply of medicine should be made without any further delay. Moreover, penalty should be imposed on the supplier for not making supply in time.

AIR Para No. 05/2023-24 (Lean Period Audit)

11.1.3.4 Others

11.1.3.4.1 Un-authentic payment on account transportation and POL – Rs.9.227 million

Para 23 of GFR Vol.-I states that every Government officer is personally responsible for any loss sustained by Government through fraud or negligence either on his part or on the part of his subordinate staff.

And according to Rule 174 of CTR Vol-I, all payment must be supported with acknowledgement.

During audit of the accounts of Deputy Commissioner Dir lower for the financial year 2023-24, it was noticed that the Deputy Commissioner paid Rs.9,227,000 on account of transportation and POL charges to the Commandant Dir Scouts Timergara. The payment made was held un-authentic as supporting documents were not available on record to authenticate the expenditure. Detail is as under:

(Amount in Rs.)			
S. No.	Particulars	Cheque No. & Date	Amount
1	Hiring of civil vehicles and purchase of equipment/ stationery	1417717 dated 06-02-2024	6,000,000
2	POL	1417738 dated 13-02-2024	3,227,000
Total			9,227,000

The lapse occurred due to weak internal controls, resulting in un-authentic payment.

When pointed out in July 2024, management stated that the concerned quarter would be requested to provide relevant record for audit purpose. Reply was not tenable as relevant record was not shown to audit.

PAO (DC Dir Lower) was requested in September 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends provision of relevant record to authenticate the expenditure besides fixing responsibility against the person(s) at fault.

AIR Para No. 08/2024-25

11.1.3.4.2 Non-recovery of outstanding electricity charges from the allottees of Government residences – Rs 8.558 million

Para 8 and 26 of the General Financial Rules Volume I require each administrative department to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury.

During audit of the office of Deputy Commissioner Dir lower for the financial year 2023-24, it was noticed that Government residential buildings were allotted to various public office holders, however, electricity charges amounting to Rs. 8,558,438 remained outstanding against the allottees of 29 residential buildings. The outstanding dues were reported by the PESCO to the Deputy Commissioner, but recovery was not made.

The lapse occurred due to weak internal controls, resulting in loss to Government.

When pointed out in July 2024, management stated that the concerned officers/officials would be directed to deposit the amount as early as possible and progress would be shown to audit. Reply was not convincing as the amount was not recovered from the concerned.

PAO (DC Dir Lower) was requested in September 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends recovery of electricity charges from the defaulters and deposit into government treasury besides action against the person(s) at fault.

Note: The similar observation was also pointed earlier during the Financial Years 2022-23 amounting to Rs. 9,896,736. However, no corrective measures were taken, resultantly a total irregularity of Rs. 18,455,174 was occurred.

AIR Para No. 23/2024-25

11.1.3.4.3 Un-verified expenditures of PTC fund- Rs 54.475 million

According to PTC guidelines, PTC shall maintain complete record of receipts and payments and shall also submit copies thereof to the DEO concerned at the closer of financial year.

During audit of the accounts of District Education Officers Male and Female Dir lower for the financial year 2023-24, it was noticed that the local offices transferred Rs 34,206,938 (DEO Male) and Rs 20,268,259 (DEO Female), to various schools on account of Class Room Consumables and Petty Repairs. However, administrative inspection of the utilization of fund was not carried out by the officers/committee concerned. Moreover, accounts record i.e. vouchers, cashbook and other supporting documents were not available on record. Detailed below:

(Amount in Rs.)		
Office	Head	Amount
DEO(M)	Petty Repair	18,400,000
	Class Room Consumable	15,806,938
DEO(F)	Petty Repair	12,000,000
	Class Room Consumable	8,268,259
Total		54,475,197

The lapse occurred due to violation of PTC guidelines, which caused un-verified utilization of funds.

When pointed out in august 2024, DEO(M) stated that vouchers of the amount will be collected from the schools and will be shown to audit and DEO(F) stated that all PTC vouchers are available in the office and will be shown to next audit. However, no progress was intimated till finalization of this report.

DAC meeting was held on 30.01.2025 wherein the forum decided that relevant record may be verified by audit within 20 days. Moreover, DEO (M) will carry out inspection of all schools and would submit the report to audit for verification. However, verification was not made till finalization of this report.

Audit recommends provision of relevant record for verification as per the DAC decision.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2019-20, 2021-22 & 2023-24 amounting to Rs 12.685 million, Rs 68.234 million and 37.472 million respectively having total financial impact of Rs.118.391. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 01&01/2024-25

11.1.3.4.4 Non-recovery of Scouts, Shaheen, Girls Guide and Red Crescent Funds -Rs 4.960 million

According to Directorate of Elementary & Secondary Education Khyber Pakhtunkhwa Notification No.9104-80/A-25/Pupil-Fund revised rates Dated March 15th, 2013, Shaheen Scout and Red Crescent Fund should be collected @Rs 5, Rs 35/50 and Rs 5/- per student respectively.

During audit of the office of District Education Officer Male and Female Dir lower for the financial year 2023-24, it was noticed that Rs 4,960,525 was not recovered on account Scouts, Shaheen fund, Girls Guide and Red Crescent fund from the schools as per detail in **Annexure-11.2** (a,b,c&d). Further detail is given below:

(Amount in Rs.)

S No	Name of Office	Name of Fund	Amount
1	DEO Male	Red crescent	0
2	--do--	Scout	0
3	--do--	Shaheen	826,845
4	DEO Female	Girls Guide	1,231,725
Total			2,058,570

The lapse occurred due non-adherence to government standing instructions resulting in loss to Government.

When pointed out management stated that the amount will be recovered and progress will be shown to audit. However, no progress was intimated till finalization of this report.

DAC meeting was held on 30.01.2025 wherein the forum decided to recover/collect the amount within 10 days. However, amount was not recovered till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 02&02/2024-25

11.2 Tehsil Municipal Administrations, Dir Lower

11.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 46.882 million were raised as a result of this audit. This amount includes recoveries of Rs. 17.862 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	Procurement related irregularities	7.706
B	Management of Accounts with Commercial Banks	11.013
2	Others	28.163
Total		46.882

11.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

Sr. No.	Audit Year	TAC Meetings
1.	2002-03 to 2023-24	Not convened

11.2.3 Audit Paras

11.2.3.1 Irregularities

A. Procurement related irregularities

11.2.3.1.1 Loss due to re-auction of GBS Mayar and Samarbagh and award at lesser bid amount - Rs 7.706 million

According to Serial No. 2 of the policy guidelines for auction of contracts of Local Councils circulated vide Government of Khyber Pakhtunkhwa, Local Government, Elections & Rural Development Department, Local Council Board letter No. AOII/LCB/6-11/2022 dated 12th April 2022, if the contractor/Firm violates any term and condition of the auction, he shall be given a notice to rectify himself otherwise his contract should be cancelled while recommending him for cancellation of registration and blacklisting after forfeiting all advances and security.

During audit of the accounts of Tehsil Municipal Administration, Samar Bagh for the financial year 2023-24, it was noticed that the Tehsil Municipal Officer auctioned contracts for GBS Mayar and GBS Samarbagh for 2022-25. In the first auction, highest bids of Rs. 9,010,000 and Rs. 9,135,000, respectively were rejected as the 5% security and 15% advance was not deposited within two days.

In the re-auction, highest bids of Rs. 5,009,000 and Rs. 5,434,000 were accepted, which were less than the previous auction. However, despite similar non-compliance of non-depositing 5% security and 15% advance the contracts were awarded. This decision resulted in a loss of Rs. 7,706,000 to the TMA. Detail is given below:

(Amount in Rs.)

S. No	Contract Name	1 st Auction Highest Bidder Rate	2 nd Auction Highest Bidder Rate	Loss for One Year
1	GBS Mayar	9010000	5007600	4001,000
2	GBS Samarbagh	9135000	5430000	3705,000
Total				7,706,000

The lapse occurred due to violation of policy guidelines, resulting in loss to the TMA and undue favor to the contractor.

When pointed out in November 2024, management stated that the successful bidder failed to deposit 5% security and 15% advance within the stipulated period of time. His security was forfeited in favor of TMA and the contract was put to auction and accordingly awarded in light of relevant terms and conditions as framed by the provincial Government. Reply was not tenable as both the highest bids were rejected without contacting the contractors for deposit of the said advances.

PAOs (TMO Mayar and Samar Bagh) were requested in December 2024 with reminder to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility besides recovery of losses from the person(s) at fault.

AIR Para No. 01 & 02/2024-25

B. Management of Accounts with Commercial Banks

11.2.3.1.2 Loss due to non-deposit of bank profit into Government treasury – Rs 11.013 million

According to para 3 (ix) of the Government of Khyber Pakhtunkhwa, Finance Department Letter No. 2/3/(F/L)/FD/2019-20/Vol-XIII dated 03.02.2020, “In case of current account, the same shall be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately.”

During audit of the accounts of the office of Tehsil Municipal Administrations of Dir Lower for the financial year 2023-24, it was noticed that the Tehsil Municipal Officer earned profit of Rs 11.013 million due to placement of funds in PLS accounts. However, the amount was retained in the respective bank accounts instead of depositing into the government treasury. Detail is given below:

(Amount in Rs.)		
S. No	Name of Office	Profit earned
1	TMA Lal Qila	4.063
2	TMA Balambat	3.674
3	TMA Samar bagh	2.053
4	TMA Khall	1.223
Total		11.013

The lapse occurred due to violation of government standing orders, resulting in loss to the Government.

When pointed out in October 2024, management stated that the bank profit will be deposited into Government treasury and progress will be shown to audit. Reply was not tenable as progress was not shown to audit till finalization of this report.

PAOs (TMOs) were requested in December 2024 with reminder to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends immediate deposit of profit into Government treasury and strengthening internal controls to avoid such lapse in future.

AIR Para No. 01,02,03&02/2024-25

11.2.3.2 Others

11.2.3.2.1 Irregular expenditure without obtaining Technical Sanctions – Rs 21.314 million

According to Para 2.4 of B&R Department Code, no work shall be started without administrative approval, technical sanction and allotment of funds.

During audit of the accounts of Tehsil Municipal Administrations Timergara, Chakdara and Munda, Dir lower for the financial year 2023-24, it was noticed that expenditure of Rs 21.314 million was incurred on account of execution of various developmental schemes without obtaining technical sanctions from the competent authority as detailed at **Annexure-11.3** (a,b&c).

The lapse occurred due to non-adherence to government rules, resulting into irregular expenditure.

When pointed out in November 2024, the management stated that Technical Sanction will be obtained from the competent authority and will be shown to audit. Reply was not tenable as Technical Sanction was required to have been obtained before commencement of work.

PAOs (TMOs) were requested in December 2024 with reminder to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends obtaining Technical Sanction besides fixing responsibility against the person(s) authorizing payments without approval of Technical Sanction.

AIR Para No.01, 01 & 01/2024-25

11.2.3.2.2 Non-recovery of outstanding water charges –Rs 6.849 million

According to Para 26 of GFR Vol-I, it is the duty of 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 Tehsil Municipal Administrations, Timergara and Balambat, Dir lower for the financial year 2023-24, it was observed that water charges amounting to Rs.3.800 million (TMA Timergara) and Rs. 3.049 million (TMA Balambat) were not recovered from the users. Details are provided in the **Annexure-11.4** (a&b).

The lapse occurred due to weak internal controls, resulting in non-recovery of water charges.

When pointed out in November 2024, management stated that the water charges are outstanding against various consumers. Efforts will be made to recover the outstanding amount from the defaulters and progress will be shown to audit. Reply was not tenable as no progress shown in support of the reply till finalization of this report.

PAOs (TMOs) were requested in December 2024 with reminder to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends immediate recovery of water charges from the concerned besides fixing responsibility against the person(s) at fault.

AIR Para No, 02 &01/2024-25

11.3. Assistant Director LG & RDD, Dir Lower

11.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 4.070 million were raised as a result of this audit. This amount is recoverable as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	Management of Accounts with Commercial Banks	3.001
2	Others	1.069
Total		4.070

11.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs Meetings are given below:

Sr. No.	Audit Year	VACs/NACs Meetings
1.	2013-14 to 2023-24	Not convened

11.3.3 Audit Paras

11.3.3.1 Irregularities

A. Management of Accounts with Commercial Banks

11.3.3.1.1 Loss due to non-deposit of bank profit into Government treasury – Rs 3.001 million

According to para 3 (ix) of the Government of Khyber Pakhtunkhwa, Finance Department Letter No. 2/3/(F/L)/FD/2019-20/Vol-XIII dated 03.02.2020, “In case of current account, the same shall be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately.”

During audit of the accounts of the office of Assistant Director LG & RDD Dir Lower for the financial year 2023-24, it was noticed that profit amounting to Rs 3,001,261 was earned on the balance amount lying in various PLS accounts of different VCs/NCs. However, the profit was not deposited into the government treasury till the date of audit. Detail is given at **Annexure-11.5**.

The lapse occurred due to non-compliance with Finance Department KP instructions resulting into loss to the government.

When pointed out in October 2024, the management stated that the bank profit will be deposited into Government treasury and progress will be shown to audit. No progress was intimated to audit till finalization of this report.

DAC meeting was held on 30.01.2025 wherein the forum decided that profit may be deposited into government treasury within 10 days. No progress was intimated to audit till finalization of this report.

Audit recommends implementation of the DAC decision.

Note: The issue was also reported earlier in the Audit Reports for the Audit year 2020-21 & 2023-24 amounting to Rs. 1.85 million & Rs 2.747 million having total financial impact of Rs 4.597 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 03/2024-25

11.3.3.2 Others

11.3.3.2.1 Loss to Government due to non-deduction of KPRA tax-Rs.1.069 million

Para 8 and 26 of the General Financial Rules Volume I require each administrative department to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury.

During audit of the office of Assistant Director LG & RDD Dir Lower for the financial year 2023-24, it was noticed that Rs 1,069,414 was deducted on account of 2% KPRA tax on execution of developmental schemes. However, the same was not deposited into Government treasury. Detail as per **Annexure-11.6**.

The lapse occurred due to weak financial controls, resulting in loss to the Government.

When pointed out in October 2024, management stated that the KPRA tax deducted from the contractors would be deposited into Government treasury and report would be provided. Reply was not convincing as the said amount was not deposited into Government treasury.

PAO (DC Dir Lower) was requested in October 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends immediate recovery of KPRA tax and deposit into Government treasury besides fixing responsibility against the person(s) at fault.

AIR Para No. 11/2024-25

CHAPTER-12

DISTRICT DIR UPPER



District Dir Upper is situated in Malakand Division of Khyber Pakhtunkhwa. According to the census of 2023, it has a total area of 3,699 sq. km with a population size of 1,083,566 comprising 51% male and 49% female. Geographically, it lies in the North of the province, approximately 294 KMs away from the provincial capital-Peshawar. It is predominately mountainous area covered with dense forests of walnuts and pines having scenic valleys like the Kumrat and many others. Dir Upper is known for a variety of fruits especially dry fruits and minerals like high quality of Granite. Some of its brief features are given below:

District Profile

Area: 3,699 Sq KM

Population: 1,083,566

Languages: Pashto, Kohistani

Tehsils: 6

No. of Village Councils: 117

No. of Neighborhood Councils: 5

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



12.1 Local Government, Dir Upper

12.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 142.525 million were raised as a result of this audit. This amount also includes recoveribles of Rs 35.025 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Reported cases of fraud, embezzlement and misappropriation	1.65
2	Irregularities	-
A	HR/Employees related irregularities	5.501
B	Procurement related irregularities	1.998
C	Management of Accounts with Commercial Banks	33.375
3	Value for money and service delivery issues	4.957
4	Others	95.044
Total		140.875

12.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit report pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of Zilla Accounts Committee (ZAC) Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meetings
1.	2002-03 to 2023-24	Not convened

12.1.3 Audit Paras

12.1.3.1 Reported cases of fraud, embezzlement and misappropriation

12.1.3.1.1 Non-recovery of misappropriated amount of conditional grant – Rs 1.650 million

According to Para 23 of GFR Vol.-I, every Government officer is personally responsible for any loss sustained by Government through fraud or negligence either on his part or on the part of his subordinate staff.

During audit of the accounts of District Education Officer (Male) Upper Dir for the Financial Year 2023-24, it was observed that the DEO (Male) did not recover Rs 1,650,000 from the following teachers/ parents teachers councils of 10 schools on account of misappropriations in utilization of the funds of conditional grants despite lapse of considerable time and repeated directions to deposit the misappropriated amount. Detail is as under:

(Amount in Rs.)		
S. No	Name of school	Amount
01	Government High School Ganshall	150,000
02	Government Middle School Pataw	80,000
03	Government Primary School Belanzai	450,000
04	Government Primary School Goorkohi	100,000
05	Government Primary School Galkor Osherai	150,000
06	Government Primary School Shalga Daman	200,000
07	Government Primary School Loi Baba	80,000
08	Government Primary School Serai Patrak	150,000
09	Government High School Tall	200,000
10	Government Middle School Kass	90,000
Total		1,650,000

The lapse occurred due to weak internal controls, resulting into non-recovery of misappropriated amount.

When pointed out in August 2024, management replied that notices have already been issued to the concerned teachers for recovery. The matter would be pursued further by expediting efforts for effecting recovery and progress would be shared with the audit in due course of time. However, no progress was reported till finalization of this report.

PAO (DC Dir Upper) was requested in August 2024 with several reminders vide DG Office letter No.1838-80 dated 13.11.2024 and RDA Swat letter No.180-

87 dated 22.11.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of misappropriated amount and its deposit into Government treasury besides action against the person(s) at fault.

AIR Para No.04/2023-24

12.1.3.2 Irregularities

A. HR/Employees related irregularities

12.1.3.2.1 Non-recovery of pay and allowances for the absence period without pay – Rs 3.473 million

According to Government of Khyber Pakhtunkhwa Finance Department Regulation Wing letter No.SO (FR)/FD/5-14/2014 dated: 16-12-2014, in case Government employees remain absent from duty without authorization or fails to perform their concerned duty, such government employee loses right to payment of pay and allowances for such period besides making themselves liable for disciplinary proceedings.

During audit of the accounts of District Education Officer (Male) Dir Upper for the financial year 2023-24, it was observed that Mr. Usman Ali, Subject Specialist BPS-17, remained absent from duty from 15th March 2019 till 15th December 2021 and was removed from service with recovery of pay and allowances of Rs 3,472,541. The major penalty was then modified into minor penalty of stoppage of three annual increments for three years by the appellate authority (Chief Minister) on 8th November 2022 while the intervening period was treated as un-authorized absence without pay. Audit held that the DEO (Male) was required to recover Rs 3,472,891 from the Teacher as the period was declared as un-authorized absence and without pay.

The lapse occurred due to weak internal controls, resulting in loss to the Government.

When pointed out in August 2024, management stated that major penalty and minor penalty was imposed by the competent authority at provincial level and this office was bound to comply with the orders of the higher authorities. The present absence has accordingly been reported to the higher ups for further necessary actions. However, guidance regarding recovery of Rs 3,472,891 has already been sought by this office from the provincial Government. Action would be taken as and when the guidance is received. Reply was not convincing as recovery should have been made as the intervening period was treated as un-authorized absence and without pay so question of non-recovery or waive off did not arise.

PAO (DC Dir Upper) was requested in August 2024 with several reminders vide DG Office letter No.1838-80 dated 13.11.2024 and RDA Swat letter No.180-87 dated 22.11.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of pay and allowances besides inquiry in the case to find out the factual position and fix responsibility against the person(s) at fault.

AIR Para No.13/2023-24

12.1.3.2.2 Loss due to payment of stipends to PTC teachers engaged in excess of sanctioned strength – Rs 2.028 million

According to the Policy of Double Shift Program notified vide Government of Khyber Pakhtunkhwa Elementary & Secondary Education Department No.SO(Imp-II)R&I/PTC 2021-22 dated 14th January 2022, sanctioned strength of three (03) teachers for Primary and Four (04) teachers for Middle level can be hired from open market.

During audit of the accounts of District Education Officer (Male) Dir Upper for the Financial Year 2023-24, it was observed that the DEO (Male) paid Rs 2,028,000 under Double Shift Program to seven (07) PTC teachers engaged in excess of the authorized strength due to which Government sustained loss. Detail is given as under:

(Amount in Rs.)

S.No	Name of school	Sanctioned strength	Engaged teachers	Excess teachers	Rate per month	Total months	Amount
01	GMS Shalga Bala	04	06	02	25,000	12	600,000
02	GPs Kot Kass (overcrowded)	03	04	01	22,000	12	264,000
03	GPS Kata Payeen (overcrowded)	03	04	01	22,000	12	264,000
04	GPS Danil	04	07	03	25,000	12	900,000
Total		14	21	7			2,028,000

The lapse occurred due to weak internal controls, resulting in loss to the Government.

When pointed out in August 2024, management stated that the matter would be enquired in detail and detailed position would be furnished to audit in

due course of time. Reply was not convincing as no further progress was reported till finalization of this report.

PAO (DC Dir Upper) was requested in August 2024 with several reminders vide DG Office letter No.1838-80 dated 13.11.2024 and RDA Swat letter No.180-87 dated 22.11.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry for fixing responsibility against the person(s) involved in engaging teachers in excess of permissible limit besides termination of services of the hired teachers.

AIR Para No.08/2023-24

B. Procurement related irregularities

12.1.3.2.3 Irregular expenditure without competitive bidding –Rs 1.998 million

Para 01 Chapter-II of KPPRA Rules 2014 requires that, “the Procuring entity shall use open competitive bidding as the principal method of procurement of goods over the value of Rs. 500,000.

During audit of the accounts of District Director Agriculture, Dir Upper for the financial year 2022-23, it was noticed that an amount of Rs 1,998,840 was spent on procurement of various items/stock. However, open competitive bidding method was not followed in violation of the procurement rules as detailed below:

(Amount in Rs.)

F. Year	Sanction Date	Head of Account	Description	Vendor Name	Amount
2022	14.06.2023	A03942	Cost of Other Stores	Model Farm Services Center Dir Upper	529,200
2022	07.06.2023	A03942	Cost of Other Stores	Model Farm Services Center Dir Upper	630,000
2022	07.06.2023	A03942	Cost of Other Stores	Model Farm Services Center Dir Upper	595,000
2022	16.11.2022	A03942	Cost of Other Stores	Model Farm Services Center Dir Upper	244,640
Total Payments					1,998,840

The lapse occurred due to violation of rules, resulting into irregular expenditure.

When pointed out in March 2024, management stated that detailed reply would be submitted after scrutiny of record. No progress was shown till finalization of this report.

PAO (DC Dir Upper) was requested in March 2024 with several reminders vide DG Office letter No.1838-80 dated 13.11.2024 and RDA Swat letter No.180-87 dated 22.11.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility against the person(s) at fault besides strengthening internal controls to avoid such lapse in future.

AIR Para No. 01/2022-23(Lean Period)

C. Management of Accounts with Commercial Banks

12.1.3.2.4 Non-deposit of bank profit into government treasury – Rs.3.912 million

According to Finance Department Khyber Pakhtunkhwa letter No. 2/3(F/L)FD/2021-22/DDOs dated 30.12.2022, All sums realized as profit on the un-disbursed balance in the Designated Accounts (PLS) shall be credited to Government Treasury (Provincial Account-1) under the head of accounts after making adjustment against bank charges etc under intimation to Finance Department.

During audit of the accounts of Deputy Commissioner Dir Upper for the financial year 2023-24, it was observed that profit amounting to Rs. 3,912,742 was earned on the balances lying in various PLS accounts maintained at BOK. However, the profit was not deposited into the government treasury till the date of audit. Detail is given below:

(Amount in Rs.)			
S.No	Office Name	Account No	Profit Earned
1	DC Office	01260178209- BOK	2,341,781
2	DC office DDMU	012600228010-BOK	1,570,961
Total			3,912,742

The lapse occurred due to weak internal controls, resulting into loss to the government.

When pointed out in July 2024, the management stated that compliance would be made and progress would be shown to audit. However, no progress was shown to audit till finalization of this report

PAO (DC Dir Upper) was requested in July 2024 with several reminders vide DG Office letter No.1838-80 dated 13.11.2024 and RDA Swat letter No.180-87 dated 22.11.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate deposit of the bank profit into government treasury.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2023-24 vide para number 2.4.2.2 having financial impact of Rs 3.635 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 04/2023-24

12.1.3.2.5 Non-return of unspent balance on account of general election 2024 -Rs 29.463 million

According to Para F of Government of Khyber Pakhtunkhwa LGE&RDD department letter No. SO Budget/1-91/2023-24 dated 3.01.2024, in case of surplus against the release funds shall be surrender / returned and not be used for other purpose.

During audit of the accounts of Deputy Commissioner Dir Upper for the Financial Year 2023-24, it was observed that an amount of Rs 86,321,000 was released for General Election 2024. However, Rs 29,463,000 was not surrendered as saved amount to the quarter concerned resulting violation of above mention notification.

The lapse occurred due to non-adherence to government instructions, resulting into blockage of government fund.

When pointed out in July 2024, the management stated that unspent amount would be return to the quarter concerned after verification of record. No progress was shown to audit till finalization of this report.

PAO (DC Dir Upper) was requested in July 2024 with several reminders vide DG Office letter No.1838-80 dated 13.11.2024 and RDA Swat letter No.180-87 dated 22.11.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate surrender of the unspent amount.

AIR Para No. 16(2023-24)

12.1.3.3 Value for money and service delivery issues

12.1.3.3.1 Non-recovery of loans and non-transfer of Scout Fee to Khyber Pakhtunkhwa Boy Scouts Association – Rs 4.957 million

According to Para 2 and 4 of the Khyber Pakhtunkhwa Boys Scouts Association letter No. 5-2/10669-94 dated 19.09.2018, use of scouts fund on activities other than scouts activities were not admissible and scouts fund may not be granted as loan but it will be utilized only for scout activities and those who have violated the orders, may be contacted and inform them to deposit the outstanding amount immediately along with profit as per banking rules.

During audit of the accounts of District Education Officer (Male) Dir Upper for the Financial Year 2023-24, it was observed that loans of Rs 3,316,562 were granted to fifty-five (55) officers/officials from the Scout & Red Crescent Fund during the period from 2008-09 to 2023-24 in violation of the above instructions. The loans were not recovered despite lapse of considerable time period. Moreover, an amount of Rs1,641,149 was not transferred on account of Scouts Registration & Affiliation Fee to Khyber Pakhtunkhwa Boys Scouts Association as Provincial Headquarter Share for the last four years i.e. 2020-21 to 2023-24. Detail is given at the **Annexure-12.2**.

The lapse occurred due to weak internal controls, resulting in loss to the Government.

When pointed out in August 2024, management replied that notices have already been issued to the concerned officers/officials for effecting recovery. Progress in recovery and transfer of provincial share of Scout Fund would be shared with the audit in due course of time. The reply was evasive as no progress was reported till finalization of this report.

PAO (DC Dir Upper) was requested in August 2024 with several reminders vide DG Office letter No.1838-80 dated 13.11.2024 and RDA Swat letter No.180-87 dated 22.11.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of loans besides transfer of provincial share of Scout Fund to Khyber Pakhtunkhwa Boys Scouts Association.

AIR Para No.05,06/2023-24

12.1.3.4 Others

12.1.3.4.1 Un-verified expenditure made from the PTC Accounts – Rs.62.576 million

According to Serial No. B (6) of the Financial Procedure for incurrence of expenditure by the Parents-Teachers-Council (PTCs) notified vide Government of Khyber Pakhtunkhwa Finance Department letter No.BO-V/FD/3-10/2006-07 dated 9th June 2007, the vouched accounts shall be subject to inspection by the functionaries of the Schools & Literacy Department and to Third Party validation. PTC shall maintain complete record of income and expenditure and shall also submit copies thereof to the DEO concerned at the closure of financial year.

During audit of the accounts of District Education Officers (Male & Female) Dir Upper for the Financial Year 2023-24, it was observed that the DEO (Male & Female) transferred an amount of Rs 62,756,670 to PTC bank accounts of the schools on account of Petty Repair, Classroom Consumables, Additional Classrooms, Autonomy budget and stipend of Double Shift Program. Actual transfer of funds to the respective PTC accounts and further utilization by the PTCs could not be verified due to non-availability of PTC banks accounts and other relevant record. Hence, the transfer/expenditure remained un-verified. Detail is as under:

(Amount in Rs.)			
S. No	Name of Office	Description	Amount
01	DEO(Male) Dir Upper	Petty Repair	5,500,000
		Classrooms Consumables	3,500,000
		Eight Additional Class Rooms in (eight) schools	15,616,000
		Autonomy budget of 20 Higher Secondary Schools	1,400,000
		Double Shift Program	16,560,670
Total			42,576,670
02	DEO(Female) Dir Upper	Petty Repair	3,300,000
		Classrooms Consumables	3,000,000
		Six Additional Class Rooms & four Wash rooms (ASPIRE project)	13,880,000
Total			105,333,340
G. Total			62,756,670

The lapse occurred due to violation of rules, resulting into un-verified expenditure.

When pointed out in August 2024, management stated that the funds were transferred to PTC bank accounts for further expenditure by PTCs in accordance with the prescribed financial procedures. As the funds were released in the last quarter of the financial year (2023-24) and expenditure will be incurred in the current financial year 2024-25. However, PTCs would be directed to submit detailed accounts of expenditure with bank statements for verification by audit. Reply was not convincing as PTCs was bound to submit copies of complete accounts to the office of DEO at the close of the financial year. No such record of even the previous year was available in the office of the DEO.

PAO (DC Dir Upper) was requested in August 2024 with several reminders vide DG Office letter No.1838-80 dated 13.11.2024 and RDA Swat letter No.180-87 dated 22.11.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends provision of relevant record to audit for verification.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2023-24 vide para number 2.4.3.2 having financial impact of Rs 5.525 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 01(M), 01(F)/2023-24

12.1.3.4.2 Irregular transfer of stipend of PTC hired teachers to personal/designated bank accounts instead of PTC bank accounts – Rs 32.468 million

According to the Policy of Double Shift Program notified vide Government of Khyber Pakhtunkhwa Elementary & Secondary Education Department No.SO(Imp-II)R&I/PTC 2021-22 dated 14th January 2022, stipends of the PTC hired teachers shall be transferred to PTC bank accounts for further payment to the concerned teachers.

During audit of the accounts of District Education Officer (Female) Dir Upper for the Financial Year 2023-24, it was observed that the local office withdrew Rs 32,468,000 from the Government treasury on account of stipends of Double Shift Program. Out of the total amount, Rs 22,985,477 were directly transferred to the personal bank accounts of the concerned teachers instead of payment through PTC Accounts. Moreover, the remaining amount of Rs.9,482,523

was irregularly credited to designated bank account of the DEO(F) instead of concerned PTC Accounts. Detail is given below:

(Amount in Rs.)

S. No	No of bill	Cheque No	Date	Total amount	Transferred to personal bank accounts	Credited to designated account
01	1 st bill	1396173	11.10.2023	5,275,000	5,149,044	125,956
02	2 nd bill	1396376	01.01.2024	5,275,000	5,225,000	50,000
03	3 rd & Final bill	1397585	27.03.2024	21,918,000	12,611,433	9,306,567
Total				32,468,000	22,985,477	9,482,523

Audit further observed that out of the above amount, three Cheques of Rs.1,703,226 were issued to irrelevant persons in violation of rules which was unjustified. Detail is given below:

(Amount in Rs.)

S. No	Cheque No.	Date	Payee	Amount
01	52702002	08.04.2024	Mr. Ishfaq	503,226
02	52702003	08.04.2024	DEO (Female)	600,000
03	52702025	02.07.2024	DEO (Female)	600,000
Total				1,703,226

The lapse occurred due to violation of prescribed policy, resulting into irregular transfer of stipends to the personal/designated bank accounts.

When pointed out in August 2024, management stated that direct payments were made to the teachers as they have their own bank accounts to ensure transparency in payment procedure. The point was noted for future compliance. Moreover, withdrawal was made in the month of March 2024 in which the stipends of the remaining three months were included to avoid lapse of budget. Furthermore, cash withdrawal from the designated bank account was made through DDO Cheques as the PTC accounts were dormant and the teachers had no personal bank accounts. However, complete record of payment is available for verification. Reply was not convincing as stipends were transferred directly to personal/designated bank accounts in violation of the prescribed policy. Furthermore, the payment should have been made by the PTC and not by the officers/staff of the DEO office.

PAO (DC Dir Upper) was requested in August 2024 with several reminders vide DG Office letter No.1838-80 dated 13.11.2024 and RDA Swat letter No.180-

87 dated 22.11.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry for fixing of responsibility besides provision of relevant record for verification.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2023-24 vide para number 2.4.1.2 having financial impact of Rs 18.12 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 05,06& 07/2023-24)

12.2 Tehsil Municipal Administrations, Dir Upper

12.2.1 Classified Summary of Audit Observations.

Audit observations amounting to Rs. 33.141 million were raised as a result of this audit. This amount also includes recoveribles of Rs 7.024 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	Management of Accounts with Commercial Banks	12.102
2	Others	21.039
Total		33.141

12.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

Sr. No.	Audit Year	TAC Meetings
1.	2002-03 to 2023-24	Not convened

12.2.3 Audit Paras

12.2.3.1 Irregularities

A Management of Accounts with Commercial Banks

12.2.3.1.1 Un-authentic cash payments from designated bank accounts- Rs 6.678 million

According to Finance Department Letter No: BO(W&M)/6-5/2019-20 dated 19/02/2020, that in order to streamline the management in public account and observe fiscal discipline, it has been decided to stop forthwith all payments through open cheques or cash payments.

During audit of the Tehsil Municipal Administration, Dir Upper, for the Financial Year 2023-24, it was observed that an amount of Rs 6,678,547 was drawn from designated bank accounts and paid in cash instead of issuing cross cheques to the vendors. Moreover, actual payee receipts and detail of disbursement was also not available on record, therefore, veracity of the expenditures could not be verified. Detail is given below;

(Amount in Rs.)

S. No	Name of Account	Account No.	Amount
1	Pension	PKR1740100015126	669,000
2	Security	2007679034	1,735,147
3	General	2007696992	4,274,400
Total			6,678,547

The lapse occurred due to weak internal controls, resulting into un-verified cash withdrawal and further cash disbursements.

When pointed out in November 2024, management did not furnish any reply.

PAO (TMO Dir) was requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends provision of relevant record to audit for verification besides strengthening the internal controls to avoid recurrence of such irregular instances.

AIR Paras No 02/2023-24

12.2.3.1.2 Non-deposit of bank profit and non-surrender of savings of developmental schemes - Rs 5.424 million

According to Finance Department Khyber Pakhtunkhwa letter No. 2/3(F/L)FD/2021-22/DDOs dated 30.12.2022, All sums realized as profit on the un-disbursed balance in the Designated Accounts (PLS) shall be credited to Government Treasury (Provincial Account-1) under the head of accounts after making adjustment against bank charges etc. under intimation to Finance Department.

According to Para 95 of General Financial Rules volume I, all anticipated savings should be surrendered to Government well before close of financial year. No savings should be held in reserve for possible future excesses.

During audit of the Tehsil Municipal Administration, Wari, District Dir Upper for the financial year 2023-24, it was observed that profit amounting to Rs.2,663,227 were earned on the balance amount lying in various PLS accounts maintained at BOK. However, the profit was not deposited into the government treasury till the date of audit. Moreover, TMA Larjam, District Dir Upper retained an amount of Rs. 2,761,000 saved in developmental schemes instead of depositing into Government treasury.

The lapse occurred due to non-compliance with Finance Department KP instructions resulting in loss to the government.

When pointed out in November 2024, management stated that profit would be deposited into government treasury after clarification from the LCB and the matter regarding savings will be taken with the high ups. However, no progress was shown till finalization of this report.

PAO (TMOs) were requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends deposit of bank profit and savings into government treasury.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2023-24 vide para number 3.4.2.2 having financial impact of Rs 5.945 million. Recurrence of same irregularity is a matter of serious concern.

AIR Paras No 12 (TMA Wari) & 07 (TMA Larjam)2023-24

12.2.3.2 Others

12.2.3.2.1 Irregular expenditure without technical sanctions and non-imposition of Penalty - Rs 21.039 million

According to Para 2.4 of B&R Department Code, no work shall be started without administrative approval, technical sanction and allotment of funds.

According to Clause 3 of the Contract Agreement, in case of delay in the completion of work party No 2 is authorized to impose penalty up to 10% per day of the bid cost

During audit of the Tehsil Municipal Administration Wari, District Dir Upper for the Financial Year 2023-24, it was observed that an expenditure of Rs.19,439,451 was incurred on various developmental schemes without obtaining technical sanctions from the competent authority as detailed below:

(Amount in Rs.)

S.No	Name of scheme	E/Cost	Expenditure
1	Const of BTR UC Wari	7,000,000	3,790,708
2	Const of road Dislawar	9,238,000	7,683,915
3	Const of jeepble bridge Ashary Wari	11,120,000	6,109,328
4	Const of Bore well at Wari	3,000,000	1,855,500
Total		30,358,000	19,439,451

Moreover, penalty of Rs.16,000,000 was not imposed on contractors for delay in completion of works as detailed below:

(Amount in Rs.)

Name of Scheme	E/Cost (Rs)	Work order date	Completion Period (Days)	Actual completion	Penalty @ 10% Penalty
Const of BTR Road uc Chappar	6,000,000	1.3.2018	112	8.11.23	600,000
Const of BTR UC Wari	7,000,000	1.3.2018	112	in process	700,000
Const of BTR Road uc Kotkay	3,000,000	1.3.2018	112	8.11.23	300,000
Total	16,000,000				1,600,000

The lapse occurred due to violation of rules, resulting into risk of substandard quality of work and loss to Government.

When pointed out in November 2024, management stated that technical sanctions of the schemes would be obtained. However, no progress was shown till finalization of this report.

PAO (TMO Wari) was requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of the penalty amount and fixing of the responsibility for execution of work without technical sanction.

AIR Para No 01 & 04/2023-24

12.3 Assistant Director LG & RDD, Dir Upper

12.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 15.159 million were raised as a result of this audit. This amount also includes recoveribles of Rs 1.961 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	7.879
B	Management of Accounts with Commercial Banks	5.319
2	Value for money and service delivery issues	1.961
Total		15.159

12.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs Meetings are given below:

S #	Audit Year	VACs/NACs Meeting
1	2013-14 to 2023-24	Not Convened

12.3.3 Audit Paras

12.3.3.1 Irregularities

A HR/Employees related irregularities

12.3.3.1.1 Un-justified payment on account of arrears pay and allowances – Rs 7.879 million

According to S.No.20 note 3 of the Second Schedule of NWFP Delegation of Powers Rules 2001, claims of arrear of pay and allowances for more than six years old, require the sanction of the Finance Department for payment after investigation by audit.

During audit of the accounts of Assistant Director LG&RDD Dir Upper for the Financial Year 2023-24, it was observed that the AD LG&RDD paid Rs.7,879,734 on account of arrears of pay and allowances to the CDLD employees, however, investigation of sanction was not obtained from the competent authority.

The lapse occurred due to weak internal controls, resulting into irregular expenditure.

When pointed out in October 2024, management stated that corrective action will be taken and progress will be shown to audit. However, no progress was shown to audit till finalization of this report.

PAO (DC Dir Upper) was requested in October 2024 with several reminders vide DG Office letter No.1838-80 dated 13.11.2024 and RDA Swat letter No.180-87 dated 22.11.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends regularization of the expenditure by obtaining of investigation sanction from competent forum.

AIR No.01 (2023-24)

B. Management of Accounts with Commercial Banks

12.3.3.1.2 Irregular Withdrawal of Funds from Treasury through DDO and Cash Payments from Designated Bank Account-Rs. 5.319 million

According to direction 2.3.2.8 of APPM, “the accounting system shall include controls to minimize the risk of fraud and corruption. This objective shall be addressed by; Issue of payment through direct bank transfer and cheques”.

During audit of the accounts of Assistant Director LGE&RDD Dir Upper for the financial year 2023-24, it was noticed that an amount of Rs. 5,319,637 was withdrawn from the government treasury through DDO. Detail is given at **Annexure-12.3.**

Audit observed the following;

- i. These funds were deposited into the designated bank account from where further payments were made in cash instead of using crossed cheques.
- ii. In some cases, details of the vendors, the purpose of the payments, and Actual Payee Receipts in support of the cash payments from designated bank accounts were not available on record to verify these payments.

The lapse occurred due to violation of the government instructions by the department and District Accounts Office, resulting into irregular withdrawal of funds from treasury through DDOs.

When pointed out in October 2024, the management stated that payment includes 8% security cheques of the contractors and will be released to them after the completion of the schemes. Reply of the department is not relevant and convincing, because withdrawal from treasury through DDO is not allowed in any case.

PAO (DC Dir Upper) was requested in October 2024 with several reminders vide DG Office letter No.1838-80 dated 13.11.2024 and RDA Swat letter No.180-87 dated 22.11.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends stoppage of withdrawals through DDOs immediately besides action against the officers/ officials at fault for irregular payments.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2023-24 vide MFDAC serial number 24 having financial impact of Rs 1.079 million. Recurrence of same irregularity is a matter of serious concern.

AIR NO.08 (2023-24)

12.3.3.2 Value for money and service delivery issues

12.3.3.2.1 Non-deduction of KPRA tax– Rs 1.961 million

According to Office of the Additional Collector Khyber Pakhtunkhwa Revenue Authority (KPRA) letter No. KPRA/ M&M/2022/13858 dated 20.12.2022, the deducted amount of KPRA Tax was required to be deposited into government treasury well in time.

During audit of accounts record of Assistant Director LGE&RDD Dir Upper for the financial year 2023-24, it was observed that KPRA tax @ 2% amounting to Rs 1,961,522 was not deducted from the contractors of the schemes executed in various Village Councils as detailed below:

(Amount in Rs.)

S.No	Particulars	Release	Expenditure	KKPRA Tax @ 2%
1	DDP	98,076,131	98,076,131	1,961,522

The lapse occurred due to weak internal and financial controls, resulting in loss to Government.

When pointed out in October 2024, management stated that the tax has already been deducted by DAO concerned evidences will be shown to audit. However, evidence of tax deduction was not shown to audit till finalization of this report.

PAO (DC Dir Upper) was requested in October 2024 with several reminders vide DG Office letter No.1838-80 dated 13.11.2024 and RDA Swat letter No.180-87 dated 22.11.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery and deposit of KPRRA tax into Government treasury.

AIR No.03 (2023-24)

CHAPTER-13

DISTRICT HANGU



District Karak is a district of Kohat Division of Khyber Pakhtunkhwa. According to the census of 2023, District Hangu has a total area of 1,097 sq. km. with a population size of 528,702 comprising 49.2% male and 50.8% female. Geographically, it lies south of the province, approximately 240 KMs away from the provincial capital-Peshawar. It is mainly known for its natural resources and historical significance. Some of its brief features are given below:

District Profile

Area: 1,097 Sq KM

Population: 528,902

Languages: Pashto

Tehsils: 2

Number of Village Councils: 57

Number of Neighborhood Councils: 5

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



13.1 Local Government, Hangu

13.1.1 Classified Summary of Audit observations

Audit observations amounting to Rs 331.862 million were raised as a result of this audit. This amount also includes recoveribles of Rs 18.847 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	Procurement related irregularities	12.518
B	Management of Accounts with Commercial Bank	227.903
2	Others	91.441
Total		331.862

13.1.2 Comments on the Status of Compliance with ZAC Directives

The audit report pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of Zilla Accounts Committee (ZAC) Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meetings
1.	2002-03 to 2023-24	Not convened

13.1.3 Audit Paras

13.1.3.1 Irregularities

A. Procurement related irregularities

13.1.3.1.1 Irregular expenditure on various non-salary object heads-Rs.6.852 million

According to Rule 10 (b) Chapter II of the KPPRA 2014 amended vide Finance Department Notification No. SO (A)/FD/1-40/2022, dated 17.08.2022, “the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs. 500,000 rupees one hundred thousand”.

During Audit of the accounts of Deputy Commissioner, Hangu for the Financial Year 2023-24, it was observed that an expenditure of Rs. 6,852,317 was incurred on account of purchase of Others, Stationery and Repair of plant and machinery and Furniture & Fixtures. Detail is given below:

(Amount in Rs.)

S. No.	Object Head	Object Head Description	Amount
01	A03970	Others	3,114,172
02	A03901	Stationary	1,491,018
03	A13101	Machinery & Equipment	1,499,830
04	A13201	Furniture & Fixture	747,297
Total			6,852,317

Audit observed the following:

1. Purchase was made on the basis of three quotations instead of adopting open competitive bidding to achieve economical rates.
2. The expenditure was incurred in piece meal to avoid open competitive bidding.
3. The items purchased were neither taken on stock register nor its issuance was recorded.

The lapse occurred due to violation of KPPRA Rules 2014, resulting into uneconomical procurement.

When pointed out in July 2024, the management did not furnish any reply.

PAO (DC Hangu) was requested in March 2024 with reminder on 12.12.2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends strengthening the internal controls to avoid the recurrence of such lapses in future and fixing of responsibility against the person(s) at fault besides.

AIR Para No. 05 (2023-24)

13.1.3.1.2 Irregular expenditure on purchase of medicines without (DTL) report -Rs. 5.666 million

According to Serial No. 7 of the Government MCC rate contract agreement dated 13.11.2023, the purchasing agency shall arrange to obtain randomized sample/s for each formulary item of the supplied goods, as in the BSDs and belonging to the categories of drugs/ medicine, medical devices and surgical disposable through the notified drug inspector/s concerned for sending the same to the concerned drug testing laboratory for test analysis as provided in the Drugs Act 1976, DRAP act 2012 and rules framed there under as well as provisions of the BSDs”.

During audit of accounts of District Director Livestock and Dairy Development Hangu for the financial years 2021-22 and 2022-23, it was observed that an amount of Rs 5,666,400 was spent on purchase of medicines. Detail is given below.

(Amount in Rs.)			
S. No.	Financial Year	Head of Accounts	Amount
1	2021-22	A03927-Medicines	2,000,000
2	2022-23	A03927-Medicines	3,666,400
Total			5,666,400

Audit observed that:

1. The samples from the purchased medicines were not sent to the Drugs Testing Laboratory for test/analysis to authenticate the efficacy and effectiveness of the drugs.
2. Satisfactory inspection report regarding quantity, quality, specification etc. was also not available on record.

The lapse occurred due to weak internal controls, resulting into irregular expenditure on purchase of medicines.

When pointed out in March 2024, management did not reply.

PAO (DC Hangu) was requested in March 2024 with reminder on 12.12.2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends fixing of responsibility against the person(s) at fault besides ensuring non-recurrence of such irregularities in future.

AIR Para No.02 (2022-23)

B. Management of Accounts with Commercial Banks

13.1.3.1.3 Non-deposit of bank profit into Government treasury-Rs.17.149 million

According to serial No. 3 (ix) of Finance Department, Khyber Pakhtunkhwa, Peshawar's letter No.2/3(F/L)/FD/2019-20/Vol-XII dated 03/02/2020, "in case of current account, the same may be converted to PLS mode and the profit earned on designated bank accounts be deposited into Government treasury".

During audit of the accounts of Deputy Commissioner, Hangu for the Financial Year 2023-24, it was observed that a sum of Rs 17,148,729 was earned on the bank balances of the PLS accounts. However, the profit was retained in the respective bank accounts instead of depositing into the government treasury. Detail at **Annexure-13.2**.

The loss occurred due to non-compliance to Finance Department KP instructions.

When pointed out in July 2024, the management did not furnish any reply.

PAO (DC Hangu) was requested in August 2024 with reminder on 12.12.2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends deposits of bank profit into Government treasury under proper head.

AIR Para No. 03 (2023-24)

13.1.3.1.4 Non-Utilization of Social Welfare & PSDP Funds -Rs 203.597 million

According to S No. 3 (ii) and (ix) of Government of KP Finance Department instructions issued vide no 2/3(F/L)/FD/2019-20/vol-xii dated 03-02-2020, “no funds should be kept in any bank account by any Drawing & Disbursing Officer unless expressly authorized by finance department. Such funds lying in the banks should be drawn and credited to government treasury immediately.

During Audit of the accounts of Deputy Commissioner Hangu for the Financial Year 2023-24, it was observed that the DC Hangu received Social Welfare and Petroleum Social Welfare Development (PSDP) Funds amounting to Rs. 203,597,432 for development activities from OGDCL and MOL as Petroleum/Gas Royalty through various cheques. However, the DC Hangu retained this amount in its designated bank accounts and was lying unspent till the date of audit i.e. July, 2024. Detail is as under:

(Rs. in million)			
S. No.	Fund Name	Bank Accounts	Closing Balance
01	MOL Social Welfare fund	BOK Hangu A/C# 3004623664	190.595
02	Petroleum Social Welfare Development Programme	BOK Hangu A/C# 010705834003	5.322
03	PCA Social Welfare Fund	NBP Hangu A/C # 4016349638	7.679
Total			203.596

Non-disbursement of funds occurred due to poor financial management which deprived public from the benefits of the scheme concerned.

When pointed out in July 2024, the management did not furnish any reply.

PAO (DC Hangu) was requested in August 2024 with reminder on 12.12.2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends utilization of the funds on the social welfare schemes as per relevant guidelines/instructions, after fulfillment of codal formalities and action against the person(s) at fault, besides.

AIR Para No. 01 (2023-24)

13.1.3.1.5 Irregular Retention and Blockage of Mazri funds received from Forest Department KP–Rs. 5.157 million

According to S No. 3 (ii) and (ix) of Government of KP Finance Department instructions issued vide no 2/3(F/L)/FD/2019-20/vol-xii dated 03-02-2020, “no funds should be kept in any bank account by any Drawing & Disbursing Officer unless expressly authorized by finance department. Such funds lying in the banks should be drawn and credited to government treasury immediately.

During audit of the accounts of the Deputy Commissioner, Hangu for the financial year 2023-24, it was observed that an amount of Rs 5,157,461 was received from Forest Department, KP as share of “Mazri” during the previous financial year 2022-23. However, the DC Hangu retained this amount in its designated bank A/C No. 3002409355 BOK Hangu branch and was lying undisbursed till the date of audit i.e. July, 2024.

The lapse occurred due to weak financial management, resulting into non-disbursement of funds and depriving the public from their due share.

When pointed out in July 2024, the management did not furnish any reply.

PAO (DC Hangu) was requested in August 2024 with reminder on 12.12.2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends disbursements of funds to the Maliks concerned after fulfillment of codal formalities and action against the person (s) at fault.

AIR Para No. 11 (2023-24)

13.1.3.1.6 Blockage of funds under Conditional Grant -Rs 2.00 million

According to serial No. 3 (ii) & (v) of the Khyber Pakhtunkhwa Finance Department Letter No. 2/3(F/L)/FD/2019-20/Vol-XIII dated 03.02.2020, “No funds should be kept in any bank account by any drawing & disbursing officer unless expressly authorized by finance department. Such funds lying in the bank should be drawn and credited to government treasury immediately. The unspent balance in the designated bank account, if any, remaining on June 30th of respective Financial Year shall not be available without its revival in next financial year by Finance Department”.

During audit of the accounts of District Education Officer Female, Hangu for the Financial Year 2023-24, it was observed that an amount of Rs 2,000,000 was transferred to PTC bank accounts of various schools in F.Y. 2020-21. Detail is given at **Annexure-13.3**.

The following irregularities were noticed:

1. The Committee constituted at District level did not review list of schools provided by ESED Secretariat in support of conditional grant fund released to make revision on need basis so that the savings/ un-utilized balance was timely utilized. The fund is lying unspent till the date of audit i.e. August, 2024;
2. The amount was lying in the PTC bank accounts of the concerned schools since 2020-21 and were neither credited to government treasury at the close of the previous Financial Year nor revived from Finance Department.

The laps occurred due to violation of Government rules, resulting into blockage of funds in PTC accounts of schools and depriving students from the benefits of these funds.

When pointed out in August 2024, the management did not furnish any reply.

PAO (DC Hangu) was requested in August 2024 with reminder on 12.12.2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends utilization of the funds in other needy schools after approval from re-adjustment committee and action against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Reports for the Audit year 2023-24 vide Para No. 2.4.3.2 having financial impact of Rs.2,000,000. Recurrence of same irregularity is a matter of serious concern.

AIR Para No.01/2023-24

13.1.3.2 Others

13.1.3.2.1 Irregular Parking of funds as lump sum provision under head “A03970-Others” - Rs-89.743 million

According to Rules 10 (c) and 22 (c) of the District or City District Government Budget Rules, 2016, “All items of incomes and expenditure shall be specific to programs and activities and not lump-sum provisions. This facilitates proper scrutiny at all levels and helps all concerned parties to monitor the budget and exercise budgetary control;”

During audit of the accounts of Deputy Commissioner, Hangu for the Financial Year 2023-24, it was observed that an amount of Rs. 89,743,997 was allocated and irregularly parked as lump sum provision in object head A03970- Others under Cost center of Surplus Pool staff. The amount was neither utilized during the whole financial year nor surrendered so that it could further be allocated to another needy sector within the district.

The lapse occurred due to defective budgeting and non-observance of the Budget Rules, resulting into irregular parking and non-surrender of funds timely.

When pointed out in July 2024, the management did not furnish any reply.

PAO (DC Hangu) was requested in August 2024 with reminder on 12.12.2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends strict compliance with District Government Budget Rules and action against the person(s) at fault.

AIR Para No. 06 (2023-24)

13.1.3.2.2 Less Recovery of Sports, Scout, Red Crescent and Shaheen Fund – Rs 1.698 million

According to the Directorate of Elementary and Secondary Education Khyber Pakhtunkhwa Peshawar’s Notification No. 9104-80/A-25/Pupil Fund revised rates, dated 15-03-2023, the revised rates for pupil funds had been approved and fixed as under:

Class	Per student fee of Sports Fund	Per student fee of Scout/ Rover Fund	Per student fee of Red Crescent Fund	Per student fee of Shaheen Fund
Grade-V	10	0	0	5
Grade-VIII	50	35	5	0
Grade-IX & X	60	35	5	0
Grade-XI & XII	80	50	5	0

During audit of the accounts of District Education Officer Male, Hangu for the Financial Year 2023-24, it was observed that an amount of Rs 1,698,099 was less recovered on account of Sports fund, Scout/Rover fund, Red Crescent fund and Shaheen fund from the students. Non recovery of the amount not only resulted in loss but also deprived the concerned quarters from further activities. Detail is given at **Annexure-13.4**.

The lapse occurred due to weak internal controls in adopting and applying the revised rates, resulting in loss to the government to enable the quarters concerned to conduct different activities.

When pointed out in August 2024, the management did not furnish any reply.

PAO (DC Hangu) was requested in August 2024 with reminder on 12.12.2024 to convene DAC meeting which could not be convened till finalization of this report.

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

Note: The issue was also reported earlier in the Audit Reports for the Audit year 2023-24 vide Para No. 2.4.4.1 having financial impact of Rs. 2,482,046. Recurrence of same irregularity is a matter of serious concern.

AIR Para No.06/2023-24

13.2 Tehsil Municipal Administrations, Hangu

13.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 46.856 million were raised as a result of this audit. This amount also includes recoveribles of Rs 36.869 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	Management of Accounts with Commercial Banks	9.987
2	Others	36.869
Total		46.856

13.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

Sr. No.	Audit Year	TAC Meetings
1.	2012-13 to 2023-24	Not convened

13.2.3 Audit Paras

13.2.3.1 Irregularities

A. Management of Accounts with Commercial Banks

13.2.3.1.1 Un-authentic cash payments from designated bank account – Rs.9.987 million

According to Finance Department Letter No: BO(W&M)/6-5/2019-20 dated 19/02/2020 states that in order to streamline the management in public account and observe fiscal discipline, it has been decided to stop forthwith all payments through open cheques or cash payments.

According to 2.3.2.8 directions of the APPM, the accounting system shall include controls to minimize the risk of fraud and corruption. This objective shall be addressed by issue of payment through direct bank transfer and cheques (to employees/vendors concerned).

During audit of the accounts of Tehsil Municipal Administration, Hangu for the Financial Year 2023-24, it was observed that an amount of Rs 9,987,517 was withdrawn from designated bank account and paid in cash instead of issuing cross cheques to the vendors. Moreover, actual payee receipts and detail of disbursement of the payment was also not available on record, therefore, veracity of the expenditure could not be verified. Detail is given at **Annexure-13.5**.

The lapse occurred due to non-compliance of Government rules, resulting in un-verified cash withdrawal from the designated bank account and its further disbursement. According to 2.3.2.8 directions of the APPM, the accounting system shall include controls to minimize the risk of fraud and corruption. This objective shall be addressed by issue of payment through direct bank transfer and cheques (to employees/vendors concerned).

During audit of the accounts of Tehsil Municipal Administration, Hangu for the Financial Year 2023-24, it was observed that an amount of Rs 9,987,517 was withdrawn from designated bank account and paid in cash instead of issuing cross cheques to the vendors. Moreover, actual payee receipts and detail of disbursement of the payment was also not available on record, therefore, veracity of the expenditure could not be verified. Detail is given at **Annexure-13.5**.

The lapse occurred due to non-compliance of Government rules, resulting into un-verified cash withdrawal from the designated bank account and its further disbursement.

When pointed out in November 2024, management did not furnish any reply.

PAO (TMO) was requested in November 2024 with reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends strengthening the internal controls to avoid recurrence of such irregular instances, fixing responsibilities against the person(s) at fault besides provision of relevant record in support of payments for audit verification.

AIR Para No.03/2023-24

13.2.3.2 Others

13.2.3.2.1 Non-recovery on account of Water charges – Rs33.868 million

According to section 45 (collection and recovery of taxes, etc) sub-sections (1&2) of the Khyber Pakhtunkhwa Local Government Act, 2013 (amended 2022), failure to pay any tax and other money claimable under this Act shall be an offense, and all arrears of taxes, rents and other moneys claimable by a Local Government under this Act shall be recoverable as arrears of land revenue.

During audit of the accounts of Tehsil Municipal Administration Hangu for the Financial Year 2023-24, it was observed that an amount of Rs. 33,868,440 was not recovered on account of water users' charges from 1100 consumers accumulated upto 30.06.2024 in compliance with the above quoted rules and provision of the Act. The subject amount includes current as well as previous years' liabilities. Detail is as under:

(Amount in Rs.)

Total Connections	Recovery required during 2023-24	Recovery Made	Amount Outstanding for the year 2023-24	Outstanding arrears as on 30.06.2023	Total Outstanding Amount
1100	3,300,000	1,396,400	1,903,600	31,964,840	33,868,440

The lapse occurred due to non-compliance of government rules, resulting into non-recovery of water user charges.

When pointed out in November 2024, management did not furnish any reply.

PAO (TMO) was requested in November 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends recovery of outstanding water charges and action against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2019-20, 2020-21, 2021-22, 2022-23 and 2023-24 vide Paras No. 3.5.4.2, 3.5.3.1, 3.5.2.2, 3.4.3.13 and 3.4.2.4 having financial impact of Rs. 25.389, Rs.1.832 million, Rs. 2.359 million, Rs. 5.488 million and Rs 29.825 million respectively. Recurrence of same irregularity is a matter of serious concern.

AIR Para No.04/2023-24

13.2.3.2.2 Loss to Government due to less collection on account of receipt contracts -Rs 1.326 million

According to section 45 (collection and recovery of taxes, etc) sub-sections (1&2) of the Khyber Pakhtunkhwa Local Government Act, 2013 (amended 2022), failure to pay any tax and other money claimable under this Act shall be an offense, and all arrears of taxes, rents and other moneys claimable by a Local Government under this Act shall be recoverable as arrears of land revenue.

During audit of the accounts of Tehsil Municipal Administration, Thall for the Financial Year 2023-24, it was observed that two receipts contracts were awarded to Mr. Naeem Khan for Rs 10,082,610, but the TMO Thall recovered an amount of Rs 8,756,045 only. The balance amount of Rs 1,326,565 was not recovered from the contractor concerned till date of audit i.e. November 2024. Detail is given below.

(Amount in Rs.)

S. No.	Name of contract	Contractual Amount	Amount Recovered	Less Recovery
1	Municipal Services fee Thall	4,504,700	3,680,036	824,664
2	Entry Fee General Bus Stand Thall	5,577,910	5,076,009	501,901
Total		10,082,610	8,756,045	1,326,565

The lapse occurred due to violation of government rules, resulting in loss to the Government.

When pointed out in November 2024, management did not furnish any reply.

PAO (TMO) was requested in November 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends collection of government dues without further delay and action against the person(s) at fault.

AIR Para No.11/2023-24

13.2.3.2.3 Loss to Government due to non-collection of income tax from the contractor of receipt contracts -Rs 1.675 million

According to Assistant Commissioner Inland Revenue, Regional Tax Office, Peshawar letter No. RTO-PR/WH-47/2018-19/61, dated 06.07.2018, “the

rate of collection of taxes on auction u/s 236A is 10% for filers and 15% for non-filers”.

During audit of the accounts of Tehsil Municipal Administration, Thall for the Financial Year 2023-24, it was observed that 03 receipt contracts were awarded to contractor Mr. Naeem Khan for Rs. 16,754,060 but did not recover income tax of Rs. 1,675,406 from the contractor concerned. The detail is given below.

(Amount in Rs.)

S. No.	Name of contract	Contractual Amount	Amount of Income Tax
1	Municipal Services fee Thall	4,504,700	450,470
2	Entry Fee General Bus Stand Thall	5,577,910	557,791
3	Weekly Cattle Fare Doaba	6,671,450	667,145
Total		16,754,060	1,675,406

The lapse occurred due to non-compliance of government rules resulting in loss to the Government on account of non-collection of taxes from contractor.

When pointed out in November 2024, management did not furnish any reply.

PAO (TMO) was requested in November 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends immediate recovery and deposit of the tax amount into government treasury besides action against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Reports for the Audit year 2023-24 vide Para No. 3.4.2.1 having financial impact of Rs.1,894,300. Recurrence of same irregularity is a matter of serious concern.

AIR Para No.12/2023-24

13.3 Assistant Director LG & RDD, Hangu

13.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 6.017 million were raised as a result of this audit. This amount also includes recoveribles of Rs 6.017 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Others	6.017
Total		6.017

13.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs Meetings are given below:

Sr. No.	Audit Year	VACs/NACs Meetings
1.	2002-03 to 2013-14	Not convened

13.3.3 Audit Paras

13.3.3.1 Others

13.3.3.1.1 Loss to Government due to non-deposit of taxes into Government treasury-Rs 2.281

According to Rule 5(1) (c) of the Khyber Pakhtunkhwa, District or City District Governments, Budget Rules 2016, the collecting officer shall ensure 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 Assistant Director (LG&RDD), Hangu for the Financial Year 2023-24, it was noticed that income tax and sales tax amounting to Rs 812,248 and Rs 1,469,340 respectively was deducted by VCs/NCs from the supplier's bills. The amount of taxes Rs 2,281,588 was still lying in designated bank accounts instead of depositing it into Government treasury. Detail at **Annexure-13.6.**

The lapse occurred due to violation of Budget rules, resulting in loss to the government.

When pointed out in October 2024, the management did not furnish any reply.

PAO (Deputy Commissioner) was requested in October 2024 with reminder on 12.12.2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends immediate deposit of amount into government treasury and action against the person(s) at fault.

AIR Para No.02/2023-24

13.3.3.1.2 Non-deposit of bank profit into government treasury-Rs. 3.736 million

According to serial No. 3 (ix) of Finance Department, Khyber Pakhtunkhwa, Peshawar's letter No.2/3(F/L)/FD/2019-20/Vol-XIII dated 03/02/2020, "In case of current account, the same may be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government treasury.

During audit of the accounts of Assistant Director, Local Government Hangu for the Financial Year 2023-24, it was observed that bank profit amounting to Rs. 3,736,627 was earned on funds placed in designated bank accounts of VC/NCs working under the administrative control of AD LG&RDD Hangu, however the profit was retained in the designated bank accounts instead of depositing it into the government treasury. Detail at **Annexure-13.7**.

Non-deposit of the bank profit into government treasury occurred due to non-compliance of Finance Department's instructions, resulting in loss to government.

When pointed out in October 2024, the management did not furnish any reply.

PAO (Deputy Commissioner) was requested in October 2024 with reminder on 12.12.2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends immediate deposit of amount into government treasury and action against the person(s) at fault.

Note: the issue was also reported earlier in the audit reports for the audit year 2023-24 vide para no. 2.4.1.1 having financial impact of Rs. 2,092,829. Recurrence of same irregularity is a matter of serious concern.

AIR Para No.03/2023-24

CHAPTER-14

DISTRICT HARIPUR



District Haripur is situated in Hazara Division of Khyber Pakhtunkhwa. According to the census of 2023, District Haripur has a total area of 1,725 sq. km. with a population size of 1,174,783 comprising 50.35% male and 49.65% female. Geographically, it lies in east of the province, approximately 161 KMs away from the provincial capital-Peshawar. It is mainly known for its natural resources, education, and historical significance. Some of its brief features are given below:

District Profile

Area: 1,725 km²

Population: 1,174,783

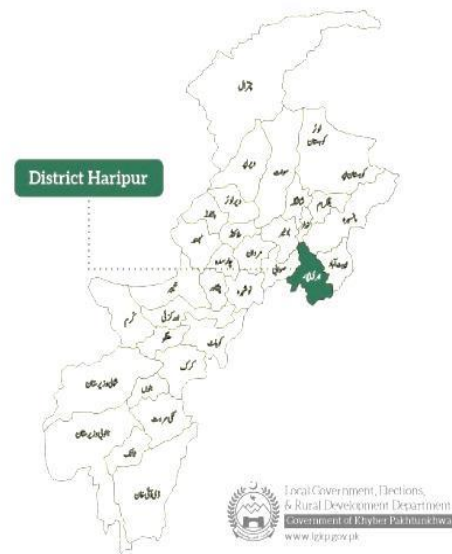
Languages: Hindko, Pashto, Urdu

Tehsils: 3

No. of Village Councils: 155

No. of Neighbourhood Councils: 25

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



14.1 Local Government, Haripur

14.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 444.796 million were raised as a result of this audit. This amount also includes recoverable of Rs. 22.307 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	1.234
B	Procurement related irregularities	2.706
C	Management of Accounts with Commercial Banks	74.044
2	Others	366.812
Total		444.796

14.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meetings
1.	2002-03 to 2023-24	Not convened

14.1.3 Audit Paras

14.1.3.1 Irregularities

A. HR/Employees related irregularities

14.1.3.1.1 Payment of establishment charges in excess of the approved cost of PC-I – Rs.1.234 million

According to Rule 9(2)(d) the District or City District Government (Budget) Rules 2016, of the Government of Khyber Pakhtunkhwa Local Government, Elections and Rural development Department that DDO is responsible for ensuring that the actual expenditure does not exceed the budget allocation.

During audit of the accounts of District Director Soil Conservation Haripur for the Financial Year 2022-23, it was observed that expenditure of Rs 1,234,115 was incurred on account of establishment charges out of PSDP Fund (2022-23) in excess of PC-I and without approval of the competent authority as per following detail.

(Amount in Rs)

Head of expenditure	PC-I Amount	Actual expenditure	Overpayment
Establishment Charges	473,000	1,707,115	1,234,115

The lapse occurred due to weak financial controls resulting into excess payment.

When pointed out in April 2024, the management stated that detailed reply will be furnished after consulting record. However, no reply was furnished till finalization of this report.

PAO (Deputy Commissioner) was requested in May 2024, with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

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

AIR Para No 08 (2022-23)

B. Procurement related irregularities

14.1.3.1.2 Loss due non-imposition of penalty for non-completion of works in time Rs 2.706 million

According to clause 2 of the conditions of the standard contract agreement, 1% should be deducted from the contractor's bill for every day delay. The penalty is subject to maximum of 10%.

During audit of the accounts of Deputy Commissioner Haripur, for the Financial Year 2023-24, it was observed that an amount of Rs 27,068,000 was released to C & W department for the scheme construction of Service Delivery Centre Haripur. The scheme was awarded to M/S Yaqoob Shah & Sons on 07.09.2019 with completion period of Eighteen (18) months. However, the scheme was not completed within the stipulated period of time. The management was required to impose 10% penalty amounting to Rs.2,706,000 on contractor, which was not done.

The lapse occurred due to weak internal controls, resulting into deprivation of public from the benefits of the scheme and loss to Government.

When pointed out in July 2024, the management stated that the matter has been taken up with C&W department Haripur and after receipt of reply, audit will be informed accordingly.

DAC meeting was held on 31.12.2024 wherein the forum was apprised that the scheme has been completed now and handed over by the department. The delay occurred not on the part of the contractor but due to lack of funds. The forum decided that para stands till provision of work completion and handing taking certificate from C&W department Haripur for verification. However, verification was not made till finalization of this report.

Audit recommends provision of record for verification as per DAC decision.

AIR Para No 10(2023-24

C. Management of Accounts with Commercial Banks

14.1.3.1.3 Un-authorized placement of funds in the designated banks accounts-Rs 64.668 million and loss due to non-conversion of the same into PLS mode-Rs 9.376 million

According to Para 3(ix) of Finance Department Khyber Pakhtunkhwa letter No. 2/3-(F/L)/FD/2019-20/Vol-XIII dated 3rd February 2020, “In case of current account, the same be converted to PLS mode and the profit earned be deposited in Government Treasury under relevant head of account immediately.

During audit of the accounts of the Deputy Commissioner Haripur, for the Financial Year 2023-24, it was observed that a huge amount of Rs 64,667,914 was placed in the designated banks accounts without authorization from the Finance Department. The account was also not converted into PLS mode in violation of explicit instructions. Detail is given below:

(Amount in Rs.)					
S.#	Office	Bank	Account No.	Balance	Loss of profit @14.50
1.	DC Haripur	NBP Main Branch Haripur	4083084468	42,105,337	6,105,274
2.	DC Haripur	NBP Main Branch Haripur	4033693573	22,562,577	3,271,573
Total				64,667,914	9,376,847

The lapse occurred due to violation of above mention rules, resulting into loss to the government.

When pointed out in July 2024, management stated that audit observation is noted for compliance. Reply was not convincing as no progress was communicated.

DAC meeting was held on 31.12.2024 wherein the forum was apprised that the amount under observation was required for immediate disbursement. Para is noted for future compliance. The forum decided that para stands till conversion of Bank account into PLS mode. However, conversion of bank account into PLS mode was not made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 02(2023-24)

14.1.3.2 Others

14.1.3.2.1 Non-realization of mutation fee amounting to Rs 14.180 million

According to Board of Revenue (Revenue and Estate Department) of Government of Khyber Pakhtunkhwa letter No Rev-V/4/B.M Dassu Dam/PM/Meeting/16857-905 dated 15.06.2022 stated that WAPDA and NHA are not exempted from 2% Mutation Fee/Stamp Duty on the transfer of land and they have to pay the Stamp Duty at the rate of 2% on the cost of land.

During audit of the accounts of the Deputy Commissioner Haripur, for the financial year 2023-24, it was observed that in District Haripur different awards, for acquisition of land for National Highway Authority were awarded for Rs 709,027,950. However, 2% mutation fee amounting to Rs 14,180,559 was not recovered from NHA. Detail at **Annexure-14.2**.

Non-realization of mutation fee occurred due to weak financial controls resulting into loss to the government.

When pointed out in July 2024, management stated that the matter will be taken up with NHA and progress will be communicated to audit. No progress was communicated.

DAC meeting was held on 31.12.2024 wherein the forum decided that para stands till recovery of the amount from NHA. However, no progress was communicated till finalization of this report.

Audit recommends implementation of DAC decision.

AIR Para No. 01(2023-24)

14.1.3.2.2 Excess payment of POL beyond ceiling-Rs 5.421 million

According to Government of Khyber Pakhtunkhwa Administration Department (Transport Wing) letter No.SO(T)AD/4-5/Transport Rules/2022 dated 17-06-2022, Ceiling of fuel was fixed for Additional Deputy Commissioners, Assistant Commissioners 104 liters per month and all Assistant Commissioners of Hazara and Malakand Region as 228 liters per month both for in station and out station duties.

During audit of the accounts of the Deputy Commissioner Haripur for the financial year 2023-24, it was observed that payment of Rs 5,421,110 was made

on account of POL charges to the officers beyond their ceiling. Detail at **Annexure-14.3.**

The lapse occurred due to weak internal controls resulting into loss to government.

When pointed out in July 2024, management stated that the Provincial Government has assigned the powers of 1st class Special Magistrates to Administrative Officers for exercising the powers delegated to them for disposal of work in the field. They had also accomplished additional task like fire control, Special duties in Ramazan, Muharam Development Schemes etc. However, Administrative Officers were also directed to follow the prescribed POL ceiling in future. Reply was not convincing as claim above the POL ceiling was not allowed.

DAC meeting was held on 31.12.2024 wherein the forum was apprised that the office of DC and subordinate offices were deputed for various duties as highlighted in the departmental replies. Furthermore, internal controls in the shape of fleet card was also introduced by the office of DC Haripur. The forum decided that para recommended for settlement subject to provision of record for verification. However, verification was not made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 03(2023-24)

14.1.3.2.3 Loss to the government on account of free textbook-Rs 5.386 million

According to Government Khyber Pakhtunkhwa Elementary and secondary Education department letter No. PFTB/E&SED/Books/2023-24 dated 26.03.2024, that Education Monitoring Authority shall be fully engaged in collection and distribution of old & new textbooks along with DEOs, DDEOs, SDEOs, ADEOs, School Leaders, Principals, Headmasters, Headmistress and Head teachers (Male & Female) in order to complete the task effectively, accurately and well in time.

During audit of the accounts of the District Education Office Male and Female Haripur for the financial year 2023-24, it was observed that the management neither properly collected nor distributed textbooks (old & new) in the light of above instructions. Detail is given below.

(Amount in Rs.)

Office	Number of books available in excess	Rate per book approximately	Wastage of Government resources	AIR Para No
DEO Male Haripur	37,860	100	3,786,000	AIR Para No.4/2023-24
DEO Female Haripur	16,000	100	1,600,000	AIR Para No.2/2023-24
Total	53,860		5,386,000	

The lapse occurred due to non-compliance of Government rules resulting into un-necessary burden on government resources.

When pointed out in August 2024, the management stated that the stocked books will be distributed among schools as per their demand after the completion of enrolment drive September 2024. The reply was not convincing as no such detail was provided regarding distribution of books.

DAC meeting was held on 31.12.2024 wherein the forum decided that para is recommended for settlement subject to verification of textbook distribution statement. However, verification was not made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 04(M), 02(F)/2023-24

14.1.3.2.4 Non-provision of the basic facilities in schools

According to S.No. 10 (iv)(ix) of second schedule of the Khyber Pakhtunkhwa District Government Rules of Business, 2015, issued vide No SO (Dir)ROB/LGE&RDD/2015, the functions and responsibility of the District Education department are “planning and establishment of schools and improvement and provision of education infrastructure facilities and services in the district as per identified needs based on the technical standards and norms established by the government. Provision of science laboratories, additional classrooms and essential facilities in schools according to standards and technical norms set by the government.”

During audit of the accounts of District Education Offices Male and Female, Haripur, for the Financial Year 2023-24, it was observed that the management failed in provision of basic facilities in various schools, providing

teaching staff according to sanctioned strength as per KPEMA Annual School Census Report 2023-24. The detail is given at **Annexure-14.4**.

The lapse occurred due to weak administrative controls resulting into non-adherence to the government's instructions.

When pointed out in August 2024, the management stated that all missing basic facilities will be provided to the mentioned schools on the availability of funds. The reply was not convincing as no serious efforts were made to provide missing facilities in the schools in the light of government policy.

DAC meeting was held on 31.12.2024 wherein the forum was apprised that significant improvement was made by the department and latest report was shared with audit. However, deficiencies still remained and will be completed in the financial year 2024-25. The forum decided that para stands till provision of basic facilities in the schools. No progress was communicated till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 05(M), 03(F)/2023-24

14.1.3.2.5 Non-construction of schools in stipulated time-Rs 341.825 million

According to S.No. 10(iv)(ix) of second schedule of the Khyber Pakhtunkhwa District Government Rules of Business, 2015 issued vide Notification No.SO(Dir)ROB/LGE&RDD/2015 dated 03.11.2015, the functions and responsibility of the department are, "Planning and establishment of schools and improvement and provision of education infrastructure facilities and services in the district as per identified needs based on the technical standards and norms established by the government."

During audit of the accounts of the District Education Offices, Male and Female, Haripur for the financial year 2023-24, it was observed that an expenditure of Rs 341,825,000 was incurred on construction/reconstruction of schools through C&W department Haripur. However, the schools were not completed in the stipulated time. Audit held that the community was deprived from the basic facility of education. The management also did not imposed penalty on the contractors for not completing the work in time. Detail at **Annexure-14.5**.

The lapse occurred due to weak administrative controls resulting into non-completion of schools and depriving public from education.

When pointed out in August 2024, the management stated that quarter concerned be intimated to expedite the construction work and to complete the remaining/balance work. The reply was not convincing as no progress was reported till finalization of this report.

DAC meeting was held on 31.12.2024 wherein the forum was apprised that out of total 18 schools, 11 schools will be handed over to DEO Male within one month in light of the reply of C&W Department Haripur. However, the 7 schools were still under construction. The forum decided that para stands till completion of the construction of remaining Schools. However, no progress was communicated till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 06(M), 04(F)/2023-24

14.2 Tehsil Municipal Administrations, Haripur

14.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 97.029 million were raised as a result of this audit. This amount also includes recoverable of Rs. 43.112 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A.	HR/Employees related irregularities	53.917
B.	Procurement related irregularities	7.850
2	Others	35.262
Total		97.029

14.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

Sr. No.	Audit Year	TAC Meetings
1.	2002-03 to 2023-24	Not convened

14.2.3 Audit Paras

14.2.3.1 Irregularities

A. HR/Employees related irregularities

14.2.3.1.1 Irregular payment on account of daily wage staff-Rs 53.917 million

According to Rule 4(6) of the Khyber Pakhtunkhwa, City/Tehsil Local Government Rules of Business, 2022 notification No. SOG/LG/7/5/ROBs/2022/TLG dated 20/06/2022. “The Tehsil Local Government may, from time to time, on need basis, hire the services of workers, on daily wages basis, from its own source revenue: provided that such cost shall remain less than ten percent of the revenue of own source of the Tehsil Council in financial year.”

During audit of the accounts of the Tehsil Municipal Administration, Haripur for the Financial Year 2023-24, it was observed that salaries amounting to Rs 53,917,241 were paid to daily wage staff. Audit observed that income from own sources of the TMA was Rs 445,878,752 and expenditure on daily wages was 22% of it which was beyond the admissible limit.

The lapse occurred due to weak financial controls resulting into irregular expenditure.

When pointed out in November 2024, management stated that expenditure on account of daily wagers was incurred according to 10% ratio of own sources. Moreover, the competent authority is gradually reducing the staff after expiry of their contract period. Reply was not convincing as government instructions were violated.

PAO (TMO Haripur) was requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends enquiry and fixing of responsibility against the persons at fault besides strengthening financial controls to avoid such lapse in future.

AIR Para No. 05(TMA Haripur)/2023-24

B. Procurement related irregularities

14.2.3.1.2 Non-imposition of penalty due to non-completion of developmental schemes-Rs 7.850 million

According to clause 2 of the conditions of the standard contract agreement, 1% should be deducted from the contractor's bill for every day delay. The penalty is subject to maximum of 10%.

During audit of the accounts of the Tehsil Municipal Administrations, Haripur and Khanpur for the Financial Year 2023-24, it was observed that various developmental schemes at estimated cost of Rs 78,500,000 were executed. The schemes were not completed by the contractors in stipulated time period and the management failed to impose and recover penalty @10% amounting to Rs 7,850,000. Detail at **Annexure-14.6**.

The lapse occurred due to weak internal controls resulting into loss to government.

When pointed out in November 2024, management of TMA Haripur stated that record will be checked and if penalty is applicable will be recovered, while TMA Khanpur replied that the schemes are in progress due to non-availability of funds, if the schemes were delayed by the contractors, penalty will be charged according to contract rules. Replies were not convincing as penalty was required to be imposed according to rules which was not done till finalization of this report.

PAOs (TMO Haripur and TMO Khanpur) were requested in December 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends imposition and recovery of penalty from the defaulting contractors, besides fixing responsibility against the person(s) at fault.

AIR Para No. 08(TMA Haripur) & 03(TMA Khanpur)/2023-24

14.2.3.2 Others

14.2.3.2.1 Non-recovery of rent of shops and water charges– Rs 35.262 million

According to Rule 51(1) of TMA Budget Rules 2016, the primary obligation of the TO (Regulation) shall be to ensure that all revenue due is claimed, realized and credited immediately into the Tehsil Fund under the proper receipt head.

During audit of the accounts of the Tehsil Municipal Administration, Haripur for the Financial Year 2023-24, it was observed that a sum of Rs.18,342,463 on account of rent of shops against 541 shops and Rs 16,919,144 arrears of water charges against 10224 connections were not recovered. Detail at **Annexure-14.7**.

The lapse occurred due to weak administrative controls resulting into loss to Government.

When pointed out in November 2024, management stated that efforts are underway to recover the arrears and progress report will be shared with audit. Reply was not convincing as no progress was intimated till finalization of this report.

PAO (TMO) was requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of the outstanding amount on account of rent of shops and water charges, besides action against the person(s) at fault.

AIR Para No. 10(TMA Haripur)/2023-24

14.3 Assistant Director LG & RDD, Haripur

14.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs.30.00 million were raised as a result of this audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Others	30.00
Total		30.00

14.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs Meetings are given below:

Sr. No.	Audit Year	VACs/NACs Meetings
1.	2013-14 to 2023-24	Not convened

14.3.3 Audit Paras

14.3.3.1 Others

14.3.3.1.1 Irregular expenditure on repair of transformers -Rs. 30.000 million

According to section 11.3.4 Chapter II of CONSUMER SERVICE MANUAL-2021 of National Electric Power Regulatory Authority “In case of more than one Connection on the same substation /transformer with different ownerships such as commercial plazas/apartments/shops/residences, where bills are issued separately, the responsibility of maintenance, repair and replacement of the said system or up gradation/reinforcement thereof shall rest with the DISCO (PESCO).

During audit of the accounts of Assistant Director LG&RDD, Haripur for the Financial Year 2023-24, it was noticed that an amount of Rs 30,000,000 was drawn from treasury on account of repair and maintenance of transformers and deposited in designated bank account. Audit held that the release and withdrawal of the subject amount was irregular as the repair and maintenance of transformers is the responsibility of the PESCO in the light of above rules.

The lapse occurred due to weak financial controls resulting into non-adherence to the government’s instructions.

When pointed out in October 2024, the management stated that the amount was released by finance department. However, no reply was furnished till finalization of this report.

DAC meeting was held on 31.12.2024 wherein the forum decided that para stands till clarification from PESCO authorities in the light of audit observation. No progress was communicated till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 04(2023-24)

CHAPTER-15

DISTRICT KARAK



District Karak is a district of Kohat Division of Khyber Pakhtunkhwa. According to the census of 2023, District Karak has a total area of 3,371 sq. km. with a population size of 815,878 comprising 51.6% male and 48.3% female. Geographically, it lies northwest of the province, approximately 140 KMs away from the provincial capital-Peshawar. It is mainly known for its oil and gas reserves, and historical significance. Some of its brief features are given below:

District Profile

Area: 3,372 Sq KM

Population: 815,878

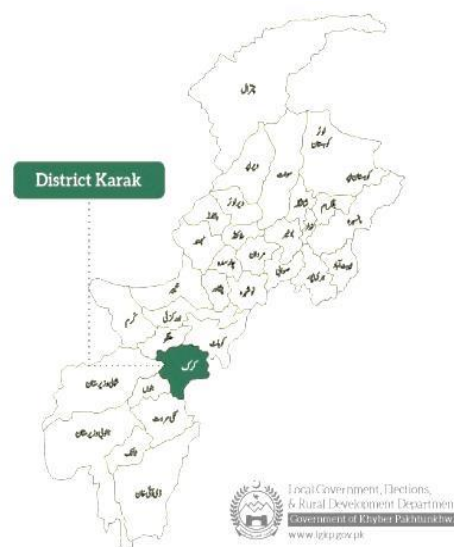
Languages: Pashto

Tehsils: 3

Number of Village Councils: 57

Number of Neighbourhood Councils: 4

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



15.1 Local Government, Karak

15.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 106.990 million were raised as a result of this audit. This amount also includes recoverables of Rs 28.008 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No	Description	Amount
1.	Irregularities	-
A	Procurement related irregularities	9.116
B	Management of Accounts with Commercial Banks	77.488
2.	Others	20.386
Total		106.990

15.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meetings
1.	2002-03 to 2023-24	Not convened

15.1.3 Audit Paras

15.1.3.1 Irregularities

A. Procurement related irregularities

15.1.3.1.1 Un-authorized purchase of vehicle -Rs 9.116 million

According to S.No. (a) (ii) of the Government of Khyber Pakhtunkhwa Finance Department Letter No. BO-I/FD/5-8/2023-24/Austerity Measures dated 07.07.2023, “there shall be complete ban on purchase of vehicles except Ambulances, earth moving machinery, Fire trucks, tractors, trucks, buses, passenger vans, prisoners vans, motorcycles, water bowser trucks, recovery/ rescue vehicles and rescue/ life-saving boats”.

During Audit of the accounts of Deputy Commissioner (Karak) for the Financial Year 2023-24, it was observed that an amount of Rs 9,116,400 was paid to Kia Motors-Khyber, Peshawar on account of purchase of vehicle “Kia Sportage AWD 1999 CC”. The expenditure was un-authorized as there was complete ban on purchase of vehicles during the said period.

The lapse occurred due to violation of government instructions, resulting in un-authorized purchase of vehicle.

When pointed out in July 2024, the management did not furnish any reply.

PAO (DC Karak) was requested in July 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends regularization of the expenditure from the competent authority.

AIR Para No.05/2023-24

B. Management of Accounts with Commercial Banks

15.1.3.1.2 Non-deposit of Bank profit into Government Treasury – Rs.45.217 million

According to Finance Department Khyber Pakhtunkhwa letter No. 2/3(F/L)FD/2021-22/DDOs dated 30.12.2022, All sums realized as profit on the un-disbursed balance in the Designated Accounts (PLS) shall be credited to Government Treasury (Provincial Account-1) under the head of accounts after

making adjustment against bank charges etc under intimation to Finance Department.

During audit of the accounts of Deputy Commissioner (Karak) for the financial year 2023-24, it was observed that profit amounting to Rs. 45,217,435 was earned on bank balances of the PLS accounts maintained at NBP. However, the profit was not deposited into the government treasury till the date of audit. Detail is given below:

(Rs in Million)

S. No.	Date	Title	Account No.	Profit
1.	15.07.2023	MOL PAK Oil & Gas CO B.V & DC Karak	3009423142	15.881
2.	13.01.2024	MOL PAK Oil & Gas CO B.V & DC Karak	3009423142	20.289
3.	04.07.2023	Assistant Commissioner HQ	2007549914	4.353
4.	01.01.2024	Assistant Commissioner HQ	2007549914	4.693
Total				45.216

The lapse occurred due to non-compliance with Finance Department KP instructions, resulting into non-deposit of bank profit into government treasury.

When pointed out in July 2024, the management did not furnish any reply.

PAO (DC Karak) was requested in July 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends immediate deposit of the bank profit into government treasury.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years, 2020-21, 2021-22 and 2023-24 vide Paras No. 2.5.1.3, 2.5.1.5 and 2.4.1.5 having financial impact of Rs. 11,157,028, Rs. 11,040,890, and Rs 25,040,976 respectively. Recurrence of same irregularity is a matter of serious concern.

AIR Para No.06/2023-24

15.1.3.1.3 Loss to Government due to non-conversion of current bank account into PLS mode- Rs. 10.487 million

According to S No. 3 (ii) and (ix) of Government of KP Finance Department instructions issued vide no 2/3(F/L)/FD/2019-20/vol-xii dated 03-02-2020, “no funds should be kept in any bank account by any Drawing & Disbursing Officer unless expressly authorized by finance department. Such funds lying in the banks should be drawn and credited to government treasury immediately. In case

of current account, the same be converted to PLS mode and the profit earned on designated bank accounts be deposited in government treasury under relevant head of account immediately”.

During audit of the accounts of Deputy Commissioner (Karak) for the Financial Year 2023-24, it was observed that public funds amounting to Rs. 115,548,159 was placed in designated bank accounts without any valid authority of Finance Department. Moreover, the management failed to convert the current bank account into PLS mode due to which the government sustained a loss of Rs.10,487,589 per annum. Detail at **Annexure-15.3**.

The lapse occurred due to violation of KP Finance Department instructions, resulting in loss to the government.

When pointed out in July 2024, the management did not furnish any reply.

PAO (DC Karak) was requested in July 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends conversion of the current bank accounts into PLS mode.

AIR Para No.11 (2023-24)

15.1.3.1.4 Irregular retention of land acquisition fund –Rs 7.966 million

According to Land Acquisition Act 1894 Para 11.B the whole process of land acquisition should be completed within six months by the collector otherwise, he will be personally responsible for delay, which may result in disciplinary proceeding against him/her.

During Audit of the accounts of Deputy Commissioner (Karak) for the Financial Year 2023-24, it was observed that an amount of Rs 7,966,000 was received from the Directorate of Higher Education Khyber Pakhtunkhwa vide cheque No. A701858 dated 14.04.2018. Deputy Commissioner Karak neither issued land award nor disbursed the said amount to complete the acquisition process of land.

The lapse occurred due to violation of government rules, resulting in irregular retention of the land acquisition fund.

When pointed out in July 2024, the management did not furnish any reply.

PAO (DC Karak) was requested in July 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends immediate surrender/ utilization of the unspent amount as per rules.

The issue was also reported earlier in the Audit Reports for the Audit year 2023-24 vide Para No. 2.4.1.6 having financial impact of Rs. 8,027,276. Recurrence of same irregularity is a matter of serious concern.

AIR Para No.09/2023-24

15.1.3.1.5 Non-utilization of government fund on account of PTCs Rs13.818 million

According to S No. 3 (ii) and (ix) of Government of KP Finance Department instructions issued vide no 2/3(F/L)/FD/2019-20/vol-xii dated 03-02-2020, “no funds should be kept in any bank account by any Drawing & Disbursing Officer unless expressly authorized by finance department. Such funds lying in the banks should be drawn and credited to government treasury immediately.

During audit of the accounts of the office of District Education Officer (Male), Karak, for the financial year 2023-24, it was noticed that an amount of Rs 13,818,663 was lying in designated bank accounts of the DEO Karak and PTCs of the Government High Schools till 30th June 2024. The amount was neither utilized nor credited to Government treasury. Detail at **Annexure-15.4**.

The lapse occurred due to violation of government rules/instructions, resulting in non-utilization of funds.

When pointed out in July 2024, the management did not furnish any reply.

PAO (DC Karak) was requested in October 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends utilization/surrender of the amount without further delay.

AIR Para No 4 (2023-24)

15.1.3.2 Others

15.1.3.2.1 Non-recovery of outstanding rent of shops-Rs.3.202 million

According to Rule (5) (c) of the District Govt. Budget Rules 2016, The functions of the Collecting Officer are ensuring all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

During Audit of the accounts of Deputy Commissioner (Karak) for the Financial Year 2023-24, It was observed that rent of various shops amounting to Rs.3,202,297 was not recovered from lessees. Detail at **Annexure-15.5** (a,b).

The lapse occurred due to non-compliance with rules, resulting in non-recovery of rent of shops from the lessees.

When pointed out in July 2024, the management did not furnish any reply.

PAO (DC Karak) was requested in October 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends recovery of the outstanding rent as per the lease agreement/rules.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2020-21, 2022-23 and 2023-24 vide Paras No. 2.5.3.1, 2.4.3.1 and 2.4.3.1 having financial impact of Rs. 6,106,006, Rs. 2,608,135 and Rs 2,898,073 respectively. Recurrence of same irregularity is a matter of serious concern.

AIR Para No.01 (2023-24)

15.1.3.2.2 Un-verified expenditure incurred through PTC accounts – Rs.16.06 million

According to PTC Guidelines issued vide Notification No.BO-V/FD/3-10/2006-07 dated: -09-06-2007, PTC shall maintain complete record of income (receipts) and expenditure (payments) and shall also submit copies thereof to the DEO concerned at the closure of the financial year. According to PTC guidelines, details vouchers, cashbook etc will be maintained by the DEO and inspection will be carried out by the inspection committee.

During audit of the account of the District Education Office Female, Karak for the Financial Year 2023-24, it was observed that funds amounting to Rs

26,265,000 were transferred to various schools through their PTC accounts on account of Petty Repairs & Class Room consumables. However, record in support of the expenditures from these accounts i.e cash books and invoices in support of the payments were not submitted by the PTCs concerned to the office of DEO, for inspection. Detailed is given below:

(Amount in Rs.)

S.No	Head of Account		Cheque No. Date	Amount Paid
01	Petty Repair		1492293 dated 20.06.2024	9.618
02	CRC		Do	7.000
Total				16.618

The lapse occurred due to weak internal controls, resulting in un-authentic expenditure.

When pointed out in August 2024, the management did not furnish any reply.

PAO (DC Karak) was requested in October 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends regular inspection of the PTC accounts from the DEO as per PTC guidelines.

AIR Para No. 07 (2023-24)

15.1.3.2.3 Irregular expenditure without open competitive bidding – Rs.1.124 million

Para 01 Chapter-II of KPPRA Rules 2014 requires that, “the Procuring entity shall use open competitive bidding as the principal method of procurement of goods over the value of Rs. 500,000”.

During audit of the accounts of various devolved offices for the financial year 2022-23, it was noticed that an amount of Rs 1,124,946 was spent on procurement of various items/stock. However, purchases were made directly from market or through quotations instead of open competitive bidding to achieve economical rates. Detail is given at **Annexure-15.6**.

The lapse occurred due to violation of rules, resulting in irregular expenditure.

When pointed out in August 2024, the management did not furnish any reply.

PAO (DC Karak) was requested in March 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report

Audit recommends purchase of stock & store through open competitive bidding over the value of 500,000.

AIR Para No. 04 (2022-23)

15.2 Tehsil Municipal Administrations, Karak

15.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 16.611 million were raised as a result of this audit. This amount also includes recoverables of Rs 5.146 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No	Description	Amount
1.	Irregularities	-
A	Management of Accounts with Commercial Bank	13.111
2.	Others	3.500
Total		16.611

15.2.2 Comments on the Status of Compliance with DAC/ZAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

Sr. No.	Audit Year	TAC Meetings
1.	2002-03 to 2023-24	Not convened

15.2.3 Audit Paras

15.2.3.1 Irregularities

A Management of Accounts with Commercial Banks

15.2.3.1.1 Un-authentic cash payments from designated bank account -- Rs.11.465 million

According to Finance Department Letter No: BO(W&M)/6-5/2019-20 dated 19/02/2020 states that in order to streamline the management in public account and observe fiscal discipline, it has been decided to stop forthwith all payments through open cheques or cash payments.

During audit of the accounts of Tehsil Municipal Administration, Karak, for the Financial Year 2023-24, it was observed that an amount of Rs 11,465,646 was withdrawn from designated bank accounts and paid in cash instead of issuing cross cheques to the vendors. Moreover, actual payee receipts and detail of disbursement of the payment was also not available on record, therefore, veracity of the expenditures could not be verified. Details at **Annexure-15.7**.

The lapse occurred due to non-compliance with Finance Department's instructions, resulting in un-authentic cash payments from designated bank account.

When pointed out in November 2024, the management did not furnish any reply.

PAOs (TMOs) were requested in November 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends stoppage of cash payment through open cheques or cash payment.

AIR Para No. 2(2023-24)

15.2.3.1.2 Non-deposit of Bank profit into Government Treasury –Rs.1.646 million

According to Finance Department Khyber Pakhtunkhwa LETTER NO. 2/3(F/L)FD/2021-22/DDOS DATED 30.12.2022, all sums realized as profit on the un-disbursed balance in the designated accounts (pls) shall be credited to

government treasury (Provincial Account-1) under the head of accounts after making adjustment against bank charges etc under intimation to finance department.

During Audit of the Tehsil Municipal Officer, Banda Daud Shah for the Financial Year 2023-24, it was observed that profit amounting to Rs 1,646,175 was earned on the bank balances of PLS accounts maintained at BOK. However, the profit was not deposited into the government treasury till dated of audit. Details are as under: -

(Amount in Rs.)

S.No	Bank	Title	Account No	Date	Profit
1	Bank of Khyber main branch	Tehsil municipal administration	004907421001	01-07-2023	1,566,226
2	Bank of Khyber main branch	Tehsil municipal administration	004907422005	03-01-2023	79,949
Total					1,646,175

The lapse occurred due to non-compliance with Finance Department KP instructions, resulting in non-deposit of bank profit into government treasury.

When pointed out in November 2024, the management did not furnish any reply.

PAO (TMO BD Shah) was requested November 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends immediate deposit of the bank profit into government treasury.

Note: The issue was also reported earlier in the Audit Report for the Audit Years 2022-23 vide Paras No. 3.4.1.4 having financial impact of Rs.1,158,707 and 2020-21 vide Paras No. 2.5.1.5 having financial impact of Rs.8,513,646. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 6(2023-24)

15.2.3.2 Others

15.2.3.2.1 Loss due to non-recovery of building plan Fee-Rs 3.500 million

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

During audit of the accounts of Tehsil Municipal Administration, Banda Daud shah for the financial year 2023-24, it was observed that an amount of Rs.3,500,000 was not recovered from Cadet College Teri, Karak on account of building plan fee resulting in loss to the TMA.

The lapse occurred due to non-observance of government rules resulting in loss to government

When pointed out in November 2024, the management did not furnish any reply.

PAO (TMO BD Shah) was requested in November 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends recovery of the building plan fee from cadet college Teri.

AIR Para No. 1(2023-24)

15.3 Assistant Director LG & RDD, Karak

15.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 1.514 million were raised as a result of this audit. This amount also includes recoverables of Rs 1.514 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	Management in Accounts with Commercial Banks	1.514
Total		1.514

15.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs Meetings are given below:

Sr. No.	Audit Year	VACs/NACs Meetings
1.	2002-03 to 2023-24	Not convened

15.3.3 Audit Paras

15.3.3.1 Irregularities

A. Management of Accounts with Commercial Banks

15.3.3.1.1 Loss to Government due to non-conversion of current account into PLS mode- Rs 1.514 million

According to Serial No. 3 (IX) of Finance Department, Khyber Pakhtunkhwa, Peshawar's Letter No.2/3(F/L)/FD/2019-20/VOL-XII dated 03/02/2020, "in case of current account, the same may be converted to pls mode and the profit earned on designated bank accounts be deposited in government treasury".

During audit of the accounts of Assistant Director Local Government, Karak for the financial year 2023-24, it was observed that the local office failed to convert the current bank account to PLS mode due to which the government sustained a loss of Rs 1,514,343 as bank profit. Detail is as under:

(Amount in Rs.)

Account No.	Bank Name	Opening Balance	Closing Balance	Average Balance	Loss (Interest 10%)
4009426835	NBP Karak	5,085,056	25,201,808	15,143,432	1,514,343

The lapse occurred due to non-observance with Finance Department instructions, resulting in loss to the Government.

When pointed out in October, 2024 the Management did not furnish any reply.

PAO (DC Karak) was requested in October 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends immediate conversion of current account into PLS mode.

AIR No 2 2023-24

CHAPTER-16

DISTRICT KHYBER



District Khyber is one of the newly merged tribal district of Khyber Pakhtunkhwa, named Khyber Agency before merger of Federally Administered Tribal Areas (FATA). According to census of 2023, it has a total area of 2,576 sq.km with population size of 1,146,267 comprising 60.91 % male and 39.08 % female. Geographically it lies in the west of the province, approximately 45 KMs away from the provincial capital-Peshawar. It consists mostly of hilly tracks and mountains, with narrow strips of valleys. It is one of the busiest trade routes of Pakistan due to its Torkham border with Afghanistan leading to the Central Asia. It has industrial estate and two steel re-rolling units' zones. Some of its brief features are also given below:

District Profile

Area: 2,576 Sq KM

Population: 1,146,267

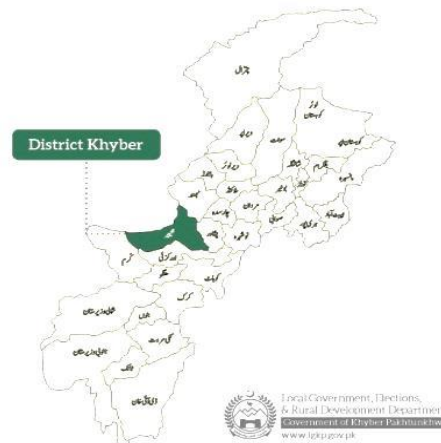
Languages: Pashto

Tehsils: 3

Number of Village Councils: 130

Number of Neighbourhood Councils: 17

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



16.1 Local Government, Khyber

16.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 120.83 million were raised as a result of this report. This amount includes recoveries of Rs. 5.719 million as pointed out by audit. Summary of the audit observations classified as under:

(Rs. in million)		
Sr. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	23.359
B	Procurement related irregularities	50.242
C	Management of Accounts with Commercial Bank	16.098
2	Others	31.131
Total		120.83

16.1.2 Comments on the of Status of compliance with DAC/ZAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of DAC/TAC Meetings are given below:

Sr.No	Audit Year	DAC/ZAC/TAC Meeting
1	2020-21 to 2023-24	Not convened

16.1.3 Audit Paras

16.1.3.1 Irregularities

A. HR/Employees related irregularities

16.1.3.1.1 Un-verified payment on account of arrears of Pay and allowances Rs. 23.359 million

According to CTR Para 296 read with Para 75(2) of KP City & District Government Budget Rules 2016, the controlling officer shall be responsible for seeing that the expenditure included in the bills, are of obvious necessity and are at fair and reasonable rates. Sanction and the requisite vouchers are all received and in order. The calculation is correct and the grants have not been exceeded overallotment.

During audit of the accounts of District Education Officer Male & Female, Khyber for the financial year 2023-24, it was observed that Rs.23,359,170 was paid to teachers and class-iv on account of arrears of pay & allowances. However, local office could not produce supporting documents to audit for verification.

The lapse occurred due to non-compliance of Government rules, resulting into un-verified payments.

When pointed out in August, 2024, the management stated that detailed reply will be furnished after scrutiny of record which was not furnished till finalization of the report.

PAO (DC Khyber) was requested in August 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends justification for payment without availability of the relevant record.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2020-21, 2021-22, 2022-23 and 2023-24 vide paras No. 1.2.3, 1.2.3, 1.2.3 and 1.2.3 respectively having financial impact of Rs. 250.703 million. Recurrence of same irregularity is a matter of serious concern.

(AIR Para No. 2, 4/2023-24)

B. Procurement related irregularities

16.1.3.1.2 Irregular expenditure on account of General Election – Rs.50.242 million

According to direction at S.No 4.3.1.1 of the Accounting Policies and Procedures Manual, all expenditures will be made through cross cheque in the name of Supplier/Contractor.

During audit of the accounts of Deputy Commissioner, Khyber for the financial year 2023-24 it was observed that expenditure of Rs 50,242,040 was incurred on account of General Election. Detail is given below:

(Amount in Rs.)

S.No	Category	Received Amount	Disbursed	Balance
1	Transportation Cost of Vehicle	9,900,000	9,900,000	Nil
2.	POL for Vehicle	6,300,000	6,300,000	Nil
3.	Rent/POL Generator	4,200,000	4,200,000	Nil
4.	Snow Bound Clearance	4,000,000	4,000,000	Nil
5.	CCTV Cameras	26,225,000	25,842,040	382,960
Total			50,242,040	

The expenditure incurred was irregular on the basis of following reasons.

1. CCTV cameras were hired on rent for 05 days which is un-justified as the elections were held on a single day.
2. Funds were released for procurement of CCTV Cameras whereas cameras were hired on rent at a very high rate.
3. Income Tax @ 4% on services amounting to Rs 1,589,682 was not deducted.
4. Comparative Statement was not signed by ADC and DC.
5. Invoices without dates and serial numbers were placed on the record.
6. No such evidence of installation of the Cameras were available to authenticate the expenditure. Supply order for hiring of cameras was not found on record. Cheque for Rs 26,225,000/-on account of Cameras was made in the name of DC Khyber instead of Supplier.
7. Acknowledgement for payment by the Firm Malik Enterprises was not provided to audit as the amount was withdrawn by the DDO.
8. Transportation cost of vehicles was claimed for five days which is un-justified. Complete List of hired vehicles, POL usage detail along with

payment record was not available on record. Cheques on account of POL, Transportation of vehicle and Snow Bound Clearance were not found on record.

9. The balance Rs.382,960 was not surrendered.

The lapse occurred due to weak internal controls, resulting into irregular payment and loss to the Government.

When pointed out in July, 2024, the management replied that all the record is available and will be shown to audit for verification however same was not provided

PAO (DC Khyber) was requested in August 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry in the matter for fixing of responsibility against the person(s) at fault and provision of record to audit for verification.

AIR NO.23 /2023-24

C. Management of Accounts with Commercial Banks

16.1.3.1.3 Loss to the government due to non-conversion of current Bank Account into PLS mode-Rs 11.557 million

According to para 3 (ix) of the Government of Khyber Pakhtunkhwa, Finance Department letter No. 2/3/(F/L)/FD/2019-20/Vol-XIII dated 03.02.2020, "In case of current account, the same shall be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately.

During audit of the accounts of Deputy Commissioner, Khyber for the financial year 2023-24, it was observed that public funds were kept in current bank accounts instead of Profit and Loss sharing accounts in violation of Finance Department KP instructions. Hence, due to non-conversion of current accounts into PLS mode, Government sustained a loss of Rs 11,557,019 (at minimum rate of 5%). Detail is given below.

(Amount in Rs.)

S. #	Bank Name	Account No.	Tilt of Account	Opening Balance	Closing balance	Expected Profit
1.	Khyber Bank	3002559802	DC Khyber	186,600,000	186,600,000	9,330,000
2.	NBP	4320077456	AC Landi Kotal	50,380,509	22,429,508	1,121,476
3.	NBP	4321053384	DC Khyber	300,834	22,110,855	1,105,543
Total						11,557,019

The lapse occurred due to weak internal controls, resulting into loss to government.

When pointed out in July 2024, the management replied that detailed reply will be submitted after scrutiny of record which was not provided till finalization of the audit report.

PAO (DC Khyber) was requested in August 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate conversion of current account into PLS mode.

Note: The issue was also reported earlier in Audit Reports for Audit Years 2020-21, 2021-22, 2022-23 and 2023-24 vide paras No. 2.5.1.10, 2.5.1.15, 2.5.1.22 and 2.4.1.11 having financial impact of Rs 49.512 million. Recurrence of same irregularity is a matter of serious concern.

AIR NO.30/2023-2

16.1.3.1.4 Non-deposit of bank profit into the government treasury – Rs.4.541 million

According to Para 3(ix) of Finance Department Khyber Pakhtunkhwa letter No. 2/3-(F/L)/FD/2019-20/Vol-XIII dated 3rd February 2020, in case of current account, the same may be converted into PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately except where departments/offices/Autonomous & semi-autonomous Bodies/Organizations/Corporations have been specifically permitted under some Statute/Act.

During audit of the accounts of Deputy Commissioner and District Education Offices Male & Female, Khyber for the financial year 2023-24, it was observed that profit amounting to Rs.4,541,284 was earned during the year on the bank balances lying in the PLS accounts maintained at various branches of the BOK and BOP. However, the profit was not deposited into the government treasury till the date of audit. Detail at **Annexure-16.2**.

The lapse occurred due to non-compliance to Finance Department KP instructions, resulting into loss to the government.

When pointed out in July & August 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply was received till finalization of this report.

PAO (DC Khyber) was requested in August 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate deposit of the bank profit into government treasury.

(AIR Para No. 3,5,1 2023-24)

16.1.3.2 Others

16.1.3.2.1 Irregular expenditure on account of class rooms consumables and petty repairs- Rs 10.092 million

S.No. 1 to 4 of PTC guidelines (record to be maintained) say that PTC shall maintain complete record of income (receipts) and expenditure (payments), Cash book shall have all debit/credits entries, all invoices and bills of supplies/vendors and shall submit copies thereof to DEO concerned at the closure of the financial year.

During audit of the accounts of the District Education Officer (Male), Khyber for the financial year 2023-24, it was observed that an amount of Rs.10,092,000 was released from respective PTC accounts for petty repairs and class room consumables. Detail is given as under:

(Amount in Rs.)

Description	1st release		2 nd release		3 rd release	
	CRC @ Rs.5000	P. Repair @Rs.6000	CRC @Rs.5000	P. Repair @Rs.6000	CRC @Rs.5000	P. Repair @Rs.6000
High Schools	420,000	804,000	420,000	804,000	420,000	804,000
Middle Schools	175,000	276,000	175,000	276,000	175,000	276,000
Primary Schools (Bara)	315,000	378,000	315,000	378,000	315,000	378,000
Primary Schools (Jamrud)	240,000	294,000	240,000	294,000	240,000	294,000
Primary Schools (Landi Kotal)	210,000	252,000	210,000	252,000	210,000	252,000
Total	1,360,000	2,004,000	1,360,000	2,004,000	1,360,000	2,004,000
Total CRC Release during the financial year			Rs 4,080,000			
Total Petty Repair Release during the financial year			Rs 6,012,000			
Total Releases during the financial year 2023-24			Rs 10,092,000			

Audit observed the following short comings:

- Monitoring report of P&D Section, third party reports and independent report of IMU regarding utilization of funds were not available on record.
- Record regarding demand of funds by the respective schools was not available on record.
- Expenditure incurred out of PTC account was not reconciled with schools.
- Progress reports were also not obtained from the concerned schools on regular basis in order to monitor the utilization of these grants.

The lapse occurred due to non-compliance with PTC guidelines, resulting into irregular expenditure.

When pointed out in August 2024, the management stated that detailed reply would be furnished after scrutiny of record. However, no reply was furnished till finalization of this report.

PAO (DC Khyber) was requested in September 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends provision of record to audit for verification.

(AIR Para No. 6/ 2023-24)

16.1.3.2.2 Loss due to non-deposit of auction receipts into Government treasury –Rs 5.719 million

According to Rule 5(1) (c) of the Khyber Pakhtunkhwa, District or City District Governments, Budget Rules 2016, the collecting officer shall ensure 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 the Deputy Commissioner, Khyber for the financial year 2023-24, it was observed that Rs. 5,719,812 was realized on account of auction of Sugar bags lying at Tehsil Landi Kotal however, the realized receipts were not deposited into Government treasury.

The lapse occurred due to weak internal controls, resulting into loss to the government.

When pointed out in August 2024, the management stated that detailed reply would be furnished after scrutiny of record. However, no reply was furnished till finalization of this report.

PAO (DC Khyber) was requested in August 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate deposit of the receipts into Government treasury.

AIR No.02/ 2023-24

16.1.3.2.3 Irregular Retention of Elders/ Owners Share out of Torkham bus terminal Revenue - Rs 13.084 million

According to Rule 174 of CTR Vol-I read with Rule 283 (I) of the Central Treasury Rules Volume I, all payments must be supported with acknowledgement.

During audit of the accounts of the Deputy Commissioner, Khyber for the financial year 2023-24, it was observed that the contract of Bus Terminal of Torkham was awarded to NLC for 99 years. Audit noticed that Assistant Commissioner, Landi Kotal retained share of two elders amounting to Rs. 13,083,675 out of revenue of Bus Terminal at Torkham Border for six months in designated bank Account. The amount was neither disbursed to these elders nor to the Co-owners/land owners.

The lapse occurred due to weak internal controls, resulting into irregular retention of revenue share in the Bank account.

When pointed out in July 2024, the management replied that detailed reply would be submitted after scrutiny of record. However, no reply was furnished till finalization of this report.

PAO (DC Khyber) was requested in August 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate disbursement of the amount among the shareholders.

AIR No.08/2023-24

16.1.3.2.4 Irregular expenditure on construction of water courses – Rs.2.236 million

According to Para 6.8 of PC-I of National Programme for Improvement of Water Courses in KP Phase-II, each scheme file shall have some necessary documents i.e Coordinates of the scheme, WUA registration documents etc.

During audit of the accounts of District Officer On-Farm Water Management, Khyber for the financial year 2022-23, it was observed that the

District Officer On-Farm Water Management paid Rs 2,236,131 to the chairmen of three Water User Associations as per detail given below:

(Amount in Rs.)

S.No.	Name of Scheme & Address	Name of Chairman	Expenditure
1.	T/W, W/C at Mirs Aka Kehl	Wali Khan	609,606
2.	T/W, W/C at Kalanga Bara	Zahoor Ullah TWC	1,206,525
3.	WST at Dogza Bara	Zulfiqar	420,000
Total			2,236,131

Audit observed the following:

1. Coordinates were not available in order to check duplication/ overlapping of schemes.
2. The WUAs were not registered with On Farm Water Management Department as no proof of registration was available in the concerned files.

The lapse occurred due to weak administrative and internal controls, resulting into irregular expenditure.

When pointed out in April 2024, management did not furnish any reply.

PAO (DC Khyber) was requested in May 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends provision of relevant record for authentication of expenditure.

AIR No.04/Lean Period/2022-23

16.2 Tehsil Municipal Administrations, Khyber

16.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 264.529 million were raised as a result of this report. This amount includes recoveries of Rs. 7.755 million as pointed out by audit. Summary of the audit observations classified as under:

(Rs. in million)		
Serial No.	Classification	Amount
1	Others	264.529
Total		264.529

16.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

S#	Audit Year	TAC Meeting
1	2020-21 to 2023-24	Not Convened

16.2.3 Audit Paras

16.2.3.1 Others

16.2.3.1.1 Loss to Government due to non-deduction of KPRA Sales Tax, Stamp Duty and DPR -Rs 5.168 million

According to Finance Department of KPK letter No.BO(Res-111)FD/2-2/2019-20/VOL-IV dated 07.09.2021, KPRA Sales Tax @2% on construction services in all item codes of MRS-2021 on the analogy of income tax already included in MRS-2021 shall be deducted and will be paid to KPRA as specified under S.No. 14 of the KP Finance Act, 2021 and According to Establishment and Administration Department KPK letter No. SORV(E&AD)11-26/96 Vol.-III dated 25-07-2002 endorsed by Government of KPK Directorate of Social Welfare & Women Development Peshawar, vide letter No. DSP/PCRD/2061-80 dated 27-02-2010, it is the legal responsibility of all Principal Accounting Officers to deduct Rs. 2,000 against one million each from the payments made to the contractors who have completed business of one million and above in a financial year.

During audit of the accounts of Tehsil Municipal Administrations, Jamrud, Landi Kotal and Bara, it was observed that payment of Rs 246,724,925 was made to contractors on account of execution of developmental schemes during Financial Year 2023-24. However, the management of TMAs failed to deduct KPRA sales tax, DPR charges and Stamp duty amounting to Rs. 5,168,000 from the contractor's bills already included in the rates. Details at **Annexure-16.3**.

The lapse occurred due to weak internal controls, resulting into loss to government.

When pointed out in November 2024, management did not furnish any reply.

PAOs (TMOs) were requested in November 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery and immediate deposit of fund into into TMAs account.

AIR No. 1,1,5/2023-24

16.2.3.1.2 Irregular expenditure without Technical Sanction – Rs.239.486 million

According to Para 56 of CPWA Code, no work shall be executed without Administrative Approval /Technical Sanction and Budget allotment.

During audit of the accounts of Tehsil Municipal Administrations, Jamrud, Landi Kotal and Bara for the financial year 2023-24, it was observed that an amount of Rs 239,486,912 was spent on account of execution of various developmental schemes. However, the expenditures were incurred without obtaining technical sanctions from the competent authority. Detail at **Annexure-16.4**

The lapse occurred due to weak internal controls, resulting into irregular expenditure.

When pointed out in November 2024, management did not furnish any reply.

PAOs (TMOs) were requested in November 2024 with several reminder to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends obtaining technical sanctions from the competent authority.

Note: The issue was also reported earlier in the Audit Reports for the Audit year 2023-24 vide para-No.3.4.1.2 having financial impact of Rs. 15.518 million. Recurrence of same irregularity is a matter of serious concern.

AIR No. 2,2,3/2023-24

16.2.3.1.3 Overpayment to contractors due to non-deduction of voids – Rs.2.155 million

According to Clause 20(b) of the Contract Agreement, 11% voids are required to be deducted from the contractor in item of work “Structure back filling”.

During audit of the accounts of Tehsil Municipal Administrations, Jamrud and Landi Kotal for the financial year 2023-24, it was observed that payment of Rs.19,596,796 was made to different Contractors on account of execution of item of work “S/S of shingle, Formation of embankment” in various developmental

schemes. However, deduction of Rs. 2,155,647 @11% on account of voids was not made from the bills of the contractors concerned. Detail at **Annexure-16.5**.

The irregularity occurred due to weak internal controls, resulting into overpayment to contractors & loss to government.

When pointed out in November 2024, management did not furnish any reply.

PAO (TMO) was requested in November 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate recovery and deposit into TMAs account.

AIR No. 3,4/2023-24

16.2.3.1.4 Loss to the government due to non-imposition of penalty due to non-completion of development schemes Rs 17.720 million

According to clause 2 of the Contract Agreements and Para No.2 of the work orders, penalty of 1% per day and up to maximum of 10% of the bid cost shall be imposed for delay in completion of work.

During audit of the accounts of Tehsil Municipal Administration, Bara, it was observed that various development schemes having cost of Rs. 177.23 million were awarded to various contractors during 2023-24. The work orders were issued on 08.10.2022 with stipulated completion period of 545 days. However, the schemes were still in progress till the date of audit i.e. November 2024. Audit noticed that penalty @ 10% amounting to Rs 17.720 million was not imposed on the contractors.

The lapse occurred due to weak administrative control, resulting in depriving the public from timely benefits of the development schemes.

When pointed out in November 2024, management did not furnish any reply.

PAO (TMO) was requested in November 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of penalty from the contractors concerned and deposit into TMAs account.

AIR No. 2/2023-24

16.3 Assistant Director LG & RDD, Khyber

16.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 30.971 million were raised as a result of this report. This amount includes recoveries of Rs. 0.971 million as pointed out by audit. Summary of the audit observations classified as under:

(Rs. in million)		
Sr. No.	Classification	Amount
1	Others	30.971
Total		30.971

16.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs meetings are given below:

S.No.	Audit Year	TAC meeting
1.	2002-03 to 2011-12	N/A
2.	2012-13 to 2023-24	Not Convened

16.3.3 Audit Paras

16.3.3.1 Others

16.3.3.1.1 Non-imposition of penalty for non-completion of works – Rs.971,000

According to clause 2 of the Contract Agreements and Para No.2 of the work orders, penalty of 1% per day and up to maximum of 10% of the bid cost shall be imposed for delay in completion of work.

During audit of the accounts of Assistant Director LG&RDD, Khyber for the financial year 2023-24, it was observed that three contracts worth Rs.9,710,000 were awarded to various contractors. However, the contractors did not complete the schemes within the stipulated period of time and the Assistant Director LG&RDD, Khyber did not impose penalty @ 10% amounting to Rs.971,000 of the estimated cost of works. Detail is given below:

(Amount in Rs.)

Name of Scheme	Contractor	E/Cost	Due Date	Actual Date	Penalty
DWSS at Taparo Kalai, Bazar Zaka Khel	Umar Sepah	3,350,000	12.09.2023	1n progress (10/2024)	335,000
DWSS at Haji Ziarat Jan Kalai, Bazar Zaka Khel	Sky Line	3,180,000	12.09.2023	1n progress (10/2024)	318,000
DWSS at Alacha Kalai, Bazar Zaka Khel	Umar Sepah	3,180,000	12.09.2023	1n progress (10/2024)	318,000
Total		9,710,000			971,000

The lapse occurred due to weak administrative control, resulting in depriving the public from the benefits of the schemes.

When pointed out in October 2024, the management stated that detailed reply would be furnished after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAO (DC Khyber) was requested in October 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate completion of development schemes and recovery of penalty.

AIR No. 8/2023-24

16.3.3.1.2 Irregular withdrawal of funds through DDO and non-execution of development schemes– Rs 30.000 million

According to Para 2.3.2.8 of APPM, “the accounting system shall include controls to minimize the risk of fraud and corruption. This objective shall be addressed by; Issue of payment through direct bank transfer and cheques”.

During audit of the accounts of Assistant Director, Local Governments, Khyber for the Financial Year 2023-24, it was observed that an amount of Rs.30,000,000 was withdrawn from treasury on account of “Repair & Maintenance of Transformers” on simple receipt through DDO and deposited in designated bank account. The Assistant Director, Local Governments, Khyber neither planned developmental activities nor utilized the funds which remained unspent till June, 2024 despite availability of sufficient technical staff in office of the Assistant Director LG & RDD.

The lapse occurred due to poor management resulting in blockage of government money and depriving the public from the benefits of development schemes.

When pointed out in October 2024, the management stated that detailed reply would be furnished after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAO (DC Khyber) was requested in October 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends payment through DDO to minimize the risk of fraud and corruption.

AIR No.03/2023-24

CHAPTER-17

DISTRICT KOHAT



District Kohat is the headquarter of Kohat Division of Khyber Pakhtunkhwa. According to census of 2023, it has a total area of 2,991 sq.km. with population size of 1,234,661 comprising 51% male and 49% female. Geographically, it lies in the north east of the province approximately, 71 KMs away from the provincial capital- Peshawar. It is mainly known for tourism and good educational institutions. Some of its brief features are given below:

District Profile

Area: 2,991 Sq KM

Population: 1,234,661

Languages: Hindko, Pashto, Urdu

Tehsils: 4

Number of Village Councils: 84

Number of Neighbourhood Councils: 23

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



17.1 Local Government, Kohat

17.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 736.497 million were raised as a result of this report. This amount includes recoveries of Rs. 373.404 million as pointed out by audit. Summary of the audit observations classified as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	Procurement related irregularities	3.861
B	Management of Accounts with Commercial Bank	370.296
2	Others	362.340
Total		736.497

17.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meetings
1.	2002-03 to 2023-24	Not convened

17.1.3 Audit Paras

17.1.3.1 Irregularities

A. Procurement related irregularities

17.1.3.1.1 Irregular expenditure on account of purchase of furniture-Rs.2.656 million

According to Rule 10 (b) Chapter II of the KPPRA 2014 amended vide Finance Department Notification No. SO (A)/FD/1-40/2022, dated 17.08.2022, “the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs. 500,000 rupees one hundred thousand”.

During audit of the accounts of Deputy Commissioner (Kohat) for the Financial Year 2023-24, it was observed that expenditure of Rs 2,655,500 was incurred on account of purchase of furniture and fixtures. Detail at **Annexure-17.02.**

Audit observed the following:

- i. Purchase was made on the basis of three quotations instead of adopting open competitive bidding to achieve economical rates.
- ii. The expenditure was incurred in piece meal to avoid open competitive bidding.
- iii. The items purchased were neither taken on stock register nor its issuance recorded.

The lapse occurred due to violation of KPPRA Rules 2014, resulting in uneconomical procurement and loss to the government.

When pointed out in July 2024, the management did not furnish any reply

DAC meeting was held on 3.2.2024 wherein the management replied that all purchases were made in different months on the basis of Quotations covered by the notification No.SO(A)/FD/1-40/2022 dated 17.08.2022. The forum decided that para stands till verification of all the quotations of furniture in light of notification dated 17.08.2022. However, verification was not made till finalization of this report.

Audit recommends provision of record for verification as per the DAC decision.

AIR Para No. 01 (2023-24)

17.1.3.1.2 Un-authentic expenditure on purchase of agriculture inputs – Rs. 1.205 million

According to Para 148 of General Financial Rules (GFR) Vol.-I all material received should be examined, counted, measured, weighed as the case may be, when delivery is taken, and they should be taken on charge by a responsible government officer who should see that quantities are correct and their quality is good, and record a certificate to that effect.

During audit of the accounts of District Directors Agriculture, Kohat for financial year 2022-23, it was noticed that expenditure of Rs. 1,205,115 was incurred on account of purchase of different agriculture inputs for use in demonstration plots.

Audit observed the following irregularities;

- i. Report from the Technical / Inspection Committee of the local office about quality and quantity as mentioned by the supplier in Bill of Quantity, was not found on the record.
- ii. Disbursement of seeds, fertilizer etc. was not confirmed as acknowledgment of the end users was not available on record.
- iii. No agreement for demonstration plots with farmers was signed by the department.
- iv. Identity of the farmer could not be verified as CNICs of the farmers were not available
- v. Acknowledgement / recipient signature who received the seeds, fertilizers etc. was not available on record.
- vi. No criterion for selection of plots of the beneficiaries was available on record.
- vii. The local office failed to produce complete/detail list of demonstration plots in the district.
- viii. Whereabouts of outputs from the demonstration plots was also not produced to Audit.

The lapse occurred due to weak internal and administrative controls, resulting in un-authentic expenditure.

When pointed out in March 2024, management stated that detailed reply would be submitted after consulting the record. However, no reply was furnished till finalization of this report.

PAO (DC Kohat) was requested in March 2024 with reminder on dated 12.12.2014 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends provision / maintenance of relevant record for verification.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2023-24 vide para number 2.4.1.9 and 2.4.1.1 having financial impact of Rs.21.498 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No.04/2022-23

B. Management of Accounts with Commercial Banks

17.1.3.1.3 Non-deposit of Bank profit into Government Treasury – Rs.370.296 million

According to para 3 (ix) of the Government of Khyber Pakhtunkhwa, Finance Department letter No. 2/3/(F/L)/FD/2019-20/Vol-XIII dated 03.02.2020, “In case of current account, the same shall be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately.”

During audit of the accounts of Deputy Commissioner (Kohat) for the Financial Year 2023-, it was observed that profit amounting to Rs 370,296,324 was earned on the balance amount lying in PLS accounts maintained at various banks. However, the profit was not deposited into the government treasury till the date of audit. Detail at **Annexure-17.03**.

The lapse occurred due to non-compliance to Finance Department KP instructions, resulting into non-deposit of bank profit into government treasury.

When pointed out in July 2024, the management did not furnish any reply.

DAC meeting was held on 3.2.2025 wherein the management replied that bank profit of two bank accounts No.3101385803(NBP) and No.3003791512(BOK) amounting to Rs. 14,080,855 & Rs.5,739,558 respectively has already been deposited into government treasury vide challan dated 28.01.2025 & dated 19.09.2024. Further the bank account of APA FR Kohat No.10017994390010 at Allied Bank Peshawar Road Kohat account titled for Qumi Tribble Coal Funds Account and rest of 3 bank accounts relating to development funds Production Bonus/OGDCL is exempted from bank profit as directed vide Notification No.SO(O&G-II)/E&P/1-15/Production Bonus/192-11 dated 30.10.2024 (Copy attached). The forum decided that deposited challans dated 19.09.2024 & dated 28.01.2025 and bank statement of the account of APA FR Kohat may be verified by audit and clarification of the remaining amount may be obtained from Finance Department KP. However, no progress was made till finalization of this report.

Audit recommends implementation of the DAC decision.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2018-19, 2019-20, 2021-22, 2022-23 and 2023-24 vide Paras No. 1.2.3.1, 2.5.1.15, 2.5.1.10, 2.4.1.11 and 2.4.1.2 respectively having financial impact of Rs. 182.838 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 03 (2023-24)

17.1.3.2 Others

17.1.3.2.1 Non-deposit of taxes into government treasury – Rs. 1.054 million

According to Para 8 & 26 of Treasury Rules, each administrative department to see that the dues of the Government are correctly and promptly assessed collected and paid into Government Treasury.

During Audit of the accounts of Deputy Commissioner (Kohat) for the Financial Year 2023-24, it was observed that an amount of Rs 1,053,929 on account of income tax, stamp duty, DPR, KPPRA tax and professional tax was deducted from different contractors on execution of various development schemes under production bonus and OGDCL fund. The amount so deducted was laying in the designated bank account of the DC Kohat instead of depositing into the government treasury. Detail is given at **Annexure-17.04**.

Non-deposit of taxes occurred due to non-compliance of government instructions, resulting in loss to the government.

When pointed out in July 2024, the management did not furnish any reply.

DAC meeting was held on 3.2.2025 wherein the management replied that all the deducted Taxes were deposited in the respective heads of accounts of government treasury vide challan dated 29.01.2025. The forum decided that the Para stands subject to verification of APRs and challan from DAO Kohat. However, verification was not made till finalization of this report.

Audit recommends implementation of the DAC decision.

Note: The issue was also reported earlier in Audit Reports for the Audit Years 2023-24 vide Para No.2.4.4.1 having financial impact of Rs. 2.447 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 02 (2023-24)

17.1.3.2.2 Irregular retention and blockage of funds–Rs.338.847 million

According to Treasury Rules 290, “No money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants”.

During audit of the accounts of Deputy Commissioner (Kohat) for the Financial Year 2023-24, it was observed that the department received an amount of Rs 338,847,778 for development activities from OGDCL under Gas Royalty through various cheques. However, the department retained this amount in its designated bank accounts and was lying unspent till the date of audit i.e. July, 2024. Detail is at **Annexure-17.05**.

The lapse occurred due to violation of government rules/instructions, resulting in blockage of funds.

When pointed out in July 2024, the management did not furnish any reply.

DAC meeting was held on 3.2.2025 wherein the management replied that the laxity occurred due to delay in General Election 2024 and Election Commission of Pakistan notification number F.No.2(1)2023-Cord dated 22.01.2023. Audit contested that the funds should have been utilized in the best public interest or deposited in the public exchequer. However, neither of the actions were taken till date. The forum decided that para stands till utilization of Royalty funds as per prescribed guidelines of the government.

Audit recommends immediate utilization of the unspent amount as per the DAC decision.

AIR Para No. 05 (2023-24)

17.1.3.2.3 Irregular withdrawal of amount under Rehmatul Lil Alameen scholarship-Rs. 1.00 million

According to Para 4.2.9.9 of APPM “Cheque payments should be released to the payee or personally collected by the payee or his authorized agent. Cheque payments made by registered post should have cheque envelopes bearing a direction to return the unclaimed cheque (i.e. unclaimed post) to the issuing department”.

During audit of the accounts of District Education Officer, (Female) Kohat for the financial year 2023-24, it was observed that an amount of Rs 1,000,000 was withdrawn from government treasury on account of Rehmat-Ul-Lil Alameen scholarship program. However, the amount was withdrawn from treasury in the name of DDO in advance and placed in designated bank account instead of direct payment to the concerned.

The lapse occurred due to non-compliance of rules, resulting in non-disbursement of scholarship among the deserving candidates.

When pointed out in August 2024, management stated that all the above record of funds is ready for disbursement among the deserving students and several times correspondence was made by the head of this office with the District Administration to disburse the funds among the students but no response was received from the district administration.

DAC meeting was held on 3.2.2025 wherein the management replied that all the scholarships were disbursed among the students. Audit contested that reconciliation with GPO was not carried out. The forum decided that Para stands till verification of APRs, reconciled statement of GPO duly attested by the DDO concerned. However, verification was not made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 01(2023-24)

17.1.3.2.4 Non-recovery of Scout and Shaheen Funds-Rs. 2.054 0million

According to the Directorate of Elementary and Secondary Education Khyber Pakhtunkhwa Peshawar's Notification No. 9104-80/A-25/revised rates, dated 15-03-2023, the revised rates for the scout and shaheen funds had been approved and fixed as under:

Class	Per student fee of Scout/ Rover Fund	Per student fee of Shaheen Fund
Grade-V	0	5
Grade-VIII	35	0
Grade-IX & X	35	0
Grade-XI & XII	50	0

During audit of the accounts of District Education Officer, (male) Kohat for the financial year 2023-24, it was noticed that an amount of Rs 2,053,870 was not recovered on account of Shaheen and Scouts' funds from schools. Moreover, proper record i.e. cash book and detail of schools were also not found maintained. Detail at **Annexure-17.06**.

Non-recovery of the funds required under the rules occurred due to weak internal controls, resulting in loss to government.

When pointed out in August 2024, the management did not furnish any reply.

DAC meeting was held on 3.2.2025 wherein the management replied that the amount in question was collected by schools, therefore, all the school heads were directed vide letter dated 17.7.2024 to deposit the amount into relevant head of account immediately. The forum directed the department to recover the amount within 15 days. However, recovery was not made till finalization of this report.

Audit recommends immediate recovery of the amount as per the DAC decision.

AIR Para No. 04(2023-24)

17.1.3.2.5 Irregular Withdrawal of Funds from Treasury through DDOs and Cash Payments from Designated Bank Accounts-Rs. 8.385 million.

According to Para 2.3.2.8 of APPM, “the accounting system shall include controls to minimize the risk of fraud and corruption. This objective shall be addressed by; Issue of payment through direct bank transfer and cheques”.

During audit of the accounts of District Officers, Sports, DD Live Stock and DD OFWM Kohat for financial year 2022-23, it was noticed that an amount of Rs.8,384,936 was withdrawn by these offices from treasury through DDOs. These funds were either directly disbursed in cash or deposited into the designated bank accounts from where an amount of Rs. 8,384,936 was further paid in cash instead of using crossed cheques. In some cases, details of the vendors, the purpose of the payments, and Actual Payee Receipts in support of the cash payments from designated bank accounts were not available on record to verify these payments. Detail is given below.

(Amount in Rs.)

S. #	PAO and District	Office	Withdrawal of Funds through DDO	Cash Payments from Designated Bank A/Cs	AIR Para No.	Further Details at
01	DC Kohat	DSO Kohat	4,371,452	4,371,452	AIR No. 2 (2022-23)	Annex-17.07
02	DC Kohat	DD Live Stock Kohat	2,499,185	2,499,185	AIR No. 2 (2022-23)	Annex-17.08
03	DC Kohat	DD OFWM Kohat	1,514,299	1,514,299	AIR Para No.01 (2022-23)	Annex-17.09
Total			8,384,936	8,384,936		

The lapse occurred due to weak internal controls of these offices and collusion with District Accounts Offices, resulting into irregular withdrawal of funds from treasury through DDOs.

When pointed out in March 2024, the management of most of the offices did not furnish any reply whereas some offices replied that the funds withdrawn from treasury were mainly for 1st salary of the employees, electricity, telephone bills and other day to day/ petty expenses. However, management admitted the lapse occurred and noted the audit observation for future compliance.

PAO (DC Kohat) was requested in March 2024 with reminder on dated 28.3.2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends stoppage of payment through DDOs immediately.

Note: The issue was also reported earlier in the Audit Reports for the year 2023-24, 2022-23 and 2021-22. Recurrence of same irregularity is a matter of serious concern.

AIR No. 2, 2 &1(2022-23)

17.1.3.2.6 Irregular Expenditure on account of feeding and diet charges-Rs.11.00 million

According to Chapter V- Miscellaneous Provisions of the Khyber Pakhtunkhwa Public Procurement Rules 2014, “Each procuring entity shall constitute committees, in accordance with delegation of financial powers, separately for procurement of goods, works and services. In case of procurement of goods and services, including consulting services, the standard bidding document shall include scope of work and terms of reference, the evaluation criteria, the extent of bid validity, quantity, quality and specifications; qualification and experience of consultants, securities, approach and methodology, work plan and delivery schedule, pre-shipment inspection where applicable, schedule of payments and general and special conditions of the contract”.

During audit of the accounts of District Officer Social Welfare, Kohat for the financial year 2023-24, it was observed that an expenditure of Rs 11,000,000 was incurred on account of feeding and diet charges. Detail is given below;

(Amount in Rs.)

S. No.	Name of Center	No of patients/ addicts FY 2023-24	Amount
1.	Drugs Rehabilitation Centre	252	6,500,000
2.	BBS Women Centre	97	4,500,000
3	Welfare home Kohat	30	3,069,169
Total			14,069,169

Audit observed the following irregularities;

1. Procurement committee was not constituted for procurement of food items.
2. Specifications regarding items to be supplied were not available on record to evaluate the actual supply.
3. Inspection committee was not constituted to check quality, quantity and weight of the items.
4. Work plan/delivery plan was not available on record.
5. Indents showing attendance based daily requirements were also not available on record.

The lapse occurred due to non-compliance of Government orders which results in putting health of special children and drug addicted persons on risk.

When pointed out in December 2024, the management did not furnish any reply.

DAC meeting was held on 3.2.2025 wherein the management replied that the procurement committee was constituted which approved the food scale and menu copy. Food was received by Warden/Hostel concerned after inspection/checking of food quality, quantity and weight. Daily food requirement is recorded and maintained in the food register. The forum decided that para stands till verification of Inspection Reports, number of patients, beneficiaries and indents of food. However, verification was not made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No 4 (FY 2023-24

17.2 Tehsil Municipal Administration, Kohat

17.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 25.561 million were raised as a result of this report. This amount includes recoveries of Rs. 20.623 million as pointed out by audit. Summary of the audit observations classified as under:

(Rs. in million)

S. No.	Classification	Amount
1	Irregularities	-
A	Management of Accounts with Commercial Bank	16.314
2	Others	9.247
Total		25.561

17.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

Sr. No.	Audit Year	TAC Meeting
1	2007-08 to 2023-24	Not convened

17.2.3 Audit Paras

17.2.3.1 Irregularities

A Management of Accounts with Commercial Banks

17.2.3.1.1 Loss due to non-deposit of bank profit into government treasury – Rs.16.314 million

Finance Department Khyber Pakhtunkhwa Peshawar vide letter No. 2/3-(F/L)/FD/2019-20/Vol-XIII dated 03.02.20220, has allowed sanction of bank accounts in commercial banks for various departments/autonomous/corporation in KP and directed that such accounts may be converted into PLS mode and profit earned may be deposited into government treasury under the relevant head of account not later than a week when declared by the bank.

During audit of the accounts of Tehsil Municipal Administrations, Kohat, Lachi, Gumbat and Dara Adam Khail for the financial year 2023-24, it was observed that profit amounting to Rs. 16,314,175 was earned during the year on the balance amounts lying in PLS accounts maintained at various banks. However, the profit was not deposited into the government treasury till the date of audit. Detail is given at **Annexure-17.10**.

The lapse occurred due to non-compliance with Finance Department KP instructions, resulting in non-deposit of bank profit into government treasury.

When pointed out in November 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply received till finalization of this report.

PAOs (TMOs) were requested in December 2024 with reminders on dated 16.12.2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends immediate deposit of the bank profit into government treasury.

AIR Para-05,03,4&5 (FY-2023-24)

17.2.3.2 Others

17.2.3.2.1 Loss to Government due to non-recovery of income tax worth – Rs. 3.294 million

Terms & conditions of the agreement with the contractor state that “contractor will be bound to pay income tax @ 10% on the total bid amount.”

During audit of the accounts of Tehsil Municipal Administration, Kohat for the financial year 2023-24, it was observed that the department failed to recover an amount of Rs. 3,294,370 on account of income tax outstanding against various contractors till the date of audit i.e November, 2024 as per detail given below.

(Amount in Rs.)				
S.#	Name of Contractor	Name of Contract	Contract Amount	Non-deposit of Income Tax
1	Ihshan Ullah Khalil	Weekly Cattle Fair (Sunday)	25,419,455	2,541,945
2	Murtaza	Parking Fee Old Bus Stand	3,993,240	399,325
3	Murtaza	Advertisement/ Sign Board Fee	3,531,000	353,100
Total			32,943,695	3,294,370

The lapse occurred due to weak internal controls, resulting in loss to the Government.

When pointed out in November 2024, the management stated that notices have been issued against the defaulters, recovery will be made soon.

PAOs (TMOs) were requested in December 2024 with reminders on dated 16.12.2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends immediate recovery of the government taxes and deposit into government treasury.

AIR Para-01 (FY-2023-24)

17.2.3.2.2 Loss due to non-recovery of outstanding amount-Rs.1.015 million

According to rule 8 and 26 of GFR Vol-I, each administrative department to see that the dues of the Government are correctly and promptly assessed, collected and paid into Government treasury.

During audit of the accounts of Tehsil Municipal Administrations, Kohat and Lachi for the financial year 2023-24, it was observed that an amount of Rs.1,015,700 was outstanding against various allottees of open plots, markets, plazas, houses of TMA Kohat and contractor of Cattle Fair of TMA Lachi. However, the said amount was not recovered till the date of audit i.e November 2024. Detail is given below:

(Amount in Rs.)

Name of Contract	Name of Contactor	Target Amount 2023-24	Recovery upto 30-6- 2024	Outstanding
various allottees of open plots, markets, plaza and houses etc (TMA Kohat)	various allottees of open plots, markets, plaza and houses etc	-	Nil	67,974,641
Cattle Fari TMA Lachi	Ihsan Ullah	4,718,700	3,703,000	1,015,700
Total				68,990,341

The lapse occurred due to weak internal controls, resulting in loss to the Government.

When pointed out in November 2024, the management stated that notices have been issued against the defaulters, recovery will be made soon. However, recovery was not made till finalization of this report.

PAOs (TMOs) were requested in December 2024 with reminders on dated 16.12.2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends recovery of the outstanding dues from the defaulters concerned besides fixing responsibility and action against the person(s) at fault.

AIR Para-01 &02(FY-2022-23)

17.2.3.2.3 Irregular premature refund of security –Rs. 4.938 million

According to Government of Khyber Pakhtunkhwa Public Procurement Regularity Authority Notification No. KPPRA/M&E/Estt:/1-5/2016, dated 24.05.2016, “the additional security shall be released to the contractor in four installments i.e. 25% to be released after completing 25% of the project, 50% to be released after completing 50% of the project, 75% to be released after completing 75% of the project and the remaining amount to be released after completion of the project”.

During audit of the Office of Tehsil Municipal Officer, Gumbat during FY 2023-24, it was observed that security was refunded/ released amounting to Rs 1,106,000 to the contractor M/S Hasnain Khan and Rs 3,832,000 to MS Abdul Qayum & Sons under head 2% (call deposit) and 8% (additional security) without execution of the development schemes. The works were tendered during 2022-23 prior to release of funds in violation to rules mentioned above.

The lapse occurred due to violation of government instructions, resulting in refund of pre-mature security.

When pointed out in November, 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply received till finalization of this report.

PAOs (TMO) were requested in December 2024 with reminders on dated 16.12.2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends release of the security according to the laid down rules/procedures.

AIR Para-02 (FY-2023-24)

17.3 Assistant Director LG & RDD, Kohat

17.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 89.943 million were raised as a result of this audit. This amount also includes recoverables of Rs 12.143 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S.No.	Description	Amount
1	Reported cases of fraud, embezzlement and misappropriation	3.960
2	Irregularities	-
A	Management of Accounts with Commercial Banks	85.983
Total		89.943

17.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs Meetings are given below:

Sr. No.	Audit Year	VACs/NACs Meeting
1	2007-08 to 2023-24	Not convened

17.3.3 Audit Paras

17.3.3.1 Reported cases of fraud, embezzlement and misappropriation

17.3.3.1.1 Suspected misappropriation due to payment of Office Rent to VC/NC working in Government buildings-Rs. 3.960 million

According to rule 290 of Treasury Rules, “no money should be drawn from Treasury unless required for immediate disbursement. It is not permissible to draw money from treasury in anticipation of demand or to prevent lapse of budget grant”.

During audit of the accounts of Assistant Director LG&RDD, Kohat for the Financial Year 2023-24, it was observed that Assistant Director, Local Governments, Kohat paid Rs 3,960,000 to 11 VC/NCs on account of rent of office buildings. However, it was noticed that the offices of these VC/NCs were located in government buildings. Detail at **Annexure-17.11**.

The lapse occurred due to violation of the government rules/policy, resulting into suspected misappropriations.

When pointed out in October 2024, the management did not furnish any reply.

DAC meeting was held on 3.2.2025 wherein the management apprised the forum that 11 VCs/NCs are in government buildings, however due to lack of facilities like, PTCL and internet connectivity, private spaces were also hired for the installation of CRVs System. Audit did not agree with the reply, as the government building were located in the urban areas. The forum decided that Para stands till verification of Government buildings by a team comprising officers from Administration and Audit department within 15 days. No progress was made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No 9 (FY 2023-24)

17.3.3.2 Irregularities

A. Management of Accounts with Commercial Banks

17.3.3.2.1 Non-revival of fund – Rs. 73.840 million & non-deposit of profit into government treasury – Rs. 12.143 million

According to S.No.2(v) of the Government of Khyber Pakhtunkhwa Finance Department Letter No. 2/3(F/L) /FD/2019-20/Vol.-XIII dated 3-2-2020 “The unspent balance in the designated bank account, if any, remaining on June 30th of respective financial year shall not be available without its revival in the next financial year by Finance Department.

During audit of the accounts of Assistant Director LG & RDD Kohat, for the FY 2023-24 it was observed that office of the AD LG& RDD and 91 NCs/VCs working under its administrative control, retained an amount of Rs.73.840 million in the designated bank accounts as on 30-06-2024. These balances were made available without its revival from the Finance Department, KP for the financial year 2023-24. Moreover, profit amounting to Rs 12.143 million was earned on the balances kept in these accounts which were retained instead of depositing into government treasury. Detail at **Annexure-17.12**.

The lapse occurred due to violation of Government rules, resulting in unauthorized availability of Government funds for expenditure and non-deposit of profit into Government treasury.

When pointed out in October 2024, the management did not furnish any reply.

DAC meeting was held on 3.2.2025 wherein the management replied that the amount of Rs. 73.840 million lying in joint bank account of VCs/NCs were released by provincial government for operational requirements i.e Office rent, stationery and utilities etc. whereas some of developmental funds were not released due to local disputes. Furthermore, the bank profit will be deposited into government treasury and revival of fund shall be made from finance department KP. The forum decided that the bank profit may be deposited into government treasury. Furthermore, record relevant to operational funds of all 91 VCs/NCs may be provided to audit for verification besides revival of the closing balances lying

in the bank accounts of VCs/NCs from Finance Department. However, neither of the actions were taken till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No1&7 (FY 2023-24)

17.4 Water Supply & Sanitation Company, Kohat

17.4.1 Classified Summary of Audit Observations

Audit observations amounting to Rs.47.888 million were raised as a result of this audit. This amount also includes recoverables of Rs 47.888 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Others	47.888
Total		47.888

17.4.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of PAC Meetings are given below:

Sr. No.	Audit Year	PAC Meeting
1.	2019-20-2023-24	Not convened

17.4.3 Audit Paras

17.4.3.1 Others

17.4.3.1.1 Loss to Government due to non-deduction of Income Tax from pay and allowances –Rs. 1.073 million

According to section 149 of the Finance Act 2023, “Income Tax @ of 2.5% of the amount exceeding Rs 600,000 but does not exceeds 1,200,000, Rs.15,000+12.5% of the amount exceeding 1,200,000 but does not exceeds Rs.2,400,000, Rs 165,000+22.5% of the amount exceeding Rs 2,400,000 but does not exceeds Rs 3,600,000, Rs 435,000+27.5% of the amount exceeding 3,600,000 but does not exceeds Rs 6,000,000 and Rs 1,095,000+35% of the amount exceeding Rs 6,000,000 will be deducted from salaried persons”.

During audit of the accounts of WSSC Kohat for the financial year 2023-24, it was observed that Rs 46,707,307 was paid to various employees on account of pay and allowances. However, income tax amounting to Rs 5,054,257 was deducted instead of Rs 6,127,454, thus resulting in less deduction of Rs.1,073,197. Detail at **Annexure-17.13**.

The lapse occurred due to violation of government instructions, resulting in loss to Government.

When pointed out in December 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply received till finalization of this report.

PAO (Secretary LG&RDD KP) was requested in December 2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends immediate recovery of the income tax from the concerned and deposit into government treasury.

AIR Para No 4 (FY 2023-24)

17.4.3.1.2 Non-recovery of outstanding water charges- Rs. 39.366 million

According to condition 3(ix) of the SAMA agreement, “it is one of the functions of WSSC, Kohat to propose and determine cost recovery measures for the Services provided and suggesting actions regarding taxes, fees, user charges,

surcharges, cesses, rents, rates in respect of the Services, receiving and appropriating all receipts recovered in respect thereof”.

During audit of the accounts of the WSSC Kohat for financial year 2023-24, it was observed that the department failed to recover arrears amounting to Rs 39,366,305 on account of water charges against various water users as on 30-06-2024. This indicates the in-efficiency of the WSSC management to recover the dues and deposit it into the Company’s account as per rules. Detail at **Annexure-17.14**.

The lapse occurred due weak administrative and financial controls, resulting in non-recovery of water charges.

When pointed out in December 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply received till finalization of this report.

PAO (Secretary LG&RDD KP) was requested in December 2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends immediate recovery of the income tax from the concerned and deposit into government treasury.

AIR Para No 6(FY 2023-24)

17.4.3.1.3 Loss to Government due to non-deposit of Sales tax and Income Tax amounting to-Rs. 7.449 million

According to Para 26 of GFR Vol-I, the Departmental Controlling Officers must 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 the WSSC, Kohat, for the financial year 2023-24, it was observed an amount of Rs 7,449,382 was deducted on account of Sales Tax and Income Tax on salary and non-salary components. However, the local office failed to deposit the government taxes into treasury and retained in the designated bank account as per detail given below.

(Amount in Rs.)

S. No	Type of Taxes	Period	Amount Payable
1	Sales tax payable	2023-24	3,213,823
2	Income Tax payable	2023-24	4,235,559
Total Non-Deposit of Government Taxes			7,449,382

The lapse occurred due to violation of government rules, resulting in non-deposit of taxes into government treasury.

When pointed out in December 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply received till finalization of this report.

PAO (Secretary LG&RDD KP) was requested in December 2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends immediate deposit of the taxes into government treasury.

AIR Para No 13 (FY 2023-24)

CHAPTER-18

DISTRICT KOHISTAN LOWER



District Lower Kohistan is situated in Hazara division of Khyber Pakhtunkhwa. According to census of 2023, it has a total area of 1,538 sq.km. With a population size of 340,017 comprising 51.07% male and 49.93% female. Geographically, it lies northeast of the province, approximately 335 kms away from the provincial capital-Peshawar. It is mainly known for its natural resources, historical significance, and tribal culture. Some of its brief features are given below:

District Profile

Area: 642 Sq KM

Population: 202,502

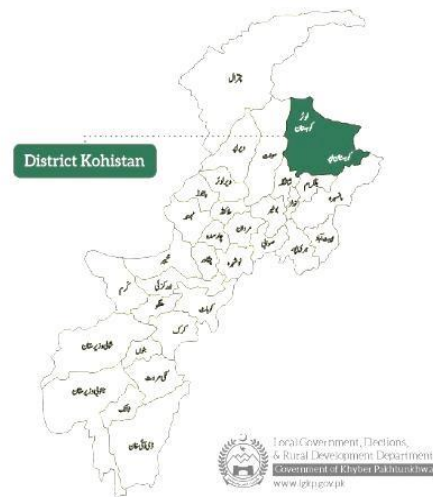
Languages: Kohistani, Shina, Urdu, Pashto

Tehsils: 2

Number of Village Councils (Lower): 47

**Number of Neighborhood Councils
(Lower):** 0

Source: *Population Census 2023 & Development
Statistics of Khyber Pakhtunkhwa 2024*



18.1 Local Government, Kohistan Lower

18.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 90.036 million were raised in this report during the current audit of Local Government Kohistan Lower. This amount also includes recoveries of Rs 2.499 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	2.499
B	Management of Accounts with Commercial Banks	4.017
2	Others	83.520
Total		90.036

18.1.2 Comments on the Status of Compliance with DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of DAC/TAC Meetings are given below:

S. No.	Audit Year	DAC/TAC Meetings
1	2020-21 to 2023-24	Not Convened

18.1.3 Audit Paras

18.1.3.1 Irregularities

A. HR/Employees related irregularities

18.1.3.1.1 Non-recovery of Pay & Allowances for the absent period - Rs.1.274 million

According to Government of Khyber Pakhtunkhwa Finance Department Regulation Wing Letter No. SO(FR)/FD/5-14/2014 dated: 16-12-2014, in case Government employees remains absent from duty without authorization or fails to perform their assigned duties, such government employee loses right to payment of pay and allowances for such period besides making themselves liable for disciplinary proceedings. All concerned offices are duty bound to deduct pay and allowances of the defaulting government employees for period of absence and non-performance of the duty.

During audit of the accounts of District Education Office (Female), Kohistan Lower, for the Financial Year 2023-24 it was observed that an amount of Rs. 1,274,064 did not recover Rs. 1,274,064 on account of pay and allowances from two female teachers who were absent from duty as per report of SDEO (Female) Pattan Kohistan (Lower) as per detail given below:

(Amount in Rs.)

S.NO	Name	Designation	Amount
1	Miss Sadia Bibi	PST	62,551
2	Tahira Bibi	PST	43,621
Per month pay			106,172
Total Amount paid during F.Y 2023-24			1,274,064

The lapse occurred due to violation of government standing orders resulting into loss to the Government.

When pointed out in August 2024, the management stated that the teachers have joined back their duties and penalty of deduction of 5 days salaries was imposed and recovered accordingly. Reply was not tenable as the teachers were absent since long and recovery of 5 days salary without any investigation was incorrect and undue favour with the defaulting teachers.

DAC meeting was held on 30.10.2024 wherein the forum decided that complete record be provided to audit for verification within 30 days. Para stands

till verification of recovery from the teachers concerned for the absent period. However, verification was not made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 02/2023-24

18.1.3.1.2 Overpayment on account of teaching allowance-Rs 1.225 million

According to S.No. ii of Government of Khyber Pakhtunkhwa Finance Department regulation wing Notification No. FD (SOSR-II)2-5/2021-22-teaching allowance dated:07-07-2021, teaching allowance will be admissible only to the teachers posted against teaching posts in the aforesaid department.

During audit of the accounts of District Education Office (Male), Kohistan Lower, for the Financial Year 2023-24, it was observed that teaching allowance was paid to teaching allowance to those teachers who were not working against teaching post resulting into overpayment of Rs 1,225,368. Detail at **Annexure-18.2.**

. The lapse occurred due to weak financial controls, and violation of rules resulting into overpayment of on account of teaching allowance.

When pointed out in August, 2023, management stated that teaching staff was temporarily posted as a stop gap arrangement for the smooth running of DEO Male office as the posts of ADEOs and SDEOs were not sanctioned by Government. Reply was not convincing, as per Finance Department notification, teaching allowance will only be admissible to the teachers posted against teaching posts.

DAC meeting was held on 30.10.2024 wherein the forum decided to complete recovery of teaching allowance. However, no progress was shown till the finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 02/2023-24

B. Management of Accounts with Commercial Banks

18.1.3.1.3 Irregular retention of funds in designated bank accounts Rs.4.017

According to para 3 (ii) of the Government of Khyber Pakhtunkhwa, Finance Department letter No. 2/3/(F/L)/FD/2019-20/Vol-XIII dated 03.02.2020, “No funds should be kept in any Bank account by any Drawing and Disbursing Officer unless expressly authorized by the Finance Department. Such funds lying in Banks should be drawn and credited to Government Treasury immediately except where Departments/Offices/Autonomous and semi-autonomous Bodies/ Organization/ Corporations have been specifically permitted under some Statute / Act”.

During audit of the accounts of District Sports Officer, Kohistan Lower, for the Financial Year 2022-23, it was observed that a sum of Rs 4,017,263 was retained in designated bank account No. 4166790501 NBP Pattan. Audit observed the following shortcomings.

- i. Neither authorization of the Finance Department was obtained nor revival of the funds was made from Finance Department.
- ii. The amount was required to be credited into the Government Treasury, which was not done.

The lapse occurred due to weak internal controls and financial mismanagement resulting into irregular retention of funds.

When pointed out in May 2024, management stated that the balance pertains to Sports Office, district Kolai Palas, the detail of which will be furnished. Reply was not tenable, as retention of balances in designated bank account are not allowed as per KP Finance Department instructions.

PAO (DC Kohistan Lower) was requested in May 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends surrender of the unspent balances to Government.

Note: The issue was also reported earlier in the Audit Reports for the Audit Year 2022-23 vide Para No.2.4.1.6, Para No. 2.4.1.1 having financial impact of Rs.3.811 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 01/2022-23

18.1.3.2 Others

18.1.3.2.1 Non-disbursement of funds on account of land compensation—Rs 83.520 million

According to Part V, Section 31(1) of Land Acquisition Act 1894, “on making an award under Section II, the Collector shall tender payment of the compensation awarded by him to the persons interested entitled thereto according to the award and shall pay it to them unless prevented by someone or more of the contingencies mentioned in the next sub-section.”

During audit of the accounts of Deputy Commissioner, Kohistan Lower, for the financial year 2023-24, it was observed that the funds amounting to Rs.952,287,054 was received as compensation of land for further disbursement among the landowners. The local office failed to disburse the full amount resulting Rs.83,520,889 remained undisbursed till date of audit i.e July 2024. Detail at **Annexure-18.3.**

The lapse occurred due to weak financial controls resulting into blockage of funds and depriving the landowners from their due rights.

When pointed in August 2024, the management stated that the balance amount was retained due to litigation case for rate enhancement. Reply was not convincing as no documentary evidence in support of reply was provided.

DAC meeting was held on 30.10.2024 wherein the forum decided that the matter be pursued vigorously and disbursed the amount to claimants in light of court’s decision.

Audit recommends implementation of the DAC decision.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2021-22 & 2022-23 vide Para No.2.5.3.3 and Para No. 2.4.2.3 having financial impact of Rs 110.689 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 07/2023-24

18.2 Tehsil Municipal Administrations, Kohistan Lower

18.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 84.227 million were raised in this report during the current audit of Tehsil Municipal Administration Pattan, Kohistan Lower. This amount also includes recoveries of Rs 2.125 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs in million)

S. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	2.162
B	Management of Accounts with Commercial Banks	79.940
2	Others	2.125
Total		84.227

18.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

S. No.	Audit Year	TAC Meetings
1	2020-21 to 2023-24	Not Convened

18.2.3 Audit Paras

18.2.3.1 Irregularities

A HR/Employees related irregularities

18.2.3.1.1 Irregular payment on account of daily wages staff-Rs 2.162 million

According to Rule 4(6) of the Khyber Pakhtunkhwa, City/Tehsil Local Government Rules of Business, 2022 notification No. SOG/LG/7/5/ROBs/2022/TLG dated 20/06/2022. “The Tehsil Local Government may, from time to time, on need basis, hire the services of workers, on daily wages basis, from its own source revenue: provided that such cost shall remain less than ten percent of the revenue of own source of the Tehsil Council in financial year.”

During audit of the accounts of Tehsil Municipal Administration, Pattan for the Financial Year 2023-24, it was observed that salaries amounting to Rs 2,162,000 were paid to daily wage staff. Audit observed that income from own source of the TMAs was Rs 2,340,726 and expenditure on daily wages was 92.36% of the own receipts, which was un-justified. Detail is given below;

(Amount in Rs.)

S.No	Name of TMA	Salaries Amount	Own Receipt	%age Expenditure
1	TMA Pattan	2,162,000	2,340,726	92.36%

The lapse occurred due to weak financial controls resulting into irregular expenditure.

When pointed out in November, 2024 the management stated that detailed reply will be furnished after consulting record. Reply was not convincing as no documentary evidences provide in support of reply.

PAO (TMO Pattan) was requested in December 2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends investigation and action against the person(s) at fault besides strengthening financial controls to avoid such lapse in future.

AIR Para No. 03(2023-24)

B Management of Accounts with commercial banks

18.2.3.1.2 Un-authorized transfer of Funds from PLA to designated bank Account-Rs. 79.940 million

According to Government of Khyber Pakhtunkhwa Finance Department instructions issued vide No. 2 /3 -(F /LVFD /2 0 0 7-0 8 No 1 -IX dated Peshawar the 16 March 2018, that no funds shall be placed from PLA/Assignment accounts to any commercial bank account without the prior approval of Finance Department.

During audit of the accounts of Tehsil Municipal Administration Pattan, District Kohistan Lower, for the Financial Year 2023-24, it was observed that an amount of Rs.79,940,738 was transferred from PLA to Designated Bank Account in violation of above-mentioned criteria. Detail is given below:

(Amount in Rs.)

S.No	Funds	Cheque No.	Date	Amount
1	CM Directives	028934	05.10.2023	15,084,000
2	CM Directives	028935	05.10.2023	5,000,000
3	CM Directives	028937	25.10.2023	14,773,858
4	CM Directives	28938	22.11.2023	18,082,880
5	Special Grants	028942	26.12.2023	17,000,000
6	Additional Grants	028947	26.03.2024	10,000,000
Total				79,940,738

The lapse occurred due to weak financial controls resulting into un-authorized transfer of funds from PLA to designated bank account.

When pointed out in November 2024, the management stated that detailed reply will be furnished after scrutiny of record. However, no reply was furnished till finalization of this report.

PAO (TMO Pattan) was requested in December 2024 to convene DAC meeting which could not be convened till finalization of this report.

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

AIR Para No. 06/2023-24

18.2.3.2 Others

18.2.3.2.1 Non-imposition of penalty for delay in completion of works-Rs.2.125 million

According to clause 2 of the conditions of standard contract agreement for developmental schemes, 1% should be deducted from the contractor's bill for every day delay. The penalty is subject to maximum of 10%.

During audit of the accounts of Tehsil Municipal Administration, Pattan, District Kohistan Lower, for the Financial Year 2023-24, it was observed that the developmental schemes costing Rs 21,250,000 were awarded to various contractors with completion period of six months. The schemes were not completed in stipulated period nor penalty @ 10% amounting to Rs 2,125,000 was imposed/recovered. Detail at **Annexure-18.4**.

The lapse occurred due to violation of the contract agreement resulting into loss to Government.

When pointed out in November 2024, management stated that detailed reply will be furnished after consulting original record. However, no reply was furnished till finalization of this report.

PAO (TMO Pattan) was requested in December 2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends recovery of penalty and deposit into government treasury.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2023-24 vide Para No. 3.4.1.3 having financial impact of Rs 1.580 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 09/2023-24

18.3 Assistant Director LG & RDD, Kohistan Lower

18.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 10.00 million were raised in this report during the current audit of Assistant Director LG & RDD Kohistan Lower. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No.	Classification	Amount
1.	Others	10.00
Total		10.00

18.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs Meetings are given below:

S. No.	Audit Year	VACs/NACs Meetings
1	2020-21 to 2023-24	Not Convened

18.3.3 Audit Paras

18.3.3.1 Others

18.3.3.1.1 Irregular expenditure on repair of transformers-Rs. 10.00 million

According to Section 11.3.4 Chapter II of Consumer Service Manual-2021 of National Electric Power Regulatory Authority “In case of more than one Connection on the same substation /transformer with different ownerships such as commercial plazas/apartments/shops/residences, where bills are issued separately, the responsibility of maintenance, repair and replacement of the said system or up gradation/reinforcement thereof shall rest with the DISCO (PESCO).

During audit of accounts of Assistant Director Local Government & Rural Development Department, Kohistan Lower, for the Financial Year 2023-24, it was observed that funds amounting to Rs 10,000,000 withdrew from treasury on account of repair and maintenance of transformers and deposited in designated bank account. Audit held that the release and withdrawal of the subject amount was irregular as the repair and maintenance of transformers is the responsibility of the PESCO in the light of above rules.

The lapse occurred due to weak financial controls resulting into non-adherence to the government’s instructions.

When pointed out in October 2024, management stated that tender process has been started and work order will be issued to contractor soon. The reply was not convincing as repair & maintenance of transformers was the responsibility of PESCO.

PAO (DC Kohistan Lower) was requested in October 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends surrenders of funds to the Government, besides taking up the issue of repair of maintenance of transformers with PESCO.

AIR Para No. 01 (2023-24)

CHAPTER-19

DISTRICT KOHISTAN UPPER



District Kohistan Upper is situated in Hazara Division of Khyber Pakhtunkhwa. According to the census of 2023, it has a total area of 5,440 sq. km with a population size of 422,947 comprising 51.1% male and 48.9% female. Geographically, it lies north-east of the province, approximately 412 KMs away from the provincial capital-Peshawar. It is mainly known for its natural beauty, tourism, and cultural significance. District Kohistan Upper has the highest hydroelectricity potential in the country, which makes this region an ideal place for “Hydro-electricity hub. Some of its brief features are also given below:

District Profile

Area: 6,850 Sq KM

Population: 307,286

Languages: Kohistani, Shina, Urdu, Pashto

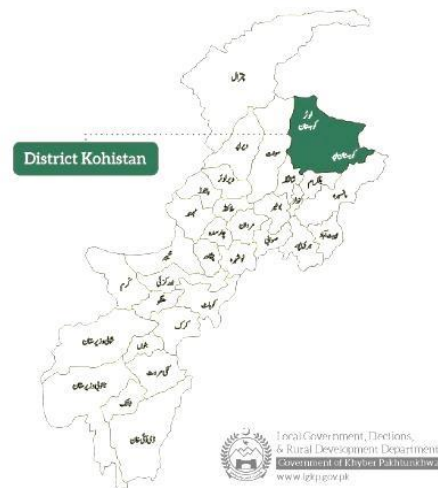
Tehsils: 2

Number of Village Councils (Upper): 62

Number of Neighborhood Councils

(Upper): 01

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



19.1 Local Government, Kohistan Upper

19.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 230.646 million were raised as a result of this audit. This amount also includes recoverable of Rs. 3.447 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No.	Classification	Amount
1.	Irregularities	-
A	Management of Accounts with Commercial Banks	227.199
2.	Others	3.447
Total		230.646

19.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

S. No.	Audit Year	ZAC/DAC/TAC Meeting
1	2002-03 to 2023-24	Not Convened

19.1.3 Audit Paras

19.1.3.1 Irregularities

A. Management of Accounts with Commercial Banks

19.1.3.1.1 Loss to Government due to non-conversion of current bank account into PLS mode – Rs 225.836 million

According to Para 3(ix) of Finance Department Khyber Pakhtunkhwa letter No. 2/3-(F/L)/FD/2019-20/Vol-XIII dated 3rd February 2020, “In case of current account, the same be converted to PLS mode and the profit earned be deposited in Government Treasury under relevant head of account immediately.

During audit of accounts of the Deputy Commissioner, Kohistan Upper, for the Financial Year 2023-24, it was observed that local office did not convert designated current bank accounts into PLS mode resulting into loss to the government of Rs 225,835,569 as per detail given below:

(Amount in Rs.)

S. No	Name of Bank and Branch	Account Number	Balance in the Account as on 30.06.2024	Tentative Profit @ 14.50 %
1	NBP Dassu	4138703345	12,653,550	1,834,765
2	NBP Dassu	13910806	4,415,697	640,276
3	NBP Dassu	10196544	1,540,417,437	223,360,528
Total			1,557,486,684	225,835,569

The lapse occurred due to non-compliance with Finance Department, KP instructions resulting into loss to government.

When pointed out in July 2024, management stated that the case shall be taken with Finance Department Khyber Pakhtunkhwa for conversion of the current accounts mentioned above into PLS Mode and the same will be furnished to DAC. The reply was not convincing as no documentary evidence in support of reply was provided to audit.

DAC meeting was held on 18-12-2024, wherein the management apprised the forum that case for conversion of accounts has been taken up with Finance Department KP. The forum decided that conversion of current accounts into PLS mode may be made immediately and the profit be deposited into Government treasury.

Audit recommends implementation of the DAC decision.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year 2022-23 vide para number 2.4.2.4 having financial impact of Rs 4,186.882 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No 01/2023-24

19.1.3.1.2 Irregular retention of funds in Designated Bank Accounts - Rs.1.363 million

According to para 3 (ii) of the Government of Khyber Pakhtunkhwa, Finance Department letter No. 2/3/(F/L)/FD/2019-20/Vol-XIII dated 03.02.2020, “No funds should be kept in any Bank account by any Drawing and Disbursing Officer unless expressly authorized by the Finance Department. Such funds lying in Banks should be drawn and credited to Government Treasury immediately except where Departments/Offices/Autonomous and semi-autonomous Bodies/ Organization/ Corporations have been specifically permitted under some Statue / Act”.

During audit of accounts of the District Sports Officer, Kohistan Upper, for Financial Year 2022-23, it was observed that a sum of Rs 1,363,094 was retained in the designated bank account No 4098309045 maintained at National Bank of Pakistan, main branch Dassu.

Audit observed the following shortcomings.

- i. Neither authorization of the Finance Department was obtained nor revival of the funds was made from Finance Department.
- ii. The amount was required to be credited into the Government Treasury, which was not done.

The lapse occurred due to weak internal controls and financial mismanagement resulting into irregular retention of funds.

When pointed out in April 2024, the management replied that the balances are mostly salaries of employees and some balances are of Sports Office Kolai Palas. Reply was not tenable, as retention of balances in designated bank account are not allowed as per KP Finance Department instructions.

PAO (DC Kohistan Upper) was requested several reminders to convene DAC meeting in May 2024, which could not be convened till finalization of this report.

Audit recommends either authorization from the Finance Department may be obtained or the amount may be credited into Government Treasury.

AIR Para No. 01(2022-23)

19.1.3.2 Others

19.1.3.2.1 Non-deposit of Stamp duty & Registration Fee on acquisition of land - Rs 1.943 million

According to Revenue & Estate Department, Government of Khyber Pakhtunkhwa Notification No. AS(S)3/240/-23/RM/1928/20237-308 dated 27-7-2022, the registration fee shall be 0.5%, mutation fee 2%, stamp duty 2%, and CVT 2% of the consideration money of all registered documents.

During audit of accounts of the Deputy Commissioner, Kohistan Upper, for the Financial Year 2023-24, it was observed that an amount of Rs 1,942,899 was received on account of Stamp Duty and Registration Fee of land acquisition for RKKH Lal Band Bridge No. 1 Nallah. However, the amount was not deposited into Government treasury. Detail is given below:

(Amount in Rs.)

S. No	Particular	Cost of Land	2% Propriety Tax	Registration Fee	Total
1	RKKH Lal Band Bridge No.01 Nallah	81,213,179	1,554,319	388,580	1,942,899

Non-deposit occurred due to weak financial control resulting into loss to the Government.

When pointed out in July 2024, management stated that the requisite stamp duty and registration fee shall be deposited in due course of time and record will be produced in forth-coming DAC. The reply was not convincing as no documentary evidence in support of reply was provided to audit.

DAC meeting was held on 18-12-2024 wherein the management apprised the forum that the land award was announced on 19-09-2024, however since the post of sub-Registrar was vacant, authorization for deposit of stamp duty into treasury is awaited. The forum decided to deposit registration fee and stamp duty into Government treasury under relevant heads of accounts and may be verified from Audit.

Audit recommends implementation of the DAC decision.

AIR Para No. 3/2023-24

19.1.3.2.2 Loss to Government due to non-recovery of lease money – Rs.1.504 million

According to clause 3 of agreement between Deputy Commissioner Kohistan and M/S Muhammad Idrees, the leasee shall pay the lease amount in 20 equal installments on six monthly basis. He shall deposit each installment in advance by 10th of the respective month, failing which lesser will terminate the lease agreement after giving 10 days notice to the leasee.

During audit of accounts of the Deputy Commissioner, Upper Kohistan, for the Financial Year 2023-24, it was observed that an amount of Rs 1,504,000 was outstanding on account of lease of Jalkot Hydel Power Station against M/S Muhammad Idrees without any cogent reason.

The lapse occurred due to weak financial controls resulting in loss to the government.

When pointed out in July 2024, management stated that notices have already been served to defaulter, however he will be strictly directed to deposit the outstanding amount in the Government treasury at the earliest. The reply was not convincing as neither documentary evidence in support of reply was provided nor recovery from the defaulting lease was made.

DAC meeting was held on 18-12-2024 wherein the management apprised the forum that the defaulting lessee has been served with notices for deposit of outstanding lease money amounting to Rs 1.700 million. However, the lessee (now Member National Assembly) has requested for cancellation of lease due to conflict of interest. The lease will be re-tendered after completion of codal formalities. DAC directed the management that outstanding lease money shall immediately be recovered from the defaulting lessee and deposited into Government treasury.

Audit recommends implementation of the DAC decision.

AIR Para No 04 / 2023-24

19.2 Tehsil Municipal Administrations, Kohistan Upper

19.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 21.984 million were raised as a result of this audit. This amount also includes recoverable of Rs. 1.180 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No.	Classification	Amount
1.	Irregularities	-
A	HR/Employees related irregularities	8.857
B	Management of Accounts with Commercial Banks	13.127
Total		21.984

19.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

S. No.	Audit Year	TAC Meetings
1	2002-03 to 2023-24	Not Convened

19.2.3 Audit Paras

19.2.3.1 Irregularities

A HR/Employees related irregularities

19.2.3.1.1 Irregular payment on account of daily wage staff - Rs 7.677 million

According to Rule 4(6) of the Khyber Pakhtunkhwa, City/Tehsil Local Government Rules of Business, 2022 notification No. SOG/LG/7/5/ROBs/2022/TLG dated 20/06/2022. “The Tehsil Local Government may, from time to time, on need basis, hire the services of workers, on daily wages basis, from its own source revenue: provided that such cost shall remain less than ten percent of the revenue of own source of the Tehsil Council in financial year.”

During audit of the accounts of Tehsil Municipal Administrations Dassu, Seo and Kandia, District Kohistan Upper, for the Financial Year 2023-24, it was observed that salaries amounting to Rs 7,677,548 were paid to daily wage staff. Audit observed that income from own source of the TMAs was Rs 19,978,861 and expenditure on daily wages was 38.43% of the own receipts, which was unjustified. Detail is given below;

(Amount in Rs.)

S. No	Entity	Salaries	Own Receipts	%age Expenditure
1	TMA Dassu	3,461,548	1,771,251	195.43%
2	TMA Seo	600,000	6,875,617	8.72%
3	TMA Kandia	3,616,000	11,331,993	31.92%
Total		7,677,548	19,978,861	38.43%

The lapse occurred due to weak financial controls resulting into irregular expenditure.

When pointed out in November 2024, the managements of all TMAs stated that detailed reply will be furnished after consulting original record. However, no replies were furnished till the finalization of this report.

PAOs (TMO Dassu, Seo and Kandia) were requested in December 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends investigation and action against the person(s) at fault besides strengthening financial controls to avoid such lapse in future.

AIR Para No. 04 TMA Dassu (2023-24)

AIR Para No. 02 TMA Seo (2023-24)

AIR Para No. 02 TMA Kandian (2023-24)

19.2.3.1.2 Overpayment to LCB on account of pension contribution-Rs.1.180 million

According to S. No. IV (2) of the Khyber Pakhtunkhwa City/Tehsil Local Government Rules of Business 2022, Tehsil Officer (Finance) shall be responsible for maintenance and control of Local Fund and revenues – vigilance, detection and prevention of revenue leakages and losses.

During audit of the accounts of Tehsil Municipal Administration, Dassu, Kohistan Upper for the Financial Year 2023-24, it was observed that an amount of Rs 3,106,296 was transferred to LCB on account of pension contribution of PUGF staff on the basis of sanctioned posts instead of available strength, resulting into overpayment of Rs 1,180,080. Detail at **Annexure –19.2.**

The lapse occurred due to weak management control resulting in loss to the government.

When pointed out in November,2024 management stated that detailed reply will be furnished after consulting original record. However, no reply was furnished till finalization of this report.

PAO (TMO Dassu) was requested to convene DAC meeting in December 2024, which could not be convened till finalization of this report.

Audit recommends recovery of overpaid amount from LCB.

AIR Para No. 2/2023-24

B. Management of Accounts with Commercial Banks

19.2.3.1.3 Un-authorized transfer of funds from PLA to designated bank Account – Rs 13.127 million

According to Government of Khyber Pakhtunkhwa Finance Department instructions issued vide No. 2 /3 -(F /LVFD /2 0 0 7-0 8 No 1 -IX dated Peshawar the 16 March 2018, that no funds shall be placed from PLA/Assignment accounts to any commercial bank account without the prior approval of Finance Department.

During audit of the accounts of Tehsil Municipal Administration Seo, District Kohistan Upper, for the Financial Year 2023-24, it was observed that an amount of Rs 13,126,527 was transferred from PLA to Designated Bank Account in violation of above-mentioned criteria.

The lapse occurred due to weak financial controls resulting into un-authorized transfer of funds from PLA to designated bank account.

When pointed out in November 2024, the management stated that detailed reply will be furnished after scrutiny of record. No reply was furnished till finalization of this report.

PAO (TMO Seo) was requested to convene DAC meeting in December 2024, which could not be convened till finalization of this report.

Audit recommends inquiry into the matter besides action against person(s) at fault.

AIR No 05/2023-24

19.3 Assistant Director LG & RDD, Kohistan Upper

19.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 10.00 million were raised as a result of this audit. Summary of the audit observations classified by nature is as under:

(Rs in million)		
S. No.	Classification	Amount
1.	Others	10.000
Total		10.000

19.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of Village/Neighborhood Accounts Committees (VACs/NACs) Meetings are given below:

S. No.	Audit Year	VACs / NACs Meeting
1.	2013-14 to 2023-24	Not Convened

19.3.3 Audit Paras

19.3.3.1 Others

19.3.3.1.1 Irregular expenditure on repair of transformers-Rs 10.00 million

According to section 11.3.4 Chapter II of Consumer Service Manual-2021 of National Electric Power Regulatory Authority “In case of more than one Connection on the same substation /transformer with different ownerships such as commercial plazas/apartments/shops/residences, where bills are issued separately, the responsibility of maintenance, repair and replacement of the said system or up gradation/reinforcement thereof shall rest with the DISCO (PESCO).

During audit of the accounts of Assistant Director LG&RDD Kohistan Upper for the Financial Year 2023-24, it was observed that Rs. 10,000,000 were withdrawn from treasury on account of repair and maintenance of transformers and deposited in designated bank account. Audit held that the release and withdrawal of the subject amount was irregular as the repair and maintenance of transformers is the responsibility of the PESCO in the light of above rules.

The lapse occurred due to weak financial controls resulting into non-adherence to the government’s instructions.

When pointed out in October 2024, the management stated that the amount was transferred to designated account on the direction of higher authorities. The reply was not convincing as repair & maintenance of transformers was the responsibility of PESCO.

DAC in its meeting held on 18-12-2024 the forum directed the management to obtain clarification from PESCO and Finance Division KP regarding utilization of funds on repair and maintenance of transformers.

Audit recommends implementation of the DAC decision.

AIR Para No. 6 /2023-24

CHAPTER-20

DISTRICT KOLAI PALAS KOHISTAN



District Kolai Palas is situated in Hazara Division of Khyber Pakhtunkhwa. According to census of 2023, it has a total area of 1,410 sq.km with population size of 275,461 comprising 50.9% male and 49.1% female. Geographically it lies in the North of the province, almost 368 KMs away from the provincial capital- Peshawar. It is mainly known for its natural resources, historical significance, and tribal culture. Some of its brief features are given below:

District Profile

Population: 275,461

Area: 1,410 sq.KM

Languages: Pashto

Tehsils: 2

No. of Village Councils: 52

No. of Neighbourhood Councils: 0

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



20.1 Local Government, Kolai Palas Kohistan

20.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 24.308 million were raised as a result of this audit. This amount also includes recoverable of Rs. 13.1657 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr.No.	Classification	Amount
1.	Irregularities	-
A	HR/Employees related irregularities	7.266
B	Management of Accounts with Commercial Banks	9.987
2.	Others	7.055
Total:		24.308

20.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

Sr.No.	Audit Year	ZAC/ DAC/TAC Meetings
1.	2019-20 to 2023-24	Not Convened

20.1.3 Audit Paras

20.1.3.1 Irregularities

A. HR/Employees related irregularities

20.1.3.1.1 Irregular withdrawal of on account Pay and allowances Rs.7.266 million.

According to Para (VIII) of the Posting/Transfer Policy of Establishment Code of the Government of Khyber Pakhtunkhwa, no official /officer should be transferred on detailment basis.

During audit of the accounts of District Education Office (Female), Kolai Palas, for the Financial Year 2023-24, it was observed that an amount of Rs. 7,266,384 was paid on account of pay and allowances to different employees. Scrutiny of record revealed that the employees of the teaching cadre were performing duties in management cadre post on detailment. Detail is given below:

(Amount in Rs.)

S No.	Office	Desi g	Current status	Pay	Total
1.	Mohammad Shohaib	SST	Working SDEO(F) Palas	93,975x12	1,127,700
2.	Mr. Asar Jan	SST	Working ASDEO(F) Bataira	165,381x12	1,984,572
3.	Saima BiBi	SST	Working as SDEO Bataira	127,619x12	1,531,428
4.	Abdur Rehman	SST	Working ASDEO(F) Kuz Palas	132,718x12	1,592,616
5.	Zeenat Wali	SST	Working as ASDEO Bar Palas	85,839x12	1,030,068
Total:					7,266,384

The lapse occurred due to weak internal controls resulting into loss to detailment of teaching staff on administrative posts.

When pointed out in August 2024, management stated that these employees were transferred by the Directorate KPK and Secretary E&SED KPK. However, the matter would be taken up with the higher authorities for advise and their repatriation to the concerned schools and progress will be shown to audit. No progress was intimated till finalization of this report.

DAC meeting was held on 02-01-2025 wherein the forum decided that the matter of posting of ADEOs/SDEOs shall be taken up with E&SE Department, KP and suitable candidates be posted and teachers be repatriated to their original place of posting. DAC further directed the management to get complete record including posting orders, payrolls, attendance (both schools & office), verified from Audit within 30 days. However, no progress was made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No.03 (2023-24)

B. Management of Accounts with Commercial Banks

20.1.3.1.2 Loss due to non-deposit of bank profit into government treasury –Rs. 8.975 million

According to Para 3(ix) of Finance Department Khyber Pakhtunkhwa letter No. 2/3-(F/L)/FD/2019-20/Vol-XIII dated 3rd February 2020, “In case of current account, the same be converted to PLS mode and the profit earned be deposited in Government Treasury under relevant head of account immediately except where Departments/Offices/Autonomous & semi-autonomous Bodies / Organizations / Corporations have been specifically permitted under some Statute /Act.

During audit of the accounts of Deputy Commissioner, Kolai Palas for the Financial Year 2023-24, it was observed that profit of Rs 8,975,331 was earned on the balance lying in designated bank accounts. However, the profit was not deposited into the government treasury till the date of audit. Detail is given below:

(Amount in Rs.)		
S.No.	Bank Account No.	Bank Profit
1	A/c No 3150270817 NBP Pattan Branch 15/7/23	5,343,035
2.	A/c No 3150270817 NBP Pattan Branch 13/1/2024	3,632,296
Total:		8,975,331

Non deposit of profit into Government treasury occurred in violation of Government’s instructions resulting into loss to Government.

When pointed out in July 2024, the management stated that the Bank profit would be deposited in due course of time. The reply was not convincing as no compliance was reported till finalization of this report.

DAC meeting was held on 02-01-2025 wherein the management replied that the subject amount has been deposited into treasury under relevant head of account and challans duly authenticated by DAO Kolai Palas Kohistan would be provided to audit for verification. The forum decided that para stands till verification of challans. However, verification was not made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No.07 (2023-24)

20.1.3.1.3 Non-conversion of current bank accounts into PLS mode & non-deposit of bank profit in Government Treasury–Rs.1.012 million and.

Finance Department Khyber Pakhtunkhwa Peshawar vide letter No. 2/3-(F/L)/FD/2019-20/vol-XIII dated 03.02.2020, has allowed sanction of bank accounts in commercial banks for various departments/autonomous/corporation in KP and directed that such accounts may be converted into PLS mode and profit earned may be deposited into government treasury under the relevant head of account not later than a week when declared by the bank.

During audit of the accounts of District Education Office (Female), Kolai Palas, for the Financial Year 2023-24, it was observed that Rs. 1,011,677 were retained in current bank accounts maintained at the Bank of Khyber Besham and Dasso instead of PLS account. Detail is given at **Annexure-20.2**.

Moreover, different schools also earned bank profit of Rs.38,086 on account of funds received in PTC accounts. However, the same was not deposited into government treasury in violation of the above instructions.

The irregularity occurred due to violation of government rules resulting into loss to Government.

When pointed out in August 2024, management stated that the correspondence regarding conversion of current bank account to PLS mode is in process with the bank authorities as well as Finance department. The matter would have resolved and progress would be shared to audit. The reply was not convincing as no progress was intimated till finalization of this report

DAC meeting was held on 02-01-2025 wherein the forum decided that the concerned SDEOs of the District to take up the case with bank authorities for compliance of the audit observation. Profit shall be deposited into Government treasury and complete record including deposit challans and utilization report of funds be shared with audit for verification within 30 days. However, verification was not made till finalization of this report.

Audit recommends implementation of the DAC decision

AIR Para No.04 (2023-24)

20.1.3.1 Others

20.1.3.2.1 Loss to Government due to less realization of Arm License fee - Rs. 4.152 million

According to Notification No BO (REV-II)/FD/3-2/2022 Dated Peshawar, 04th July, 2022 the Provincial Cabinet in its special meeting has approved / proposed enhanced the existing rates of Fresh License of Pistols, Revolvers and shot gun, for KP, with 05 years' renewal, with effect from 01.07.2022, which is Rs. 10,000.

During audit of the accounts of Deputy Commissioner, Kolai Palas, for the Financial Year 2023-24, it was observed that 519 arm licenses were issued, generating revenue of Rs. 1,038,000 at a rate of Rs. 2,000 per license. However, as per the referenced notification, the prescribed fee was Rs. 10,000 per license. This undercharging resulted in a loss of Rs. 4,152,000 to the government. Detail is given below:

(Amount in Rs.)

S.No	Total License Issued	Arm License Fee as per Notification	License Fee Collected by Deptt	Less Realized/ Difference	Amount
1.	519	10,000	2,000	8,000	4,152,000

The lapse occurred due to non-adherence of government rules and regulations resulting into loss to government.

When pointed out in July 2024, the management stated that the matter may be justified/realization will be made after consulting the entire record. The detailed reply shall be submitted along with supporting documents within due course of time. The reply was not convincing as no progress was intimated till finalization of this report.

DAC meeting was held on 02-01-2025 wherein the forum decided provision of complete record along with Home Department notification to audit for verification within 30 days. However, verification was not made till finalization of this report.

Audit recommends implementation of DAC decision.

AIR Para No.01 (2023-24)

20.1.3.1.2 Wastage of government money due to non-functioning of Schools-Rs.2.903 million

According to Para-7 & 14 Appendix-B of the Government of Khyber Pakhtunkhwa City/Tehsil Local Government Rules of Business 2022 issued vide Notification No. SOG/LG/7/5/ROBs/2022 dated: 20th June 2022. The DEO is responsible for promotion of literacy and launching of enrolment campaign in the district.

During audit of the accounts of District Education Office (Female), Kolai Palas for the Financial Year 2023-24, it was observed that two (02) numbers of Primary Schools and one (01) number of middle girls school working under the administrative control of Sub Divisional Education Officer (Female) Bataira were found to be non-functional with zero enrollment. A huge amount of Rs.2,903,244 was spent on the pay and allowances of teaching and non-teaching staff. Detail is given below:

(Amount in Rs.)

EMIS Code	Name of School	Sanctioned Strength	Working Strength	Enrollment	Gross Pay of Teachers
30649	GGPS Mada Khel Abad	01	01	0	68,265x12 = 819,180 48,480x12 = 581,760
30576	GGPS Gilab abad No.2	01	01	0	68,265x12 = 819,180 56,927x12 = 683,124
Total:					2,903,244

Audit observed that non-functional schools having zero enrollments occurred due to weak management and administrative controls resulting into loss to government.

When pointed out in August 2024, management stated that the concerned SDEO (F) Bataira would be contacted to explain the actual position after detailed inquiry into the matter. After proper investigation detailed reply would be submitted within 15 days. No progress was intimated till finalization of this report.

DAC meeting was held on 02-01-2025 wherein the forum decided that the matter be investigated by District management and report be submitted to audit within 30 days. However, verification was not made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No.01 (2023-24)

20.2 Tehsil Municipal Administrations, Kolai Palas Kohistan

20.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 8.325 million were raised as a result of this audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr.No	Classification	Amount
1.	Irregularities	-
A.	HR/Employees related irregularities	2.853
B.	Management of Accounts with Commercial Banks	5.472
Total:		8.325

20.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

Sr.No.	Audit Year	TAC Meeting
1.	2019-20 to 2023-24	Not Convened

20.2.3 Audit Paras

20.2.3.1 Irregularities

A. HR/Employees related irregularities

20.2.3.1.1 Irregular payment on account of daily wage Staff-Rs 2.853 million

According to Rule 4(6) of the Khyber Pakhtunkhwa, City/Tehsil Local Government Rules of Business, 2022 notification No. SOG/LG/7/5/ROBs/2022/TLG dated 20/06/2022. “The Tehsil Local Government may, from time to time, on need basis, hire the services of workers, on daily wages basis, from its own source revenue; provided that such cost shall remain less than ten percent of the revenue of own source of the Tehsil Council in financial year.”

During audit of the accounts of Tehsil Municipal Administrations, Palas and Battaira (Kolai Palas) for the Financial Year 2023-24, it was observed that salaries amounting to Rs 2,852,926 were paid to daily wage staff. Audit observed that income from own source of the TMAs was Rs 2,856,795 and expenditure on daily wages was 99% of the own receipts, which was un-justified. Detail is given below;

(Amount in Rs.)				
S.No	Name of TMA	Salaries Amount	Own Receipt	%age Expenditure
1.	Palas	2,201,426	2,290,329	96%
2.	Battaira	651,500	566,466	115%
Total:		2,852,926	2,856,795	99%

The lapse occurred due to weak financial controls resulting into irregular expenditure.

When pointed out in November, 2024 management stated that detailed reply will be furnished after consulting original record. Department reply is not cogent as no evidence was provided in support of reply.

PAOs (TMO Battaira and Palas) were requested in November 2024, to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends investigation besides strengthening financial controls to avoid such lapse in future.

AIR Para No.02&03 (2023-24)

B. Management of Accounts with Commercial Banks

20.2.3.1.2 Un-authorized transfer of funds from PLA to designated bank Account –Rs. 5.472 million

According to Government of Khyber Pakhtunkhwa Finance Department No. 2 /3 -(F /LVFD /2 0 0 7-0 8 No 1 -I X Dated Peshawar the 16 March 2018, that no funds shall be placed from PLA/Assignment accounts to any commercial bank account without the prior approval of Finance Department.

During audit of the accounts of Tehsil Municipal Administration, Battaira for the Financial Year 2023-24, it was observed that the local office irregularly transferred Rs.5,472,490 from PLA to designated Bank Accounts in violation of above-mentioned criteria.

The lapse occurred due to weak financial controls resulting into irregular transfer of funds from PLA to designated bank account.

When reported in November, 2024, management stated that detailed reply would be furnished after scrutiny of record. The reply was not convincing as no progress was shown to audit till finalization of this report.

PAO (TMO Battaira) was requested in November 2024, with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends regularization of funds transfer from PLA to designated bank account.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2023-24 vide paras No. 3.4.2.3 having financial impact Rs. 6.0 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 05 (2023-24)

20.2 Assistant Director LG & RDD, Kolai Palas Kohistan

20.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 17.49 million were raised as a result of this audit. Summary of the audit observations classified by nature is as under:

(Rs in million)		
Sr. No.	Classification	Amount
1	Others	17.49
Total		17.49

20.2.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs Meetings are given below:

Sr.No.	Audit Year	VACs / NACs Meeting
1.	2019-20 to 2023-24	Not Convened

20.2.1 Audit Paras

20.2.1.1 Others

20.2.1.1.1 Irregular expenditure on repair of transformers – Rs. 10.00 million

According to section 11.3.4 Chapter II of CONSUMER SERVICE MANUAL-2021 of National Electric Power Regulatory Authority “In case of more than one Connection on the same substation /transformer with different ownerships such as commercial plazas/apartments/shops/residences, where bills are issued separately, the responsibility of maintenance, repair and replacement of the said system or up gradation/reinforcement thereof shall rest with the DISCO (PESCO).

During audit of the accounts of Assistant Director Local Government & Rural Development Department, Kolai Palas for the Financial Year 2023-24, it was observed that Rs. 10,000,000 were withdrawn from treasury on account of repair and maintenance of transformers and deposited in designated bank account. Audit held that the release and withdrawal of the subject amount was irregular as the repair and maintenance of transformers is the responsibility of the PESCO in the light of above rules.

The lapse occurred due to weak financial controls resulting into non-adherence to the government’s instructions.

When pointed out in October 2024, management did not furnish any reply till finalization of this report.

DAC meeting was held on 02-01-2025 wherein the forum decided to obtain clarification from PESCO and Finance Division KP regarding utilization of funds prior to its utilization as repair and maintenance of transformers is the responsibility of PESCO.

Audit recommends implementation of the DAC decision.

AIR Para No.01 (2023-24)

20.2.1.1.2 Non-utilization of funds –Rs.7.49 million

According to Para 17(1) of Village Council Budget Rules 2016 of the Government of Khyber Pakhtunkhwa all ADP project shall be completed within financial year for which the budget is appropriated and shall not be extended to next financial year.

During audit of the accounts of Assistant Director Local Government & Rural Development Department, Kolai Palas, for the Financial Year 2023-24, it was observed that Rs. 74,900,926 were retained in the designated bank accounts of various VCs/NCs. The Local office neither planned developmental activities nor utilized the funds and remained unspent. Non-utilization of funds showed inefficiency on the part of management. Detail is given at **Annexure-20.3**.

The lapse occurred due to violation of government rules/instructions resulting into blockage of funds.

When pointed out in October 2024, management stated that the matter will be taken up with relevant councils and progress will be shown to audit. Reply was not convincing as no progress was shown till finalization of this report.

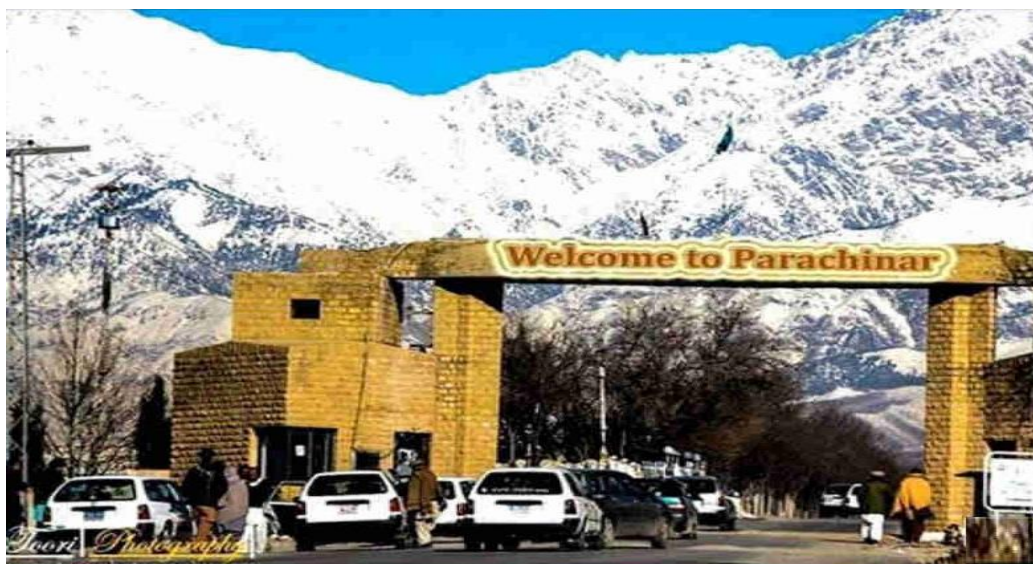
DAC meeting was held on 02-01-2025 wherein the forum decided that complete records including vouchers and supporting documents be provided to audit for verification within 30 days. However, no verification was made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No.03 (2023-24)

CHAPTER-21

DISTRICT KURRAM



District Kurram is a newly merged district of Kohat Division of Khyber Pakhtunkhwa. According to the census of 2023, District Kurram has a total area of 3,380 sq. km. with a population size of 785,434 comprising 51.8% male and 48.1% female. Geographically, it lies northwest of the province, approximately 216 KMs away from the provincial capital-Peshawar. It is mainly known for its natural resources, historical significance, and tribal culture. Some of its brief features are given below:

District Profile

Area: 3,380 Sq KM

Population: 785,434

Languages: Pashto

Tehsils: 3

Number of Village Councils: 67

Number of neighbourhood Councils: 14

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



21.1 Local Government, Kurram

21.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 6.372 million were raised as a result of this audit. This amount also includes recoverables of Rs 3.325 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	Procurement related irregularities	2.091
B	Management of Accounts with Commercial Bank	1.076
2	Others	3.205
Total		6.372

21.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

Sr. No.	Audit Year	DAC/TAC Meetings
1.	2020-21 to 2023-24	Not convened

21.1.3 Audit Paras

21.1.3.1 Irregularities

A. Procurement related irregularities

21.1.3.1.1 Irregular expenditure without open tender system –Rs. 2.091 million

According to Rule 10 (b) chapter II of the KPPRA, 2014 amended vide Finance Department Notification No. SO (A)/FD/1-40/2022, dated 17.08.2022, “the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs. 500,000 rupees one hundred thousand” and “procurement from Rs. 100,000/- up to Rs. 500,000 shall be procured by inviting three quotations”.

During Audit of the accounts of District Sports Office (Kurram) for the Financial Year 2022-23, it was observed that an expenditure of Rs 2,091,208 was incurred on account of purchase of sports items on three quotations in piece meal instead of adopting open competitive bidding to achieve economical rates. Detail is as under.

(Amount in Rs.)				
S. No.	Name of Supplier/ Payee	Cheque No.	Cheque Date	Amount
1	Anmol Stationers and General Supplier	1058879	19.01.2023	451,106
2	Bangash Brothers	1276088	29.03.2023	707,464
3	Bangash Brothers	1276191	30.05.2023	533,530
4	Bangash Brothers	127,7037	16.06.2023	399,108
Total				2,091,208

The lapse occurred due to non-observance of government rules, resulting in irregular expenditure.

When pointed out in April 2024, management stated that detailed reply would be furnished after consulting record. However, no reply was furnished till finalization of this report.

PAO (DC Kurram) was requested in April 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility and action against person(s) at fault.

AIR Para No.01/ 2022-23 (Lean Period Audit)

B. Management of Accounts with Commercial Banks

21.1.3.1.2 Irregular Withdrawal of Funds from Treasury through DDO and Cash Payments from Designated Bank Accounts – Rs.1.076 million

According to Para 2.3.2.8 of APPM, “the accounting system shall include controls to minimize the risk of fraud and corruption. This objective shall be addressed by; Issue of payment through direct bank transfer and cheques”.

During audit of the accounts of District Director Live Stock and Dairy Development (Kurram), for the Financial Year 2022-23, it was observed that an amount of Rs 1,076,606 was withdrawn from treasury through DDO and deposited into designated bank account. The local office further withdrew the said amount from designated bank account and paid in cash instead of issuing cross cheque to the vendors. Moreover, actual payee receipts and detail of disbursement of the payment was also not available on record, therefore, veracity of the expenditures could not be verified. Detail as per **Annexure-21.3**.

The lapse occurred due to non-compliance of Finance Department’s instructions, resulting in irregular withdrawal and un-authentic cash payments from designated bank account.

When pointed out in March 2024, management stated that detailed reply would be furnished after consulting record. However, no reply was furnished till finalization of this report.

PAO (DC Kurram) was requested in March 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends strengthening the internal controls to avoid recurrence of such irregular instances, besides provision of relevant record in support of payments for audit verification.

AIR Para No.01/ 2022-23 (Lean Period Audit)

21.1.3.2 Others

21.1.3.2.1 Overpayment due to allowing higher rates –Rs 3.205 million

According to item Code 24-18-a-02 of MRS 2022 rate of 4-inch dia PVC pipe is Rs 955.88 per meter (Providing, laying, cutting, jointing, testing and disinfecting UPVC pressure pipeline in trenches (conforming to BS 3505 manufactured) jointed with socket, elbow, tee, bend and plug bend etc. manufactured by the respective manufacturer complete as per specifications UPVC Pressure Pipes Class B (6 Bar) except excavation. 4" dia).

During audit of the accounts of District Officer Water Management, Kurram for the financial year 2022-23, it was noticed that an amount of Rs.3,205,424 was overpaid on account of execution of different items of work in various schemes due to allowing higher rates than the approved rates of MRS. Detail at **Annexure-21.2**.

Overpayment occurred due to weak financial controls, resulting in loss to Government.

When pointed out in February 2024, management stated that detailed reply would be submitted after scrutiny of the relevant record. However, no reply/progress was provided to audit till finalization of this report.

PAO (DC Kurram) was requested in February 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends recovery of the overpaid amount from the contractors concerned.

AIR Para No. 01 /2022-23 (Lean Period Audit)

21.2 Tehsil Municipal Administrations, Kurram

21.2.1 Classified Summary of Audit observations

Audit observations amounting to Rs 37.509 million were raised as a result of this audit. This amount also includes recoverables of Rs 4.314 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No.	Classification	Amount
1	Irregularities	-
A	Management of Accounts with Commercial Bank	32.045
2	Others	5.464
Total		37.509

21.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

Sr. No.	Audit Year	TAC Meetings
1.	2020-21 to 2023-24	Not convened

21.2.3 Audit Paras

21.2.3.1 Irregularities

A Management of Accounts with Commercial Banks

21.2.3.1.1 Un-authentic cash payments from designated bank accounts- Rs 32.045 million

According to 2.3.2.8 of the APPM, the accounting system shall include controls to minimize the risk of fraud and corruption. This objective shall be addressed by issue of payment through direct bank transfer and cheque to employees/vendor concerned.

During audit of the accounts of Tehsil Municipal Administrations, Central and Lower Kurram, for the Financial Year 2023-24, it was observed that an amount of Rs 32,045,579 was withdrawn from designated bank accounts and paid in cash instead of issuing cross cheques to the vendors. Moreover, actual payee receipts and detail of disbursement of the payment was also not available on record, therefore, veracity of the expenditures could not be verified. Detail is given below:

(Amount in Rs.)

Name of office	Amount	Further Detail
TMA Central Kurram	6,203,800	Annex-21.3a
TMA Lower Kurram	25,841,779	Annex-21.3b
Total	32,045,579	

The lapse occurred due to non-compliance of Finance Department's instructions, resulting in un-authentic cash payments from designated bank account.

When pointed out in November, 2024 Management stated that detailed reply would be furnished after consulting record. However, no reply was furnished till finalization of this report.

PAOs (TMOs) were requested in November, 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends strengthening the internal controls to avoid recurrence of such irregular instances, besides provision of relevant record in support of payments for audit verification.

AIR Para No.03/ 2023-24

21.2.3.2 Others

21.2.3.2.1 Non-realization of receipts – Rs 1.150 million

According to Rule 6 of the Khyber Pakhtunkhwa Budget Rules 2016, “The functions of the TO (Regulation) shall include;

- a) Preparing the estimates of receipts under his jurisdiction;
- b) All matters relating to realization, and deposits of receipts;
- c) Ensuring all sums due to the TMA are regularly and promptly assessed, realized and duly credited in the Tehsil Fund;
- e) Keeping the TMO fully informed of the progress of collection of revenue under his control and of all important variations in such collections as compared with the budget estimates;
- j) Continuous monitoring of the revenue component of TMA ensuring that revenue is realized as approved by the Tehsil Council;

During audit of the accounts of TMO Central (Kurram) for the Financial Year 2023-24, it was observed that the local office approved revenue of Rs. 1,150,000 from own sources under various heads in the budget estimates. However, no receipts were realized during the Financial Year against the budgeted estimates. Detail is given below:

(Amount in Rs.)			
S. No.	Head of Account	Revenue	Budget 2023-24
1	B01313	Immovable Property tax 2%	200,000
2	C0388001	Tehbazari	50,000
3	C0388062	Weekly Cattle Fare	0
4	C0388062	Slaughter House	100,000
4	C0388034	Water Rate	0
5	C0388096	General Bus Stand	0
7	C0388096	Rent of Shops	0
8	-	Group Latrine	100,000
9	-	NOC Mobile Tour Fee	500,000
10	C038807	Map Approval Fee	200,000
Total			1,150,000

The lapse occurred due to non-compliance of Government rules, resulting in non-realization of receipts and loss to TMA.

When pointed out in November 2024, management stated that detailed reply would be furnished after consulting record. However, no reply was furnished till finalization of this report.

PAO (TMO) was requested in November 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends that efforts be made for realization of the receipts.

Note: The issue was also reported in Audit Report for Audit year 2023-24 vide paras No. 3.4.2.4 having financial impact of Rs. 4.700 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No.01/2023-24

21.2.3.2.2 Loss to Government due to non-collection of income tax from the contractors of receipt contracts -Rs 4.314 million

According to letter No. RTO-PR/WH-47/2018-19/61, dated 06.07.2018, “the rate of collection of taxes on auction u/s 236A is 10% for filers and 15% for non-filers”.

During audit of the Tehsil Municipal Administration, Lower Kurram, for the Financial Year 2023-24, it was observed that TMO awarded different receipts contracts to various contractors for Rs 43,137,050. However, income tax amounting to Rs 4,313,705 was not deducted from the contractors. Detail is given below:

(Amount in Rs.)

S. No.	Name of Contract	Contractual Amount	Amount of Income Tax
1	Cattle Fare	995,100	99,510
2	General bus Stand	40,660,000	4,066,000
3	Entry Fees	754,350	75,435
4	Group Laterine	727,600	72,760
Total		43,137,050	4,313,705

The lapse occurred due to weak internal and administrative controls, resulting in loss to the Government.

When pointed out in November, 2024 management stated that detailed reply would be furnished after consulting record. However, no reply was furnished till finalization of this report.

PAO (TMO) was requested in November 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends collection of government dues.

AIR Para No. 05/2023-24

21.3 Assistant Director LG & RDD, Kurram

21.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 6.992 million were raised as a result of this audit. This amount also includes recoverables of Rs 6.992 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No.	Classification	Amount
1	Irregularities	-
A	Management of Accounts with Commercial Bank	6.992
Total		6.992

21.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs Meetings are given below:

Sr. No.	Audit Year	VACs/NACs Meetings
1.	2020-21 to 2023-24	Not convened

21.3.3 Audit Paras

21.3.3.1 Irregularities

A. Management of Accounts with Commercial Banks

21.3.3.1.1 Non-deposit of Bank profit into Government Treasury – Rs.4.163 million

According to Para 3(ix) of Khyber Pakhtunkhwa Finance Department Letter No. 2/3(F/L) 2019-20/Vol-XIII Dated Peshawar the 3rd February, 2020, in case of current account the same be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government treasury immediately except where department /offices/autonomous & Sami-autonomous bodies/ organizations/ corporations have been specifically permitted under some statute/act.

During audit of the accounts of Assistant Director LG&RDD (Kurram) for the Financial Year 2023-24, it was observed that profit of Rs. 4,163,503 was earned on funds placed in the designated bank account No. 10028308650018 at ABL Kurram. However, the same was retained in the designated bank account instead of depositing into Government treasury.

The lapse occurred due to violation of Khyber Pakhtunkhwa Finance Department instructions, resulting in non-deposit of bank profit into government treasury.

When pointed out in September 2024, the management stated that the bank profit will be deposited into government treasury. However, no progress shown in support of the reply till finalization of this report.

PAO (DC Kurram) was requested in September 2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends immediate deposit of bank profit into Government treasury.

Note: The issue was also reported in Audit Report for Audit year 2023-24 vide paras No. 4.4.1.1 having financial impact of Rs. 4.509 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 04/2023-24

**21.3.3.1.2 Loss to Government due to non-adjustment of 7% income tax-
Rs.2.829 million**

According to Finance Department Khyber Pakhtunkhwa Notification NO.SO (Dev-II) FD/12-6/14-5 dated 21.04.2015, all Provincial Works Departments, while preparing Cost Estimates of developmental projects which fall in the tax exempted areas such as PATA, shall frame the same on Market Rate System (MRS) but with 7% less cost to defray the amount added in the rate analysis of all works/construction/supply items to meet withholding tax.

During audit of the Assistant Director LG&RDD (Kurram) for the Financial Year 2023-24, it was observed that the local office executed development projects of Rs 40,564,817 in previously tax exempted area of FATA (now merged District Kurram) under ADP No. 2098, ADP No. 210579 and ADP No. 4080. However, neither PC-1 was prepared with 7 % less cost to defray the amount added in the rate analysis of the items of work nor income Tax @ 7 % amounting to Rs 2,829,069 was recovered from the contractors on account of withholding tax. Detail as per **Annexure-21.4**.

The lapse occurred due to non-compliance of government instructions, resulting in loss to the government.

When pointed out in September 2024, the management stated that detailed reply would be submitted after scrutiny of the record. However, the reply was not furnished till finalization of this report.

PAO (DC Kurram) was requested to convene DAC meeting in September 2024, which could not be convened till finalization of this report.

Audit recommends inquiry for fixing responsibility and action against the person(s) at fault, besides recovery of the overpaid income tax from the contractors.

AIR Para No. 5/2023-24

CHAPTER-22

DISTRICT LAKKI MARWAT



District Laki Marwat is situated in Bannu Division of Khyber Pakhtunkhwa. According to the census of 2023, it has a total area of 3,164 Sq. km with a population size of 876,182. Geographically, it lies South of the province, almost 270 KMs away from the provincial capital-Peshawar. The topography of Lakki Marwat is characterized by low-lying plains and gentle hills, with the highest point being the Kirman Range on the eastern border. Its soil is sandy, sandy loam and clay. Some of its brief features are given below:

District Profile

Area: 3,164 Sq. KM

Population: 876,182

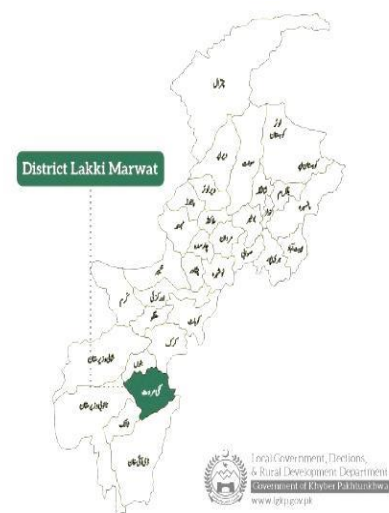
Languages: Pashto

Tehsils: 4

Number of Village Councils: 94

Number of Neighbourhood Councils: 7

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



22.1 Local Government, Lakki Marwat

22.1.1 Classified summary of audit observations

Audit observations amounting to Rs. 232.903 million were raised as a result of this Audit. This amount also includes recoverables of Rs. 12.989 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No.	Classification	Amount
1.	Non-production of record	1.049
2.	Irregularities	-
	Management of Accounts with Commercial Banks	99.67
3.	Others	132.184
Total		232.903

22.1.2 Comments on the Status of Compliance of ZAC/DAC/TAC Directives

The audit reports pertaining to the following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

S #	Audit Year	ZAC/DAC/TAC Meetings
1	2002-03 to 2023-24	Not Convened

22.1.3 Audit Paras

22.1.3.1 Non-production of record

22.1.3.1.1 Un-verified/ non-production of accounting record worth – Rs.1.049 million

According to Government of Khyber Pakhtunkhwa, Finance Department letter No. PA/AFS(PFC)/1-1/FD/2017-18, dated 13.08.2018, “non-production of record to the Audit Team is violation of Article 169 & 170 (2) of the Constitution of Pakistan 1973, read with section 8,9 & 14 of the Auditor General of Pakistan (AGP) Ordinance 2001. All such organizations where public money is involved are bound to carry out post audit by the Auditor General of Pakistan in light of the above statutory provision”.

During audit of the accounts of District Director Agriculture (Extension), District Lakki Marwat, it was observed that the District Director Agriculture (Extension) Lakki Marwat incurred expenditure of Rs. 1.049 million through model farm services center Lakki Marwat during the FY 2022-23. However, record pertaining to expenditure and receipts was not produced to audit for scrutiny despite several requests. Detail at **Annexure-22.2**.

The lapse occurred due to visit of auditee by two different audit teams from DG Audit (Local Governments) KP and DG Audit KP.

When pointed in March 2024, management stated that an audit team from DG Audit KP has already audited these accounts.

PAO (DC Lakki Marwat) was requested in March 2024, with several reminders vide No. 6041 dated 11.12.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends production of record for verification and action against the person (s) at fault.

AIR Para No. 08/2022-23

22.1.3.2 Irregularities

A. Management of Accounts with Commercial Banks

22.1.3.2.1 Irregular retention and blockage of funds in Designated Bank Accounts – Rs.94.788 million

According to rule 290 of FTR “No money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants”.

During audit of the accounts of the Deputy Commissioner and District officer Soil Conservation, Lakki Marwat, for the Financial Year 2022-23 and 2023-24, it was observed that an amount of Rs. 94,788,426 was retained in the various designated bank accounts till the date of audit (July, 2024) instead of payment to the concerned persons/vendors. Moreover, detailed breakup of the deposited amount with supporting documents/ claims was not available on record. Detail as under:

(Amount in Rs.)			
S.No	Particulars	Bank Account No	Amount Retained
01	Bank for Honoraria of Aima Masajid	3003747057 (BOK)	44,503,792
02	Deputy Commissioner Lakki Marwat	4110758919 (NBP)	45,532,682
03	District Officer Soil Conservation	4110764288 (NBP)	4,751,952
Total			94,788,426

The loss occurred due to non-compliance to Finance Department KP instructions resulting in loss to Government.

When pointed out in July 2024, management stated that detailed reply will be given after consulting the original record. However, no reply was furnished till finalization of this report.

PAO (DC Lakki Marwat) was requested in July 2024, with several reminders vide No. 6041 dated 11.12.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault besides immediate surrender/ utilization of the unspent amount as per rules.

AIR Para No. 02,09,10/2022-23 /2023-24

22.1.3.2.2 Non-deposit of bank profit into Government treasury- Rs.4.882 million

According to Finance Department Khyber Pakhtunkhwa letter No. 2/3(F/L)FD/2021-22/DDOs dated 30.12.2022, All sums realized as profit on the un-disbursed balance in the Designated Accounts (PLS) shall be credited to Government Treasury (Provincial Account-1) under the head of accounts after making adjustment against bank charges etc. under intimation to Finance Department.

During audit of the Deputy Commissioner Lakki Marwat for the financial year 2023-24, it was observed that profit amounting to Rs. 4,882,204 was earned on the bank balances of the PLS accounts maintained at various branches of the BOK and NBP. However, the profit was not deposited into the government treasury till date of audit. Detail as under:

(Amount in Rs.)

S.No	Particulars	Bank Account No	Amount of Profit
01	Honoraria of Aima Masajid	3003747057	942,860
02	Tehsildar Lakki Marwat	3002575603	3,724,717
03	Tehsildar Seria Naurang	012700288013	214,627
Total			4,882,204

The loss occurred due to non-compliance to Finance Department KP instructions.

When pointed out in July & August 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply received till finalization of this report.

PAO (DC Lakki Marwat) was requested in August 2024, with several reminders vide No. 6041 dated 11.12.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends deposit of the bank profit into government treasury.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 and 2023-24 vide para numbers 2.4.4.10 and 2.4.2.4 having financial impact of Rs.6.005 million. Recurrence of same irregularity is a matter of serious concern

AIR Para No. 05 /2023-24

22.1.3.3 Others

22.1.3.3.1 Blockage of funds on account of girl's student's stipend-Rs.104.286 million and un-justified payment of postal commission Rs.2.295 million.

According to rule 290 of FTR, no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget.

During audit of the accounts of District Education Officer Female, (Lakki Marwat) for the Financial Year 2023-24, it was observed that amount of Rs. 104,286,600 was paid to senior postmaster General post office, Lakki Marwat for onward payment to Girls Students of Lakki Marwat on account of Stipend. However, the funds were not disbursed among the eligible students till date of audit (August 2024). Further audit observed that an amount of Rs. 2,295,652 was paid to senior post master as postal commission for services, which was un-justified.

The lapse occurred due to weak Internal Controls, resulting in non-disbursement of girl student stipend.

When pointed out in August 2024, the management stated that detailed reply will be submitted after verification of record. No reply was received till finalization of this report.

PAO (DC Lakki Marwat) was requested in August 2024, with several reminders vide No. 6041 dated 11.12.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault besides disbursement of funds among eligible students.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2023-24 vide para numbers 2.4.3.4 having financial impact of Rs.57.173 million. Recurrence of same irregularity is a matter of serious concern

AIR Para No. 01 /2023-24

22.1.3.3.2 Non-utilization of funds – Rs. 11.867 million

According to rules 75 (2) of Khyber Pakhtunkhwa District Budget Rules 2016, Each Head of Offices is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing Officers

According to rule 290 of FTR, no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget.

During scrutiny of the accounts record of the District Education Officer (Female) Lakki Marwat for the Financial Year 2023-24, it was observed that various government girls' schools, have received funds amounting to Rs.11,867,078 under the heads of accounts i.e. conditional grant, CRC and Petty Repair, as evident from the Bank Statements of the PTC accounts of the concerned Schools, however the PTCs failed to utilize the same till the last date of audit. Detail at **Annexure-22.3**.

The lapse occurred due to weak internal and administrative control, resulting in depriving the students from basic facilities.

When pointed out in August 2024, the management stated that detailed reply will submit after verification of record. No progress was shown till finalization of this report.

PAOs (DC Lakki Marwat) were requested in August 2024, with several reminders vide No. 6041 dated 11.12.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault besides immediate surrender/ utilization of the unspent amount as per rules.

AIR Para No. 06 /2023-24

22.1.3.3.3 Overpayment due to allowing higher rates amounting to –Rs.2.455 million

According to item Code 24-18-a-02 of MRS.2022 rate of 4-inch dia PVC pipe is Rs.955.88 per meter (Providing, laying, cutting, jointing, testing and disinfecting UPVC pressure pipeline in trenches (conforming to BS 3505 manufactured) jointed with socket, elbow, tee, bend and plug bend etc. manufactured by the respective manufacturer complete as per specifications UPVC Pressure Pipes Class B (6 Bar) except excavation. 4" dia).

During audit of the accounts of District Officer Water Management Lakki Marwat for financial year 2022-23, it was noticed that an amount of Rs.2,455,184 was overpaid due to allowing higher rates than the approved rates of MRS for items of work in execution of various schemes. Detail at **Annexure-22.4**.

Overpayment occurred due to weak financial controls, resulting in loss to Government.

When pointed out in February 2024, management stated that a detailed reply would be submitted after scrutiny of the relevant record. No reply/progress was provided to audit till finalization of this report

PAOs (DC Lakki Marwat) were requested in February 2024, with several reminders vide No. 6041 dated 11.12.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of overpayments from the concerned.

AIR Para No. 11/2022-23

22.1.3.3.4 Non-deduction & non-deposit of income tax into government ` treasury –Rs. 3.357 million

According to Section 153 (1) (a) of Income Tax Ordinance 2001, “Income tax be deducted @ 5.5 % from the persons appearing in the Active Tax Payers list and @ 11% from the persons not appearing in the active tax Payers list in case of sale of goods and any other case.”

During audit of the accounts of District Soil & Water Conservation office, Lakki Marwat for financial year 2022-23, it was noticed that, District Soil & Water

Conservation office, Lakki Marwat did not deduct and deposit income tax into government treasury amounting to Rs. 3,357,430. Detail at **Annexure-22.5**.

Non-deduction of income tax occurred due to weak financial controls, resulting in loss to Government.

When pointed out in February & March 2024, management stated that detailed reply would be submitted after scrutiny of record. No reply/progress was shown to audit till finalization of this report.

PAOs (DC Lakki Marwat) were requested in March 2024 with several reminders vide No. 6041 dated 11.12.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of the income tax from the concerned and immediate deposit into Government treasury.

AIR Para No. 10/2022-23

22.1.3.3.5 Irregular Withdrawal of Funds from Treasury through DDOs and Cash Payments from Designated Bank Accounts-Rs. 1.891 million

According to Government of KPK Finance Department letter No. BO(W&M)/6-5/2019-20 Dated Peshawar the 19th February, 2020, “All the Principal Accounting Officers and DDOs are advised to stop henceforth all cash payments and open cheques payments.”

During audit of the District Director live Stock Lakki Marwat for the financial year 2022-23, it was noticed that an amount of Rs.1,891,645 were withdrawn from the government treasury through DDOs. Detail at **Annexure-22.6**.

Audit observed the following;

- i. These funds were either directly disbursed in cash or deposited into the designated bank accounts from where an amount of Rs.1,891,645 was further paid in cash instead of using crossed cheques.
- ii. In some cases, details of the vendors, the purpose of the payments, and Actual Payee Receipts in support of the cash payments from designated bank accounts were not available on record to verify these payments.

The lapse occurred due to violation of the government instructions by the departments and Accountant General Office, resulting in irregular withdrawal of funds from treasury through DDOs.

When pointed out by audit in March 2024, the management of replied that the funds withdrawn from treasury to avoid lapse of budget. Reply is not convincing as the payment through DDO/Cash are not admissible.

PAO (DC Lakki Marwat) was requested in March 2024, with several reminders vide No. 6041 dated 11.12.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends stoppage of withdrawals through DDOs and cash payments immediately besides action against the officers/ officials at fault for irregular payments.

AIR Para No. 01/2022-23

22.2 Tehsil Municipal Administrations, Lakki Marwat

22.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 37.138 million were raised as a result of this Audit. This amount also includes recoverables of Rs. 29.217 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S.No.	Classification	Amount
1	Irregularities	-
	Management of Accounts with Commercial Banks	9.196
2	Others	27.942
Total		37.138

22.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

S #	Audit Year	TAC Meetings
1	2002-03 to 2023-24	Not Convened

22.2.3 Audit Paras

22.2.3.1 Irregularities

A. Management of Accounts with Commercial Banks

22.2.3.1.1 Un-authentic cash payments from designated bank account – Rs.7.921 million

According to Finance Department Letter No: BO(W&M)/6-5/2019-20 dated 19/02/2020 states that in order to streamline the management in public account and observe fiscal discipline, it has been decided to stop forthwith all payments through open cheques or cash payments.

During audit of the Tehsil Municipal Administrations, Lakki Marwat, for the Financial Year 2023-24, it was observed that an amount of Rs.7,921,691 was withdrawn from designated bank account and payment made in cash instead of issuing cross cheques to the vendors. Moreover, Actual Payee Receipts and detail of disbursement of the payment was also not available on record, therefore, veracity of the expenditures could not be verified. Detail at **Annexure-22.7**.

The lapse occurred due to weak internal controls, resulting in un-verified cash withdrawal from designated bank account.

When pointed out in November 2024, the management stated that all the codal formalities have been full filled before incurrence of expenditure. However actual payee receipts will be produced to Audit in due course of time. No reply/progress was shown to audit till finalization of this report.

PAO (TMO) was requested in December 2024, with several reminders vide No. 6047 dated 18.12.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends strengthening the internal controls to avoid recurrence of such irregular instances besides provision of relevant record in support of payments for audit verification.

AIR Para No. 01/2023-24

22.2.3.1.2 Non-deposit of bank profit into Government treasury- Rs.1.275 million

According to Finance Department Khyber Pakhtunkhwa letter No. 2/3(F/L)FD/2021-22/DDOs dated 30.12.2022, All sums realized as profit on the un-disbursed balance in the Designated Accounts (PLS) shall be credited to Government Treasury (Provincial Account-1) under the head of accounts after making adjustment against bank charges etc. under intimation to Finance Department.

During audit of the Tehsil Municipal Administration, Serai Naurang for the financial year 2023-24, it was observed that profit amounting to Rs.1,275,639 was earned during the year on the bank balances of the PLS accounts maintained at various branches of the BOK. However, the profit was not deposited into the government treasury till date of audit.

The lapse occurred due to non-compliance to Finance Department KP instructions, resulting in non-deposit of bank profit into government treasury.

When pointed out in November, 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply received till finalization of this report.

PAO (TMO) was requested in December 2024 with several reminders vide No. 6048 dated 18.12.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against person(s) at fault and deposit of the bank profit into government treasury.

AIR Para No. 03/2023-24

22.2.3.2 Others

22.2.3.2.1 Non-recovery of outstanding receipts and income tax from contractors – Rs.26.700 million

Khyber Pakhtunkhwa Local Govt. Act, 2013 clause 45 (collection and recovery of taxes, etc.) sub-clause (1) requires that failure to pay any tax and other money claimable under this Act shall be an offense, and clause (ii) states that all arrears of taxes, rents and other moneys claimable by a Local Council under this Act shall be recoverable as arrears of land revenue.

During audit of the Tehsil Municipal Administration, Lakki Marwat, Seria Naurang and Ghazni Khel for the Financial Year 2023-24, it was observed that TMO Lakki Marwat, Seria Naurang and Ghazni Khel awarded the various contracts of public places to various Government contractors worth Rs.115,338,721. Out of the total contractual amount, Rs.101,630,450 was recovered, while the balance amount of Rs.13,708,271 remained outstanding. In addition to this, income tax amounting to Rs. 12,992,635 was also not recovered from the same contractors till the date of audit i.e. November, 2024.

(Amount in Rs.)

S.No	Name of Office	Contracts Amount	Outstanding Receipts	Outstanding Taxes	Further Detail
01	TMA Lakki Marwat	0	0	0	at Annexure 22.8-a
02	TMA Seria Naurang	55,141,072	0	0	at Annexure 22.8-b
03	TMA Ghazni Khel	34,454,807	2,814,315	4,895,000	at Annexure 22.8-c &d
Total		89,595,879	2,814,315	4,895,000	

The lapse occurred due to weak internal controls, resulting in loss to the Government.

When pointed out in November, 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply received till finalization of this report.

PAOs (TMOs) were requested in December 2024, with several reminders vide No. 6047, 6048 and 6049 dated 18.12.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of the outstanding dues and its deposit into relevant head of accounts besides action against the person(s) at fault.

AIR Para No. 2, 3,1,1,9/2023-24

**22.2.3.2.2 Loss to Government due to less recovery of rent of shops-
Rs.1.242 million**

According to S.No (3)(10)(J) , of the Tehsil Municipal Administration (According to S.No (6) (1) of the Tehsil Municipal Administration (budget) rules 2016, “The primary obligation of the TO (Regulation) shall be to ensure (a) Preparing the estimates of receipts under his jurisdiction; (b) All matters relating to realization, and deposits of receipts; (c) Ensuring all sums due to the TMA are regularly and promptly assessed, realized and duly credited in the Tehsil Fund; ”.

During audit of the Tehsil Municipal Administration, Lakki Marwat, it was observed that the TMO Lakki Marwat leased out 45 nos. of shops with annual rent of Rs. 1,658,686 during financial year 2023-24, out of which Rs. 456,889 was recovered up to 30.06.2024 and rent amounting to Rs. 1,242,228, was outstanding till date of audit (November 2024). Detail at **Annexure-22.9**.

The lapse occurred due to weak internal controls, resulting in loss to TMA.

When pointed out in November 2024, the management stated that the efforts are being made for collection of arrears and progress will be intimated to Audit in due course of time. No progress was intimated to audit till finalization of this report.

PAO (TMO) was requested in December 2024, with several reminders vide No. 6047, dated 18.12.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends that TMA should strengthen rent collection mechanism to minimize losses and ensure timely recovery of outstanding amount.

AIR Para No. 04/2023-24

22.3 Assistant Director LG & RDD, Lakki Marwat

22.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 27.168 million were raised as a result of this Audit. This amount also includes recoverables of Rs. 0.65 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1.	Irregularities	-
A	Procurement related irregularities	1.710
B	Management of Accounts with Commercial Banks	25.458
Total		27.168

22.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of Village/Neighborhood Accounts Committee (VAC/NAC) Meetings are given below:

S #	Audit Year	VAC/NAC Meeting
1	2002-03 to 2023-24	Not Convened

22.3.3 Audit Paras

22.3.3.1 Irregularities

A. Procurement related irregularities

22.3.3.1.1 Irregular expenditure on account of object head “Others”- Rs.1.710 million

Para 06 Chapter-II of KPPRA Rules 2014, requires that “Open competitive bidding as principal method of procurement” (1) Save as otherwise provided hereinafter and subject to the provisions of rule 10, the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs. 500,000 (rupees five hundred thousand).

During audit of the accounts of Assistant Director LG and RDD Lakki Marwat for the Financial Year 2023-24, it was observed that an expenditure of Rs.1,710,670 was incurred on purchase of various items under the object head “others”. However, the purchases were made on quotations instead of open competitive bidding to achieve economical rates.

The lapse occurred due to violation of KPPRA Rules 2014, resulting in uneconomical procurement.

When pointed out in October, 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply received till finalization of this report.

PAO (DC Lakki Marwat) was requested in October 2024 with several reminders vide No. 6019 dated 29-11-2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry and fixing of responsibility against the person(s) at fault besides strengthening the internal controls to avoid the recurrence of such lapses in future.

AIR Para No. 01/2023-24

B. Management of Accounts with Commercial Banks

22.3.3.1.2 Irregular retention of funds in designated bank account—Rs.25.458 million

According to rule 290 of FTR, “no money should be drawn from Treasury unless required for immediate disbursement. It is not permissible to draw money from treasury in anticipation of demand or to prevent lapse of budget grant”.

During audit of the accounts of Assistant Director LG&RDD Lakki Marwat, for the financial year 2023-24 it was observed that funds were withdrawn from government treasury out of which an amount of Rs. 25,458,343 was not utilized and deposited in the designated bank account No. 017300044002, maintained at Bank of Khyber, where it remained unspent till 30.06.2024. The Assistant Director LG&RDD Lakki Marwat, neither transferred the amount to the VC/NCs concerned nor surrendered. Furthermore, record regarding source & purpose of receipt of fund was also not known.

The lapse occurred due to violation of government rules, policies and instructions, resulting in blockage of government funds.

When pointed out in October, 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply received till finalization of this report.

PAO (DC Lakki Marwat) was requested in October 2024 with several reminders vide No. 6019 dated 29-11-2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends transfer of funds to VC/NCs or surrender to government treasury.

AIR Para 02/2023-24

CHAPTER-23

DISTRICT MALAKAND



District Malakand is the headquarter of Malakand Division of Khyber Pakhtunkhwa. According to the census of 2023, it has a total area of 952 sq.km with a population size of 826,250 comprising 51% male and 49% female. Geographically, it lies north of the province, approximately 83 KMs away from the provincial capital-Peshawar. It is mainly known for its Agriculture, tasty oranges, mines, and strategic location. Some of its brief features are given below:

District Profile

Area: 952 Sq KM

Population: 826,250

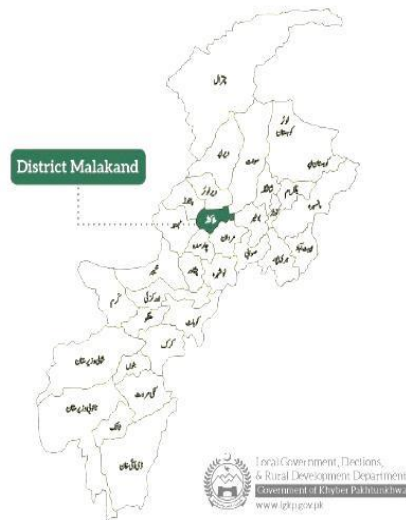
Languages: Pashto

Tehsils: 3

No. of Village Councils: 67

No. of Neighborhood Councils: 15

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



23.1 Local Government, Malakand

23.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 88.257 million were raised as a result of this Audit. This amount includes recoverables of Rs. 83.139 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)		
Sr. No.	Classification	Amount
1	Irregularities	-
A	Management of Accounts with Commercial Bank	15.969
2	Others	72.29
Total		88.259

23.2.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meetings
1.	2002-03 to 2023-24	Not convened

23.1.3 Audit Paras

23.1.3.1 Irregularities

A. Management of Accounts with Commercial Banks

23.1.3.1.1 Non-deposit of bank profit into the government treasury – Rs.15.969 million

According to Finance Department Khyber Pakhtunkhwa letter No. 2/3(F/L) FD/2021-22/DDOs dated 30.12.2022, All sums realized as profit on the undisbursed balance in the Designated Accounts (PLS) shall be credited to Government Treasury (Provincial Account-1) under the head of accounts after making adjustment against bank charges etc under intimation to Finance Department.

During Audit of the accounts of Deputy Commissioner Malakand and District Education Officer (Female) Malakand for the financial year 2023-24, it was observed that an amount of Rs 15,969,258 was earned as profit from designated bank accounts (PLS mode). However, the profit was not deposited into the government treasury. Detail at **Annexure-23.2**.

The lapse occurred due to non-compliance to Finance Department KP instructions, resulting into non-deposit of bank profit into government treasury.

When pointed out in July 2024, the management stated that profit would be deposited into government treasury. Reply was not convincing as profit was not deposited into government treasury till finalization of this report.

PAO (DC Malakand) was requested with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate deposit of the bank profit into government treasury.

AIR Para No. 09 & 2/2023-24

23.1.3.1 Others

23.1.3.1.1 Non-recovery of irregular payment on account of land compensation –Rs 67.170 million

According to Deputy Commissioner Malakand letter No.637/LAA/DC/MKD dated 28.09.2023, the amount of Rs 67.170 million shall be recovered from the persons concerned as the land is disputed and will be decided by the Court of Law.

During Audit of the accounts of Deputy Commissioner, Malakand for the financial year 2023,24, it was observed that Rs 67,170,693 were paid to 3 land owners on account of compensation of land for construction of Swat Expressway Phase-II”, for a disputed land and case was in the court of law. However, the DC Malakand vide his office letter referred above issued orders for the recovery of the inadmissible payment which was not recovered till date of audit in July 2024 detail is given below:

(Amount in Rs.)					
S.No	Name	Father Name	Cheque No	Dated	Amount
1	Anwar Rahman	Aziz ur Rahman	2563644	22.09.2023	34,167,328
2	Ihsan Kamal	Abdur Rauf	2563643	22.09.2023	14,787,344
3	Habib ur Rahman	Abdul Kamal	2563642	22.09.2023	18,216,021
Total					67,170,693

The lapse occurred due to weak internal controls, resulting into non-recovery of irregular payments from the individuals concerned.

When pointed out in July 2024, the management stated that detailed reply would be given after scrutiny of record. No reply was furnished till finalization of this report.

PAO (DC Malakand) was requested with several reminders to convene DAC meeting in July 2024, which could not be convened till finalization of this report.

Audit recommends immediate recovery of the overpaid amount and deposit into government treasury besides fixing responsibility against the person(s) at fault.

AIR Para No. 01(2023-24)

23.1.3.2.2 Non re-appropriation of fund of Conditional Grant Program- Rs.5.120 million

According to Elementary & Secondary Education Department of Khyber Pakhtunkhwa's Notification No.SO(IMP-II)/(R&I)/E&SED/Re-Adjustment (CGP)/2023-24 dated 25.01.2024, the competent authority has been pleased to allow the DEOs (settled) in Khyber Pakhtunkhwa for re-adjustment of the funds under Conditional Grant Program in consultation with Deputy Commissioners and District Officers (F&P), in order to utilize the unspent funds according to the judicious needs of the schools and early utilization.

During Audit of the accounts of District Education Officer (Male) Malakand for the financial year 2023-24, it was observed that the District Education Officer (Male) did not re-appropriated/re-adjusted unspent Conditional Grant of Rs 5,120,000 to the needy schools as the funds were lying in the designated bank accounts of different PTCs of schools which required to be re-appropriated to other needy schools for utilization in light of the government instructions.

The lapse occurred due to non-compliance with the Government instructions, resulting into deprivation of needy schools of the basic amenities and blockage of public money.

When pointed out in August 2024, the management stated that request for re-appropriation of conditional grant was made to DC Malakand but the fund was not re-appropriated yet. Reply was not tenable as the fund was not re-appropriated till finalization of this report.

PAO (DC Malakand) was requested with several reminders to convene to convene DAC meeting in July 2024, which could not be convened till finalization of this report.

Audit recommends re-appropriation of unspent fund to the needy schools.

AIR No. 04/2023-24

23.2 Tehsil Municipal Administrations, Malakand

23.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 21.484 million were raised as a result of this audit. This amount also includes recoverables of Rs. 21.484 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)		
Sr. No.	Classification	Amount
1	Irregularities	--
A	Management of Accounts with Commercial Bank	1.611
2	Others	19.873
Total		21.484

23.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

S.No.	Audit Year	TAC Meeting
1.	2012-13 to 2023-24	Not Convened

23.2.3 Audit Paras

23.2.3.1 Irregularities

A Management of Accounts with Commercial Banks

23.2.3.1.1 Non-deposit of bank profit into Government treasury-Rs 1.611 million

According to Finance Department Khyber Pakhtunkhwa letter No. 2/3(F/L)FD/2021-22/DDOs dated 30.12.2022, All sums realized as profit on the un-disbursed balance in the Designated Accounts (PLS) shall be credited to Government Treasury (Provincial Account-1) under the head of accounts after making adjustment against bank charges etc under intimation to Finance Department.

During Audit of the accounts of Tehsil Municipal Administration Batkhela for the financial year 2023-24, it was observed that an amount of Rs 1,611,377 was earned on designated bank account No. 2007632498 maintained in the Bank of Khyber. However, the profit was required to be deposited into Government treasury which was not done. Detail is given below: -

(Amount in Rs.)		
S#	Date	Amount
1	4.07.2023	723,013
2	2.01.2024	888,364
Total		1,611,377

Non-deposit of profit occurred due to weak internal controls, resulting into loss to Government.

When pointed out in November 2024, the management stated that being autonomous body TMA has its own bank accounts for local fund/own source of receipts. Reply was not satisfactory as the bank account in question is being maintained for securities of developmental schemes executed through Government funds.

PAO (TMO Batkhela) was requested with several reminders to convene DAC meeting in December 2024, which could not be convened till finalization of this report.

Audit recommends deposit of profit into Government treasury.

AIR No. 04/2023-24

23.2.3.2 Others

23.2.3.2.1 Non-imposition of penalty for non-completion of developmental works—Rs 6.340 million

According to clause 6 of the standard contract agreement, penalty of 1% per day up to the maximum of 10% of the estimated cost shall be imposed for delay in completion of work.

During Audit of the accounts of Tehsil Municipal Administration Batkhela for the financial year 2023-24, it was observed that contracts of developmental schemes having estimated cost of Rs 63,400,000 were awarded to contractors. The schemes were not completed in stipulated period of time. However, penalty amounting to Rs 6,340,000 @10% of the estimated cost of these schemes was not imposed. Detail is given at **Annexure-23.3**.

The lapse occurred due to weak internal controls, resulting into non-imposition of penalty for the delay in completion of the developmental works.

When pointed out in November 2024, the management stated that the execution of works was banned during that period by ECP and Provincial Government besides fund was also not released. Work orders were issued in October 2023 and now request for time extension has been made on the basis of valid reasons to the competent forum i.e DDC. Reply was not satisfactory as request for the time extension for the completion of schemes from the competent forum was shown to audit.

PAO (TMO Batkhela) was requested with several reminders to convene DAC meeting in December 2024, which could not be convened till finalization of this report.

Audit recommends completion of development schemes and recovery of penalty besides action against the person(s) at fault.

AIR No. 08/2023-24

23.2.3.2.2 Non-recovery of installments from contractor-Rs 10.345 million

According to Rule 51(1) of TMA Budget Rules, 2016 of Government of Khyber Pakhtunkhwa, the primary obligation of Tehsil Officer (Regulation) shall

be to ensure that all revenue due to TMA is claimed, realized and credited immediately into Tehsil Fund under the proper head of receipt.

During audit of the accounts of Tehsil Municipal Administration Thana Baizai, District Malakand for the financial year 2023-24, it was observed that the local office awarded contract of General Bus Stand “Pul Chowki” for the financial year 2023-24 for Rs 26,910,677. Later on, the contract was cancelled on 16.01.2024. However, out of Rs 14,745,576 for the period w.e.f 01-07-2023 to 16.01.2024 (200 days) Rs 4,400,000 were recovered from the contractor and the remaining installments of Rs 10,345,576 were outstanding against the contractor.

The lapse occurred due to weak internal controls, resulting into loss to TMA.

When pointed out in November 2024, the management stated that several notices were issued to the contractor but he did not deposit the installments due to which his contract was cancelled in accordance with policy guidelines. Furthermore, several requests were made to DC/Collector Malakand for recovery from the contractor under relevant law. No progress regarding recovery of the arrears was intimated till finalization of this report.

PAO (TMO Thana Baizai) was requested with several reminders to convene DAC meeting in December 2024, which could not be convened till finalization of this report.

Audit recommends recovery of the arrears from the contractor and deposit into the TMAs account.

AIR No. 05/2023-24

23.2.3.2.3 Non-recovery of outstanding dues from contractors –Rs. 3.188 million

According to Para 6 (c) of Government of Khyber Pakhtunkhwa of TMA Budget Rules 2016, TO (R) shall require that all sums due to the TMA are regularly and promptly assessed, realized and duly credited in the Tehsil Fund.

During Audit of the accounts of Tehsil Municipal Administration Dargai, Malakand for the financial year 2023-24, it was observed that outstanding dues amounting to Rs 3,186,345 were not recovered from various contractors, which resulting into loss to TMA. Detail is given below:

(Amount in Rs.)

S.No	Contract	Contractor	Due Amount
1	Sign Board	Haseeb ul Haq	110,900
2	Cattle fair Skhakot	Abtab ur Rehman	1,115,100
3	Truck Stand Dargai	Latif Khan	584,130
4	Cattle fair Dagrai	Wajid Khan	1,376,215
Total			3,186,345

Non-recovery of receipts occurred due to weak financial controls, resulting into loss to TMA

When pointed out in November 2024, management stated that notices will be issued to the contractors concerned for recovery and progress will be shown to audit. Reply was not satisfactory as no progress was shown to audit till finalization of this report.

PAO (TMO Dargai) was requested with several reminders to convene DAC meeting in December 2024, which could not be convened till finalization of this report.

Audit recommends immediate recovery of the arrears from the contractors.

AIR No. 02, 3/2023-24

23.3 Assistant Director LG & RDD, Malakand

23.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 10.381 million were raised as a result of this audit. This amount includes recoveries of Rs. 10.381 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs in million)

Sr. No.	Classification	Amount
1	Irregularities	
A	HR/Employees related irregularities	10.381
Total		10.381

23.2.4 Comments on the status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs Meetings are given below:

Sr. No.	Audit Year	VACs/NACs Meeting
1.	2016-17 to 2023-24	Not Convened

23.2.5 Audit Paras

23.2.5.1.1 Irregularities

A HR/Employees related irregularities

23.3.3.1.1 Excess payment on account of arrears pays and allowances CDLD Staff –Rs 10.382 million

Para 23 of GFR Vol.-I states that every Government officer is personally responsible for any loss sustained by Government through fraud or negligence either on his part or on the part of his subordinate staff.

During Audit of the accounts of Assistant Director LGE&RDD Malakand for the financial year 2023-24, it was observed that an amount of Rs 10,382,382 paid on account of arrears of pays and allowances of CDLD (Community Driven Local Development) employees for the months of October, November & December 2022. LPCs of the employees revealed that they were paid up to 31.12.2022 but the local office paid the arrears for the same months during financial year 2023-24, which caused in excess payment. Detail as per **Annexure- 23.4.**

The lapse occurred due to weak internal controls, resulting into loss to government.

When pointed out in October 2024, management stated that recovery will be made from the employees concerned after verification of record. However, no progress was shown to audit till finalization of this report.

PAO (DC Malakand) was requested with several reminders to convene DAC meeting in October 2024, which could not be convened till finalization of this report.

Audit recommends immediate recovery of excess payment made to the employees of CDLD and deposit into government treasury.

AIR Para No. 01 /2023-24

CHAPTER-24

DISTRICT MANSEHRA



District Mansehra is situated in Hazara Division of Khyber Pakhtunkhwa. According to census of 2023, it has a total area of 4,125 sq.km. with population size of 1,797,177 comprising 50.7% male and 49.3% female. Geographically, it lies north-east of the province, approximately 223 KMs away from the provincial capital-Peshawar. It is mainly known for its natural beauty, tourism, and historical significance. Some of its brief features are given below:

District Profile

Area: 4,125 Sq KM

Population: 1,797,177

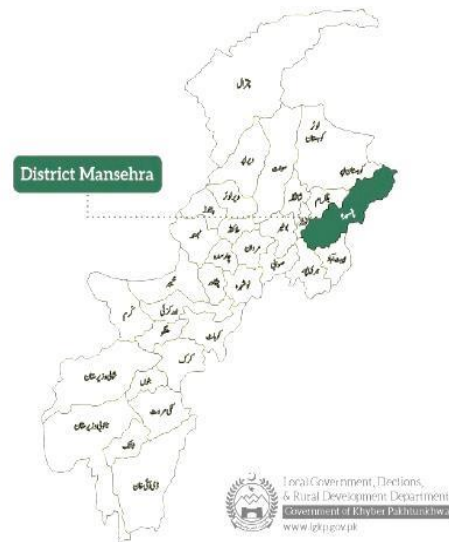
Languages: Hindko, Pahari

Tehsils: 5

No. of Village Councils: 174

No. of Neighborhood Councils: 20

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



24.1 Local Government, Mansehra

24.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 20.767 million were raised as a result of this audit. This amount also includes recoverables of Rs. 4.230 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	Management of Accounts with Commercial Banks	4.537
2	Others	16.230
Total		20.767

24.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meetings
1.	2002-03 to 2023-24	Not convened

24.1.3 Audit Paras

24.1.3.1 Irregularities

A. Management of Accounts with Commercial Banks

24.1.3.1.1 Irregular Retention of funds in designated bank accounts Rs.4.537 million

According to para 3 (ii) of the Government of Khyber Pakhtunkhwa, Finance Department letter No. 2/3/(F/L)/FD/2019-20/Vol-XIII dated 03.02.2020, “No funds should be kept in any Bank account by any Drawing and Disbursing Officer unless expressly authorized by the Finance Department. Such funds lying in Banks should be drawn and credited to Government Treasury immediately except where Departments/Offices/Autonomous and semi-autonomous Bodies/ Organization/ Corporations have been specifically permitted under some Statue / Act”.

During audit of the accounts of District Population Welfare Office, Mansehra for Financial Year 2022-23, it was observed that a sum of Rs 4,537,211 was retained in the designated bank account No.3014062620, NBP Main Branch Mansehra of the local office. Audit observed the following shortcomings.

- i) Neither authorization of the Finance Department was obtained nor revival of the funds was made from Finance Department.
- ii) The amount was required to be credited into the Government Treasury, which was not done.

The lapse occurred due to weak internal controls and financial mismanagement resulting into irregular retention of funds.

When pointed out in April, 2024, management stated that the amount pertains to liabilities of financial assistance, GP fund, LPR and rent payments of service outlets of DPWO. Reply was not tenable, as retention of balances in designated bank account are not allowed as per KP Finance Department instructions.

PAO (Deputy Commissioner) was requested in May 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends either authorization from the Finance Department may be obtained or the amount may be credited into Government Treasury.

AIR Para No. 02 (2022-23)

24.1.3.2 Others

24.1.3.2.1 Un-verified expenditure on account of clearance of snow bound area – Rs.12.00 million

According to rule 9 (2) (f) of Khyber Pakhtunkhwa, District and City District Governments, Budget Rules 2016, the function of Drawing & Disbursing officer is to keep the relevant record both accounting and operational, up to date and in an orderly manner.

During audit of the accounts of Deputy Commissioner, Mansehra for the Financial Year 2023-24, it was observed that an expenditure of Rs 12,000,000 was made under the object head “A-03970 others clearance of roads in snow bound areas”. The amount was withdrawn on simple receipts whereas supporting vouchers and pictorial evidences in respect of the expenditure were not available on record to authenticate the expenditure.

The lapse occurred due to weak internal controls resulting into un-verified expenditure.

When pointed out in July 2024, management stated that the expenditure in question was incurred by the C&W Highways Division Mansehra. The Executive Engineer is being asked to provide vouchers etc for verification. The reply was not convincing as no progress was shown to audit till finalization of this report.

DAC meeting was held on 16.01.2025 wherein the forum was apprised that the requisite vouchers and necessary documents are available for verification. Para stands till verification of record. However, no verification was made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 02 (2023-24)

24.1.3.2.2 Non-recovery of rent of government property Rs 4.230 million

According to Rule 41 of LGA, 2013, every official or servant of a local Government, every member of a local council, and every person charged with administration and management of property of a local Government shall be personally responsible for any loss or waste, financial or otherwise, of any property belonging to a local government.

During audit of the accounts of Deputy Commissioner, Mansehra for the Financial Year 2023-24, it was observed that outstanding rent amounting to Rs.4,229,781 from tenants of government property situated in district Mansehra i.e rooms/offices occupied by different lawyers, shops and cabins was not recovered. Detail is given below;

(Amount in Rs.)

Description	Amount Due	Amount Recovered	Outstanding Balance on 30-06-24
26 rooms/offices	3,064,541	244,120	2,820,421
19 shops	2,057,944	648,584	1,409,360
Total	5,122,485	892,704	4,229,781

The lapse occurred due to weak administrative and financial controls resulting into loss to government.

When pointed out in July 2024, management stated that the observation is noted for compliance. The reply was not convincing as no progress was intimated till finalization of this report.

DAC meeting was held on 16.01.2025 wherein the forum was apprised that efforts were being made for full recovery of outstanding amount. As soon as full recovery is made, audit will be informed accordingly. Para stands till complete recovery of the amount. No progress was reported till finalization of this report.

Audit recommends implementation of the DAC decision.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2019-20 and 2020-21 and 2023-24 vide Paras number 2.5.3.1, 2.5.3.1 and 2.4.2.3 respectively having financial impact of Rs 11.521 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 11 (2023-24)

24.1.3.2.3 Non-provision of the basic facilities in schools.

According to S.No. 10 (iv)(ix) of second schedule of the Khyber Pakhtunkhwa District Government Rules of Business, 2015, issued vide No SO (Dir)ROB/LGE&RDD/2015, the functions and responsibility of the District Education department are “planning and establishment of schools and improvement and provision of education infrastructure facilities and services in the

district as per identified needs based on the technical standards and norms established by the government. Provision of science laboratories, additional classrooms and essential facilities in schools according to standards and technical norms set by the government.”

During audit of the accounts of District Education Offices Male and Female, Mansehra for the Financial Year 2023-24, it was observed that the management failed in provision of basic facilities in various schools, providing teaching staff according to sanctioned strength and functionalizing the non-functional schools as per KPEMA Annual School Census Report 2023-24. The detail is given at **Annexure-24.2**.

The lapse occurred due to weak administrative controls resulting into non-adherence to the government’s instructions.

When pointed out in August 2024, management stated that the matter will be taken up with the Finance Department through Director E&SE and progress will be shown to audit. The reply was not convincing as no progress was shown to audit till finalization of this report.

DAC meeting was held on 16.01.2025 wherein the forum was apprised that necessary correspondence has been made with Secretary Elementary & Secondary Education for readjustment of funds for schools. Para stands till provision of basic facilities in schools. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 01(M),01(F) (2023-24)

24.1.3.2.4 Non-collection of old/used textbooks and non-distribution of available books

According to Government of Khyber Pakhtunkhwa Elementary & Secondary Education Department’s letter No. PFTB/E&SED/Books/2023-24 dated 26th March,2024, the DEOs (Male & Female) were directed to collect old/last year used textbooks and redistribute the available (old, new) textbooks among the students on the 1st day of the commencement of new academic year.

During audit of the accounts of District Education Offices Male and Female, Mansehra for the Financial Year 2023-24, it was observed that Education Department Mansehra neither collected old/last year used books as required nor completely distributed the new books, received from the Text Book Board among the students for the academic year 2023-24. Detail is given below;

S.No	Department	Books Received from Text Book Board	Total Books Distributed	Non-distributed Books
1	DEO (Male) Mansehra	881074	703323	177751
2	DEO (Female) Mansehra	397879	334527	69964

The lapse occurred due to weak administrative controls resulting into wastage of public resources and also deprived the students of free books facilities.

When pointed out in August 2024, management stated that distribution of books among the students is in process as and when distribution is completed, progress will be shown to audit. No progress was shown to audit till finalization of this report.

DAC meeting was held on 16.01.2025 wherein the forum was apprised that the required action has already been taken. Relevant record is available for verification. Para stands till verification of record. However, no verification was made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 02(M),02(F) (2023-24)

24.2 Tehsil Municipal Administrations, Mansehra

24.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 135.627 million were raised as a result of this audit. This amount also includes recoverables of Rs. 116.358 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	19.269
2	Others	116.358
Total		135.627

24.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

Sr. No.	Audit Year	TAC Meetings
1.	2002-03 to 2023-24	Not convened

24.2.3 Audit Paras

24.2.3.1 Irregularities

A. HR/Employees related irregularities

24.2.3.1.1 Irregular payment on account of daily wage staff-Rs 19.269 million

According to Rule 4(6) of the Khyber Pakhtunkhwa, City/Tehsil Local Government Rules of Business, 2022 notification No. SOG/LG/7/5/ROBs/2022/TLG dated 20/06/2022. “The Tehsil Local Government may, from time to time, on need basis, hire the services of workers, on daily wages basis, from its own source revenue: provided that such cost shall remain less than ten percent of the revenue of own source of the Tehsil Council in financial year.”

During audit of the accounts of Tehsil Municipal Administrations, Baffa Pakhal, Balakot and Draband for the Financial Year 2023-24, it was observed that salaries amounting to Rs 19,269,134 were paid to daily wage staff. Audit observed that income from own source of the TMAs was Rs 40,609,921 and expenditure on daily wages was 47.44% of the own receipts, which was un-justified. Detail is given below;

(Amount in Rs.)

S.NO	Name of TMA	Salaries Amount	Own Receipt	%age expenditure
1	Baffa Pakhal	8,283,555	7,424,684	112%
2	Balakot	8,863,179	31,315,237	28%
3	Darband	2,122,400	1,870,000	113.49%
Total		19,269,134	40,609,921	47.44%

The lapse occurred due to weak financial controls resulting into irregular expenditure.

When pointed out in November 2024, management of TMA Baffa Pakhal stated that the expenditure has been made as per direction of District Administration, management of TMA Balakot stated that daily wagers were engaged on need basis while management of TMA Darband did not reply. Replies were not convincing as government instructions were violated.

PAOs (TMOs) were requested in December 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends investigation and action against the person(s) at fault besides strengthening financial controls to avoid such lapse in future.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2023-24 vide para number 3.4.1.1 having financial impact of Rs 1.464 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 02 TMA Baffa Pakhal (2023-24)

AIR Para No. 06 TMA Balakot (2023-24)

AIR Para No. 02 TMA Darband (2023-24)

24.2.3.2 Others

24.2.3.2.1 Loss due to non-recovery of water charges and rent of shops – Rs. 116.358 million

According to Rule 51(1) of TMA Budget Rules 2016, the primary obligation of the TO (Regulation) shall be to ensure that all revenue due is claimed, realized and credited immediately into the Tehsil Fund under the proper receipt head.

During audit of the accounts of Tehsil Municipal Administrations, Mansehra and Baffa Pakhal for the Financial Year 2023-24, it was observed that water charges and rent of shops amounting to Rs 116,357,955 were not recovered from consumers / tenants. Detail is given below;

(Amount in Rs.)

S No	Name of Scheme	Outstanding dues as on 30.06.2024
1	Rent of Shops	42,852,943
2	Water Rate TMA Mansehra	68,510,452
3	Water Rate TMA Baffa	4,994,560
Total		116,357,955

The lapse occurred due to weak internal controls resulting into loss to the government.

When pointed out in November 2024, management of TMAs stated that the efforts are being made to recover all the arrears which will be shown to audit. The reply was not convincing as no progress was shown to audit till finalization of this report.

PAOs (TMOs) were requested in December 2024 to convene DAC meeting, which could not be convened till finalization of this report.

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

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2019-20, 2020-21, 2021-22 and 2023-24 vide Paras number 3.5.3.19, 3.5.2.2, 3.5.2.2, 3.4.3.1 and 3.4.2.4 respectively having financial impact of Rs 296.696 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No.04 TMA Baffa and No. 03 TMA Mansehra (2023-24

24.3 Assistant Director LG & RDD, Mansehra

24.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 174.706 million were raised as a result of this audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	Management of Accounts with Commercial Banks	124.706
2	Others	50.00
Total		174.706

24.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs Meetings are given below:

Sr. No.	Audit Year	VACs/NACs Meetings
1.	2013-14 to 2023-24	Not convened

24.3.3 Audit Paras

24.3.3.1 Irregularities

A. Management of Accounts with Commercial Banks

24.3.3.1.1 Irregular retention of funds in designated bank accounts - Rs.124.706 million

According to para 3 (ii) of the Government of Khyber Pakhtunkhwa, Finance Department letter No. 2/3/(F/L)/FD/2019-20/Vol-XIII dated 03.02.2020, “No funds should be kept in any Bank account by any Drawing and Disbursing Officer unless expressly authorized by the Finance Department. Such funds lying in Banks should be drawn and credited to Government Treasury immediately except where Departments/Offices/Autonomous and semi-autonomous Bodies/ Organization/ Corporations have been specifically permitted under some Statue / Act”.

During audit of the accounts of Assistant Director LG&RDD, Mansehra for Financial Year 2023-24, it was observed that a sum of Rs 124,706,133 was retained in designated bank accounts of secretaries of various NCs/ VCs, working under the administrative control of Assistant Director LG & RDD. Audit observed the following shortcomings. Detail at **Annexure-24.3**.

- i. Neither authorization of the Finance Department was obtained nor revival of the funds was made from Finance Department.
- ii. The amount was required to be credited into the Government Treasury, which was not done.

The lapse occurred due to weak internal controls and financial mismanagement resulting into irregular retention of funds.

When pointed out in October 2024, the management stated that record will be checked and break up will be shown to audit. Reply was not tenable, as retention of balances kept in designated bank accounts were not allowed as per KP Finance Department instructions.

DAC meeting was held on 16.01.2025 wherein the forum decided that the matter will be taken up with the Finance Department through Director General Local Government for re-adjustment of funds. Para stands till corrective measures are made. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 04 (2023-24)

24.3.3.2 Others

24.3.3.2.1 Irregular expenditure on repair of transformers – Rs. 50.000 million

According to section 11.3.4 Chapter II of Consumer Service Manual-2021 of National Electric Power Regulatory Authority “In case of more than one Connection on the same substation /transformer with different ownerships such as commercial plazas/apartments/shops/residences, where bills are issued separately, the responsibility of maintenance, repair and replacement of the said system or up gradation/reinforcement thereof shall rest with the DISCO (PESCO).

During audit of the accounts of Assistant Director LG&RDD, Mansehra for the Financial Year 2023-24, it was noticed that local office withdrew Rs 50,000,000 from treasury on account of repair and maintenance of transformers and deposited in designated bank account. Audit held that the release and withdrawal of the subject amount was irregular as the repair and maintenance of transformers is the responsibility of the PESCO in the light of above rules.

The lapse occurred due to weak financial controls resulting into non-adherence to the government’s instructions.

When pointed out in October 2024, management stated that detailed reply would be given after consulting record. No detailed reply was given till finalization of this report.

DAC meeting was held on 16.01.2025 wherein the forum decided that the matter may be taken up with the Finance Department KP and PESCO for clarification in light of the audit finding. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 01 (2023-24)

CHAPTER-25

DISTRICT MARDAN



District Mardan is the Headquarter of Mardan Division of Khyber Pakhtunkhwa. It has a total area of 1632 sq.km with population of 2,744,898 comprising 51% male and 49% female. Geographically, it lies in the North East of the province, almost 67 KMs away from the provincial capital-Peshawar. District Mardan is famous for its rich culture and heritage, having archaeological sites at Takht Bahi, Jamal Garhi and Shahbaz Garhi. The land of Mardan is fertile; hence, agriculture is one of the main sources adding to its economy. Some of its brief features are also given below:

District Profile

Area: 1,632 Sq KM

Population: 2,744,898

Languages: Pashto

Tehsils: 5

Number of Village Councils: 178

Number of Neighbourhood Councils: 53

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



25.1 Local Government, Mardan

25.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 93.364 million were raised as a result of this audit. This amount also includes recoverable of Rs.6.964 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S.No	Classification	Amount
1	Irregularities	-
A	Management of Accounts with Commercial Banks	5.956
2	Value for money and service delivery issues	1.008
3	Others	86.400
Total		93.364

25.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meetings
1.	2002-03 to 2023-24	Not convened

25.1.2 Audit Paras

25.1.2.1 Irregularities

A. Management of Accounts with Commercial Banks

25.1.2.1.1 Retention of funds in BOP instead of BOK and non-deposit of bank profit into Government treasury –Rs.5.956 million

According to Para 1 of the Government of Khyber Pakhtunkhwa, Finance Department letter No. 2/3/(F/L)/FD/2021-2022/DDOs dated 30.12.2022, “Finance Department had allowed the opening of designated bank accounts (PLS mode) in the Bank of Khyber (preferably) or National Bank of Pakistan, however, if there exists no such branch of these two banks, then in any schedule bank with Crediting Rating “A” in respect of all DDOs concerned.”

According to Para 3 (ix) of the Government of Khyber Pakhtunkhwa, Finance Department letter No. 2/3/(F/L)/FD/2019-20/Vol-XIII dated 03.02.2020, “in case of current account, the same shall be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately under the head CO 1803-interest realized on investment of cash balance”.

During Audit of the accounts of Deputy Commissioner, Mardan for the financial year 2023-24, it was observed that the funds were placed irregularly in Bank of Punjab instead of Bank of Khyber in violation of FD KP instructions. Moreover, a sum of Rs 5,955,507 was earned as bank profit from bank account No. 6540093973500038-Bank of Punjab (BoP). The profit was required to be deposited into Government treasury under proper head of accounts, which was not done.

The lapse occurred due to weak financial controls, resulting into non-deposit of bank profit into government treasury & irregularly placing of funds in BoP.

When pointed out in July 2024, the management stated that bank profit would be deposited in treasury. No progress was shown to audit till finalization of this report.

PAO (Deputy Commissioner) was requested in July 2024, with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends deposit of bank profit into government treasury under proper head of account and transfer of funds from BoP to BOK.

Note: This issue was also reported earlier in the Audit Reports for Audit Years 2021-22, 2022-23 & 2023-24 vide Para No. 2.5.3.10, 2.4.2.12 and 2.4.26 having financial impact of Rs 9.265 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 04(2023-24)

25.1.2.2 Value for money and service delivery issues

25.1.2.2.1 Non-recovery of outstanding rent from Milan wedding Hall – Rs.1.008 million

According to Para 8 and 26 of GFR Vol-I “Each administrative department to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury”.

During Audit of the accounts of District Sports Officer Mardan for the financial year 2022-23, it was observed that Rs 1,008,000 were outstanding on account of rent of Milan Wedding Hall for the months of March 2023 to December 2023.

The irregularity occurred due to weak internal controls resulting into non-recovery of public money.

When pointed out in February 2024, the management stated that notices were already issued to the contractor concerned. Progress will be shown to audit. Progress/ action is awaited.

PAO (DC Mardan) was requested in March 2024, with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate recovery of rent and deposit into government treasury.

Note: This issue was also reported earlier in the Audit Report for Audit Year 2023-24 vide para No. 2.4.3.2 having financial impact of Rs 1.714 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 02/2022-23(Lean Period)

25.1.2.3 Others

25.1.2.3.1 Irregular expenditure on account of “Stori Da Pakhtunkhwa” Scholarship Program –Rs 56.400 million

According to Deputy Commissioner’s letter No. 97/DC/M/DN dated 18.09.2023 and No 440/DC/M/DN dated 16.06.2024 addressed to BISE Mardan, the acknowledgements of recipients of the “Stori Da Pakhtunkhwa Scholarship Program” was to be provided by the chairman BISE.

During Audit of the accounts of the Deputy Commissioner, Mardan for the financial year 2023-24, it was observed that a sum of Rs 56,400,000 was transferred on account of “Stori Da Pakhtunkhwa Scholarship Program” to Chairman BISE Mardan for further disbursement among the eligible students. However, the progress of disbursement and Actual Payee Receipts/ Form-B of the students were not obtained to authenticate the payments. Detail is given below.

(Amount in Rs.)

S#	Description	Cheque No.	Date	Amount
1	Chairman BISE	1388876	15.09.2023	27,000,000
2	Chairman BISE	1529297	16.06.2024	29,400,000
Total				56,400,000

The lapse occurred due to weak internal controls and non-compliance of rules resulting into irregular expenditure.

When pointed out in July 2024, the management stated that Chairman BISE Mardan would be contacted for compliance in the matter. No progress was shown to audit till finalization of this report

PAO (Deputy Commissioner) was requested in July 2024, with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends obtaining of APRs at the earliest.

AIR Para No. 08/2023-24

25.1.3.3.2 Un-authentic expenditure on account PTC funds - Rs 30.000 million

According to S.No. 1 of Section (Records to be Maintained) of PTC Guidelines issued by the Elementary and Secondary Education Department, Government of the Khyber Pakhtunkhwa dated 24.07.2013 “PTC shall maintain

complete record of receipts and payments and shall also submit copies thereof to the DEO concerned at the closure of financial year”.

During Audit of District Education Officers (Male & Female) Mardan for financial year 2023-24, it was observed that Rs 30,000,000 were transferred on account of Petty Repair and Class Room Consumables (CRC) to PTC bank accounts of primary schools (Male & Female) in the district. However, record in support of expenditure was not obtained by the DEOs (M&F) Mardan for audit and third-party validation. Hence, expenditure remained un-authentic. Detail is given below:

(Amount in Rs.)

S#	Name of office	Head	Amount
1	DEO Male	CRC	5,000,000
		Petty Repair	10,000,000
2	DEO Female	CRC	5,000,000
		Petty Repair	10,000,000
Total			30,000,000

The lapse occurred due to weak internal controls resulting into un-authentic expenditure and possibility of misappropriation could not be ruled out.

When pointed out in August 2024, the managements stated that the funds were transferred to various PTCs accounts of schools. However, vouchers, third party validation reports and other progress reports would be obtained from the schools concerned. No progress was shown to audit till finalization of this report.

PAO (Deputy Commissioner) was requested in August 2024, with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends maintenance of PTC record as per PTC’s guidelines, besides disciplinary action again the person(s) at fault.

Note: This issue was also reported earlier in the Audit Report for Audit Year 2023-24 vide para No. 2.4.2.2 having financial impact of Rs 18.00 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 02 & 2/2023-24

25.2 Tehsil Municipal Administrations, Mardan

25.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 114.797 million were raised as a result of this audit. This amount also incurs recoverables of Rs 114.797 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1.	Irregularities	-
	Management of Accounts with Commercial Banks	26.831
2.	Value for money and service delivery issues	87.966
Total		114.797

25.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

S.No.	Audit Year	TAC Meetings
1	2012-13 to 2023-24	Not convened

25.2 Audit Paras

25.2.3.3 Irregularities

A. Management of Accounts with Commercial Banks

25.3.3.3.1 Non-deposit of bank profit into Government treasury-Rs 26.831 million

According to para 3(ix) of Finance Department Khyber Pakhtunkhwa letter No. 2/3-(F/L)/FD/2019-20/Vol-XIII dated 3rd February 2020, in case of current account, the same be converted to PLS mode and the profit earned be deposited in Government Treasury under relevant head of account immediately and not later than a week when declared by the concerned bank.

During Audit of Tehsil Municipal Administrations Mardan, Katlang and Rustam, it was observed that profit amounting to Rs 26,831,751 was earned on PLS bank accounts during financial year 2023-24. The profit was required to be deposited into Government treasury which was not done. Detail is as under:

(Amount in Rs.)

S#	Name of office	Amount
1	TMA Mardan	14,524,917
2	TMA Katlang	1,580,524
3	TMA Rustam	10,726,310
Total		26,831,751

Non-deposit of profit occurred due to weak internal controls resulting into loss to Government.

When pointed out in November 2024, the management of TMA Mardan and TMA Rustam stated that detailed reply would be submitted later on whereas the management of TMA Katlang stated that the profit would be deposited into Government treasury. No progress in the matter was intimated till finalization of this report.

PAOs (TMOs) were requested in December 2024, with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate deposit of bank profit into Government treasury.

Note: This issue was also reported earlier in the Audit Reports for Audit Years 2017-18 & 2021-22, 2020-21, 2022-23, 2023-24 and 2023-24 vide Para No. 1.2.2.1 & Para No.3.5.1.1, 3.5.5.11, 3.4.1.6,3.4.14, 3.4.1.5 & 3.4.1.6 respectively having financial impact of Rs 35.579 million. Recurrence of same irregularity is a matter of serious concern.

AIR No. 12, 2 & 4/2023-24

25.2.3.4 Value for money and service delivery issues

25.3.3.4.1 Non-imposition of penalty for delay in completion of Schemes-Rs.51.727 million

According to Para 2 of the Standard Contract Agreement, in case of delay in the completion of work party No 1 is authorized to impose penalty from 1 to 10% on the contractor of the total estimated cost of the work.

During Audit of Tehsil Municipal Administration Mardan, TMA Takhtbhai and TMA Katlang for financial year 2023-24, it was observed that various contracts of developmental works having estimated costs of Rs 517,275,000 were awarded to contractors. The works were not completed within the stipulated period of time. The TMAs were required to impose penalty of Rs 51,727,500 @ 10% of the estimated costs which was not done. Summary is given below and further details are at **Annexure-25.2**.

(Amount in Rs.)				
S#	Name of Office	No of Schemes	Estimated Cost	10% Penalty
1	TMA Mardan	15	471,275,000	47,127,500
2	TMA Takht Bhai	2	16,000,000	1,600,000
3	TMA Katlang	1	30,000,000	3,000,000
Total			517,275,000	51,727,500

Non-imposition of penalty occurred due to violation of rules resulting into loss to Government.

When pointed out in November 2024, the managements stated that penalty would be imposed on contractors after verification of record but no penalty was imposed on the contractors till finalization of this report.

PAOs (TMOs) were requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends timely completion of schemes and recovery of penalty from the contractors.

Note: This issue was also reported earlier in the Audit Report for Audit Year 2023-24 vide para-No. 3.5.2.1 having financial impact of Rs 11.00 million. Recurrence of same irregularity is a matter of serious concern.

AIR No.21, 09 & 04/2023-24

25.3.3.4.2 Non-recovery of rent of TMA's shops –Rs 25.167 million

According to Rule 6(1)(c) of Khyber Pakhtunkhwa TMA Budget Rules, 2016, Tehsil Officer (Regulation) shall ensure that sums due to the TMA are regularly and promptly assessed, realized and duly credited in Tehsil Fund.

During Audit of Tehsil Municipal Administration Mardan for financial year 2023-24, it was observed that rent of TMA's shops for Rs 25,167,259 was not recovered. Detail is as under:

(Amount in Rs.)			
S#	Particulars	No of Shops	Arrears
1	MC Plaza Shops	8	284,278
2	General Bus Stand Mardan Shops	30	1,050,900
3	General Bus Stand Mardan Shops	38	9,792,081
4	Gaju Khan Shops	13	4,080,000
5	Gaju Khan Shops	16	4,980,000
6	City Shopping Centre	21	4,980,000
Total			25,167,259

Non-recovery of rent occurred due to weak internal controls resulting into loss to TMA.

When pointed out in November 2024, the management stated that detailed reply would be submitted later on. No reply was furnished till finalization of this report.

PAOs (TMOs) were requested in December 2024, with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate recovery of the rent of shops from the tenants.

Note: This issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para No. 3.5.2.1 having financial impact of Rs 3.892 million. Recurrence of same irregularity is a matter of serious concern.

AIR No. 01/2023-24

25.3.3.4.3 Non-deposit of Income Tax into Government Treasury-Rs.11.072 million

According to Section 162(1)(b) of Income Tax Ordinance, 2001, where a person having collected Tax under Division-II or Division-III of this Ordinance

fails to pay the Tax to Government, the person shall be personally liable to pay the deducted Tax to the Government.

During audit of Tehsil Municipal Administration Mardan for financial year 2023-24, it was observed that Income Tax for Rs 11,072,100 was deducted from the contractor of scheme “Construction of Mardan Mega Park” but the Income Tax was retained and not deposited into the Government treasury under the proper head. Detail is as under:

(Amount in Rs.)

S#	Bill No./date	Total Amount	Income Tax @7.5%
1	5 th running bill dated 16.12.2020	78,157,628	5,861,822
2	6 th running bill dated 10.11.2021	69,470,375	5,210,278
	Total	147,628,003	11,072,100

The lapse occurred due to weak internal controls resulting into loss to Government.

When pointed out in November 2024, the management stated that the contractor “NLC” would be contacted in this regard as NLC had the contention that it was exempted from taxes and progress would be intimated to audit. Reply is misleading as TMA, Mardan had already deducted Income Tax from the contractor.

PAOs (TMOs) were requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends deposit of the Income Tax into Government treasury or production of Income Tax exemption certificate if any to audit.

Note: This issue was also reported earlier in the Audit Reports for Audit Year 2021-22 and 2023-24 vide Para No. 3.5.2.3 and 3.5.2.1 having financial impact of Rs 5.795 million. Recurrence of same irregularity is a matter of serious concern.

AIR No. 08/2023-24

25.3 Assistant Director LG & RDD Mardan

25.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs.2.461 million were raised as a result of this audit. This amount also incurs recoverables of Rs.2.461 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1.	Irregularities	-
	Management of Accounts with Commercial Banks	2.461
Total		2.461

25.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of Village/Neighborhood Accounts Committees (VACs/NACs) meetings are given below:

Sr. No.	Audit Year	VACs/NACs meetings
1.	2013-14 to 2023-24	Not Convened

25.3.3 Audit Paras

25.3.3.1 Irregularities

A. Management of Accounts with Commercial Banks

25.3.3.1.1 Non-deposit of bank profit into Government treasury – Rs.2.461 million

According to Para 3 (ix) of the Government of Khyber Pakhtunkhwa, Finance Department letter No. 2/3/(F/L)/FD/2019-20/Vol-XIII dated 03.02.2020, “In case of current account, the same shall be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately.

During Audit of Assistant Director LGE&RDD Mardan for the financial year 2023-24, it was observed that an amount of Rs.2,461,397 was realized on account of bank profit on bank account No 713298007 maintained in BOK Mardan. However, the profit was not deposited into Government treasury.

Non-deposit of bank profit into government treasury occurred due to non-observance of government rules/instructions resulting into loss to Government.

When pointed out in October, 2024 the management stated that the profit would be deposited into Government treasury and progress would be shown to audit. No progress was shown till finalization of this report.

PAO (DC Mardan) was requested in September 2024, with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends immediate deposit of profit into Government treasury.

Note: This issue was also reported earlier in the Audit Reports for Audit Year 2018-19 and 2023-24 vide Para No. 1.4.1.4 and 4.4.1.2 having financial impact of Rs.4.753 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 02/2023-24

25.4 Water Supply and Sanitation Services Company Mardan

25.4.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 9.909 million were raised as a result of this audit. This amount also incurs recoverables of Rs 9.909 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1.	Value for money and services delivery	9.909
Total		9.909

25.4.2 Comments on the Status of Compliance with PAC Directives

Sr. No.	Audit Year	PAC meeting
1.	2019-20 to 2023-24	Not convened

25.4.3 Audit Paras

25.4.3.1 Value for money and service delivery issues

25.4.3.1.1 Non-recovery of water charges from the consumers – Rs. 9.909 million

According to clause 3(ix) of the Services and Assets Management Agreement between Water and Sanitation Services Company Mardan (WSSCM), Tehsil Municipal Administration Mardan and Government of Khyber Pakhtunkhwa, WSSCM is responsible for proposing and determining cost recovery measures for services provided by or on behalf of the Second Party (TMA Mardan) and suggesting actions regarding taxes, fees, user charges, surcharges, cesses, rents, rates in respect of services, receiving and appropriating all receipts and recoveries in respect thereof.

During Audit of Water & Sanitation Services Company Mardan for the financial year 2023-24, it was observed that water charges amounting to Rs.9,909,880 were not recovered from the consumers.

Non-recovery occurred due to in-effectiveness of management resulting into loss to the company.

When pointed out in December 2024, the management stated notices would be issued to the water users and progress would be shown to audit party. No progress was shown till finalization of this report.

PAO was requested in December, 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate recovery of the water charges from the consumers.

Note: This issue was also reported earlier in the Audit Reports for Audit Year 2022-23 and 2023-24 vide Para No. 5.4.2.1 and 5.4.2.1 having financial impact of Rs 9.604 million. Recurrence of same irregularity is a matter of serious concern.

AIR No. 06/2023-24

CHAPTER-26

DISTRICT MOHMEND



District Mohmand is a newly merged district of Peshawar Division of Khyber Pakhtunkhwa. According to the census of 2023, it has a total area of 2296 sq.km with a population size of 553,933 comprising 50.8% male and 49.2% female. Geographically, it lies northwest of the province, approximately 78 KMs away from the provincial capital-Peshawar. It is mainly known for its natural resources, historical significance, and tribal culture. Some of its brief features are given below:

District Profile

Area: 2,296 Sq KM

Population: 553,933

Languages: Pashto

Tehsils: 7

No. of Village Councils: 58

No. of Neighbourhood Councils: 7

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



26.1 Local Government, Mohmand

26.1.1 Classified Summary of Audit observations

Audit observations amounting to Rs 271.125 million were raised as result of this audit. This amount also includes recoverables of Rs. 21.429 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)		
Sr.No.	Classification	Amount
1	Irregularities	-
A.	HR/Employees related irregularities	10.578
B.	Management of Accounts with Commercial Bank	200.567
2	Others	59.98
Total		271.125

26.1.2. Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Details of ZAC/DAC/TAC Meetings are given below:

S#	Audit Year	ZAC/DAC/TAC Meetings
1	2020-21 to 2023-24	Not Convened

26.1.3 Audit Paras

26.1.3.1 Irregularities

A. HR/Employees related irregularities

26.1.3.1.1 Irregular payment on account of contingent paid staff–Rs.10.578 million

According to Para 6 of the Government of Khyber Pakhtunkhwa, Finance Department letter No. BO-I/FD/5-8/2023-24/Austerity Measures dated 07.07.2023, the contingent paid staff shall be engaged during the course of Financial Year 2022-23 only after the approval of the Finance Department, Khyber Pakhtunkhwa.

During audit of the accounts of Deputy Commissioner, Mohmand for the financial year 2023-24, it was noticed that Rs.10.578 million was paid on account of salaries of contingent paid staff. Audit observed the following irregularities;

- Appointments were made without obtaining prior approval from the Finance Department Government of KP.
- Detail regarding the place of duty and attendance of the contingent paid staff was not provided.
- The funds were withdrawn through DDO, instead of making direct payments.

The irregularity occurred due to non-compliance with the instructions of the finance department, resulting in irregular payment.

When pointed out in July 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAO (DC Mohmand) was requested in July 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate deposit of the bank profit into government treasury.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2021-22, 2022-23 and 2023-24 having financial impact of Rs 93.803 million,

Rs.11.478 million and Rs 6.717 million respectively. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 02/2023-24

B Management of Accounts with Commercial Banks

26.1.3.1.2 Non-deposit of bank profit into the government treasury – Rs.20.447 million

According to Para 3 (ix) of the Government of Khyber Pakhtunkhwa, Finance Department letter No. 2/3/(F/L)/FD/2019-20/Vol-XIII dated 03.02.2020, “In case of current account, the same shall be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately.”

During audit of the accounts of Deputy Commissioner and District Education Officer (Male), Mohmand for the financial year 2023-24, it was observed that profit amounting to Rs. 17,973,845 and Rs. 2,474,366 was earned on the bank balances of the PLS accounts maintained at BOK. However, the profit was not deposited into the government treasury till the date of audit. Detail at **Annexure-26.2** (a&b).

The loss occurred due to non-compliance to Finance Department KP instructions.

When pointed out in July & August 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAO (DC Mohmand) was requested in July 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against person(s) at fault and immediate deposit of the bank profit into government treasury.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2020-21, 2021-22, 2022-23 and 2023-24 having financial impact of Rs 26.789 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 03/2023-24

26.1.3.1.3 Irregular retention of public funds in designated bank accounts– Rs. 173.915 million

According to S No. 3 (ii) and (ix) of Government of KP Finance Department instructions issued vide no 2/3(F/L)/FD/2019-20/vol-xii dated 03-02-2020, “no funds should be kept in any bank account by any Drawing & Disbursing Officer unless expressly authorized by finance department. Such funds lying in the banks should be drawn and credited to government treasury immediately.

According to Rule 290 of Treasury Rules, “no money should be drawn from Treasury unless required for immediate disbursement. It is not permissible to draw money from treasury in anticipation of demand or to prevent lapse of budget grant”.

During audit of the accounts of the Deputy Commissioner, Mohmand for the financial year 2023-24, it was observed that an amount of Rs. 173,915,327 was retained in various designated bank accounts. However, the management could neither provide the breakup nor claims and purpose for which these funds were received or withdrawn from treasury.

(Amount in Rs.)

Bank Name	Branch	Account No	Closing Balance
Bank of Khyber	Ghallanai	01530340007	23,345,223
Bank of Khyber	Ghallanai	015303431000	74,517,539
National Bank of Pakistan	Ghallanai	3312012467	36,864,112
National Bank of Pakistan	Ghallanai	3312012458 (PLS)	1,632,010
Muslim Commercial Bank	Ghallanai	1155955341000683	6,800,209
United Bank Limited	Ghallanai	101310019230	30,756,234
Total			173,915,327

The lapse occurred due to non-adherence to government instructions, resulting in blockage of public funds.

When pointed out in July 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAO (DC Mohmand) was requested in July 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry for fixing responsibility and action against the person(s) at fault, besides utilization of the funds as per relevant guidelines/instructions.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 and 2023-24 having financial impact of Rs 164.711 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 05/2023-24

26.1.3.1.4 Loss due to non-conversion of current bank accounts into PLS mode-Rs.1.376 million

According to Para 3 (ix) of the Government of Khyber Pakhtunkhwa, Finance Department letter No 2/3/(F/L)/FD/2019-20/Vol-XIII dated 03.02.2020, “In case of current account, the same shall be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government treasury immediately”.

During audit of the accounts of the Deputy Commissioner, Mohmand for the financial year 2023-24, it was observed that designated bank accounts were maintained in various banks on current mode. The accounts were not converted into PLS mode due to which the government sustained a loss of Rs. 1,375,824. Detail is given below:

(Amount in Rs.)

S.#	Bank Name	Account No.	Opening Balance	Closing Balance	Average	Loss (10%)
1.	MCB Ghalanai Branch Mohmand (DC Mohmand)	1155955341000683	340,514	6,800,289	3,570,401	357,040
2	The Bank of Punjab Warsak Road Peshawar (AC Baizai)	6010095834500015	9,920,818	9,920,818	4,960,409	496,041
3	The Bank of Punjab Main Bazar Ghalanai	6020187221500018	1,442,425	9,012,425	5,227,425	522,743
Total					13,758,235	1,375,824

The lapse occurred due to weak financial controls, resulting in loss to government.

When pointed out in July 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAO (DC Mohmand) was requested in July 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends conversion of current bank accounts into PLS mode.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 & 2023-24 having financial impact of Rs 1.872 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 06/2023-24

26.1.3.1.5 Blockage of fund due to dormant account – Rs. 4.829 million

According to Finance Department Khyber Pakhtunkhwa letter No. SOR.III (FD) 6-1/90/XIII dated 29.06.1991 and No. 5/24/FD/SOR-III/1983 dated 22.11.1983, no amount should be kept in any commercial bank by any Drawing and Disbursing Officer unless expressly authorized by the Finance Department.

During audit of the accounts of Deputy Commissioner, Mohmand for the Financial Year 2023-24, it was observed that the local office maintained dormant bank accounts for a long period of time without any purpose resulting in the blockage of government funds. As per bank statements, an amount of Rs.4,828,564 was available in these bank accounts as on 30.06.2024. Detail at **Annexure- 26.3**.

The lapse occurred due weak internal controls, resulting in blockage of government funds.

When pointed out in July 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAO (DC Mohmand) was requested in July 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends conducting an immediate review of all bank accounts to identify dormant ones and reactivate or close the accounts and transfer the funds to active accounts or deposit into government treasury.

AIR Para No. 07/2023-24

26.1.3.2 Others

26.1.3.2.1 Irregular withdrawal and non-disbursement of Mowajib / Lungi allowance-Rs.9.870 million

According to Treasury Rules 290, “No money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants”.

According to Para 2.3.2.8 of APPM, the accounting system shall include control of issuing payment through direct bank transfer and cheques to minimize the risk of fraud and corruption.

During audit of accounts of the Deputy Commissioner, Mohmand for the Financial Year 2023-24, it was observed that an amount of Rs.9,870,326 was withdrawn from treasury through DDO in lump sum on account of Mowajib/ lungi allowance and retained in designated bank account No. BOK01530331000 till the date of audit (July, 2024) instead of making payments to the persons/vendors concerned. Moreover, approval of the Finance Department for opening of the said bank account was also not available on record.

The lapse occurred due to collusion of DAO and DC office, resulting into irregular withdrawal and non-disbursement of Lungi/Mowajib allowance.

When pointed out in July 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAO (DC Mohmand) was requested in July 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault besides immediate surrender/ disbursement of the amount as per rules.

AIR Para No. 01/2023-24

26.1.3.2.2 Non-disbursement of funds received on account of Land Acquisition–Rs.49.128 million

Treasury Rule 290 provides that no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants.

During audit of the accounts of Deputy Commissioner, Mohmand for the Financial Year 2023-24, it was observed that the management of the DC office received Rs.49,128,000 from various departments on account of acquiring land for different projects, and for further payments to the land owners. However, the amount was credited into “Revenue Deposit” instead of making payment to the land owners concerned till the date of audit i.e. July 2024.

(Amount in Rs.)

Particular	Area	Cheque No. & date	Cost of Land
Guluno Battery Post in Tehsil Safi	08 Kanal	08148353/ 13.07.2023	3,128,000
Land for Const. of Tehsil Judicial Complex at Ekkaghund	40 Kanal	A697984/ 01.03.2022	46,000,000
Total			49,128,000

The lapse occurred due to weak internal controls, resulting in non-disbursement of funds.

When pointed out in July 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAO (DC Mohmand) was requested in July 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends disbursement of the amount among the land owners concerned besides action against the person(s) at fault.

AIR Para No. 17/2023-24

26.2 Tehsil Municipal Administrations, Mohmand

26.2.1. Classified Summary of Audit Observations

Audit observations amounting to Rs 24.878 million were raised as result of this audit. This amount also includes recoverables of Rs. 1.054 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr.No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	14.738
B	Procurement related irregularities	9.086
2	Others	1.054
Total		24.878

26.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

S#	Audit Year	TAC Meetings
1	2021-22 to 2023-24	Not Convened

26.2.3 Audit Paras

26.2.3.1 Irregularities

A. HR/Employees related irregularities

26.2.3.1.1 Irregular payment on account of daily wages staff -Rs 14.738 million

According to Para 6 of the Government of Khyber Pakhtunkhwa, Finance Department Letter No. BO-I/FD/5-8/2022-23/Austerity Measures dated 30.06.2022, the contingent paid staff shall be engaged during the course of Financial Year 2022-23 only after the approval of the Finance Department, Khyber Pakhtunkhwa.

According to 2.3.2.8 of APPM, the accounting system shall improve controls to minimize the risk of fraud and corruption. This objective shall be addressed by issue of payment through direct bank transfer and cheques (to employees/ vender concerned) instead of payment through DDOs/ cash basis.

During audit of the accounts of the Tehsil Municipal Administrations, Upper Mohmand, Lower Mohmand & Baizai, district Mohmand, for the financial year 2023-24, it was observed that Rs.14,738,000 was paid on account of salaries of the contingent paid staff. Detail at **Annexure-26.4** (a,b&c).

Audit observed the following irregularities:

- i. Appointments were made without obtaining prior approval from the Finance Department Government of KP.
- ii. No selection criteria were followed for appointment of these staff.
- iii. Need of appointment of the contingent paid staff was not ascertained.
- iv. Attendance or monitoring report of the supervisors was not available on record.
- v. Muster Roll/ APRs were not available on record.

The lapse occurred due to non-compliance with Finance Department, KP instructions, resulting into irregular payments.

When pointed out in November 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAOs (TMOs) were requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault.

Note: The issue was reported earlier also in the Audit Report for the Audit Year 2022-23 and 2023-24 having financial impact of Rs. 6.605 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 3, 5 & 8 (2023-24)

B. Procurement related irregularities

26.2.3.1.2 Irregular expenditure on account of sanitation work- Rs 4.328 million

According to Rule 06(1) Chapter II of Khyber Pakhtunkhwa Public Procurement Regulatory Authority 2014 “Save as otherwise provided hereinafter and subject to the provisions of rule 10, the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs. 500,000 (rupees five hundred thousand)”.

According to Para 75 (8) of Khyber Pakhtunkhwa District or City District Government Budget Rules 2016, “Purchases must be made in the most economical manner in accordance with the definite requirements of the public service. Purchase Orders should not be split up to avoid the necessity for obtaining the sanction of higher authority required with reference to the total amount of the orders.

During audit of the accounts of the Tehsil Municipal Administrations, Upper Mohmand, Lower Mohmand & Baizai, district Mohmand, for the financial year 2023-24, it was observed that an expenditure of Rs 4,328,000 was incurred under the head “sanitation work” for hiring of excavator, tractor and tractor trolley on the occasion of Eid-ul-adha and repair of flood affected roads in the district. Audit is of the opinion that payments made were split up to avoid open competitive bidding. Detail at **Annexure-26.4** (a,b&c).

The lapse occurred due to violation of government rules, resulting into irregular expenditure.

When pointed out in November 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAOs (TMOs) were requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault.

AIR Para No. 2,4&5 (2023-24)

**26.2.3.1.3 Irregular expenditure on account of miscellaneous items
Rs.4.758 million**

According to Rule 06(1) Chapter II of Khyber Pakhtunkhwa Public Procurement Regulatory Authority 2014 “Save as otherwise provided hereinafter and subject to the provisions of rule 10, the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs. 500,000 (rupees five hundred thousand)”.

During audit of the accounts of the Tehsil Municipal Administrations, Upper Mohmand, Lower Mohmand & Baizai, district Mohmand, for the financial year 2023-24, it was observed that an expenditure of Rs.4,758,000 was incurred on account of purchases under various object heads. Audit holds that purchases were made directly instead of adopting open competitive bidding to achieve economical rates. Moreover, all purchased items were not taken on stock registers indicating a lack of proper inventory management and controls. Detail at **Annexure-26.5** (a,b&c).

The laps occurred due to violation of government rules, resulting in irregular expenditure.

When pointed out in November 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAOs (TMOs) were requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault.

AIR Para No. 2,2 & 3 (2023-24)

26.2.3.2 Others

26.2.3.2.1 Non-recovery of Income Tax Rs 1.054 million

According to section 236 A of Income Tax ordinance, 2001 revised vide Finance Act, 2021, any person making sale by public auction / tender of any property or goods shall deduct tax @ 20% on non-filers at source from contractor payments and deposited into the government treasury to ensure compliance with tax laws.

According to Clause No. 11 of Contract Agreement, the guarantor of the contractor shall be held responsible for default of contractor.

During audit of the accounts of the Tehsil Municipal Administration, Upper Mohmand for the financial year 2023-24, it was observed that contract of Municipal Services Fee (Marble load truck) was awarded to M/s Muhammad Jamal resident of District Nowshera by offering highest rate of Rs. 5,274,326 for three months i.e. April, May and June 2024. However, income tax @ 20% (for non-filer) amounting to Rs 1,054,865 was not deducted from the contractor. Furthermore, the contractor left the contract in June, 2024 but the Tehsil Municipal Administration, Upper Mohmand failed to recover the installment for the month of June, 2024 and also failed to initiate any legal action against the contractor.

The lapse occurred due to violation of rules and weak internal controls, resulting in non-recovery of income tax.

When pointed out in November 2024, management stated that detailed reply would be furnished after scrutiny of record. However, no reply was furnished till finalization of this audit report.

PAO (TMO) was requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of income tax from the contractor and depositing the amount into government treasury besides action against the person(s) at fault.

AIR Para No. 4 (2023-24)

26.3 Assistant Director LG&RDD, Mohmand

26.3.1. Classified Summary of Audit Observations

Audit observations amounting to Rs. 5.906 million were raised as result of this audit. This amount also includes recoverables of Rs. 3.042 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr.No.	Classification	Amount
1	Irregularities	
A	Management of Accounts with Commercial Banks	2.864
2	Others	3.042
Total		5.906

26.3.2. Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VAC/NAC Meetings are given below:

S#	Audit Year	VACs/NACs Meeting
1	2021-22 to 2023-24	Not Convened

26.3.3. Audit Paras

26.3.3.1. Irregularities

A Management of Accounts with Commercial Bank

26.3.3.1.1 Loss to Government due to non-conversion of bank accounts into PLS- Rs 2.864 million

According to Para 3 (ix) of the Government of Khyber Pakhtunkhwa, Finance Department letter No. 2/3/(F/L)/FD/2019-20/Vol-XIII dated 03.02.2020, “In case of current account, the same shall be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately.

During audit of the accounts of the Assistant Director Local Government & Rural Development Department, Mohmand for the Financial Year 2023-24, it was observed that current designated bank account No. 1384001002237 was not converted into PLS mode till the date of audit and an amount of Rs 28,644,146 was laying in the account on 30.06.2024. Had the account been converted into PLS mode, profit amounting to Rs 2,864,414 @ 10% annually could have been earned during the year.

The lapse occurred due to weak financial control, resulting in loss to the government.

When pointed out in October, 2024 the management replied that the manager of the bank was requested for conversion of the said designated account into PLS mode. However, the account was not converted into PLS mode. Reply is not convincing as the local office should have insisted for PLS account in order to comply with the instructions of the Finance Department.

PAO (DC Mohmand) was requested in October 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends conversion of current bank account into PLS mode and action against the person(s) at fault.

(AIR Para No. 4/ 2023-24)

26.3.3.2 Others

26.3.3.2.1 Non-imposition of penalty due to non-completion of work Rs.3.042 million

According to clause 2 of the standard terms of the Contract Agreements penalty of 1% per day and up to maximum of 10% of the bid cost shall be imposed for delay in completion of work.

During audit of the accounts of Assistant Director LG&RDD, Mohmand for the Financial Year 2023-24, it was observed that various developmental schemes were awarded during 2022 with completion period of 365 days while the schemes were still in progress till the date of audit i.e. October, 2024. Neither further time extension was obtained from the competent authority nor penalty @ 10% amounting Rs.3,042,656 was imposed on the contractors for non-completion of schemes within the stipulated time period. Detail at **Annexure-26.6**.

The lapse occurred due to weak internal and administrative controls, resulting in depriving the public from timely benefits of the development schemes.

When pointed out in October, 2024 the management replied that the delay in completion of schemes was due to non-availability of funds. Reply was not convincing as no documentary evidence in support of reply was produced.

PAO (DC Mohmand) was requested in October 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends investigation in the matter and fixing responsibility on the person(s) at fault besides recovery of the penalty amount from the contractor.

(AIR Para No. 6/2023-24)

CHAPTER-27

DISTRICT NORTH WAZIRISTAN



District North Waziristan is one of the merged tribal districts of Khyber Pakhtunkhwa, named North Waziristan Agency before merger of Federally Administered Tribal Areas (FATA). According to census of 2023, it has a total area of 4,707 sq.km with a population size of 543,254. Geographically it lies in the South West of the province, almost 270 KMs away from the provincial capital-Peshawar. It has a good economic potential due to having natural resources like Chromite, Copper, Granite, Manganese, oil and gas besides wild forests of olive and pine-nuts best for export. It is famous for its rich tribal culture especially the local dance called ATHANR and its Jirga system to settle local disputes. Some of its brief features are given below:

District Profile

Area: 1,290 Sq KM

Population: 1,093,684

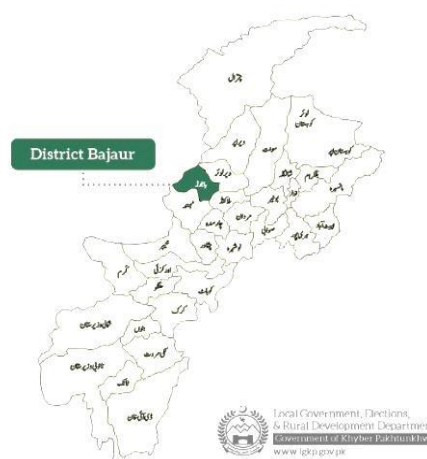
Languages: Pashto

Tehsils: 8

Number of Village Councils: 120

Number of Neighborhood Councils: 07

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



27.1 Local Government, North Waziristan

27.1.1 Classified Summary of Audit observations

Audit observations amounting to Rs 52.625 million were raised as a result of this audit. This amount also includes recoverables of Rs 2.073 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)		
Sr. No.	Classification	Amount
1	Irregularities	
A	HR/Employees related irregularities	27.056
B	Management of Accounts with Commercial Bank	7.238
2	Others	18.331
Total		52.625

27.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Status of ZAC/DAC/TAC Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meeting
1	2019-20 to 2023-24	Not Convened

27.1.3 Audit Paras

27.1.3.1 Irregularities

A. HR/Employees related irregularities

27.1.3.1.1 Un-authorized payment on account of encashment of LPR – Rs.17.427 million

According to Government of KPK Finance Department letter No. BO(PFC-II) FD/1-5/2023-24/Non-Salary/NMAs dated 07.06.2024, after due scrutiny of the pending 337 cases retired employees, Rs. 80.231 million were released for the payment of leave encashment in lieu of LPR to 79 Nos of employees who were retired during financial year 2021-22 & 2022-23.

During audit of the accounts of District Education Officer Male & Female, North Waziristan for the financial year 2023-24, it was observed that expenditure amounting to Rs. 17,427,760 was incurred under object head encashment of LPR. However, the payment was made to the employees retired during previous financial years 2020-21, 2019-20, 2018-19, 2017-18 etc, in violation to the Finance department instructions. As detailed below:

(Amount in Rs.)

S.No.	Name of office	Amount	Further Detail at
1.	DEO (Male), North Waziristan	14,821,724	Annex-27.2(a)
2.	DEO (Female), North Waziristan	2,606,036	Annex-27.2(b)
Total		17,427,760	

The lapse occurred due to weak Internal Controls, resulting in un-authorized payment under head of encashment LPR.

When pointed out in August 2024, the management did not furnish any reply.

DAC meeting was held on 23.10.2024 wherein the management replied that all the record pertaining to LPR payments is available in the office which can be verified by Audit. The forum decided that the relevant record showing payee information, period of payment and sanction be provided to Audit for verification. However, verification was not made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 03 &04 /2023-24

27.1.3.1.2 Irregular appointment of staff- Rs. 9.629 million.

As per para (d) of Election Commission of Pakistan Notification No. F.No.2 (1) 2023-Cord. - Ensure that all kinds of recruitments in any Ministry, Division, Department or Institution under the Provincial and Local governments of Punjab and Khyber Pakhtunkhwa are with immediate effect, except recruitments by the Provincial Public Service Commissions and those government organization where test/interview have been already conducted before this day.

According to Finance Department KPK letter No. BO.I/FD/5-17/2018-19 dated 19/11/2018, in order to ensure check on fake appointments and avoid payments to ghost employees the position codes of the post must be reflected in the appointment orders.

During audit of the accounts of District Education Officer (Male), North Waziristan for the financial year 2023-24, it was observed that various employees in different cadres was recruited and amount of Rs. 9,639,792 was paid to them under object head of pay and allowances. Detail is given below:

(Amount in Rs.)

S. #	Name of Office	Cadre	Amount	Further Detail at
1.	DEO (Male), North Waziristan	Class-IV	1,393,325	Annex-27.3(a)
2.	DEO (Male), North Waziristan	Primary School Teachers	8,236,467	Annex-27.3(b)
Total			9,629,792	

Audit noticed the following irregularities in the recruitment process:

- The appointments were made in the ban period/Care taker government.
- NOC from the Election Commission of Pakistan was not found on record.
- Position codes were not reflected in the appointment orders of the selected candidates.
- Minutes of the SNE Committee of the finance department KP was not found on record.
- NOC from the District surplus pool was not obtained.
- Overage candidates were recommended for appointment while ignoring the candidates in age limit.
- Minutes of departmental selection committee was not found on record.

- viii. Record pertaining to Test and interview was not found on record of local office to authenticate the recruitment process.

The lapse occurred due to non-adherence to government instructions, resulting into irregular appointments.

When pointed out in August 2024, the management did not reply.

PAO (DC North Waziristan) was requested in August 2024 with several reminders no 6040 dated 11.12.24 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry into the matter to ascertain the factual position and fixing of responsibility on the person(s) at fault.

AIR Para No.10 & 11/2023-24

B. Management of Accounts with Commercial Banks

27.1.3.2.3 Non-deposit of bank profit into government treasury–Rs. 2.073 million

According to para 3 (ix) of the Government of Khyber Pakhtunkhwa, Finance Department letter No. 2/3/(F/L)/FD/2019-20/Vol-XIII dated 03.02.2020, “In case of current account, the same shall be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately.

During Audit of the Accounts of Deputy Commissioner, North Waziristan, it was observed that Rs. 2,073,523 was earned profit on bank account during the Financial Year 2022-23. However, the profit was not deposit into government treasury. Detail is given below: -

(Amount in Rs.)			
S.No	Particulars	Bank Account No	Profit Earned
1	Designated bank account (for Honoraria of Aima Masjid)	3003746018	2,073,523
Total			2,073,523

The loss occurred due to non-compliance to Finance Department KP instructions.

When pointed out in July 2024, the management did not furnish any reply.

PAO (DC North Waziristan) was requested in July 2024 with several reminders no 6040 dated 11.12.24 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate deposit of profit into government treasury.

Note: The issue was also pointed earlier in the Audit Report during the financial years 2019-20 and 2020-21 and 2022-23 vide para-No.2.4.3.6 having the financial impact of Rs.5.886 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No.6 /2023-24

27.1.3.2.4 Irregular retention of funds in designated Bank Account – Rs.5.165 million

According to S No. 3 (ii) and (ix) of Government of KP Finance Department instructions issued vide no 2/3(F/L)/FD/2019-20/vol-xii dated 03-02-2020, “no funds should be kept in any bank account by any Drawing & Disbursing Officer unless expressly authorized by finance department. Such funds lying in the banks should be drawn and credited to government treasury immediately.

During audit of the accounts of District Education Officer (Female), North Waziristan for the financial year 2023-24, it was observed a sum of Rs. 5,165,901 was retained in the designated Bank Accounts as of 30.06.2024 which is violation of above-mentioned rules/ Finance Department KP instructions.

The lapse occurred due to weak Internal Controls, resulting in irregular retention of funds.

When pointed out in August 2024, the management did not furnished reply.

PAO (DC North Waziristan) was requested in August 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility and action against the person(s) at fault.

AIR Para. No.3 /2023-24

27.1.3 Others

27.1.3.3.1 Irregular payment through DDO–Rs. 7.327 million

Finance Department of the Government of KP vide Letter No. BO (W&M) /6-5/2019-20 dated 19/02/2020 intimated that in order to streamline the management in public account and observe fiscal discipline, it has been decided to stop forthwith all payments through open cheques or cash payment.

During audit of the accounts of the Deputy Commissioner and District Education Officer (Female), North Waziristan for the financial year 2023-24, it was observed that Rs.7,327,490 was withdrawn through DDO instead of issuing cheques to Vendors/ employees concerned. Moreover, the detail of the payee and their acknowledgment was not maintained. Detail is given below:

(Amount in Rs.)		
S. No	Office	Amount
1	DC, North Waziristan	1,727,490
2	DEO (Female), North Waziristan	5,600,000
Total		7,327,490

The lapse occurred due to weak internal controls, resulting in non-compliance of government rules.

When pointed out in July 2024, the management did not reply.

PAO (DC North Waziristan) was requested in July 2024 with several reminders no 6040 dated 11.12.24 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility and production of actual payee receipt along with full details.

AIR Para No. 01 & 02 /2023-24

27.1.3.3.2 Loss to Government due to theft of CCTV Cameras and Inverters Rs. 2.547 million.

According to Rule 75 (8) c, d,e & f, Part-XII of the Government of Khyber Pakhtunkhwa District or City District Government Budget Rules 2016, “all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken, and they should be taken in charge by a responsible

Government officer who should see that the quantities are correct and their quality good, and record a certificate to that effect, and entered into stock register.”

During audit of the accounts of the Deputy Commissioner North Waziristan, for the financial year 2023-24, it was observed that 191 numbers of CCTV Cameras amounting to Rs. 1,910,000 and 51 numbers of Inverters amounting to Rs. 637,500 were purchased, while the same were lifted from the various polling stations during the General Elections, 2024 due to which government was put to loss.

The Lapse occurred due to weak internal controls, resulting in loss to Government.

When pointed out in July 2024, the management did reply.

PAO (DC North Waziristan) was requested in July 2024 with several reminders no 6040 dated 11.12.24 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility and lodging of FIR against the person(s) at fault besides.

AIR Para No. 07 /2023-24

27.1.3.3.3 Non-utilization of Developmental Funds – Rs.4.436 million

According to rules 75 (2) of Khyber Pakhtunkhwa District Budget Rules 2016, Each Head of Offices is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing Officers

During audit of the accounts of the District Officer, Water Management, North Waziristan for the financial year 2019-23, it was observed that developmental funds of Rs. 4,436,000 was received under NPIWC-II KP for the execution of developmental schemes, including watercourses and water storage tanks. However, these funds remained unutilized as of the date of the audit. Detail is given below:

(Amount in Rs.)		
S.No	Particulars	Amount
1.	Water Courses	3,218,000
2.	Water Storage Tanks	1,218,000
Total		4,436,000

Non-utilization of funds occurred due to weak internal controls, resulting into depriving the people of District North Waziristan from the benefits of developmental activities.

When pointed out in April 2024, management stated that a detailed reply would be submitted after scrutiny of the relevant record.

PAO (DC North Waziristan) was requested in April 2024 with several reminders no 6040 dated 11.12.24 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility and action against the person(s) at fault besides strengthening of internal controls to avoid such lapses in future.

AIR Para No. 03 (FY 2019-23)

27.1.3.3.4 Irregular expenditure due to non-provision of third-party validation certificate – Rs. 4.000 million

According to serial No. 11 (iii) (vi) of the umbrella PC-1 for OFWMP, payment to Water User Association would be made in three installments. Ist installment will be advance up-to 45% of material cost, 2nd installment will be up to 45% on work done basis and last installment+ of 10% will be released subject to clearance/verification of quality & quantity by 3rd party i.e. NESPAK.

During audit of the accounts of the District Officer, Soil Conservation, North Waziristan, for the financial year 2022-23, it was observed that Rs.4,000,000 was paid to the Chairmen of various Water Users Associations on account of construction of different watercourses. However, final payment certificate duly verified by 3rd party i.e. Field Engineer NESPAK was not available on record. Detail is given in **Annexure-27.4**.

The lapse occurred due to weak internal and administrative controls resulting into irregular expenditure.

When pointed out by the audit, the management stated that detailed reply would be submitted after scrutiny of relevant record.

PAO (DC North Waziristan) was requested in April 2023 with several reminders no 6040 dated 11.12.24 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends investigating the matter for fixing responsibility and action against the person (s) at fault.

AIR Para No.1/2023-24

27.2 Tehsil Municipal Administrations, North Waziristan

27.2.1 Classified Summary of Audit observations

Audit observations amounting to Rs 2.548 million were raised as a result of this audit. This amount also includes recoverables of Rs 1.208 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	Management of Accounts with Commercial Bank	1.340
2	Others	1.208
Total		2.548

27.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

Sr. No.	Audit Year	TAC Meetings
1	2019-20-2023-24	Not Convened

27.2.3 Audit Paras

27.2.3.1 Irregularities

A Management of Accounts with Commercial Banks

27.2.3.1.1 Un-authorized cash withdrawal from Designated Bank Account - Rs. 1.340 million.

Government of KPK Finance Department letter No. BO(W&M)/6-5/2019-20 Dated Peshawar the 19th February, 2020, “All the Principal Accounting Officers and DDOs are advised to stop henceforth all cash payments and open cheques payments.

During audit of the accounts of the TMO, TMA Miran Shah, North Waziristan for the financial year 2023-24, it was observed that Rs. 1,340,614 was withdrawn in cash from the designated bank account No. 2007587247, BOK Miran Shah Main Branch instead of making payment through crossed cheques to the actual payees. Furthermore, the detail of vendors and purpose of payment was not shown to Audit for verification. The detail is as under:

(Amount in Rs.)		
S.No	Cheque No. & Date	Amount
1	No. 53037161 dated: 04.07.2023	390,000
2	No. 53037164 dated:11.07.2023	162,000
3	No. 53037181 dated:19.09.2023	452,502
4	No. 53037199 dated:04.11.2023	336,112
Total		1,340,614

The lapse occurred due to weak internal controls resulting non-compliance of the rules and un-authorized cash payments.

When reported in November 2024, the management stated that detailed reply will be submitted after consultation of record.

PAO (TMO Miran Shah) was requested in December 2024 with several reminders no 6046 dated 18.12.24 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends proper inquiry into the matter to know the factual position and action against the persons at fault.

AIR Para No.5 /2023-24

27.2.3.2 Others

27.2.3.2.1 Loss to Government due to non-recovery of income tax worth Rs.1.208 million

As per Section 236(A) of the income tax ordinance 2001, income tax shall be deducted @ of 10% from the person appearing on Active Tax payer list and @ 20% from the person not appearing on Active Tax Payer list.

Para 8 and 26 of GFR Vol-I states that each administrative department to see that the dues of the Government are correctly and promptly assessed, collected and paid into Government treasury.

During audit of the accounts of the TMO, TMA Miran Shah, North Waziristan for the financial year 2023-24, it was observed that various contracts were awarded to contractors but income tax worth Rs.1,208,478 was not deducted which resulted into loss to the Government. Detail is given below:

(Amount in Rs.)

S.No	Name of Contractor.	Contract Name	Bid Amount	Income Tax Due
1.	Hamid Khan S/o Bahader Zaman	Entry Fee Ghulam Khan 2023-24	7,133,332	713,333
2.	Hamid Khan S/o Bahader Zaman	Group Latrine 2023-24	428,000	42,800
3	Muhammad Daraz	Bus Stand 2023-24	4,523,450	452,345
Total			12,084,782	1,208,478

The lapse occurred due to weak internal controls, resulting in loss of revenue to government.

When reported in November 2024, the management stated that notices will serve to the contractors concerned for early payment of income tax. Reply is not tenable as no progress was shown to audit till finalization of this report.

PAO (TMO Miran Shah) was requested in December 2024 with several reminders no 6046 dated 18.12.24 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of income tax amount from the contractors besides fixing responsibility and action against the person(s) at fault.

AIR Para No. 01/2023-2

27.3 Assistant Director LG & RDD, North Waziristan

27.3.1 Classified Summary of Audit observations

Audit observations amounting to Rs. 59.508 million were raised as a result of this audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)		
Sr. No.	Classification	Amount
1	Irregularities	-
A	Management of Accounts with Commercial Bank	39.532
2.	Others	19.976
Total		59.508

27.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VAC/NAC Meetings are given below:

S.No	Audit Year	VACs/NACs Meeting
1	2019-20 to 2023-24	Not Convened

27.3.3 Audit Paras

27.3.3.1 Irregularities

A. Management of Accounts with Commercial Banks

27.3.3.1.1 Irregular retention of public money- Rs. 39.532 million

According to rule 290 of Treasury Rules, “No money should be drawn from Treasury unless required for immediate disbursement. It is not permissible to draw money from treasury in anticipation of demand or to prevent lapse of budget grant”.

During audit of the accounts of the Assistant Director Local Government, North Waziristan for the financial year 2023-24, it was observed that Rs.39,532,267 was retained in the designated Bank Account No. 3004529633, The Bank of Khyber, Miran Shah branch as of 30.06.2024, but neither fund was surrendered to Finance Department nor any proper claim of amount was produced to Audit.

The Lapse occurred due to weak internal controls resulting into irregular retention of public money.

When pointed out in October 2024, the management did not furnish any reply. In the absence of detailed reply, the veracity of expenditure incurred could not be verified.

PAO (DC North Waziristan) was requested in October 2024 with several reminders no 6040 dated 11.12.24 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate completion of work for which funds were released besides closing balances should be deposited into government treasury.

AIR Para No.4 /2023-24

27.3.3.2 Others

27.3.3.2.1 Irregular withdrawal of funds from treasury on simple receipt- Rs.19.976 million

According to direction 2.3.2.8 of APPM “the accounting system shall improve the control to minimize the risk of corruption and fraud. This objective shall be address of issuing of payment through direct bank transfer and cheques (to employee/vendor concerned) instead of payment through DDOs”.

During audit of the accounts of the Assistant Director Local Government, North Waziristan for the financial year 2023-24, it was observed that Rs.19,976,190 was withdrawn from government treasury vide Cheque No. 1983314 dated 27.06.2024 under object head “Repair of machinery and equipment”. However, the amount was withdrawn in lumpsum on simple receipt instead of payment on work done basis to vendors/ suppliers. Furthermore, detail of further utilization of funds was not available on record.

The lapse occurred due to weak internal controls, resulting in irregular withdrawal of funds from treasury on simple receipt.

When pointed out in October 2024, the management replied that the said amount was drawn for repair of transformers of PESCO as per public demand and utilization report will be submitted to Audit in due course of time. Reply of the department was not satisfactory as money can only be withdrawn from treasury after actual work done. Advance withdrawal is not allowed from treasury.

PAO (DC North Waziristan) was requested in October 2024 with several reminders no 6040 dated 11.12.24 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry for fixing of responsibility and action against the person(s) at fault besides stoppage of advance withdrawal of funds from treasury.

AIR Para No. 1/2023-24

CHAPTER-28

DISTRICT NOWSHERA



District Nowshera is situated in Peshawar Division of Khyber Pakhtunkhwa. According to census of 2023, It has a total area of 1748 sq.km with a population size of 1,740,705 comprising 51% male and 49% female. Geographically, it lies in the East, almost 53 KMs away from the provincial capital-Peshawar. District Nowshera is famous for Special Services Group (SSG) Training Centre at Cherat, situated at an elevation of around 4500 feet, Shrine of Kaka Sahib and its juicy oranges. Due to fertile agricultural land, it thrives on agriculture and horticulture besides mining and manufacturing industries (railway engines, glass, cigarettes, textiles, beverages, ceramics, pharmaceuticals, edible oil/ghee, and soaps/shampoo etc.). Some of its brief features are also given below:

District Profile

Area: 1,748 Sq KM

Population: 1,740,705

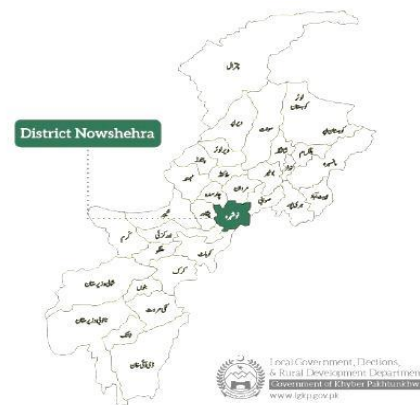
Languages: Pashto, Hindko, Urdu

Tehsils: 3

Number of Village Councils: 129

Number of Neighbourhood Councils: 24

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



28.1 Local Government, Nowshera

28.1.1 Classified Summary of Audit observations

Audit observations amounting to Rs 268.525 million were raised as a result of this audit. This amount also includes recoverables of Rs 21.477 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	13.988
B	Procurement related irregularities	50.00
C	Management of Accounts with Commercial Bank	18.272
2	Others	186.265
Total		268.525

28.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meetings
1.	2002-03 to 2023-24	Not convened

28.1.3 Audit Paras

28.1.3.1 Irregularities

A. HR/Employees related irregularities

28.1.3.1.1 Irregular recruitment of staff

According to Clause-10(3) of Civil Servant Act-1973, A candidate for initial appointment to a post must possess the educational qualification or technical qualifications and experience and except as provided in the rules framed for the purpose of relaxation of age limit, must be within the age limit as laid down for the post.

According to clause A(iii) of Notification No. SOS 6(E&AD) 1-3/2007 dated 22.03.2007 issued by Administration Department (Regulation Wing) Govt. of KPK, “a Departmental Selection Committee would be bound to recruit employees from BPS 1 to 4 through District Employment Exchange. In absence of District Employment Exchange, the recruitment would be made through Departmental Selection Committee after vacancies have been advertised in newspapers.

During audit of the accounts of District Officer Fisheries, Nowshera it was observed that various employees in different cadres were recruited during the financial year 2022-23 as per detail at **Annexure-28.2**. Audit noticed the following irregularities in the recruitment process;

- Lists from the employment exchange were repeatedly demanded by the DO Fisheries Nowshera for the inclusion of favored candidates.
- Detail of total vacant posts and posts reserved for various quotas was also not available on record.
- Verified testimonials/documents of the selected candidates were not available on record.
- Class-IV employees were appointed without observing the deceased/employees Son quota.
- The appointments were made without prior approval from Finance Department KP and obtaining NOC from the Surplus Pool.
- Police verification of the selected candidates was also not available on record.

- Medical fitness, Age certificates and arrival reports of the candidates were not provided to audit.

The lapse occurred due to violation of government instructions, resulting in irregular recruitments.

When pointed out in May 2024, the management did not furnish any reply.

PAO (DC Nowshera) was requested with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

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

AIR Para No. 11/2022-23

28.1.3.1.2 Non-transparent recruitment and irregular payment on account of Double Shift Scheme- Rs. 13.988 million

According to the Eligibility Criteria for DSS Schools given in DSS programme policy circulated vide Government of KP Elementary and Secondary Education Department Notification No. MD-II/ESRU/D.Shift/2021 dated 01.03.2021, the second shift may be started for those classes only where the minimum students' strength in the second shift class is 20 and for the same class in the first shift the enrolled students are not less than 40: and at least twenty students shall be required for a class in the double shift. Students shifting from morning shift will not count towards the bench mark of 20 students. If the student's dropout increases and the number falls below the bench mark of 20 students, then those students may be shifted to the morning shift in the same school or nearest school as the case may be.

According to Govt. of KP E&SED (Reforms & Implementation Wing) vide no. SO (Reforms)/R&I/DSS-2021 dated 29/11/2021, Monthly progress of each DSS to be shared by DEO office to this office within first seven days of each month without fail specifying performance, attendance of teachers, ministerial staff and students.

During audit of the accounts of DEOs (Female and Male), Nowshera for the financial year 2023-24, it was observed that funds were received and transferred to PTC accounts of the DSS schools and an expenditure amounting to Rs. 8,814,000 and Rs. 5,174,000 respectively was incurred for hiring of teachers and

other staff under Double Shift Scheme in various schools. Audit observed following;

- Teachers were hired in schools for students in various classes where number of students was less than 20.
- Cash withdrawal was made in almost all schools instead of direct payment to their bank accounts.
- Merit list as per "Talent Pool" at the time of appointment was not followed.
- Attendance of the teachers and students was not provided for verification.
- Monthly progress of each DSS was not shared with DEO office and was not available on record specifying performance, attendance of teachers, ministerial staff and students.

The lapse occurred due to violation of government instructions and DSS policy, resulting in non-transparent recruitment and irregular payment.

When pointed out in August 2024, management stated that detailed reply would be furnished after consulting original record, which was not furnished till finalization of this report.

PAO (DC Nowshera) was requested with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry in the matter for fixing of responsibility and action against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2023-24 vide para number 2.4.3.7 having financial impact of Rs 13.253 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para 04&01/2023-24

B. Procurement related irregularities

28.1.3.1.3 Un verified expenditure on account of construction of District Secretariat Building- Rs.50.00 million

According to Rule 18.1 of P&D Guidelines 2015 for Local Governments that PC-IV signed by the head of executing agency will be mandatory for all the projects whereas PC-V will be prepared for mega projects. The impact evaluation of important ongoing or completed development projects would be conducted by the District Development Committee and the Provincial Planning & Development.

During audit of the accounts of Deputy Commissioner Nowshera for the financial year 2023-24, it was observed that an amount of Rs. 50.00 million was transferred on simple receipts to XEN C&W Building Division for a work “Construction of Building for offices, Cafeteria and Repair/Renovation of District Secretariate Nowshera. Technical Sanction and AA was approved vide letter No.4099/2-CD dated 18th October 2023 by Chief Engineer Center. The local office transferred an amount of Rs.50.00 million to executing agency as per detail given below. However, no progress report/completion report in form of PC-IV was found on record. Moreover, the scheme remained incomplete despite full payment to the executing agency since May 2022.

(Rs. in Million)			
S.No	Simple Receipts Number	Amount	Components
1	No.3819-26 dated 18.05.2022	10.00	Capital component
2	1363-70 dated 17.06.2022	32.90	Capital Component
3	10018-20 dated 13.11.2023	7.10	Revenue Component
Total		50.00	

The lapse occurred due to weak internal controls, resulting in un-verified expenditure.

When pointed out in July 2024, management stated that the funds were transferred to XEN C&W Building Division through Simple receipt upon his request as & when PC-IV of the scheme received to this office it would be shared with audit. This office has already written letter for submission of PC-IV and physical inspection through ADC F&P. Para will be communicated to XEN Building & ADC F&P as & when reply received to this office it would be shared. However, no progress was shown till finalization of this report.

PAO (DC Nowshera) was requested in July 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry in the matter for fixing of responsibility and action against the person(s) at fault besides submission of work completion report for verification.

AIR No.13 /2023-24

C. Management of Accounts with Commercial Banks

28.1.3.1.4 Non-deposit of bank profit into Government treasury-Rs.18.272 million

According to Finance Department Khyber Pakhtunkhwa letter No. 2/3(F/L)FD/2021-22/DDOs dated 30.12.2022, All sums realized as profit on the un-disbursed balance in the Designated Accounts (PLS) shall be credited to Government Treasury (Provincial Account-1) under the head of accounts after making adjustment against bank charges etc under intimation to Finance Department.

During audit of the accounts of Deputy Commissioner Nowshera for the financial year 2023-24, it was observed that profit amounting to Rs. 162,277,293 was earned on the balance amount lying in PLS accounts maintained at various banks. However, the profit was not deposited into the government treasury till the date of audit as per detail given below;

(Amount in Rs.)					
Serial No.	Bank Name	Account title	Account No.	Balance as on 30.06.2024	Profit earned
1	Bank of Khyber, Sher Shah Road, Nowshera	DC Nowshera Miscellaneous fund	010404070003	36,947,878	376,148
2	NBP, Saddar Bazar Branch Nowshera	DC Nowshera	3078 457290	85,772,486	12,241,221
3	Bank of Khyber, Sher Shah Road, Nowshera	AC HQ DA Auqaf Nowshera	2007568714	39556929	5,655,104
Total				162,277,293	18,272,473

The lapse occurred due to non-compliance to Finance Department KP instructions, resulting in non-deposit of bank profit into government treasury.

When pointed out in July 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply received till finalization of this report.

PAO (DC Nowshera) was requested in July 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate deposit of the bank profit into government treasury.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2021-22, 2022-23 and 2023-24 vide paras number 2.5.1.12, 2.4.1.6 and 2.4.2.8 having financial impact of Rs 3.753 million, Rs 5.644 million and Rs. 7.550 million respectively. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 03/2023-24

28.1.3.2 Others

28.1.3.2.1 Irregular retention and blockage of funds in Designated Bank Accounts - Rs 162.277 million

According to S No. 3 (ii) and (ix) of Government of KP Finance Department instructions issued vide no 2/3(F/L)/FD/2019-20/vol-xii dated 03-02-2020, “no funds should be kept in any bank account by any Drawing & Disbursing Officer unless expressly authorized by finance department. Such funds lying in the banks should be drawn and credited to government treasury immediately.

During audit of the accounts of the Deputy Commissioner, Nowshera, for the Financial Year 2023-24, it was observed that an amount of Rs. 162,277,2923 was retained in various designated bank accounts till the date of audit (July, 2024) instead of payment to the concerned persons/vendors. Moreover, detailed breakup of the deposited amount with supporting documents/ claims was not available on record. Detail is given below: -

(Amount in Rs.)				
Serial No.	Bank Name	Account title	Account No.	Balance as on 30.06.2024
1	Bank of Khyber, Shershah Road, Nowshera	DC Nowshera	010404070003	36,947,878
2	NBP, Saddar Bazar Branch Nowshera	DC Nowshera	3078 457290	85,772,486
3	Bank of Khyber, Shershah Road, Nowshera	AC HQ Nowshera	2007568714	39,556,929
Total				162,277,293

The lapse occurred due to violation of government rules/instructions, resulting in blockage of funds.

When pointed out in July 2024, management stated that detailed reply will be given after consulting the original record. However, no reply was furnished till finalization of this report.

PAO (DC Nowshera) was requested in July 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault besides immediate surrender/ utilization of the unspent amount as per rules.

AIR No.01/2023-24

28.1.3.2.2 Non-deposit of domicile fee into government treasury- Rs.3.205 million

According to serial No. 10 of the Government of Khyber Pakhtunkhwa, Finance Department letter No. BO.I/FD/5-8/2018-19 dated 29.10.2018, “No department shall retain receipts in bank account, and the department must remit all receipts to provincial account forthwith where departments/facilities have been specifically permitted under some statute/Act”

During audit of the accounts of Deputy Commissioner Nowshera for the financial year 2023-24, it was observed that Rs 3,205,365 on account of issuance of domicile certificates were lying in designated bank account maintained in National Bank of Pakistan, Saddar Bazar Branch Nowshera bearing Account No. 4078472110. Audit holds that the amount lying in the bank account was required to be deposited into government treasury instead of retaining in the bank account.

The lapse occurred due to non-observance of Government policy, resulting in loss to the government.

When pointed out in July 2024, management stated that the amount will be deposited into relevant head of account. However, no progress was shown till finalization of this report.

PAO (DC Nowshera) was requested in July 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends to deposit domicile fee into government treasury.

AIR No.07 /2023-24

28.1.3.2.3 Irregular withdrawal of funds from treasury through DDOs and cash payments from designated bank accounts-Rs. 20.783 million

According to Para 2.28.2.8 of APPM, “the accounting system shall include controls to minimize the risk of fraud and corruption. This objective shall be addressed by issuance of payment through direct bank transfer and cheques”.

During audit of the devolved offices of District Government Nowshera for the Financial Years 2022-23 and 2023-24, it was noticed that an amount of Rs.20,783,260 was withdrawn from the government treasury through DDOs. Detail is given at **Annexure-28.3**.

Audit observed the following;

- i. The funds were disbursed in cash.
- ii. In some cases, details of the vendors, the purpose of the payments, and Actual Payee Receipts in support of the cash payments from designated bank accounts were not available on record.

The lapse occurred due to violation of the government instructions by the departments and District Accounts Office, resulting into irregular withdrawal of funds from treasury through DDOs.

When pointed out by the audit, the management of most of the offices did not furnish any reply whereas some offices replied that the funds withdrawn from treasury were mainly for payment of 1st salary of the employees, electricity, telephone bills and other day to day/ petty expenses.

Reply of the department(s) is not convincing, because withdrawal from treasury through DDO is not allowed in any case.

PAO (DC Nowshera) was requested with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends stoppage of withdrawals through DDOs immediately.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2023-24 vide para number 2.4.2.11 having financial impact of Rs 13.767 million. Recurrence of same irregularity is a matter of serious concern.

AIR Paras No.9,3,4,4,3&8/2022-23/2023-24

28.2 Tehsil Municipal Administrations, Nowshera

28.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 102.880 million were raised as a result of this audit. This amount also includes recoverables of Rs 79.606 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	Management of Accounts with Commercial Banks	71.628
2	Others	31.252
Total		102.88

28.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

Sr. No.	Audit Year	TAC Meetings
1.	2002-03 to 2023-24	Not convened

28.2.3 Audit Paras

28.2.3.1 Irregularities

A Management of Accounts with Commercial Banks

28.2.3.1.1 Un-authentic cash payments from designated bank account – Rs. 7.904 million

According to Finance Department Letter No: BO(W&M)/6-5/2019-20 dated 19/02/2020 states that in order to streamline the management in public account and observe fiscal discipline, it has been decided to stop forthwith all payments through open cheques or cash payments.

During audit of the accounts of Tehsil Municipal Administrations, Nowshera and Jehangira in District Nowshera for the Financial Year 2023-24, it was observed that an amount of Rs 7,904,349 was withdrawn from designated bank accounts and payment made in cash instead of issuing cross cheques to the vendors. Moreover, actual payee receipts and detail of disbursement of the payment was also not available on record, therefore, veracity of the expenditures could not be verified. Detail is given below:

(Amount in Rs.)

Name of TMA	Amount	Further Detail
TMA Nowshera	4,273,260	Annex-28.4a
TMA Jehangira	3,631,089	Annex-28.4b
Total	7,904,349	

The lapse occurred due to weak internal controls, resulting in un-verified cash withdrawal from the designated bank accounts and its further disbursement. When pointed out in November 2024, management did not furnish any reply.

PAOs (TMOs) were requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry for fixing responsibilities and action against the person(s) at fault, besides strengthening the internal controls to avoid recurrence of such irregularities.

Note: The issue was also reported earlier in the Audit Report 2023-24 vide Para No. 3.4.1.4 having financial impact of Rs.6.272 million. Recurrence of same irregularity is a matter of serious concern.

AIR Paras No. 13&8/2023-24

28.2.3.1.2 Non-deposit of bank profit into Government treasury-Rs.63.725 million

According to Finance Department Khyber Pakhtunkhwa letter No. 2/3(F/L)FD/2021-22/DDOs dated 30.12.2022, All sums realized as profit on the un-disbursed balance in the Designated Accounts (PLS) shall be credited to Government Treasury (Provincial Account-1) under the head of accounts after making adjustment against bank charges etc. under intimation to Finance Department.

During audit of the accounts of Tehsil Municipal Administrations, Nowshera, Pabbi and Jehangira in district Nowshera for the financial year 2023-24, it was observed that profit amounting to Rs. 63,724,650 was earned during the year on the amounts lying in PLS accounts maintained at various banks. However, the profit was not deposited into the government treasury till the date of audit as per detail given below:

(Amount in Rs.)				
S.No.	TMA	Bank	A/C No.	Profit
1	Nowshera	BOK	2007486408	20,439,603
2	Pabbi	BOK	2007557607	3,693,370
3	Pabbi	BOK	2007557577	5,259,504
4	Jehangira	BOK	2007537355	34,332,173
Total				63,724,650

The lapse occurred due to non-compliance with Finance Department KP instructions, resulting in non-deposit of bank profit into government treasury.

When pointed out in July 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply received till finalization of this report.

PAOs (TMOs) were requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate deposit of the bank profit into government treasury.

AIR Para No. 07,09&10/2023-24

28.2.3.2 Others

28.2.3.2.1 Non-recovery of receipts and income tax from contractors – Rs.15.881 million

Khyber Pakhtunkhwa Local Govt. Act, 2013 clause 45 (collection and recovery of taxes, etc) sub-clause (1) requires that failure to pay any tax and other money claimable under this Act shall be an offense, and clause (ii) states that all arrears of taxes, rents and other moneys claimable by a Local Council under this Act shall be recoverable as arrears of land revenue.

During audit of the accounts of Tehsil Municipal Administrations, Nowshera, Pabbi & Jehangira in district Nowshera for the Financial Year 2023-24, it was observed that contracts of receipts were awarded to contractors. However, an amount of Rs. 8,583,065 was not recovered from the contractors. In addition to this, income tax amounting to Rs. 7,297,545 was also not recovered from the contractors till the date of audit i.e November, 2024. Detail is given at **Annexure-28.5.**

The lapse occurred due to weak internal controls, resulting in loss to the Government.

PAOs (TMOs) were requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of the outstanding dues and its deposit into proper heads of account.

Note: The issue was also reported earlier in the Audit Report 2023-24 vide Para No. 3.5.2.15, 3.5.2.16, 3.5.2.19, 3.5.2.21 & 3.5.2.22. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 1,12,5,6,1&1/2023-24

28.2.3.2.2 Irregular payment on account of contingent paid staff – Rs.15.371 million

According to Para 6 of the Government of Khyber Pakhtunkhwa, Finance Department letter NO. BO-I/FD/5-8/2022-23/Austerity Measures dated 30.06.2022, the contingent paid staff shall be engaged during the course of

Financial Year 2022-23 only after the approval of the Finance Department, Khyber Pakhtunkhwa.

According to 2.28.2.8 of APPM, the accounting system shall improve controls to minimize the risk of fraud and corruption. This objective shall be addressed by issue of payment through direct bank transfer and cheques (to employees/ vender concerned) instead of payment through DDOs/ cash basis.

During audit of the accounts of Tehsil Municipal Administrations Pabbi and Jehangira (Nowshera), for the Financial Year 2023-24, it was observed that irregular payments of Rs. 3,966,557 and Rs. 11,401,488 respectively were made on account of contingent paid staff. Audit observed the following:

- Appointments were made without obtaining prior approval from the Finance Department Government of KP.
- Furthermore, it was noted that the local office withdrew funds from the budget through the Drawing and Disbursing Officer, instead of making direct payments.

The irregularity occurred due to no-compliance with the governments instructions and policies, resulting in financial mismanagement.

When pointed out in November 2024, the management did not furnish reply till finalization of this report.

PAOs (TMOs) were requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry into the matter, fixing responsibility and action against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report 2023-24 vide Para No. 3.4.2.9 having financial impact of Rs 1.260 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 11&13/2023-24

28.3 Assistant Director LG & RDD, Nowshera

28.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 8.917 million were raised as a result of this audit. This amount also includes recoverables of Rs 8.917 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	
A	Management of Accounts with Commercial Banks	8.917
2	Others	-
Total		8.917

28.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs meetings are given below:

Sr. No.	Audit Year	VACs/NACs meetings
1.	2002-03 to 2023-24	Not convened

28.3.3 Audit Paras

28.3.3.1 Irregularities

A. Management of Accounts with Commercial Banks

28.3.3.1.1 Loss to Government due to non-deposit of bank profit and taxes into government treasury-Rs. 8.917 million

According to para 3 (ix) of the Government of Khyber Pakhtunkhwa, Finance Department letter No. 2/3/(F/L)/FD/2019-20/Vol-XIII dated 03.02.2020, “In case of current account, the same shall be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately.”

According to Rule 5(1) (c) of the Khyber Pakhtunkhwa, District or City District Governments, Budget Rules 2016, the collecting officer shall ensure 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 Assistant Director, Local Government Nowshera, for the financial year 2023-24, it was observed that bank profit amounting to Rs. 5,344,177 was earned on the balances kept at the designated bank accounts of various Village & Neighborhood Councils working under the administrative control of AD LG&RDD Nowshera. Moreover, taxes amounting to Rs. 3,572,381 were also deducted from various contractors/suppliers but lying in bank accounts of the VCs/NCs instead of depositing it into government treasury. Detail is given at **Annexure-28.6**.

The lapse occurred due to violation of KP Finance Department instructions and Budget rules, resulting in loss to the government.

When pointed out in December 2024, the management replied that taxes will be deposited into Government treasury. However, the taxes were not deposited into government treasury till finalization of this report as no intimation received.

PAO (Deputy Commissioner) was requested in December 2024 with several reminders to convene DAC meeting in October 2024, which could not be convened till finalization of this report.

Audit recommends immediate deposit of bank profit into government treasury.

Note: The issue was also reported earlier in the Audit Reports 2021-22, 2022-23 & 2023-24 vide Para No. 4.5.1.2, Para No. 4.4.1.1, 4.4.1.1 & 4.4.2.2 having financial impact of Rs.17.515 million, Rs. 25.713 million, Rs. 7.332 million and Rs. 1.265 million respectively. Recurrence of same irregularity is a matter of serious concern.

AIR Para 1&6/2023-24

28.3.3.2 Others

28.3.3.2.1 Illegal occupation of Local Government property without rent

Section 41 of Local Government Act 2013 provides, “every official or servant of a local government, every member of a local council, and every person charged with administration and management of property of a local Government shall be personally responsible for any loss or waste, financial or otherwise, of any property belonging to a local Government which is a direct consequence of decisions made by him personally or under his directions in violation of this Act or any other law for the time being in force or which accrues Khyber Pakhtunkhwa Local Government Act, 2013 as a result of his negligence or misconduct, and shall be liable to pay such surcharge as may be determined by the respective Accounts Committee and such amount shall be recoverable as arrears of land revenue.”

According to Government of KPK, Local Government Act 2013, Section-40(2), the property of the Council shall be given on lease/ rent through competitive bidding in public auction for a period to be determined by the Government.

During audit of the accounts of Assistant Director, Local Government Nowshera, for the financial year 2023-24, it was observed that Building of VC Pabbi was occupied by the people of the locality. However, the management of the AD office did not initiate any concrete efforts either to vacate the said buildings or to execute a proper agreement and collect rent from the occupants.

The lapse occurred due to weak internal and administrative controls, resulting in illegal occupation of Local Government property.

When pointed out in December 2024, the management stated that detailed reply will be furnished after scrutiny of relevant record in due course of time. However, no progress was shown till finalization of this report.

PAO (Deputy Commissioner) was requested in December 2024 with several reminders to convene DAC meeting in October 2024, which could not be convened till finalization of this report.

Audit recommends vacation of the property occupied and recovery of the rent for the period of occupation.

AIR Para 15/2023-24

CHAPTER-29

DISTRICT ORAKZAI



District Orakzai is a newly merged district of Kohat Division of Khyber Pakhtunkhwa. According to the census of 2023, it has a total area of 1,538 sq.km. with a population size of 387,561 comprising 52.9% male and 47.1% female. Geographically, it lies northwest of the province, approximately 132 KMs away from the provincial capital-Peshawar. It is mainly known for its natural resources, historical significance, and tribal culture. Some of its brief features are given below:

District Profile

Area: 1,538 Sq KM

Population: 387,561

Languages: Pashto

Tehsils: 4

No. of Village Councils: 42

No. of Neighborhood Councils: 4

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



29.1 Local Government, Orakzai

29.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 38.759 million were raised as a result of this audit. This amount also includes recoverables of Rs. 5.814 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A.	Management of Accounts with Commercial Bank	37.605
2	Others	1.154
Total		38.759

29.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meetings
1.	2020-21 to 2023-24	Not convened

29.1.3 Audit Paras

29.1.3.1 Irregularities

A. Management of Accounts with Commercial Banks

29.1.3.1.1 Non-deposit of bank profit into Government treasury- Rs.4.661 million

According to Finance Department Khyber Pakhtunkhwa letter No. 2/3(F/L)FD/2021-22/DDOs dated 30.12.2022, All sums realized as profit on the un-disbursed balance in the Designated Accounts (PLS) shall be credited to Government Treasury (Provincial Account-1) under the head of accounts after making adjustment against bank charges etc under intimation to Finance Department.

During audit of the accounts of Deputy Commissioner Orakzai for the financial year 2023-24, it was observed that profit amounting to Rs. 4,666,190 was earned on the balance amount lying in various PLS accounts maintained at BOK. However, the profit was not deposited into the government treasury till the date of audit. Detail is given below:

(Rs. in million)				
S.No.	Bank	Title	Account No.	Profit
1	BOK	Deputy Commissioner Orakzai	010702303001	1.423
2	BOK	Deputy Commissioner Orakzai	0107200086002	0.233
3	BOK	AC Lower (Land Acquisition)	3002276778	3.004
Total				4.66

The lapse occurred due to non-compliance with Finance Department KP instructions resulting into loss to the government.

When pointed out in July 2024, the management did not furnish any reply.

DAC meeting was held on 29.1.2025 wherein the management replied that the profit amounting to Rs 1,070,587 has already been deposited into Government treasury. The forum decided to verify the documents (challan) regarding deposit of the bank profit into Government treasury and directed the department to deposit the remaining bank profit into Government treasury. However, neither verification was made nor any progress was shown to audit regarding deposit of the remaining amount of profit till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 3/2023-24

29.1.3.1.2 Irregular Withdrawal and Non-Disbursement of Mowajib/ Lungi Allowance - Rs 12.200 million

According to Para 2.3.2.8 of APPM, the accounting system shall include control of issuing payment through direct bank transfer and cheques to minimize the risk of fraud and corruption.

During audit of the accounts of the Deputy Commissioner, Orakzai, for the Financial Year 2023-24, it was observed that an amount of Rs. 12,200,000 was withdrawn through DDO in lump sum from Government treasury on account of lungi/ Mowajib allowance and retained in designated bank account No. BOK3002114835 till the date of audit (July, 2024) instead of making payment to the concerned persons/vendors. Moreover, approval of the Finance Department for opening of the said bank account was not available on record.

The lapse occurred due to collusion of DAO and DC office, resulting into irregular withdrawal and non-disbursement of Mowajib/Lungi allowance.

When pointed out in July 2024, the management did not furnish any reply.

DAC meeting was held on 29.1.2025 wherein the management replied that Allowance amounting to Rs 12,218,985 for tribes was received in June 2024 which was disbursed among them. The forum decided that the relevant record i.e bank statements, disbursement record and APRs may be provided to audit for verification. However, verification was not made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 6/2023-24

29.1.3.1.3 Non-utilization of funds received under AIP–Rs 3.592 million

According to S No. 3 (ii) and (ix) of Government of KP Finance Department instructions issued vide no 2/3(F/L)/FD/2019-20/vol-xii dated 03-02-2020, “no funds should be kept in any bank account by any Drawing & Disbursing Officer unless expressly authorized by finance department. Such funds lying in the banks should be drawn and credited to government treasury immediately.”

During audit of the accounts of the District Education Officer Male, Orakzai, for the Financial Year 2023-24, it was observed that an amount of Rs.8,097,527 was received under AIP for provision of missing facilities in

Government Schools during Financial Years 2019-20 and 2020-21. The amount was disbursed among various schools without need assessment, due to which it was returned and deposited in designated bank account of DEO Male. Later on, during 2023-24, an amount of Rs 4,505,000 was disbursed again among various Government schools for missing facilities. The remaining balance amount of Rs.3,592,527 was neither utilized nor credited to Government treasury and was still lying in the designated bank account till date of audit i.e. August 2024.

The lapse occurred due to violation of government rules/instructions, resulting in non-utilization of funds.

When pointed out in August 2024, the management did not furnish any reply.

DAC meeting was held on 30.1.2025 wherein the management replied that according to the District Committee recommendation/ minutes dated 7.3.2024, this office had issued cross cheques to PTCs concerned for completion of missing basic facilities. The forum directed the department to utilize the fund through PTCs concerned. However, no progress was shown to audit till finalization of this report.

Audit recommends implementation of the DAC decision.

Note: The issue was also reported earlier in the Audit Reports for Audit Year 2023-24 vide Paras No. 2.4.1.5 having financial impact of Rs. 40.667 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 01 (2023-24)

29.1.3.1.4 Irregular withdrawal of funds from treasury through DDOs and cash payments from Designated Bank Accounts-Rs.17.152 million.

According to Government of KPK Finance Department letter No. BO(W&M)/6-5/2019-20 Dated Peshawar the 19th February, 2020, “All the Principal Accounting officers and DDOs are advised to stop henceforth all cash payments and open cheques payments.”

During audit of the accounts of devolved offices of District Orakzai for financial year 2022-23, it was noticed that an amount of Rs. 17,152,110 was withdrawn by these offices from treasury through DDOs. These funds were either directly disbursed in cash or deposited into the designated bank accounts from where an amount of Rs. 11,963,356 was further paid in cash instead of using

crossed cheques. In some cases, details of the vendors, the purpose of the payments, and Actual Payee Receipts in support of the cash payments from designated bank accounts were not available on record to verify the payments. Detail at **Annexure-29.2.**

The lapse occurred due to weak internal controls of these offices and collusion with District Accounts Offices, resulting into irregular withdrawal of funds from treasury through DDOs.

When pointed out by audit, the management of the devolved offices stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply received till finalization of this report.

PAO (DC Orakzai) was requested with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends stoppage of withdrawals through DDOs immediately.

AIR DD Livestock & Dairy Development Orakzai Para No. 01/2022-23, AIR DD Agriculture Orakzai Para No. 03/2022-23, AIR DD Agriculture Orakzai Para No. 05/2022-23, AIR District Sports Officer Orakzai Para No. 03/2022-23 (Lean Period Audit)

29.1.3.2 Others

29.1.3.2.1 Non-recovery of Sports, Scout, Red Crescent and Shaheen Fund– Rs 1.154 million

According to the Directorate of Elementary and Secondary Education Khyber Pakhtunkhwa Peshawar's Notification No. 9104-80/A-25/Pupil Fund revised rates, dated 15-03-2023, the revised rates for pupil funds had been approved and fixed as under:

Class	Per-student Fee of Sports Fund	Per-student Fee of Scout/ Rover Fund	Per-student Fee of Red Crescent Fund	Per-student Fee of Shaheen Fund	Total Recoverable Amount
Grade-V	10	0	0	5	15
Grade-VIII	50	35	5	0	90
Grade-IX & X	60	35	5	0	100
Grade-XI & XII	80	50	5	0	135

During audit of the accounts of the District Education Officer Male, Orakzai, for the Financial Year 2023-24, it was observed that an amount of Rs 1,153,775 on account of Sports fund, Scout/Rover fund, Red Crescent fund and Shaheen fund was not recovered from the students. Detail is given below:

(Rs. in million)

Class	Per student Recoverable Amount	Number of Students	Amount Recoverable
Grade-V	15	21,254	0.319
Grade-VIII	90	6,105	0.549
Grade-IX & X	100	2,681	0.268
Grade-XI & XII	135	129	0.017
Total amount recoverable			1.153

The lapse occurred due to weak internal controls in adopting the revised rates, resulting in loss to the Government and inability of the quarters concerned to conduct different activities.

When pointed out in August, 2024 the management did not furnish any reply.

DAC meeting was held on 30.1.2025 wherein management replied that an amount of Rs 154,202 was collected at prescribed rates as per notification. The

forum directed the department to recover the remaining amount of Rs 999,573 as per revised rates. However, no progress was shown to audit till finalization of this report.

Audit recommends recovery of the amount as per the DAC decision.

AIR Para No. 05 (2023-24)

29.2 Tehsil Municipal Administrations, Orakzai

29.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 16.415 million were raised as a result of this audit. This amount also includes recoverables of Rs 1.450 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No.	Classification	Amount
1	Irregularities	
A.	HR/Employees related irregularities	3.500
B.	Management of Accounts with Commercial Banks	11.465
2	Others	1.450
Total		16.415

29.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

Sr. No.	Audit Year	TAC Meetings
1.	2020-21 to 2023-24	Not convened

29.2.3 Audit Paras

29.2.3.1 Irregularities

A HR/Employees related irregularities

29.2.3.1.1 Irregular expenditure on appointment of daily wages staff-Rs.3.500 million

According to S. No. 6 of the Government of Khyber Pakhtunkhwa Finance Department Letter No. BO-I/FD/5-8/2022-23/Austerity Measures, dated 30.06.2022, “contingent paid staff shall be engaged during the course of financial year 2022-23 only after approval of the Finance Department”.

During audit of the accounts of Tehsil Municipal Administrations, Upper Orakzai, for the Financial Year 2023-24, it was observed that an amount of Rs.3,500,000 was paid on account of salaries to various individuals hired on daily wages. However, approval of the Finance Department for engagement of the contingent paid staff was not obtained.

The lapse occurred due to non-compliance with Government rules resulting into irregular expenditure.

When pointed out in November, 2024 the management stated that detailed reply will be furnished after consulting record. However, no reply furnished till finalization of this report.

PAOs (TMOs) were requested in November 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends regularization of the expenditure by obtaining approval of the Finance Department for engagement of contingent paid staff besides action against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2021-22 & 2022-23 and 2023-24 vide Para No.3.5.1.1, Para No. 3.4.1.1 and Para No. 3.4.1.1 having financial impact of Rs 7.525 million. Recurrence of same irregularity is a matter of serious concern.

AIR Paras No. 4/2023-24

B Management of Accounts with Commercial Banks

29.2.3.1.2 Un-authentic cash payments from designated bank account – Rs.11.465 million

According to Finance Department Letter No: BO(W&M)/6-5/2019-20 dated 19/02/2020 states that in order to streamline the management in public account and observe fiscal discipline, it has been decided to stop forthwith all payments through open cheques or cash payments.

During audit of the accounts of Tehsil Municipal Administrations, Lower and Upper, Orakzai, for the Financial Year 2023-24, it was observed that an amount of Rs.11,465,646 was withdrawn from designated bank accounts and payment made in cash instead of issuing cross cheques to the vendors. Moreover, actual payee receipts and detail of disbursement of the payment was also not available on record, therefore, veracity of the expenditures could not be verified. Detail is given below;

(Amount in Rs.)

S.No	Office	Bank	Account No	Amount	Further Detail at
1	TMA Lower Orakzai	BOK	008201523007	3,458,286	Annex-29.3a
2	TMA Upper Orakzai	BOK	008201519006	8,007,360	Annex-29.3b
Total				11,465,646	

The lapse occurred due to non-compliance of Finance Department's instructions, resulting in cash withdrawal from the designated bank accounts and its un-verified disbursement.

When pointed out in November 2024, management stated that detailed reply will be given after consulting the original record. However, no reply was furnished till finalization of this report.

PAOs (TMOs) were requested in November 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends strengthening the internal controls to avoid recurrence of such irregular instances, fixing responsibilities against the person(s) at fault besides provision of relevant record in support of payments for audit verification.

AIR Paras No. 2&3/2023-24

29.2.3.2 Others

29.2.3.2.1 Non-realization of receipts –Rs. 1.450 million

According to Section 22 (k) (m) of the Khyber Pakhtunkhwa Local Government Act, 2013 (Amended 2022), TMO shall collect taxes, fines and penalties provided under this Act and organize cattle fairs and cattle markets.

During Audit of the accounts of Tehsil Municipal Administration, Upper Orakzai, for the Financial Year 2023-24, it was observed that the local office approved revenue of Rs 1,450,000 from own sources under various heads in the budget estimates. However, no receipts were realized during the Financial Year against the budgeted estimates. Detail is given at **Annexure-29.4**.

Non-realization of receipts occurred due to non-compliance of Government rules, and weak administrative control resulting into loss to the Government.

When pointed out in November 2024, management stated that detailed reply will be given after consulting the original record. However, no reply was furnished till finalization of this report.

PAO (TMO) was requested in November 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends that efforts may be made for realization of the receipts and action against the person(s) at fault.

AIR Para No. 2 /2023-24

29.3 Assistant Director LG & RDD, Orakzai

29.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 35.179 million were raised as a result of this audit. This amount also includes recoverables of Rs 5.032 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)		
S. No.	Classification	Amount
1	Irregularities	
A.	Management of Accounts with Commercial Banks	35.179
Total		35.179

29.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs Meetings are given below:

Sr. No.	Audit Year	VACs/NACs Meetings
1.	2020-21 to 2023-24	Not convened

29.3.3 Audit Paras

29.3.3.1 Irregularities

A. Management of Accounts with Commercial Banks

29.3.3.1.1 Un-authentic cash payments from designated bank account - Rs.1.456 million

According to Finance Department Letter No: BO(W&M)/6-5/2019-20 dated 19/02/2020 states that in order to streamline the management in public account and observe fiscal discipline, it has been decided to stop forthwith all payments through open cheques or cash payments.

During audit of the accounts of Assistant Director LG&RDD, Orakzai for the Financial Year 2023-24, it was observed that an amount of Rs 1,456,000 was withdrawn from Government treasury through DDO and deposited in designated bank account. Later on, the amount was paid in cash instead of crossed cheques to vendors. Furthermore, actual payee receipts in support of payments were also not available on record. Details are given at **Annexure-29.5**.

The lapse occurred due to non-compliance with Finance Department's instructions, resulting in un-authentic cash payments from designated bank account.

When pointed out in October 2024, the management did not furnish any reply

DAC meeting was held on 30.1.2025, wherein the management replied that this office has minimized the cash withdrawal in FY 2023-24. The payments mentioned in the audit para were made to the suppliers on their own requests because they had no bank accounts. The actual payee receipts (APRs) are available on record and will be shown to audit. The forum decided to discontinue the withdrawal of funds from treasury through DDO and its further cash disbursements. Furthermore, relevant record i.e bank statements, disbursement record and APRs may be provided to audit for verification. However, verification was not made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Paras No. 2/2023-24

29.3.3.1.2 Loss to Government due to non-conversion of current account into PLS mode- Rs 5.032 million

According to Serial No. 3 (ix) of Finance Department, Khyber Pakhtunkhwa, Peshawar's letter No.2/3(F/L)/FD/2019-20/Vol-XII dated 03/02/2020, "in case of current account, the same may be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government treasury". According to Bank of Khyber revised PLS account profit rate effective from 01-07-2023 was 20%.

During audit of the accounts of AD LG & RDD (Orakzai) for the Financial Year 2023-24, it was observed that public funds received under various heads was kept in current account instead of Profit and Loss sharing accounts in violation to notification of Finance Department. Resultantly Government was put into loss of Rs 5,032,582. Detail is given below:

(Amount in Rs.)

S. No.	Name of DDO	Account No.	Bank Name	Opening Balance	Closing Balance	Average Balance	Loss (Interest 20%)
01	AD LGE & RDD Orakzai	3002462256	BOK Hangu	21,635,104	28,690,716	25,162,910	5,032,582

The lapse occurred due to non-observance of Finance Department instructions, resulting in loss to the Government.

When pointed out in October 2024, the management did not furnish any reply

DAC meeting was held on 30.1.2025 wherein the management replied that this office approached the head office to take the matter with Finance Department KPK for conversion of current account into PLS mode. The forum directed the department to expedite the matter and convert the current account into PLS mode. However, no progress was shown to audit till finalization of this report.

Audit recommends conversion of current bank accounts into PLS mode as per DAC decision.

AIR Paras No. 5/2023-24

29.3.3.1.3 Irregular retention and blockage of funds in designated bank account–Rs 28.691 million

According to S No. 3 (ii) and (ix) of Government of KP Finance Department instructions issued vide no 2/3(F/L)/FD/2019-20/vol-xii dated 03-02-2020, “no funds should be kept in any bank account by any Drawing & Disbursing Officer unless expressly authorized by finance department. Such funds lying in the banks should be withdrawn and credited to government treasury immediately.

During audit of the accounts of Assistant Director LGE&RDD, Orakzai for the Financial Year 2023-24, it was observed that an amount of Rs 28,690,716 was retained in designated bank account No. BOK3002462256 Hangu branch till 30th June 2024 instead of payment to the persons/vendors concerned. Moreover, detailed breakup of the deposited amount with supporting documents/ claims was not available on record.

The lapse occurred due to violation of government rules/instructions, resulting in blockage of funds.

When pointed out in October 2024, the management did not furnish any reply

DAC meeting was held on 30.1.2025 wherein the management replied that the balance amount includes the amount of contractor security and repair of transformers Progress will be shown to audit when the work is completed. The forum decided that efforts may be expedited to utilize the available fund without further delay. No progress was shown to audit till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 07 (2023-24)

CHAPTER-30

DISTRICT PESHAWAR



District Peshawar is the capital city of Khyber Pakhtunkhwa and headquarter of Peshawar Division. According to the census of 2023, it has a total area of 1,257 sq.km. with a population size of 4,758,762 comprising 52.55% male and 47.45% female. District Peshawar is a historic city which used to be a center of trade for Afghanistan and the Central Asian States in the past. Some of its brief features are given below:

District Profile

Area: 1257 Sq KM

Population: 4,758,762

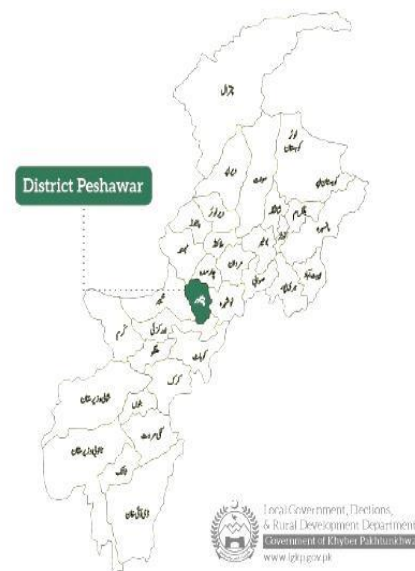
Languages: Pashto, Hindko

Tehsils: 7

No. of Village Councils: 227

No. of Neighbourhood Councils: 130

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



30.1 Local Government, Peshawar

30.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 589.132 million were raised as a result of this audit. This amount also includes recoverables of Rs.36.372 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr.No.	Classification	Amount
1	Reported cases of fraud, embezzlement and misappropriation	53.88
2	Irregularities	-
A	Procurement related irregularities	1.5
B	Management of Accounts with Commercial Bank	310.865
3	Others	222.887
Total		589.132

30.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meetings
1.	2002-03 to 2023-24	Not convened

30.1.3 Audit Paras

30.1.3.1 Reported cases of fraud, embezzlement and misappropriation

30.1.3.1.1 Doubtful disbursement of Scholarships – Rs 53.88 million

As per policy of the scheme, “Stoori Da Pakhtunkhwa” the scholarship shall be distributed among top 20 students after producing Admission Slip in next year College/University to continue advance study for higher education only.

During Audit of the accounts of District Education Office Male, Peshawar for the financial year 2023-24, it was observed that scholarship of 113 students amounting to Rs 32,400,000 was paid to Board of Intermediate & Secondary Education Peshawar (BISE) vide cheque No. 1425196 dated 01-02-2024 under the scheme of “Stoori Da Pakhtunkhwa” for onward disbursement to Top 20 students of Secondary School Certificate (SSC) and Intermediate level. Detail at **Annexure-30.2.**

Audit observed the following:

- i. List of total number of students was not verified by District Education Officer from Schools.
- ii. Mode of payment whether made to students in cash or through vendor No. not known.
- iii. Acquaintance rolls or TR Form-28 was not available.
- iv. Cell number of student/Father/Guardian and address etc not mentioned.
- v. Name of Students, Name of College/University where they got admission was not known.

Moreover, scrutiny of the relevant file revealed that in FY 2022-23, 67 nos students did not take admission in next year to continue their study, so whereabouts of the scholarship amounting of Rs. 21.480 million was not known to audit.

The lapse occurred due to violation of the government rules/policy, resulting into doubtful disbursement.

When pointed out in August 2024, management did not furnish any reply.

PAO (DC Peshawar) was requested in September 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends detailed inquiry to ascertain the factual position of payments.

AIR Para No. 01/2023-24

30.1.3.2 Irregularities

A. Procurement related irregularities

30.1.3.2.1 Un-authentic expenditure on purchase of agriculture inputs – Rs. 1.50 million

According to Para 148 of General Financial Rules (GFR) Vol.-I all material received should be examined, counted, measured, weighed as the case may be, when delivery is taken, and they should be taken on charge by a responsible government officer who should see that quantities are correct and their quality is good, and record a certificate to that effect.

During audit of the accounts of District Directors Agriculture, Peshawar for the financial year 2022-23, it was noticed that an expenditure of Rs. 1,500,000 was incurred on account of purchase of different agriculture inputs for use in the demonstration plots. Audit observed the following irregularities;

- i. Report from the Technical / Inspection Committee of the local office about quality and quantity as mentioned by the supplier in Bill of Quantity, was not found on the record.
- ii. Disbursement of seeds, fertilizer etc. was not confirmed as acknowledgment of the end users was not available on record.
- iii. No agreement for demonstration plots with farmers was signed by the department.
- iv. Identity of the farmers could not be verified as CNICs of the farmers were not available.
- v. Acknowledgement / recipient signature who received the seeds, fertilizers etc. was not available on record.
- vi. No criterion for selection of plots of the beneficiaries was available on record.
- vii. The local office failed to produce complete/detail list of demonstration plots in the district.
- viii. Whereabouts of outputs from the demonstration plots was also not produced to Audit.

The lapse occurred due to weak internal and administrative controls, resulting into un-authentic expenditure.

When pointed out in February 2024, management stated that detailed reply will be submitted after consulting the record. However, no reply was furnished till finalization of this report.

PAO (DC Peshawar) was requested to convene DAC meeting in March 2024, which could not be convened till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility against the person(s) at fault besides provision of relevant record for verification.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2023-24 vide para number 2.4.1.9 having financial impact of Rs 1.50 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 12/2022-23

B. Management of Accounts with Commercial Banks

**30.1.3.2.2 Non-deposit of bank profit into Government treasury-
Rs 36.372 million**

According to Finance Department Khyber Pakhtunkhwa letter No. 2/3(F/L)FD/2021-22/DDOs dated 30.12.2022, All sums realized as profit on the un-disbursed balance in the Designated Accounts (PLS) shall be credited to Government Treasury (Provincial Account-1) under the head of accounts after making adjustment against bank charges etc under intimation to Finance Department.

During audit of the accounts of Deputy Commissioner and District Education Offices Male & Female, Peshawar for the Financial Year 2023-24, it was observed that profit amounting to Rs. 36,372,902 was earned during the year on the bank balances of the PLS accounts maintained at various branches of the BOK and NBP. However, the profit was not deposited into the government treasury and still lying in the designated bank account till the date of audit. Detail at **Annexure-30.3.**

The lapse occurred due to violation of Finance Department KP instructions, resulting into non-deposit of bank profit and loss to government.

When pointed out in July & August 2024, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply received till finalization of this report.

PAO (DC Peshawar) was requested with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends immediate deposit of the bank profit into government treasury.

AIR Para No. 04(DC), 03 (Edu)/2023-24

30.1.3.3 Others

30.1.3.3.1 Non-transfer of the deducted amount under the heads “taxes” to various offices - Rs 3.366 million

According to Article 23 of Appendix “Schedule-1” of the Khyber Pakhtunkhwa Finance Act 2007, stamp duty @ 2% and withholding tax @ 2% was chargeable on award of land (immovable property).

According to Para 8 & 26 of Treasury Rules, each administrative department to see that the dues of the Government are correctly and promptly assessed collected and paid into Government Treasury.

During audit of the accounts of Deputy Commissioner, Peshawar for the FY 2023-24, it was observed that an amount of Rs. 3,366,192 vide cheque No. 00983803 dated 28.08.2023 was collected as stamp duty, District Council Tax and withholding tax from Secretary Defense Housing Authority, Peshawar on account of acquiring of land in Shahi Bala for Housing Scheme. However, the amount was lying in the “Revenue Deposit” instead of its payment to the respective departments. Detail is given below:

(Amount in Rs)

Description	Cost of Land	Stamp Duty @2%	Withholding Tax @2%	TMA Tax @2%	Total Taxes
345 K & 19 M area in Shahi Bala	56,102,310	1,122,064	1,122,064	1,122,064	3,366,192

The lapse occurred due to violation of the government instructions, resulting into non-deposit of Government taxes.

When pointed out in July 2024, management stated that detailed reply will be given after consulting the original record. However, no reply was furnished till finalization of this report.

PAO (DC Peshawar) was requested in July 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends payment of the above-mentioned taxes to respective departments.

(AIR Para No. 10 /2023-24)

30.1.3.3.2 Irregular withdrawal of funds from treasury through DDOs and cash payments from designated bank accounts-Rs. 191.973 million.

According to Government of KPK Finance Department letter No. BO(W&M)/6-5/2019-20 Dated Peshawar the 19th February, 2020, “All the Principal Accounting officers and DDOs are advised to stop henceforth all cash payments and open cheques payments.”

During audit of the devolved offices of Local Government Peshawar for the Financial Years 2022-23 and 2023-24, it was noticed that an amount of Rs.191,973,881 was withdrawn from the government treasury through DDOs. Detail at **Annexure-30.4.**

Audit observed the following;

- i. These funds were either directly disbursed in cash or deposited into the designated bank accounts from where an amount of Rs.96,252,145 was further paid in cash instead of using crossed cheques.
- ii. In some cases, details of the vendors, the purpose of the payments, and Actual Payee Receipts in support of the cash payments from designated bank accounts were not available on record to verify these payments.

The lapse occurred due to violation of the government instructions by the departments and Accountant General Office, resulting into irregular withdrawal of funds.

When pointed out by audit, the management of most of the offices did not furnish any reply whereas some offices replied that the funds withdrawn from treasury were mainly for payment of 1st salary of the employees, electricity, telephone bills and other day to day/ petty expenses.

Reply of the department(s) is not convincing, because withdrawal from treasury through DDO is not allowed in any case.

PAO (DC Peshawar) was requested with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends stoppage of withdrawals through DDOs immediately besides action against the officers/ officials at fault for irregular payments.

Note: The issue was also reported earlier in the Audit Reports for the year 2021-22,2022-23 and 2023-24. Recurrence of same irregularity is a matter of serious concern.

AIR Paras No.1,3,7,1,7,1,1,3/2022-23/2023-24

30.1.3.3.3 Double Payments of funds under PSDP & PTC – Rs 24.948 million

Para 5 of Guidelines circulated vide KPK, E&SED Civil Secretariat letter No.CPO/SPO-III/SO/E&SED/PSDP/2020-21 dated 18.11.2020, “The DEOs (M/F) District Peshawar will ensure to avoid duplication of resources and target schools under the subject scheme and will not be covered in any other development scheme/project/PTC Grants for rehabilitation/repair.”

During audit of the accounts of District Education Offices Male & Female, Peshawar for financial year 2023-24, it was observed that a total of 277 schools were selected for rehabilitation and provision of missing facilities i.e. classrooms, washrooms, boundary walls and whitewash etc under the scheme of Peshawar Schools Development Plan (PSDP) with a total cost of Rs 1000.00 million. The work was executed through C&W Department. However, payments of Rs 24.948 million were also made to the same schools under PTC Fund for Petty Repair. Detail is given below;

(Rs. in million)					
S#	Office	Purpose of Funds	No. of Schools	PSDP Funds	PTC Funds
1	DEO Male, Peshawar	Rehabilitation/ Provision of missing facilities	234	682.430	23.472
2	DEO Female, Peshawar		43	317.570	1.476
	Total		277	1000.000	24.948

The lapse occurred due to violation of the guidelines of the KP E&SED resulting in loss to the government exchequer.

When pointed out in August 2024, management did not furnish any reply.

PAO (DC Peshawar) was requested in September 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends inquiry for fixing of responsibility and action against the person(s) at fault besides recovery of double payment.

AIR Para No. 04(M), 01(F)/2023-24

30.1.3.3.4 Loss to the government due to theft of Solar Systems – Rs.2.600 million

Section 41 of Local Government Act 2013 provides, “every official or servant of a Local Government, shall be personally responsible for any loss or waste, financial or otherwise, of any property belonging to a Local Government.

During audit of the accounts of District Education Office Male Peshawar for the financial year 2023-24, it was noticed that six no. of solar systems recently installed in 2022-23 amounting to Rs. 2,600,000 were stolen from different schools. It was also observed that theft incident occurred two times in GMS Landi Arbab due to absence of class IV. Detail at **Annexure-30.5**.

The lapse occurred due to weak administrative controls, resulting in loss to the government.

When pointed out in August 2024, the management did not furnish any reply

PAO (DC Peshawar) was requested in September 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends detailed inquiry in the matter for fixing responsibility against the person(s) at fault and recovery of the stolen solar systems.

AIR Para No. 02/2023-24

30.2 Tehsil Municipal Administrations, Peshawar

30.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 467.098 million were raised as a result of this audit. This amount also includes recoverables of Rs 75.791 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	11.207
B	Management of Accounts with Commercial Banks	7.425
2	Others	448.466
Total		467.098

30.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of Tehsil Accounts Committee (TAC) meetings are given below:

Sr. No.	Audit Year	TAC Meetings
1.	2002-03 to 2023-24	Not convened

30.2.3 Audit Paras

30.2.3.1 Irregularities

A HR/Employees related irregularities

30.2.3.1.1 Irregular payment of 100% board allowance to officers – Rs.11.207 million

According to Government of Khyber Pakhtunkhwa, Local Council Board Notification No.AO/LCB/1-8/2023 dated 25.07.2023, the competent authority is pleased to enhance/revise the board allowance from 50% to 100% of the basic pay per month to the staff of Local Council Board.

During audit of accounts of Local Council Board, Peshawar for the Financial Year 2023-24, it was observed that Rs 11,207,765 was paid to the officers on account of Board Allowance @ 100% of basic pay in violation of above-mentioned notification. The allowance was only admissible to staff of the Local Council Board instead of officers. Detail at **Annexure-30.6**.

The lapse occurred due weak internal Controls, resulting in irregular payment of board allowance to officers and loss to the government.

When pointed out in December 2024, management did not furnish any reply.

PAO (Secretary LCB) was requested in December 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends immediate stoppage of board allowance to officers, besides recovery of the paid amount.

AIR Para No. 01 (2023-24)

B. Management of Accounts with Commercial Banks

30.2.3.1.2 Un-authentic cash payments from designated bank account - Rs 7.425 million

According to Finance Department Letter No: BO(W&M)/6-5/2019-20 dated 19/02/2020 states that in order to streamline the management in public account and observe fiscal discipline, it has been decided to stop forthwith all payments through open cheques or cash payments.

According to 2.3.2.8 of the APPM, the accounting system shall include controls to minimize the risk of fraud and corruption. This objective shall be addressed by issue of payment through direct bank transfer and cheques to employees/vendor concerned.

During audit of the Tehsil Municipal Administrations, Chamkani, Pishtakhara & Mathra Peshawar, for the Financial Year 2023-24, it was observed that an amount of Rs 7,425,489 was withdrawn from designated bank accounts and payment made in cash instead of issuing cross cheques to the vendors. Moreover, actual payee receipts and detail of disbursement of the payment was also not available on record, therefore, veracity of the expenditures could not be verified. Detail is given below:

(Amount in Rs.)

Name of TMA	Amount	Further Detail
TMA Chamkani	2,729,400	Annexure-30.7a
TMA Pishtakhar	3,631,089	Annexure-30.7b
TMA Mathra	1,065,000	Annexure-30.7c
Total	7,425,489	

The lapse occurred due to weak internal controls, resulting in un-verified cash withdrawal from designated bank account.

When pointed out in November 2024, management did not furnish any reply.

PAOs (TMOs) were requested in December 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibilities against the person(s) at fault besides provision of relevant record in support of payments for audit verification.

AIR Paras No. 04-TMA Chamkani, 12-TMA Pishtakhara, 02-TMA Mathra (2023-24)

30.2.3.2 Others

30.2.3.2.1 Non-recovery of outstanding sui gas charges, security charges and rent of office building - Rs 20.586 million

Section 41 of Local Government Act 2013 provides, “every official or servant of a Local Government, shall be personally responsible for any loss or waste, financial or otherwise, of any property belonging to a Local Government.

During Audit of the accounts of Local Council Board, Peshawar for the Financial Year 2023-24, it was observed that the management of LCB did not recover outstanding dues from WSSP amounting to Rs 20,586,593 on account of Sui Gas Charges, Security and rent of office building. Detail is given as under:

(Amount in Rs.)			
S#	Description	Period	Outstanding Amount
1	Sui Gas Charges	07/2023 to 10/2024	273,623
2	Security Management	07/2023 to 10/2024	1,922,200
3	Rent of building	01/2023 to 10/2024	18,390,770
Total			20,586,593

The lapse occurred due to weak internal Controls, resulting into non-recovery of outstanding dues causing loss to the government.

When pointed out in December 2024, management did not furnish any reply.

PAO (Secretary LCB) was requested in December 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends recovery of the outstanding dues from WSSC, Peshawar besides strengthening of internal controls and initiating disciplinary proceedings against the responsible officials/officers.

AIR Para NO. 04 (2023-24)

30.2.3.2.2 Non-recovery of receipts and income tax from contractor - Rs 2.341 million

Khyber Pakhtunkhwa Local Govt. Act, 2013 Clause-45 (collection and recovery of taxes, etc) Sub-Clause (1) requires that failure to pay any tax and other money claimable under this Act shall be an offense, and Clause (ii) states that all

arrears of taxes, rents and other moneys claimable by a Local Council under this Act shall be recoverable as arrears of land revenue.

During audit of the Tehsil Municipal Administration, Shah Alam for the Financial Year 2023-24, it was observed that the local office awarded the contract of “Cattle Fair Naguman” to Abdul Musawir s/o Bakhtiar Ali Government contractor worth Rs 4,831,643. Out of the total contractual amount, the local office recovered Rs 2,973,848 while the balance amount of Rs 1,857,795 remained unrecovered. In addition to this, income tax amounting to Rs 483,164 was also not recovered from the same contractor till the currency of audit i.e November, 2024.

The lapse occurred due to weak internal controls, resulting into loss to the Government.

Several reminders were issued to PAO (TMO) in December 2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends recovery of the outstanding dues and its deposit into proper heads of accounts.

AIR Para No. 2&12 (2023-24)

30.2.3.2.3 Loss to the Government due to non-deposit of taxes into government treasury – Rs. 3.269 million

Khyber Pakhtunkhwa Local Govt. Act, 2013 Clause 45 (collection and recovery of taxes, etc) Sub-Clause (1) requires that failure to pay any tax and other money claimable under this Act shall be an offense, and Clause (ii) states that all arrears of taxes, rents and other moneys claimable by a Local Council under this Act shall be recoverable as arrears of land revenue.

During audit of the Tehsil Municipal Administrations Chamkani, Shah Alam & Pishtakhara, Peshawar, for the Financial Year 2023-24, it was observed that various Government taxes amounting to Rs 3,269,032 were deducted from the bills of different suppliers/ contractors on execution of works/ purchases of various items out of local funds. The amount so deducted was retained in designated bank accounts instead of payment to the concerned departments. Detail is given below:

(Amount in Rs.)

Name of TMA	Description	Amount	Further detail at
TMA Chamkani	Income Tax	386,367	Annexure-30.8a
	Sales Tax	605,143	
	KPRA Tax	98,095	
TMA Shah Alam	Income Tax	1,039,686	Annexure-30.8b
TMA Mathra	Income Tax	211,419	Annexure-30.8c
	Sales Tax	303,307	
	Stamp Duty	22,514	
Grand Total		2,666,531	

The lapse occurred due to weak financial controls, resulting into loss to the Government.

When pointed out in November 2024, management did not furnish any reply.

PAOs (TMOs) were requested in December 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends depositing of taxes into government treasury and action against the person(s) at fault.

AIR Paras No. 01-TMA Chamkani, 01-TMA Shah Alam, 11-TMA Mathra (2023-24)

30.2.3.2.4 Loss to Government due to non-recovery of income tax and non-auction of Bus stands -Rs. 422.27 million

According to LCB notification No. AOII/LCB/6-11/2022 dated 12.04.2022, the auction process for the auction of revenue contracts shall be started from April 1st 2022 for a period of three consecutive financial years i.e 2022-23, 23023-24 and 2024-25 by all local councils in Khyber Pakhtunkhwa by E- Auction via open advertisement through Information Department.

According to Section 236A of Income Tax Ordinance 2001, 10% Income Tax (Filer) shall be deducted on sale by auction from the successful bidders.

During audit of the accounts of the Directorate General, Capital Metropolitan Government Peshawar, for the Financial Year 2023-24, it was observed that receipt contracts of Bus Stands i.e General Bus Stand Peshawar, Charsadda Bus Stand and Karkhano Bus Stand were awarded to contractors, on daily wage basis.

Audit observed the following irregularities:

- a. Auction of receipts was not given on annual basis and sincere efforts for auction on annual basis were not made to ensure transparency in award of contracts of receipts.
- b. No contract agreement was executed with the contractor on daily basis with the General Bus Stand Peshawar.
- c. The management of the City Metropolitan Government (CMG) did not recover income tax@ 10% amounting to Rs. 38,388,170. Detail is given below:

(Amount in Rs.)

S,No.	Contract	Daily Wages	Annual Total Receipt	Income Tax
1	General Bus Stand	765000	292,400,000	29,240,000
2	Charsadda Bus Stand	183000	66,978,000	6,697,800
3	Karkhano Bus Stand	66950	24,503,700	2,450,370
		Total	383,881,700	38,388,170

The lapse occurred due to weak internal controls resulting in loss to the government.

When pointed out in December 2024, the management stated that the audit observations will be sent to concern Directors/Deputy Directors for submission of detailed reply however, no reply was furnished till finalization of this report.

PAO (Deputy Commissioner) was requested in December 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends auction of contract of receipts on annual basis through open competitive bidding for increasing the revenue and recovery of taxes.

AIR Paras No. 17(2023-24)

30.3 Assistant Director LG & RDD, Peshawar

30.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 162.897million were raised as a result of this audit. This amount also includes recoverables of Rs 38.809 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr.No.	Classification	Amount
1	Irregularities	-
A	Management of Accounts with Commercial Banks	124.088
2	Others	38.809
Total		162.897

30.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs Meetings are given below:

Sr. No.	Audit Year	VACs/NACs Meetings
1.	2013-14 to 2023-24	Not convened

30.3.3 Audit Paras

30.3.3.1 Irregularities

A. Management of Accounts with Commercial Banks

30.3.3.1.1 Irregular retention of funds in designated bank account – Rs.124.088 million

According to S No. 3 (ii) and (ix) of Government of KP Finance Department instructions issued vide no 2/3(F/L)/FD/2019-20/vol-xii dated 03-02-2020, “no funds should be kept in any bank account by any Drawing & Disbursing Officer unless expressly authorized by finance department. Such funds lying in the banks should be drawn and credited to government treasury immediately.

According to rule 290 of Treasury Rules, “no money should be drawn from Treasury unless required for immediate disbursement. It is not permissible to draw money from treasury in anticipation of demand or to prevent lapse of budget grant”.

During audit of the accounts of Assistant Director LG&RDD Peshawar, for the Financial Year 2023-24 it was observed that funds were withdrawn from government treasury out of which an amount of Rs. 124,088,167 was not utilized and deposited in the designated bank account No. 3311945087 maintained at National Bank of Pakistan, University Road Branch Peshawar where it remained unspent till 30.06.2024. The local office neither transferred the amount to the VC/NCs concerned nor surrendered. Furthermore, record regarding source & purpose of receipt of fund was also not known.

The lapse occurred due to violation of government rules, policies and instructions, resulting in blockage of government funds.

When pointed out in October 2024, management did not furnish any reply.

PAO (Deputy Commissioner) was requested in October 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends inquiry for fixing responsibility against the person(s) at fault besides transfer of funds to VC/NCs or surrender to government treasury.

AIR Para 02/2023-24

30.3.4.1 Others

30.3.4.1.1 Loss to Government due to non-deposit of bank profit and taxes into government treasury-Rs.37.009 million

According to para 3 (ix) of the Government of Khyber Pakhtunkhwa, Finance Department letter No. 2/3/(F/L)/FD/2019-20/Vol-XIII dated 03.02.2020, “In case of current account, the same shall be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately.”

During audit of the Assistant Director, Local Government Peshawar, for the financial year 2023-24, it was observed that bank profit amounting to Rs. 27,233,701 was earned on the balances kept at the designated bank account of the AD, Local Government office Peshawar and various Village & Neighborhood Councils working under its administrative control. Moreover, taxes amounting to Rs. 9,775,790 were also deducted from various contractors/suppliers but the amount was lying in bank accounts of the VCs/NCs instead of depositing it into government treasury. Detail is given below;

(Amount in Rs.)

S#	Description	Amounts	AIR Para No.	Further detail at
1	Bank Profit ADLG	4,180,538	AIR Para 07/2023-24	Annexure-30.9a
2	Bank Profit VCs/NCs	23,053,163	AIR Para 03/2023-24	Annexure-30.9b
3	Taxes	27,233,701	AIR Para 04/2023-24	Annexure-30.10c
Total		54,467,402	-	

The lapse occurred due to violation of KP Finance Department instructions and Budget rules, resulting in loss to the government.

When pointed out in October 2024, the management replied that taxes will be deposited into Government treasury. However, no progress was intimated till finalization of this report.

PAO (Deputy Commissioner) was requested in October 2024 with several reminders to convene DAC meeting in October 2024, which could not be convened till finalization of this report.

Audit recommends immediate deposit of bank profit into the government treasury.

AIR Para 3,4,7/2023-24

30.3.4.1.2 Non-imposition of penalty for non-completion of works – Rs.1.800 million

According to Clause 2 of the Contract Agreements and Para No.2 of the work orders, penalty of 1% per day and up to maximum of 10% of the bid cost shall be imposed for delay in completion of work.

During audit of accounts of Assistant Director LGE&RDD, Peshawar, it was observed that contracts of two (02) developmental schemes worth Rs. 18.00 million were awarded to different contractors. However, the concerned contractors did not complete the schemes within the stipulated period of time. The local office was required to impose penalty @10% of the bid cost amounting to Rs. 1,800,000. Detail is given below:

(Amount in Rs.)

Name of Scheme	Contractor	Bid/Cost	Due date	Actual date	Penalty
Construction of Janazgah along with allied Pavements etc at Cheena Daag Hazar Khawani Peshawar.	Malak Aftab & Brothers	16,000,000	25.04.2023	1n progress (10/2024)	1,600,000
Supply and Fixing of Street Lights at UC Wazir Bagh, Yakatoot-I & III Peshawar.	Khursheed & Co	2,000,000	28.02.2023	09.06.2023	200,000
Total		18,000,000			1,800,000

The lapse occurred due to weak internal controls, resulting in depriving the public from the benefits of the schemes and loss to Government.

When pointed out in October 2024, management did not furnish any reply.

PAO (Deputy Commissioner) was requested in October 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report

Audit recommends immediate completion of development schemes and recovery of the penalty amount.

AIR Para 15/2023-24

30.4 Water Supply & Sanitation Services Company, Peshawar

30.4.1 Classified Summary of Audit Observation

Audit observations amounting to Rs 110.620 million were raised as a result of this audit. This amount also includes recoverables of Rs 9.373 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)		
Sr.No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	25.984
B	Management of Accounts with Commercial Bank	75.283
2	Others	9.373
Total		110.64

30.4.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meetings
1.	2019-20 to 2023-24	Not convened

30.4.3 Audit Para

30.4.3.1 Irregularities

A. HR/Employees related irregularities

30.4.3.1.1 Un-authorized retention of House Rent Allowance deducted from employees-Rs 25.984 million

According to Rule 5(1) (c) of the Khyber Pakhtunkhwa, City District Governments, Budget Rules 2016, the collecting officer shall ensure 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 Water & Sanitation Services Company, (Peshawar) for the Financial Year 2023-24, it was observed that House Rent Allowance amounting to Rs 25,984,225 was deducted from the salaries of employees of the TMAs working in WSSP and residing in Government accommodations provided by Capital Metropolitan Government/TMAs Peshawar. However, the management of WSSP retained the said amount in its respective designated bank accounts instead of depositing into the accounts of City Metropolitan Government /TMAs. Details are provided below:

(Amount in Rs.)

S.No	Name	Memo	Amount
Zone A	MCP Employees	HRA	4,131,409
Zone B	MCP Employees	HRA	18,320,798
Zone C	MCP Employees	HRA	431,479
Zone D	MCP Employees	HRA	338,300
Zone E	MCP Employees	HRA	2,762,239
Total			25,984,225

The lapse occurred due to weak internal controls resulting into un-authorized retention of public funds in designated bank accounts.

When pointed out in December 2024, the management replied that the financial position of the company is weak at the moment. As and when the company becomes financially stable, the outstanding amount of HRA would be paid to the quarter concerned. Reply of the department was evasive as the liabilities were required to be paid.

PAO (Deputy Commissioner) was requested in December 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report

Audit recommends that House Rent Allowance deducted from the employees at the disposal of WSSP may be deposited immediately into the accounts of City Metropolitan Government/TMAs Peshawar.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23 vide paras number 5.5.1.3, 5.4.1.1 and 5.4.1.1 having financial impact of Rs.38.494 million. Recurrence of same irregularity is a matter of serious concern.

AIR Paras No. 01/ 2023-24

B. Management of Account with Commercial Banks

30.4.3.1.2 Loss due to non-deposit of Bank profit into Government Treasury – Rs.75.283 million

According to government of Khyber Pakhtunkhwa finance department letter no. 2/3-(f/1) /fd/2019-20/vol-xiii dated 03.02.2020, the interest / profit earned on the funds placed in government banks (PLS mode) may be deposited in government treasury.

During audit of the accounts of Water & Sanitation Services Company, (Peshawar) for the Financial Year 2023-24, it was observed that profit of Rs 75,282,943 was earned on the public funds placed in its designated bank accounts as evident from the Profit & Loss statement provided. However, the same was retained in the bank accounts till the date of audit i.e. December, 2024 instead of depositing into the Government treasury.

The lapse occurred due to weak financial controls resulting in loss to the Government.

When pointed out in December 2024, the management stated that detailed reply would be furnished after consulting original record. However, no reply was furnished till finalization of this report.

PAO (Deputy Commissioner) was requested in December 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report

Audit recommends immediate deposit of bank profit into Government treasury.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2019-20, 2020-21, 2021-22 and 2022-23 vide paras number 5.4.1.5, 5.5.1.5, 5.4.1.6 and 5.4.1.5 having financial impact of Rs. 164.908 million. Recurrence of same irregularity is a matter of serious concern.

AIR Paras No. 05/ 2023-24

30.4.3.2 Others

30.4.3.2.1 Loss due to non-deposit of taxes into Government treasury – Rs.9.373 million

According to Rule 5(1) (c) of the Khyber Pakhtunkhwa, District or City District Governments, Budget Rules 2016, the collecting officer shall ensure 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 Water & Sanitation Services Company, (Peshawar) for the Financial Year 2023-24, it was observed that an amount of Rs. 9,373,398 was deducted from the suppliers / firms as Government taxes/fee under various heads. However, the amount was retained in designated bank accounts instead of depositing into Government treasury. Details are as under:

(Amount in Rs.)		
S#	Particular	Amount
1	Withholding Tax	5,947,062
2	Sales tax on services	3,268,745
3	GST	12,091
4	Professional Tax	145,500
Total		9,373,398

The lapse occurred due to weak internal controls resulting in loss to the Government.

When pointed out in December 2024, the management replied that the Government taxes would be deposited into treasury in due course of time. Reply was not tenable as no progress was shown to audit till finalization of this report.

PAO (Deputy Commissioner) was requested in December 2024 with several reminders to convene DAC meeting which could not be convened till finalization of this report

Audit recommends immediate deposit of taxes into government treasury.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2020-21, 2021-22 and 2022-23 vide paras number 5.5.2.4, 5.4.2.2 and 5.4.2.4 respectively having financial impact of Rs. 44.984 million. Recurrence of same irregularity is a matter of serious concern.

AIR Paras No. 04/ 2023-24

CHAPTER-31

DISTRICT SHANGLA



District Shangla is situated in Malakand Division of Khyber Pakhtunkhwa. According to the census of 2023, it has a total area of 1,586 sq. km with a population size of 891,252 comprising 51.6% male and 48.4% female. Geographically, it lies North of the province, approximately 242 KMs away from the provincial capital-Peshawar. It has a lot of natural beauty and many attractive sites for the tourists, most of which need proper road infrastructure and allied development. Shangla Top, Yakh Tangi, & Bahadar Sar are the famous tourist spots of Shangla. Some of its brief features are given below:

District Profile

Area: 1,586 Sq KM

Population: 891,252

Languages: Pashto

Tehsils: 5

No. of Village Councils: 105

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



31.1 Local Government, Shangla

31.1.1 Classified Summary of Audit observations

Audit observations amounting to Rs. 59.324 million were raised as a result of this audit. This amount also includes recoveries of Rs. 5.593 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	Procurement related irregularities	3.453
B	Management of Accounts with Commercial Banks	3.233
2	Others	52.638
Total		59.324

31.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meetings
1.	2002-03 to 2023-24	Not convened

31.1.3 Audit Paras

31.1.3.1 Irregularities

A. Procurement related irregularities

31.1.3.1.1 Misclassification on account of purchase of IT equipment – Rs.3.453 million

According to condition No. 4.2.9.2 of APPM, all expenditures must be classified in accordance with the Chart of Account, under the appropriate expenditure head.

During audit of the accounts of Deputy Commissioner Shangla for the Financial Year 2023-24, it was observed that an expenditure of Rs.3,453,000 was incurred on account of purchase of cameras. On scrutiny of record, it was observed that expenditure was incurred by way of misclassification. Audit held that the purchase of cameras along with LED was required to be purchase from the budgetary head” IT Equipment “but the same was purchased from the budgetary head “Other Charges”. Thus, the expenditure was misclassified. Detail at **Annexure-31.2.**

The lapse occurred due to violation of the Chart of Accounts, resulting in misclassification of expenditure.

When pointed out in July 2024, the management stated that budget was released in “Others” head of account. Therefore, expenditure was made in the same head of account. Reply was not satisfactory as the expenditure was not made from the relevant head of account.

DAC meeting was held on 29.10.2024 wherein the forum decided to regularize the expenditure. However, no progress was shown to audit till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 09/2023-24

B. Management of Accounts with Commercial Banks

31.1.3.1.2 Loss to Government due to non-conversion of current bank accounts into PLS mode – Rs.3.233 million

According to Para 3(ix) of Finance Department Khyber Pakhtunkhwa letter No. 2/3-(F/L)/FD/2019-20/Vol-XIII dated 03rd February 2020, in case of current account, the same to be converted to PLS mode and the profit earned on the designated bank accounts be deposited into Government treasury immediately except where Departments/Offices/Autonomous and Semi-autonomous bodies/Organizations/Corporations have been specifically permitted under some Statute/Act.

During audit of the accounts of Deputy Commissioner and District Education Offices Male & Female, Shangla, for the Financial Year 2023-24, it was observed that the Deputy Commissioner and District Education Offices Male & Female, Shangla did not convert the designated bank accounts into PLS mode. Due to non-conversion of account to PLS mode, the government sustained loss of Rs. 3,233,346 (12.25% estimated). Detail is given below:

(Amount in Rs.)

S. No.	Name of Department	Amount	Admissible Profit @ 12.25 %	Further Detail
1	Deputy Commissioner Shangla	2,879,268	352,710	
2	DEO Male Shangla	12,065,176	1,477,984	Annex-31.3A
3	DEO Female Shangla	11,450,220	1,402,652	Annex-31.3B
Total		26,394,664	3,233,346	

The lapse occurred due to non-compliance to Finance Department KP instructions, resulting in loss to government.

When pointed out in August 2024, the management stated that the cases were already been taken up with the banks concerned. Progress would be shown to audit. However, no progress was intimated by the Deputy Commissioner and District Education Offices Male & Female, Shangla till finalization of the report.

DAC meeting was held on 29.10.2024 wherein the forum decided to open PLS accounts in light of instructions of the Finance Department KP. However, no progress was made till finalization of this report.

Audit recommends implementation of the DAC decision.

Note: Similar Paras of non-conversion of current bank accounts into PLS mode have been raised during the Audit Reports for the year 2019-20,2020-21,2021-22, 2022-23 & 2023-24.

AIR Para No. 02(DC), 05 (M), 01(F)/2023-24)

31.1.3.2 Others

31.1.3.2.1 Un-authorized retention of public funds in DDO accounts – Rs.2.879 million

According to Para 290 of CTR, “No money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grant”.

During audit of the Office of the Deputy Commissioner Shangla for the Financial Year 2023-24, it was observed that an amount of Rs.2,879,268 was retained in designated account till the closing of the financial year. Audit was of the view that non-surrendering of the amount before the closing of the financial year the government could not use the fund somewhere for useful purpose. Detail is given below:

(Amount in Rs.)				
S. No.	Name of Bank and Branch	Account Title	Bank Account No.	Balance in the Account as on 30.06.2024
1	NBP Main Branch Saidu	Census Fund	4086515648	1,352,340
2	-do-	General	4086515513	599,320
3	-do-	old relief /ramazan package and election transaction	4086528965	65,082
5	-do-	financial Assistance and Eid package	4086512829	862,526
Total				2,879,268

The lapse occurred due to violation of the government instructions, resulting in non-utilization of funds.

When pointed out in July 2024, the management did not respond to the observation.

DAC meeting was held on 29.10.2024 wherein the management agreed with the audit observation and replied that the amount was not yet utilized because the releasing departments did not issue any directions regarding its utilization or surrender. The department further stated that Eid Package amount was lying in the account due to non-clearance of the cheques. The forum decided to provide record for verification. However, verification was not made till finalization of this report.

Audit recommends implementation of the DAC decisio.

AIR Para No. 03/2023-24

31.1.3.2.2 Irregular expenditure on hiring of vehicles - Rs.11.132 million

According to Rule 1 of Chapter-III of Khyber Pakhtunkhwa Public procurement of Goods, Works and Services Rules, 2014, the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs.500,000/ rupees of five hundred thousand.

During audit of the accounts of Deputy Commissioner Shangla for the Financial Year 2023-24, it was observed that an expenditure of Rs.11,132,000 was incurred on hiring of vehicle for General Election. On scrutiny of record, it was observed that the principal method of procurement of goods/services was not adopted i.e. (open tender system) to gain economy in rates, which was clear violation of the above- mentioned rules.

Audit was of the view that due to non-invitation of tenders the Government was deprived of competitive rates which indicated prevalence of poor management practices in the department.

The lapse occurred due to violation of the government instructions, resulting in irregular expenditure.

When pointed out in July 2024, the management stated that the rate has been fixed for transportation of goods and exemption was granted from KPPRA Rules by the provincial cabinet. Reply was not satisfactory as no evidence was produced.

DAC meeting was held on 29.10.2024 wherein the forum decided to produce record for verification. However, verification was not made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 10/2023-24

31.1.3.2.3 Un-authorized purchase of CCTV Cameras for Police Department - Rs.3.453 million

According to Rule-12 of Treasury Rules, Volum1, “A controlling officer is responsible to watch that the funds allotted to the spending units, are expended in the public interest upon the object for which the money was Provided”.

During audit of the accounts of Deputy Commissioner Shangla for the financial year 2023-24, it was observed that fund of Rs.3,453,000 was utilized on account of purchase of cameras. On scrutiny of record, the Deputy Commissioner Shangla utilized the Local Government fund on procurement of CCTV cameras for the Police Department. Being a provincial Government Department, it was the responsibility of the Provincial Government to arrange CCTV cameras for the police department and not of the Local Government. Thus, the expenditure incurred by the Deputy Commissioner Shangla was un-authorized. Such un-authorized expenditures undermined the transparency and accountability expected in financial management practices.

The lapse occurred due to violation of the government instructions, resulting in un-authorized payment.

When pointed out in July 2024, the management did not respond to the observation.

DAC meeting was held on 29.10.2024 wherein the management replied that the cameras were purchased keeping in view the security situation in District Shangla. The decision for the purchase and installation of the cameras was made in the District Intelligence Coordination Committee meeting. The cameras along with other apparatus were handed over to Police Department on temporary basis and was still the property of District Administration and would be returned back on the availability of substitute. The forum decided to refer the para to the PAC for decision.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault.

AIR Para No. 22/2023-24

31.1.3.2.4 Loss on account of Compulsory Land Acquisition Charges – Rs.1.317 million

According to section 23(2) of Land Acquisition Act 1894,”in addition to the market value of the land as above provided, the **Court** shall in every case award a sum of 15% on such market value, in consideration of the compulsory nature of acquisition”.

During audit of the accounts of Deputy Commissioner Shangla for the Financial Year 2023-24, it was observed that an amount of Rs.1,317,060 was paid as 15% compulsory acquisition charges in addition to the compensation of land. Audit held that the Deputy Commissioner/Collector was not competent/ authorized to allow the 15% Compulsory Acquisition Charges. Only the Court of law could allow the said charges under section 23(2) of the Land Acquisition Act. Furthermore, the compulsory acquisition charges were allowed /paid at initial stage of land acquisition without written objection, obstruction, refusal or appeal regarding compensation of land by the land owners. Detail is given below:

(Amount in Rs.)

S. No.	Tehsil	Locality	Area	Cost of Land	15% Compulsory Acquisition Charges
1	Puran	Aloch	2 Kanal 5 Marla	8,780,400	1,317,060
Total					1,317,060

The lapse occurred due to violation of rules, resulting in loss to Government.

When pointed out in July 2024, the management did not furnish any reply.

DAC meeting was held on 29.10.2024 wherein the management replied that a proper case regarding authority i.e. Principal Civil Court or the Deputy Commissioner empowered to include 15% compulsory acquisition charges in the award was forwarded to the Commissioner, Malakand Division. The same was returned with letter No. REV.V/Misc: MKD/2017/Part-II/39612 date 14/12/2018 with legal opinion rendered by the Law Department KP vide letter No.SO(OP-I)/I.D/15-1/Vol.XVI/30670-71 dated 31/08/2018 in which Law Department stated that the concerned District Collector has to determine compulsory acquisition

charges @15% and for a company @ 25%. The forum decided to provide record for verification. However, verification was not made till finalization of this report.

Audit recommends provision of record for verification as per DAC decision.

Note: Similar Paras of allowing compulsory land acquisition charges have also been raised during the Audit Reports for the year 2019-20, 2020-21, 2021-22, 2022-23 & 2023-24.

AIR Para No. 11/2023-24

31.1.3.2.5 Excess payment to schools on account of stipend of Double Shift - Rs.4.799 million

Para 12 of the General Financial Rules Volume I requires that a controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided.

During audit of the accounts of District Education Officer (Female) Shangla for the financial year 2023-24, it was observed that an amount of Rs.4,799,757 was transferred to PTCs' bank accounts of 05 schools for payment of stipend to the hired staff. Audit held that the District Education Officer (Female) Shangla transferred excess amount without need assessment of the respective schools. Detail at **Annexure-31.4**.

The lapse occurred due to violation of the government instructions, resulting in excess payment.

When pointed out in August 2024, the management stated that the record would be checked and if any amount found transferred in excess to the respective schools, the same would be adjusted in future. Reply was not convincing as no progress was intimated by District Education Officer (Female).

DAC meeting was held on 29.10.2024 wherein the forum decided to produce record for verification. However, verification was not made till finalization of this report.

Audit recommends provision of record for verification as per DAC decision.

AIR Para No. 11/2023-24

31.1.3.2.6 Un-authentic payment of stipend to the hired teacher of Double Shift - Rs.27.835 million

According to Treasury Rule 205, vouchers for the withdrawal of money from the government account be submitted setting forth clear and full Particulars for the withdrawal.

During audit of the accounts of District Education Offices Male & Female Shangla for the Financial Year 2023-24, it was observed that an amount of Rs.27,835,814 was transferred to PTCs' bank accounts of 10 schools for payment of stipend to hired teachers, principals/head masters/head mistresses/head teachers and ministerial staff of double shift schools. Audit could not authenticate the payment due to non-availability of the following documents.

- i. Actual Payee Receipts from the concerned PTCs.
- ii. Copies of the crossed cheques issued in the name of teachers hired for double shift/ masters/head mistresses/head teachers and ministerial staff of double shifts schools.
- iii. Date of visits of DEO, DDEO, SDEO and ASDEO etc.
- iv. Monthly progress report of each DSS specifying performance, attendance of teachers, ministerial staff and students and any other issues or recommendations.
- v. Minutes of the committee for hiring of teachers for double shift were not available.

The detail is given below:

(Amount in Rs.)

S. No.	Name of Department	Amount	Further Detail
1	DEO Male	21,075,200	Annex-31.5A
2	DEO Female	6,760,614	Annex-31.5B
Total		27,835,814	

The lapse occurred due to violation of the government instructions, resulting in un-authentic payment.

When pointed out in August 2024, the management stated that relevant record would be provided to audit in due course of time. However, no progress was shown by District Education Offices Male & Female Shangla till finalization of this report.

DAC meeting was held on 29.10.2024 wherein the forum decided to produce record for verification. However, verification was not made till finalization of this report.

Audit recommends provision of record for verification as per DAC decision.

AIR Para No. 08(M), 10(F)/2023-24

31.1.3.2.7 Loss due to non-deduction of taxes – Rs.1.043 million

According to Director-General Soil & Water Conservation Khyber Pakhtunkhwa Peshawar Office Order Endst. No.24 dated 07.01.2022 S.No.3 that Tax exempt areas will deduct 19.5% (Contractor profit 10% + Income Tax 7.5% + Sales tax 2%) from detailed cost estimates of Soil & Water Conservations works.

During audit of the accounts of District Officer Soil Conservation, Shangla for the Financial Year 2022-23, it was observed that the local office incurred expenditure of Rs. 5,350,000 on account of developmental works, however, withholding taxes and contractor profit @19.5% amounting to Rs.1,043,250 was neither deducted nor adjusted on the basis of work done expenditure due to which the government sustained a loss. The detail is given below:

(Amount in Rs.)

S. No.	Particulars	DDO Code	Budget	Expenditure	7.5% Income Tax+ KPRA Sales tax2% + 10% Profit = 19.5%
1.	A-12404	SH-5229	4,800,000	4,800,000	936,000
2	A-12404	SH-6109	550,000	550,000	107,250
Total				5,350,000	1,043,250

The lapse occurred due to weak internal controls, resulting in loss to the Government.

When pointed out in April 2024, the management stated that taxes deduction was made as per government instructions. Reply was not tenable as no actual deduction was made at the time of payment, only cost estimates were enhanced for

the taxes amount beyond the sanction cost of the schemes. Therefore, the deduction shows has no impact on the actual cost of the schemes.

PAO (DC Shangla) was requested in May 2024 to convene DAC meeting, but no DAC meeting was convened till finalization of this report.

Audit recommends recovery of taxes and profit at the prescribed rate and action against the person(s) at fault.

AIR Para No.5/2022-23

31.2 Tehsil Municipal Administrations, Shangla

31.2.1 Classified Summary of Audit observations

Audit observations amounting to Rs. 11.901 million were raised as a result of this audit. This amount also includes recoveries of Rs. 6.619 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	1.282
B	Management of Accounts with Commercial Banks	6.619
2	Others	4.000
Total		11.901

31.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Details of TAC Meetings are given below:

Sr. No.	Audit Year	TAC Meetings
1	2002-03 to 2023-24	Not Convened

31.2.3 Audit Paras

31.2.3.1 Irregularities

A. HR/Employees related irregularities

31.2.3.1.1 Overpayment on account of pay and allowances for absent period– Rs.1.282 million

According to Para 23 of GFR Vol-I every Government officer is personally responsible for any loss sustained by Government through fraud or negligence either on his part or on the part of his subordinate staff.

During audit of the accounts of Tehsil Municipal Administration Chakisar for the Financial Year 2023-24, it was observed that Mr. Sami ul Haq TOR was absent for a long period, but he has been paid pay and allowances as arrears amounting to Rs.1,282,286 for that absent period. Thus, an overpayment was made to the concerned.

The lapse occurred due to weak internal controls, resulting in loss to government.

When pointed out in November 2024, the management stated that needful would be done and progress would be shared with audit in due course of time. However, no progress was intimated till issuance of this report.

PAO (TMO) was requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

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

AIR Para No. 08/2023-24

B. Management of Accounts with Commercial Banks

31.2.3.1.2 Non-deposit of bank account profit in government treasury – Rs.6.619 million

According to Finance Department Khyber Pakhtunkhwa letter No. 2/3(F/L)FD/2021-22/DDOs dated 30.12.2022, All sums realized as profit on the un-disbursed balance in the Designated Accounts (PLS) shall be credited to Government Treasury (Provincial Account-1) under the head of accounts after

making adjustment against bank charges etc. under intimation to Finance Department.

During audit of the accounts of Tehsil Municipal Administrations, Puran, Martung and Chakisar in district Shangla for the Financial Year 2023-24, it was observed that profit of Rs. 6,619,357 was earned on the bank balances of the PLS accounts maintained at various banks. However, the earned profit was not deposited into the Government treasury. Detail is given below:

(Amount in Rs.)

S. No.	TMA	Account No.	Date	Profit
1	Puran	2007624029	4-7-2023	1,481,727
			2-1-2024	1,611,942
2	Martung	2007623898	4-7-2023	634,755
			2-1-2024	704,698
3	Chakisar	2007634024	4-7-2023	947,167
			2-1-2024	1,239,068
Total				6,619,357

The lapse occurred due to non-compliance with Finance Department KP instructions, resulting in loss to government.

When pointed out in November, 2024, Management stated that the profit will be deposited into government treasury. Reply was not tenable as no progress was shown by the department till finalization of this report.

PAOs (TMOs) were requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends depositing the earned profit into Government treasury.

AIR Para No. 03, 03 & 03/2023-24

31.2.3.2 Others

31.2.3.2.1 Irregular payment on account of lease of land without rent reasonability certificate -Rs.2.261 million

According to serial 2 (ii) (e) (3) of the second schedule of the Delegation of financial powers 2018, rent of Land is subject to the rent reasonability certificate given by an officer of the Revenue Department exercising the powers of the Collector under the KP Land Revenue (Amendment) Act, 2014.

During audit of the of Tehsil Municipal Administration Puran for the financial year 2023-24, it was observed that an amount of Rs.2,261,181 was paid on account of lease of land to the land owners without rent reasonability certificate by an officer of the Revenue Department. Detail is given below:

(Amount in Rs.)

S. No.	Particulars	Payment
1	GBS Aloch	1,888,281
2	GBS Chowga	372,900
	Total	2,261,181

The lapse occurred due to violation of the government instructions, resulting into irregular payment.

When pointed out in November 2024, the management stated that, before the agreement of GBS Aloch, the revenue department made the rent assessment. Tehsil Municipal Administration Puran also requested revenue and C&W department for rent assessment but their reply was still awaited. This office would request again for the rent assessment and would be done in short span of time. However, no action was intimated till issuance of this report.

PAO (TMO) was requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends that the rent reasonability certificate should be obtained.

AIR Para No.06/2023-24

31.2.3.2.2 Un-justified payment of Audit fee – Rs.1.739 million

According to Rule 57 sub rule 2 of Tehsil Municipal Administration (Budget) Rules, 2016 TMO is responsible for enforcing financial order and strict

economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing Officers

During audit of the accounts of Tehsil Municipal Administration Puran for the Financial Year 2023-24, it was observed that audit fee amounting to Rs.1,739,564 was paid to Director Local Fund audit. The payment was un-justified as the post of auditor was vacant and the additional charge was assigned to the auditor of TMA Babuzai Swat. The audit fee might be paid by the TMA Babuzai. Thus, the double payment for the same position could not be ruled out.

The lapse occurred due to violation of the government instructions, resulting into un-justified payment.

When pointed out in November 2024, the management stated that the Tehsil Municipal Administration Puran gave salary in shape of audit fee to the auditor of local fund audit. The auditor is performing his duty in the Tehsil Municipal Administration Puran when this office needed his services. The precedent of audit fee to the auditor of local fund audit was prevailing throughout the province. This office would stop this practice and in future, no audit fee would be given to the auditor of additional charge. Reply was not correct as payment was made on vacant post, which was un-justified as for such post the salary might be paid by other TMA where the auditor was permanently posted.

PAO (TMO) was requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

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

AIR Para No. 11/2023-24

31.3 Assistant Director LG & RDD, Shangla

31.3.1 Classified Summary of Audit observations

Audit observations amounting to Rs. 11.909 million were raised as a result of this audit. This amount also includes recoveries of Rs. 6.850 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No.	Classification	Amount
1	Irregularities	-
A	Procurement related irregularities	5.059
2	Value for money and service delivery issues	6.850
Total		11.909

31.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs Meetings are given below:

Sr. No.	Audit Year	VACs Meetings
1.	2013-14 to 2023-24	Not convened

31.3.3 Audit Paras

31.3.3.1 Irregularities

A. Procurement related irregularities

31.3.3.1.1 Loss to Government due to acceptance of higher bid rates - Rs.5.059 million

According to the Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules, 2014 chapter III (ix) “the bid found to be the lowest evaluated bid shall be accepted”

During audit of the accounts of Assistant Director, Local Government Shangla for the Financial Year 2023-24, it was observed that an amount of Rs.5,059,000 was overpaid due to award of schemes at higher rates and avoiding lowest bid rates without any cogent reasons. Detail at **Annexure-31.6**.

The lapse occurred due to violation of the procurement rules, resulting in loss to Government.

When pointed out in October, 2024, the management stated that record would be provided to audit as the action has already been taken up against the respective bidders. Reply was not convincing as no progress was shown by the Assistant Director, Local Government Shangla till finalization of this report.

PAO (DC Shangla) was requested in October 2024 with several reminders vide DG Office letter No. 1838-80 dated 13.11.2024 and RDA Swat letter No. 180-87 dated 22.11.2024 to convene DAC meeting, which could not be convened till finalization of this report.

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

AIR ParaNo.02/2023-24

31.3.3.2 Value for money and service delivery issues

31.3.3.2.1 Non-imposition of penalty for delay in completion of works – Rs.6.850 million

According to clause 2 of the conditions of contract agreement, 1% should be deducted from the contractor's bill for every day delay. The penalty is subject to maximum of 10%.

During audit of the accounts of Assistant Director, Local Government Shangla for the Financial Year 2023-24, it was observed that the Assistant Director, Local Government Shangla failed to impose penalty of Rs.6,850,000 @10% on the estimated cost of Rs.68,500,000 on the developmental schemes, which were not completed in stipulated time period. Detail at **Annexure-31.7**.

The lapse occurred due to weak internal controls, resulting in loss to Government.

When pointed out in October, 2024, the management stated that reply would be provided to audit after scrutiny of record. However, no progress was shown by the Assistant Director, Local Government Shangla till finalization of the report.

PAO (DC Shangla) was requested in October 2024 with several reminders vide DG Office letter No. 1838-80 dated 13.11.2024 and RDA Swat letter No. 180-87 dated 22.11.2024 to convene DAC meeting, which could not be convened till finalization of this report.

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

AIR Para No.03/2023-24

CHAPTER-32

DISTRICT SOUTH WAZIRISTAN LOWER



District South Waziristan Lower is a newly merged district of D.I.Khan Division of Khyber Pakhtunkhwa. According to the census of 2023, it has a total area of 6,620 sq.km. with a population size of 400,237 comprising 50.7% male and 49.34% female. Geographically, it lies south of the province, approximately 340 KMs away from the provincial capital-Peshawar. It is mainly known for its tribal culture, historical significance, and natural resources. Some of its brief features are given below:

District Profile

Area: 6,620 Sq KM

Population: 400,237

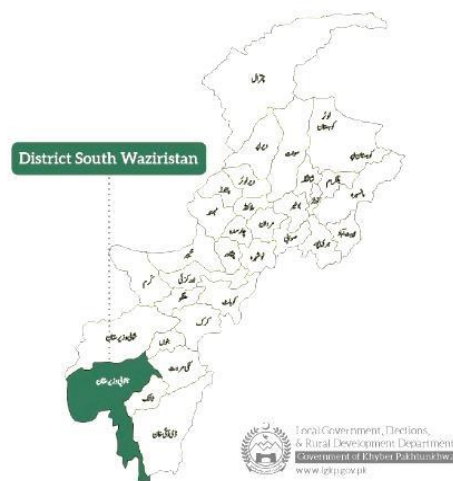
Languages: Pashto

Tehsils: 3

No. of Village Councils: 34

No. of Neighborhood Councils: 15

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



32.1 Local Government, South Waziristan Lower

32.1.1 Classified Summary of Audit observations

Audit observations amounting to Rs 24.692 million were raised as result of this audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)		
Sr. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	14.42
B	Procurement related Irregularities	1.379
C	Management of Accounts with Commercial Bank	5.107
2	Others	3.786
Total		24.692

32.1.2 Comments on the Status of Compliance with DAC/TAC Directives

South Waziristan (Lower) is newly established district of Khyber Pakhtunkhwa. Therefore, no Audit Report was previously prepared for this district.

32.1.3 Audit Paras

32.1.3.1 Irregularities

A. HR/Employees related irregularities

32.1.3.1.1 Irregular payment of salaries to contingent paid staff-Rs.3.353 million

According to rule 9 (2) (f) of Khyber Pakhtunkhwa, District and City District Governments, Budget Rules 2016, the function of Drawing & Disbursing officer is to keep the relevant record both accounting and operational, up to date and in an orderly manner.

According to Finance Department KP letter No.BO.I/FD/5-8/2023-24/Austerity Measures dated: 06.11.2023, (e) Contingent paid staff shall be engaged during the course of the financial year 2023-24 only after the approval of the Finance Department.

During Audit of the accounts of Deputy Commissioner, South Waziristan (Lower) for the Financial Year 2023-24, it was observed that Rs.3,353,760 was paid as salaries to the contingent paid staff.

Audit observed the following irregularities:

- i. Payment was made to contingent paid staff without getting prior approval from the Finance Department, Khyber Pakhtunkhwa.
- ii. Place of duty and attendance of the said staff was not found on record.
- iii. Appointment Orders were not produced for verification.
- iv. Actual payee receipts of payments were also not produced.

The lapse occurred due to violation of the government rules, resulting into irregular expenditure on hiring of contingent paid staff.

When pointed out in July 2024, management stated that all the codal formalities have been fulfilled before incurrence the expenditure and relevant record will be produced to audit for verification in due course of time.

Reply of the Department was not convincing because no record showing justification of hiring of contingent paid staff was produced to Audit till finalization of this report.

PAO (DC, SW Lower) was requested in September 2024 with several reminders on 24-10-2024 & 13-12-2024 to convene the DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault besides provision of relevant record for scrutiny.

AIR Para No.04 (2023-24)

32.1.3.1.2 Irregular payment on account of per diem to Polio Workers-Rs. 6.566 million

According to rule 9 (2) (f) of Khyber Pakhtunkhwa, District and City District Governments, Budget Rules 2016, the function of Drawing & Disbursing officer is to keep the relevant record both accounting and operational, up to date and in an orderly manner.

During Audit of the accounts of Deputy Commissioner, South Waziristan (Lower) for the Financial Year 2023-24, it was observed that Rs.6,566,700 was paid to District Health Officer, South Waziristan (Lower) vide cheque No. 55105966 dated 15.05.2024 on account of per diem to Polio workers. However, detail of payees, rates and other supporting documents of the payment were not produced to audit for verification.

The lapse occurred due to weak internal controls, resulting into irregular payment to Polio Workers.

When pointed out in July 2024, the management stated that relevant record will be collected from DHO office and produced to audit for verification in due course of time.

Reply was not convincing because the relevant record was not produced to audit till the finalization of this report.

PAO (DC, SW Lower) was requested in September 2024 with several reminders on 24-10-2024 & 13-12-2024 to convene the DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault besides provision of relevant record for scrutiny.

AIR Para No.06 (2023-24)

32.1.3.1.3 Un-verified Payment on account of arrears of Pay & Allowances-Rs. 4.501 million

According to rule of FTR-177, “all claims in respect of Government employees shall be submitted to DAO/ AG/AGPR duly completed in all respect and supported by relevant verifiable evidence”. Moreover, as per direction 4.6.5.5 of APPM, any change in employees’ allowances and deduction shall be notified by DDO through change statement to the DAO/ AG/AGPR.

During Audit of the accounts of Deputy Commissioner, South Waziristan (Lower) for the Financial Year 2023-24, it was observed that Rs.4,501,525 was paid as arrears/ adjustments on account of Pay & allowances to various employees as per detail given in **Annexure-32.2**. Complete record showing period of arrears, service books, investigation sanction and reason for previously non-payment of allowances was not available on record.

The lapse occurred due to weak internal controls, resulting into un-verified arrears of Pay & Allowances.

When reported in July 2024, the management stated that the adjustments have been made against the actual claims of pay & allowances of employees and complete record will be produced to audit in due course of time. Reply was not convincing because no record was produced to audit till the finalization of this report.

PAO (DC, SW Lower) was requested in September 2024 with several reminders on 24-10-2024 & 13-12-2024 to convene the DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault besides provision of relevant record for scrutiny.

AIR Para No.01 (2023-24)

B. Procurement related irregularities

32.1.3.1.4 Irregular expenditure under object head plant and machinery-Rs.1.379 million

According to Rule-10 (b) Chapter-II of the KPPRA 2014 amended vide Finance Department Notification No. SO (A)/FD/1-40/2022, dated 17.08.2022,

“the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs. 500,000 rupees five hundred thousand”.

According to Para-148 of GFR Vol-I, all the material received should be examined, counted, measured, weighed as the case may be, when delivery is taken, and they should be taken on charge by a responsible government officer who should see that quantities are correct and their quality is good, and record a certificate that he has actually received the materials and recorded them in the appropriated stock register.

During audit of the accounts of Deputy Commissioner, South Waziristan (Lower) for the Financial Year 2023-24, it was observed that Rs. 1,379,900 was incurred under object head plant and machinery as per detail given below:

(Amount in Rs.)

S. No	Cheque No.	Date	Payee	Amount
1.	1285533	08.11.2023	Buraaq Traders	109,000
2.	1285538	08.11.2023	Taiba Traders	77,600
3.	1285532	08.11.2023	Eminent Technologies	136,000
4.	1285552	29.11.2023	Buraaq Traders	47,000
5.	1285560	18.12.2023	Buraaq Traders	120,900
6.	1285574	17.01.2024	Eminent Technologies	846,400
7.	1285690	05.06.2024	Buraaq Traders	43,000
Total				1,379,900

Audit observed the following irregularities;

- i. Items were purchased in different months without any demand from the main & sub-sections.
- ii. Open tender system was not adopted to purchase items on economical rates.
- iii. Physical verification certificate to ascertain quantity and quality by the member of purchase committee was not available in record.
- iv. The items so purchased were neither taken on relevant stock register nor shown issued to concern sections.

The lapse occurred due to violation of the government rules, resulting into irregular expenditure.

When pointed out in July 2024, the management stated that all the codal formalities have been full filled before incurrence of expenditure. However, Stock register and other relevant record will be updated and produced to audit for verification in due course of time.

Reply of the Department is not convincing because purchases were without observing the codal formalities.

PAO (DC, SW Lower) was requested in September 2024 with several reminders on 24-10-2024 & 13-12-2024 to convene the DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry and action against person (s) responsible for irregular expenditure.

AIR Para No.08 (2023-24)

C. Management of Accounts with Commercial Banks

32.1.3.1.5 Un-verified transfer of funds from designated bank account-Rs.2.501million

According to rule 9 (2) (f) of Khyber Pakhtunkhwa, District and City District Governments, Budget Rules 2016, the function of Drawing & Disbursing officer is to keep the relevant record both accounting and operational, up to date and in an orderly manner.

During audit of the accounts of Deputy Commissioner, South Waziristan (Lower) for the Financial Year 2023-24, it was observed that DC Office transferred a sum of Rs.2,501,000 from designated bank account maintained in The Bank of Khyber, Wana Branch account No.3004724018 vide Reference No. FT24092RFH6H/106 dated 01.04.2024. However, details of payee and supporting documents of the payment were not produced to audit for verification.

The lapse occurred due to violation of government rules/instructions, resulting in un-verified transfer of funds from designated bank account.

When pointed out in July 2024, the management stated that the detailed reply will be given after consultation of record in due course of time.

Reply of the department is not convincing because no record showing justification of payment was produced to Audit till the finalization of this report.

PAO (DC, SW Lower) was requested in September 2024 with several reminders on 24-10-2024 & 13-12-2024 to convene the DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault besides provision of relevant record for scrutiny.

AIR Para No.02 (2023-24)

32.1.3.1.6 Un-verified cash withdrawal of funds from Designated Bank Account-Rs. 2.606 million

According to direction 2.3.2.8 of APPM, “the accounting system shall include controls to minimize the risk of fraud and corruption. This objective shall be addressed by; Issue of payment through direct bank transfer and cheques”.

According to Government of KPK Finance Department letter No. BO(W&M)/6-5/2019-20 Dated Peshawar the 19th February, 2020, “All the Principal Accounting Officers and DDOs are advised to stop henceforth all cash payments and open cheques payments.”

During audit of the accounts of Deputy Commissioner, South Waziristan (Lower) for the Financial Year 2023-24, it was observed that DC Office withdrawn cash amounting of Rs. 2,606,050 from the Bank Account No.3004724018, maintained in the Bank of Khyber, Wana Branch. However, detail of further utilization/ disbursement and acknowledgment of cash payment was not available on record. Detail is as under:

(Amount in Rs.)		
S. No.	Month	Amount of Cash Withdrawal
1.	Dec, 2023	1,027,000
2.	May,2024	1,307,800
3.	June, 2024	271,250
Total		2,606,050

The lapse occurred due to violation of government rules/instructions, resulting in un-verified withdrawal from designated bank account.

When reported in July 2024, the management stated that cash payments have been made in few cases where the vendors have no bank accounts; however, detail and actual payee receipts will be produced to Audit in due course of time.

Reply of the Department is not convincing, because cash payments are not allowed in any case.

PAO (DC, SW Lower) was requested in September, 2024 with several reminders on 24-10-2024 & 13-12-2024 to convene the DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault besides provision of relevant record for scrutiny.

AIR Para No.05 (2023-24)

32.1.3.2 Others

32.1.3.2.1 Irregular payment to vendors through DDO -Rs.2.047 million

According to direction 2.3.2.8 of APPM, “the accounting system shall include controls to minimize the risk of fraud and corruption. This objective shall be addressed by; Issue of payment through direct bank transfer and cheques”.

According to Government of KPK Finance Department letter No. BO(W&M)/6-5/2019-20 Dated Peshawar the 19th February, 2020, “all the Principal Accounting Officers and DDOs are advised to stop henceforth all cash payments and open cheques payments.”

During audit of the accounts of Deputy Commissioner, South Waziristan (Lower) for the Financial Year 2023-24, it was observed that Rs.2,047,800 was paid to vendors/ suppliers under various object heads as per detail below:

(Amount in Rs.)

S. No	Cheque No.	Date	Object Head	Amount
1.	1285529	08.11.2023	Expenditure for Newly merged District in KP	1,090,000
2.	1285549	29.11.2023	Stipend, Incentives, awards and allied expenditure	250,000
3.	1285561	18.12.2023	Expenditure for Newly merged District in KP	250,000
4.	1285579	18.01.2024	Expenditure for Newly merged District in KP	450,000
5.	1285622	30.04.2024	Newspapers periodicals and books	7,800
Total				2,047,800

Audit observed the following irregularities:

- i. Funds were withdrawn from the Government Treasury through DDO instead of issuing cheques to vendors, Tribal Elders, Malik and informers and thus audit was unable to authenticate the cash payments made.
- ii. Actual payee receipts of payments were also not produced to Audit for verification.

The lapse occurred due to weak internal controls of these offices and collusion with District Accounts Office, resulting into irregular withdrawal of funds from treasury through DDO.

When pointed out in July 2024, the management stated that all the codal formalities have been fulfilled before incurrance the expenditure. The relevant record will be produced to audit for verification in due course of time.

Reply of the Department is not convincing, because withdrawal from treasury through DDO is not allowed in any case.

PAO (DC, SW Lower) was requested in September, 2024 with several reminders on 24-10-2024 & 13-12-2024 to convene the DAC meeting, which could not be convened till finalization of this report.

Audit recommends stoppage of withdrawals through DDOs immediately besides action against the officers/ officials at fault for irregular payments.

AIR Para No. 03 (2023-24)

32.1.3.2.2 Irregular expenditure on account of hiring of vehicles -Rs.1.739 million

According to S.No. 9 of Part-I of Khyber Pakhtunkhwa District Govt. Rules of Business 2015, a District Officer entrusted with the charge of District Office shall be responsible for observance of laws, rules and by laws, efficient conduct of business, administrative discipline in the office.

During Audit of the accounts of Deputy Commissioner, South Waziristan (Lower) for the Financial Year 2023-24, it was observed that Rs.1,739,000 was incurred vide cheque No. 1285586 dated 06.02.2024 on account of hiring of vehicles. Audit observed the following irregularities;

- i. Cheque was prepared in the name of DDO instead of concerned vendor.
- ii. Detail of vehicles hired i.e. vehicle no and type, name and CNIC of Driver duly verified by DDO was not available in record.
- iii. Actual payee receipts of payments were also not produced to Audit for verification.

The lapse occurred due to violation of the government rules/policy, resulting into irregular expenditure.

When pointed out in July 2024, the management stated that all the codal formalities have been fulfilled before hiring of vehicle.

Reply of the Department was not convincing because expenditure was incurred without observing the codal formalities.

PAO (DC, SW Lower) was requested in September 2024 with several reminders on 24-10-2024 & 13-12-2024 to convene the DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry to find out the factual position.

AIR Para No.07 (2023-24)

CHAPTER-33

DISTRICT SOUTH WAZIRISTAN UPPPER



District South Waziristan Upper is one of the merged tribal district of Khyber Pakhtunkhwa. According to the census of 2023, it has a total area of 6,620 sq.km. with a population size of 488,438. Geographically, it lies south of the province, approximately 369 KMs away from the provincial capital-Peshawar. It has a good economic potential due to having natural resources like Chormite, Coper, Granite, Manganese, Oil and Gas besides mainly known for its tribal culture, historical significance, and natural resources. Some of its brief features are given below:

District Profile

Area: 6,620 Sq KM

Population: 488,438

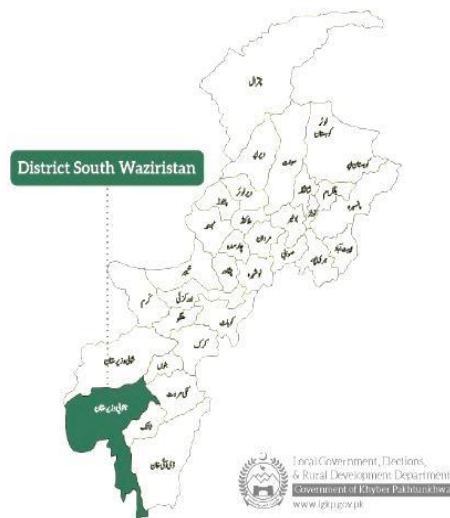
Languages: Pashto

Tehsils: 6

No. of Village Councils: 57

No. of Neighborhood Councils: 0

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



33.1 Local Government, South Waziristan Upper

33.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 2,447.385 million were raised as result of this audit. This amount also includes recoverables of Rs. 1.062 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr.No.	Classification	Amount
1	Non-production of record	37.724
2	Irregularities	-
A	HR/Employees related irregularities	2,277.968
B	Procurement related irregularities	124.331
C	Management of Accounts with Bank Accounts	6.3
3	Others	1.062
Total		2,447.385

33.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Status of DAC/TAC Meetings is given below:

S #	Audit Year	DAC/TAC Meetings
1	2018-19 to 2023-24	Not convened

33.1.3 Audit Paras

33.1.3.1 Non-production of record

33.1.3.1.1 Un-verified/ non-production of accounting records worth – Rs.37.724 million

Section 14 (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 provides that any person or authority hindering the auditorial functions of the Auditor-General of Pakistan regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

According to Government of Khyber Pakhtunkhwa, Finance Department Letter No. PA/ AFS(PFC)/1-1/FD/2017-18, dated 13.08.2018, "non-production of record to the Audit Team is violation of Article 169 & 170 (2) of the Constitution of Pakistan 1973, read with section 8,9 & 14 of the Auditor-General of Pakistan (AGP) Ordinance 2001. All such organizations where public money is involved are bound to carry out post audit by the Auditor-General of Pakistan in light of the above statutory provision".

According to Section 9 (3) of the Khyber Pakhtunkhwa Farm Services Centre Act 2014, the Accounts of a Centre shall be maintained and audited in such form and in such manner as may be prescribed by the Government.

During audit of the accounts of District Director Agriculture (Extension), District South Waziristan, it was observed that these offices incurred expenditure of Rs. 37.724 million under various Provincial and Federal projects during the FY 2022-23. However, the management did not produce the relevant record to audit for scrutiny despite several requests. Similarly, expenditure and receipts record pertaining to Model Farms Services Centre also did not provide for scrutiny. Detail is given below:

(Amount in Rs.)

Fiscal Year	Cost Center Description	ADP No	Head of Account	Original Budget	Progressive Expenditure
2022-23	TW5008 – Agriculture	191026	A03970	11,598,400	10,798,010
2022-23	TW5294 – AGRICULTURE	191026	A03970	9,996,080	11,269,840
2022-23	TW5260 - Agriculture Extension South Waziristan	210393	A03970	2,414,400	2,364,400
2022-23	TW5400 - Agricultural Planning	210606	A03970	13,292,845	13,292,275
Total Non-production of Records					37,724,525

The lapse occurred due to visit of auditee by one audit team each from DG Audit (Local Governments) KP and DG Audit KP.

When pointed in March 2024, management stated that an audit team from DG Audit KP has already audited these accounts.

Reply was not tenable as no documentary evidence was shown by the department.

PAO (DC South Waziristan) was requested in March 2024 with several reminders No. Admin/Follow-up/2024-25/1860 dated 17-12-2024 to convene DAC meeting, which could not be convened till finalization of this report.

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

AIR Para No. 01(2022-23)

33.1.3.2 Irregularities

A. HR/Employees related irregularities

33.1.3.2.1 Doubtful payment on account of LPR Rs. 101.251 million

According to Rule-14 of revised leave rules 1981 “The maximum period upto which a Civil Servant may be granted leave preparatory to retirement shall be 365 days only. It may be taken subject to availability in the leave account, either on full pay or partly on full pay and partly on half pay, or entirely on half pay, at the discretion of the Civil Servant and it will not extend beyond the age of superannuation”.

According to Rule 9(2) (f) of the Khyber Pakhtunkhwa, District or City District Governments, Budget Rules 2016, the functions of the Drawing and Disbursing Officer are the maintenance of relevant records both accounting and operational up to date and in an orderly manner.

Office of District Education offices (Male & Female), South Waziristan Upper paid Rs.101,251,919 (86,936,884 + 14,315,035) on account of LPR during the FY 2023-24 as per detail at **Annexure-33.2**.

Audit observed the following irregularities;

- i. 19 No. of payees were paid-Rs.18,222,156 each payee was paid twice.
- ii. Rs.22,097,925 were paid through off-cycle but it was not clear that to whom the payment was made.
- iii. Investigation sanction of previous years’ liabilities was not obtained.
- iv. Personal files and service books of employees were not available.
- v. There was no record to justify that the employees were not previously paid.

Doubtful payment occurred due to weak financial controls, resulting in loss to Government.

When pointed out in August 2024, management stated that service books will be collected from DAO South Waziristan and shown to audit.

Reply was not tenable as no progress was shown by the department.

PAO (DC South Waziristan) was requested in August 2024 with several reminders No. Admin/Follow-up/2024-25/1860 dated 17-12-2024 to convene DAC meeting, which could not be convened till finalization of this report.

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

AIR Para-02(2023-24)

33.1.3.2.2 Irregular payment on account of pay & allowances – Rs.2,176.717 million

According to Rule-9(i) Part-II of the Government of Khyber Pakhtunkhwa District or City District Government Budget Rules 2016, the Drawing and Disbursing Officer will make regular monthly reconciliations of expenditure and revenues with the District Accounts Officer.

According to FTR-177, all claims in respect of Government employees shall be submitted to DAO/ AG/AGPR duly completed in all respect and supported by relevant verifiable evidence. Moreover, as per 4.6.5.5 of Accounting Policies and Procedures Manual, any change in employee's allowances and deduction shall be notified by DDO through change statement to the DAO/AG/AGPR.

District Education Offices (Male & Female), South Waziristan Upper paid Rs.2,176,717,551 on account of pay and allowances during FY 2023-24 as per detail in **Annexure-33.3**.

Audit observed following irregularities;

- i. Local office did not reconcile the expenditures with district Accounts officer South Waziristan Upper on monthly basis.
- ii. There were 146 employees placed against 71 positions in DEO (M) and 46 employees placed against 23 positions (DDO ID: TW6044) in DEO (F).
- iii. Service Books of employees along with medical fitness reports were not produce to audit.
- iv. Details of total number of sanctioned posts and working staff were not available in office.

The lapse occurred due to weak internal controls, resulting in irregular payment of pay and allowances.

When pointed out in August 2024, management stated that reconciled expenditure statements and corrected Position IDs will be produce to audit soon.

Reply was not tenable as no progress was shown by the department. PAO (DC South Waziristan Upper) was requested in August 2024 with several reminders No. Admin/Follow-up/2024-25/1860 dated 17-12-2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends for reconciliation of expenditures, besides submitting of record regarding sanctioned and working posts along with service books for verification of record.

AIR Para-05 (FY-2023-24)

B. Procurement related irregularities

33.1.3.2.3 Overpayment beyond the approved rates as per PC-I Rs.2.828 million

According to rule 74 (1) (a) of Khyber Pakhtunkhwa District or City District Government Budget Rules 2016 that, “Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money and According to rule (4) (a) The Head of Offices shall be responsible for all matters relating to the budget for the offices under his administrative control.”

During the scrutiny of the accounts of the District Office, Soil & Water Conservation, South Waziristan, for FY 2022-23, it was observed that the local office overpaid farmers by Rs. 2,828,161 beyond the rates approved in the PC-I of the schemes. Detail is given at **Annexure-33.4**.

The lapse occurred due to weak financial controls, resulting into overpayment.

When pointed out in April 2024, management stated that a detailed reply would be submitted after scrutiny of the relevant record.

Reply was not tenable as no progress was shown by the department.

PAO (DC South Waziristan) was requested in April 2024 with several reminders No. Admin/Follow-up/2024-25 No.1860 dated 17-12-2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of the excess amount paid and its deposit into the government treasury.

AIR Para-01(2022-23)

33.1.3.2.4 Irregular payment on account of land acquisition Rs. 71.571 million.

Rule-10 and Section-23 (1) of the of Khyber Pakhtunkhwa Revenue & Estate Department Notification No.REV:V/4/B.J/2019/1726-72, dated Peshawar the 22nd July 2020 “The cost of land through private negotiations, cost of land, and determination of compensation in private negotiations shall be approved by the committee consisting of (a) Collector of District as Chairman (b) ADC General as Member/Secretary (c) Concerned revenue Officer as Member (d) Representative of Acquiring Department as Member and (e) Any Co-Opted person as Member and the collector may publish the list of owners in a local daily newspaper of repute for the information of all persons interested in the land of owners of land, shall be placed before the committee under rules 10 for approval.

During scrutiny of the accounts of the Deputy Commissioner South Waziristan Upper for the financial year 2023-24, it was observed that the local office has issued following cheques to the Assistant Commissioner of Rs.71,571,400 for onward disbursement to land owners:

(Amount in Rs.)

Sr. No.	Cheque No. & Date	Name of Scheme	Amount
1	2543687 dt 06/02/2024	Establishment of Farm Services Center at Kaniguram in Wana-Makin-4 Kanal	844,000
2	A926214 dt 01/08/2023	Establishment of Rescue-1122 at Moulay Sub-division Sarwekai-4 Kanal	2,405,400
3	CDR-14796450 dt 14/03/2024	Construction of 132 KV Grid Station Sararogha South Waziristan-40 Kanals	58,322,000
4	CDR-14796452 dt 14/03/2024	Installation of 13 No. of Solar Mini Grids in merged area, ADP-669 for Sararogha Bazar-10 Kanals	10,000,000
Total			71,571,400

However, Audit observed that all necessary requirements were not fulfilled for the payment as:

- i. No committee existed/formed for land acquisition under rule 10 above.
- ii. No survey reports of the collector were found at local tehsil office.

- iii. Mutation of land in the name of Govt. was not found at local office.
- iv. Daily newspaper piece/information about list of owners was not found as per official record.

All the payments were made to the Assistant Commissioners instead of direct payment to the land owners concerned through cross cheques. List of land owners was also missing as per record. CNICs copies of the Quomi Commission were not found attached.

Irregular payment occurred due to weak internal controls, resulting in violation of Government instructions.

When pointed out in July 2024, the management did not furnish any reply.

PAO (DC South Waziristan Upper) was requested in July 2024 with several reminders No. Admin/Follow-up/2024-25/1860 dated 17-12-2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry for fixing of responsibility against the person(s) at fault besides strengthening the internal controls to avoid the recurrence of such lapses in future.

AIR Para-01 (FY-2023-24)

33.1.3.2.5 Irregular approval of Developmental Schemes -Rs.49.932 million

According to P&D Guidelines 2015 para No 8.4 “The head of each department/ executing agency shall identify the proposed projects in consultation with the departments’ stakeholders, community, elected local councilors, civil society and private sector and the community involvement in terms of identification shall be ensured by following the existing government policies on conditional grant and community driven local development as mentioned at Section 9”.

The Deputy Commissioner South Waziristan Upper approved various schemes and issued administrative approval for the schemes amounting Rs.49,932,249 as mentioned in the table given in **Annexure-33.5**. It was observed that:

- i. Only the cost and quantity of material was mentioned in the DDC minutes and Administrative Approval.
- ii. The schemes identification from the stakeholders was not available on record.
- iii. In the schemes of electrification sector name of the schemes was not available and it was not mentioned where the electrification material will be installed.
- iv. The Administrative Approval of the schemes was also silent about the exact location and name of the schemes to be executed.

The lapse occurred due to weak internal controls, resulting in irregular approval of developmental schemes.

When pointed out in July 2024, the management did not furnish any reply.

PAO (DC South Waziristan Upper) was requested in August 2024 with several reminders No. Admin/Follow-up/2024-25/1860 dated 17-12-2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry for fixing of responsibility against the person(s) at fault besides strengthening the internal controls to avoid the recurrence of such lapses in future.

AIR Para-07 (FY-2023-24)

C. Management of accounts with Commercial Banks

33.1.3.2.6 Irregular Retention of funds in Designated Bank Account-Rs.6.300 million

According to Rule-290 of Federal Treasury Rules, “no money should be drawn from Treasury unless required for immediate disbursement. It is not permissible to draw money from treasury in anticipation of demand or to prevent lapse of budget grant”.

During audit of the Deputy Commissioner South Waziristan Upper, for financial year 2023-24, it was observed that an amount of Rs. 6,300,000 on account of honoraria of 74 registered Aimas Karam was retained in designated Bank Account of Assistant Commissioner HQ as on 30.06.2024. Audit held that the amount was withdrawn from treasury in advance and retained in bank instead of payment to Aimas concerned after fulfillment of codal formalities.

The lapse occurred due to weak Internal Controls, resulting in illegal retention of funds and depriving the local Aimas community from the benefits of the said funds.

When pointed out in July 2024, the management did not furnish any reply.

PAO (DC South Waziristan) was requested in July 2024 with several reminders No. Admin/Follow-up/2024-25/1860 dated 17-12-2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry for fixing of responsibility and action against the person(s) at fault, besides disbursement of honoraria among Aimas as per rules.

AIR Para-13(2023-24)

33.1.3.3 Others

33.1.3.3.1 Loss to Government due to less collection of License Receipts- Rs. 1.062 million

According to Finance Department, Government of Khyber Pakhtunkhwa, Peshawar's office letter No. BO(Rev-II)FD/3-2/2022 dated Peshawar , 04th July 2022 "Rates for fresh pistol/revolvers and fresh shotgun/rifle license was fixed Rs. 10,000 for only Khyber Pakhtunkhwa province"

During scrutiny of the license branch record of Office of the Deputy Commissioner South Waziristan Upper District for the Financial year 2023-24, it was observed that Deputy Commissioner issued a total of 125 private licenses by charging Rs. 1500 each and received Rs.187,500. However, the local office was required to charge @ Rs. 10,000 each and collect amount of Rs. 1,250,000 as per rates revised by finance department, KP due to which the government sustained a loss of Rs. 1,062,500. Detailed at **Annexure-33.6**.

The lapse occurred due to weak internal controls and violation of Finance Department, KP instructions, resulting into less collection of license receipts.

When pointed out in July 2024, the management did not furnish any reply.

PAO (DC South Waziristan) was requested in July 2024 with several reminders No. Admin/Follow-up/2024-25/1860 dated 17-12-2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery and inquiry into the matter for fixing responsibilities on the person(s) at fault.

AIR Para-03 (FY-2023-24)

33.2 Assistant Director LG & RDD, South Waziristan Upper

33.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 124.581 million were raised as result of this audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S.No.	Classification	Amount
1	Others	124.581
Total		124.581

33.2.2 Comments on the Status of Compliance with VACs/NACs Directives

Sr. No.	Audit Year	VACs/NACs meetings
1	2018-19 to 2023-24	Not Convened

33.2.3 Audit Paras

33.2.3.1 Others

33.2.3.1.1 Irregular Execution of Development Scheme – Rs.106.416 million

According to para-3,6,8 &13 of Deputy Commissioner South Waziristan administrative approval letter No. 2182/DC/AD LGE&RDD/AA/DDP/LM dated 03/06/2022 “the schemes will be executed strictly according to the PC-I of the scheme and instructions mentioned in the P&D Guidelines” “it shall be responsibility of the executing agency to ensure that there is no duplication and over-lapping of the schemes and the public interest has been taken into account without gender discrimination” “the payment shall be made on work done basis after carrying out necessary scrutiny by executing agency”& “the executing agency shall be responsible for the quality quantity rates, design & exact location through GPS coordinates”.

Office of the Assistant Director Local Government Department, South Waziristan upper, executed various developmental schemes under ADP “District Development Plan for Merged Areas, Low Cost Water Supply Schemes in Merged Districts (AIP) under Merged Area Umbrella ADP/AIP Scheme, Rural/Approach Roads in Merged District & Street Pavement and Construction of Drains in Different District / Sub-Division of Merged Areas” by incurring expenditure of Rs.106,416,000 during financial year 2023-24.Detail at **Annexure-33.7**.

Audit observed the following irregularities;

- i. As per record Duplication Certificate of the scheme duly verified by the Competent Authority was not available.
- ii. TS and PC-I of the schemes were not available as per record.
- iii. Neither proper handing /taking over was made with any Government Department for operation & maintenance nor acknowledgement by any individual or community of the area were found as per record which creates doubt in the actual construction of the scheme at the site.
- iv. Before and after photographs/ pictorial evidence as a proof of execution & completion of the scheme at the sites were not available as per record.
- v. GPS Coordinates of executed schemes were also not available which creates an ambiguity in the execution of the scheme at the actual sites area.

- vi. MBs of the schemes were not produced to Audit to ascertain that the scheme was actually executed and measured on MBs accordingly.
- vii. Report of the District Monitoring Committee was also not available as per record.
- viii. Scheme completion certificate from the local community was also not found as per record.

The irregularity occurred due to weak internal controls, resulting in irregular execution of developmental schemes.

When reported in October 2024, the management did not furnish any reply.

PAO (DC South Waziristan Upper) was requested in August 2024 with several reminders No. Admin/Follow-up/2024-25/1860 dated 17-12-2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry for fixing of responsibility against the person(s) at fault besides completion of scheme at the actual site area.

AIR Para-01 (FY-2023-24)

33.2.3.1.2 Irregular award of contract – Rs.17.965 million

Clause-6(3) (b) (iv) of KPPRA Rules 2014 states that only lowest offer from the qualified bidder shall be accepted and it must be lowest evaluated or best evaluated bid. There should be minimum three contractors to participate in tender.

The Assistant Director (LG&RDD), South Waziristan Upper awarded contracts of following schemes amounting to Rs.17,965,000 at District South Waziristan to various contractors as per detail given below:

(Amount in Rs.)

Sr. No.	Name of Scheme	Name of Contractor	Estimated Cost
1	PCC street and contraction of drains in merged areas (AIP) in SWTD	FaizUllah Khan Faizi	1,200,000
2	Rural approach in road in merged districts in SWTD (PCC road at Zia BurkiKoroona, Ladha)	ZHA Construction Co.	1,800,000
3	Construction of Road at drain at Shakari Habib RehanSararogha	International Developer Construction Co.	1,150,000
4	Rural approach in road in merged districts in SWTD (PCC road at Hazrat Ali KoroonaWana)	Khan ALam Govt. Contractor and Property Advisor	1,230,000

5	Rural approach in road in merged districts in SWTD (PCC road at Hazrat Ali KoroonaWana)	Khan ALam Govt. Contractor and Property Advisor	1,250,000
6	Low-cost water supply scheme: Construction of road for Khana Din MichiKehl Kacha Chat	Abdul Wahab Construction Co. (SMC-PVT) Ltd.	6,500,000
7	PCC Street at village MinazarFaridai Tehsil Sarwakai	Haq Nawaz & Brothers	1,995,000
8	PCC Street at Zain UllahKoroonaShobi Khel Tehsil Ladha	Haq Nawaz & Brothers	1,640,000
9	Rural Approach Roads in merged districts in SWTD: PCC Road at Imran Burki Koroona Ladha	ZHA Construction Co.	1,200,000
Total Cost			17,965,000

Audit observed that only one contractor participated in the tender process and work was awarded to him instead of re-tendering of the schemes to economize the expenditure as required.

The lapse occurred due to weak internal controls, resulting in irregular award of contract.

When pointed out in October 2024, the management replied that contracts were awarded to lowest bidder on merit as per rules. Reply of the department was not satisfactory.

PAO (DC South Waziristan Upper) was requested in July 2024 with several reminders No. Admin/Follow-up/2024-25/1860 dated 17-12-2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry for fixing of responsibility against the person(s) at fault.

AIR-12 (FY-2023-24)

CHAPTER-34

DISTRICT SWABI



District Swabi is situated in Mardan Division of Khyber Pakhtunkhwa. According to the census of 2023, it has a total area of 1,543 sq.km. with a population size of 1,894,600, comprising 51% male and 49% female. Geographically, it lies east of the province, approximately 109 KMs away from the provincial capital-Peshawar. It is mainly known for its Agriculture, industrial sector, and rich culture. Some of its brief features are given below:

District Profile

Area: 1,543 Sq KM

Population: 1,894,600

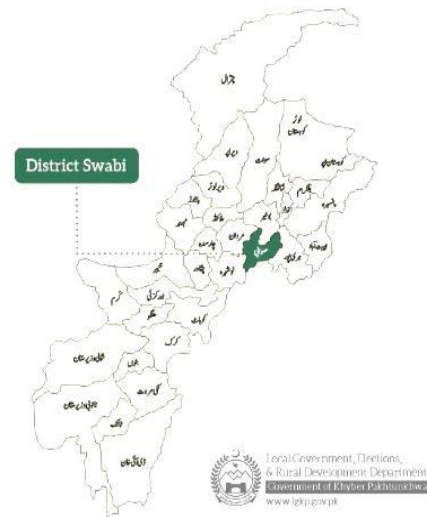
Languages: Pashto

Tehsils: 4

No. of Village Councils: 133

No. of Neighborhood Councils: 27

Source: Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024



34.1 Local Government, Swabi

34.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 56.391 million were raised in this report during the current audit of Local Government Swabi. This amount also includes recoveries of Rs 3.381 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1.	Irregularities	-
A	Procurement related irregularities	53.010
B	Management of Accounts with Commercial Banks	3.381
Total		56.391

34.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meetings
1.	2002-03 to 2023-24	Not convened

34.1.3 Audit Paras

34.1.3.1 Irregularities

A. Procurement related irregularities

34.1.3.1.1 Non-surrender of unspent balance on account of purchase of CCTV cameras- Rs. 1.276 million

According to Para 95 of General Financial Rules Volume-I, all anticipated savings should be surrendered to Government well before close of financial year. No savings should be held in reserve for possible future excesses.

During Audit of the accounts of the Deputy Commissioner Swabi for the Financial Year 2023-24, it was noticed that Rs 19,035,000 was released for purchase of CCTV cameras for the General Elections 2024 out of which an amount of Rs 17,758,781. However, the balance amount of Rs 1,276,219 was not surrendered to government.

The lapse occurred due to non-compliance of government instructions, resulting into irregular retention of the unspent balances.

When pointed out in July 2024, the management stated that unspent amount will be returned to the quarter concerned. The reply was irrelevant as government has issued clear instructions for the surrender of the unspent amount. However, no progress was shown to audit till finalization of this report.

PAO (DC Swabi) was requested in September 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate surrender of the unspent amount to the government.

AIR Para No. 01 (2023-24)

34.1.3.1.2 Non-utilization of conditional grant fund - Rs 4.205 million

According to Treasury Rule 290, no money shall be withdrawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of -budget grants.

During Audit of the accounts of District Education Offices (Female & Male) Swabi for the financial year 2023-24, it was observed that conditional grants funds amounting to Rs 4,205,000 were lying unspent since 2018, resulting into blockage of public funds. Details as per **Annexures-34.2(a & b)**

Non-utilization of conditional grant occurred due to weak financial management, resulting into non-utilization of the conditional grant fund.

When pointed out in August 2024, the management stated that corrective action will be taken in the matter and progress will be shown to audit. However, no progress was reported.

PAO (DC Swabi) was requested in September 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate surrender of the unspent amount to the government.

Note: This issue was also reported earlier in the Audit Report for Audit Year 2023-24 vide Para No. 2.4.2.3 having financial impact of Rs.1.600 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 01 & 01 (2023-24)

34.1.3.1.3 Irregular expenditure on account of PTC funds 47.529 million

As per Serial No-1 under Financial Management section of PTC Guidelines – “record to be maintained”, PTC shall maintain complete record of income and expenditure and shall submit copies thereof to the DEO concerned and inspection will be carried out by the inspection committee at the closure of financial year.

During Audit of the accounts of District Education Office (Female) Swabi for the financial year 2023-24, it was observed that Rs 10,842,125, Rs.6,342,050 and Rs.30,345,125 were transferred on account of petty repair, CRC & ASPIRE fund respectively to the Parent Teachers Council (PTC) of various Middle and Primary Schools (Female) in the district. However, record i.e. vouchers, cash book and other supporting documents were not obtained from the schools for inspection and third-party validation. Hence, expenditure remained un-authentic.

The lapse occurred due to deviation from PTC guidelines, which caused un-authentic expenditure and possibility of misappropriation could not be ruled out.

When pointed out in August 2024, the management stated that relevant vouchers, progress reports and record will be obtained from the schools and progress will be shown to audit.

PAO (DC Swabi) was requested in September 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends maintenance of record as per PTC Guidelines, besides strengthening of internal controls to avoid the recurrence of such lapse in future.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 and 2023-24 vide Para No.2.5.3.5 & 2.4.1.3 having financial impact of Rs.51.633 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 03 (2023-24)

B. Management of Accounts with Commercial Banks

34.1.3.1.4 Non-deposit of bank profit into the government treasury – Rs 3.381 million

According to Para 3 (ix) of the Government of Khyber Pakhtunkhwa, Finance Department letter No. 2/3/(F/L)/FD/2019-20/Vol-XIII dated 03.02.2020, “In case of current account, the same shall be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately except where department/ offices/ Autonomous & Semi-Autonomous Bodies/ Organizations/ Corporations have been specifically permitted under some statute / Act.”

During Audit of the accounts of Deputy Commissioner Swabi for the financial year 2023-24, it was observed that an amount of Rs 3,381,517 was earned as profit from designated bank account No. 2007568927 BOK Swabi. However, the profit was not deposited into the Government treasury.

Non-deposit of bank profit into government treasury occurred due to non-observance of government rules/instructions, resulting into loss to Government

When pointed out in July 2024, the management stated that compliance will be made and progress will be shown to audit. However, no progress was shown to audit till finalization of this report.

PAO (DC Swabi) was requested in September 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends deposit of the profit into government treasury.

AIR Para No. 03 (2023-24)

34.2 Tehsil Municipal Administrations, Swabi

34.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 22.988 million were raised in this report during the current audit of Tehsil Municipal Administrations Swabi. This amount also includes recoveries of Rs 18.016 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs in million)

Sr. No.	Classification	Amount
1	Irregularities	-
	Management of Accounts with Commercial Banks	4.972
2	Others	18.016
Total		22.988

34.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports of the following years have been submitted to the Governor of Khyber Pakhtunkhwa. The detail of TAC Meetings is given below:

Sr. No.	Audit Year	TAC Meeting
1.	2002-03 to 2023-24	Not convened

34.2.3 Audit Paras

34.2.3.1 Irregularities

A Management of Accounts with Commercial Banks

34.2.3.1.1 Non-deposit of bank profit into Government treasury – Rs. 4.972 million

According to Para 3(ix) of Finance Department Khyber Pakhtunkhwa letter No. 2/3-(F/L)/FD/2019-20/Vol-XIII dated 3rd February 2020, in case of current account, the same be converted to PLS mode and the profit earned be deposited in Government Treasury under relevant head of account immediately and not later than a week when declared by the concerned bank.

During Audit of the accounts of Tehsil Municipal Administrations Topi and Lahore, District Swabi for the financial year 2023-24, it was observed that amount of Rs 990,352 and Rs 1,496,049 respectively totaling Rs 2,486,401 was earned as profit from designated bank accounts. However, profit earned was not deposited into government treasury.

Non-deposit of profit occurred due to weak internal controls, resulting into loss to Government.

When pointed out in November 2024, management stated that profit would be deposited into government treasury after clarification from LCB. Reply was not satisfactory as no profit was deposited into Government treasury till finalization of this report.

PAO (TMO) was requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends deposit of profit into Government treasury.

Note: This issue was also reported earlier in the Audit Reports for Audit Years 2020-21, 2022-23 and 2023-24 vide Para No. 3.5.2.19 No. 3.4.1.4 and No. 3.4.1.3 having financial impact of Rs 17.606 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 04 & 06 (2023-24)

34.2.3.2 Others

34.2.3.2.1 Non-recovery of water charges from consumers—Rs 2.542 million

According to Para 6(c) of TMA budget rules 2016 of the Khyber Pakhtunkhwa, the function of the TOR shall be to ensure that all sums due to the TMA are regularly and promptly assessed, realized and duly credited in the Tehsil Fund.

During Audit of the accounts of TMA Swabi for the financial year 2023-24, it was observed that water charges amounting to Rs 2,542,230 from various consumers were not recovered, which results into loss to TMA.

Non-recovery of water charges occurred due to weak internal controls, resulting into loss to TMA.

When pointed out in November, 2024 the management stated that recovery will be made from the users concerned and progress will be shown to audit till finalization of this report.

PAO (TMO) was requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of water charges form the defaulters.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2017-18 & 2023-24 vide Para No. 1.3.2.1 & No. 3.4.2.2 having financial impact of Rs.5.032 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 01 (2023-24)

34.2.3.2.2 Non-recovery of outstanding dues from contractors—Rs 13.974 million

According to Para 6(c) of TMA budget rules 2016 of the Khyber Pakhtunkhwa, the function of the TOR shall be to ensure that all sums due to the TMA are regularly and promptly assessed, realized and duly credited in the Tehsil Fund.

During Audit of the accounts of the Tehsil Municipal Administrations Swabi, Razzar and Lahor District Swabi for the financial year 2023-24, it was

observed that outstanding dues on account of General Bus Stands, cattle fair, and Licenses fee amounting to Rs 13,974,969 were not recovered from various contractors, resulting into loss to TMAs. Detail at **Annexures-34.3** (a,b&c).

Non-recovery of outstanding dues from the contractor occurred due to weak financial controls, resulting into loss to TMAs.

When pointed out in November, 2024 the management stated that notices will be issued to the contractors concerned for recovery and progress will be shown to audit.

PAOs (TMOs) were requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of the outstanding dues from the contractors and deposit into the TMAs accounts.

Note: This issue was also reported earlier in the Audit Reports for Audit Years 2021-22, 2022-23 and 2023-24 vide Para No. 3.5.2.1 No. 3.4.2.6 and No. 3.4.2.1 having financial impact of Rs 8.711 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No 02, 01 & 05 (2023-24)

34.2.3.2.3 Non-imposition of Penalty for delay in completion of Scheme – Rs.1.500 million

According to Para 2 of the Contract Agreement executed between the contractor & TMA, in case of delay in the completion of work party No 1 is authorized to impose penalty from 1 to 10% on the contractor of the total estimated cost of the work.

During Audit of the accounts of Tehsil Municipal Administration Razzar, District Swabi for the financial year 2023-24, it was observed that penalty for Rs 1,500,000 against a contractor for non-completion of a developmental scheme with in the stipulated time period was not imposed. Detail given below:

(Amount in Rs.)

Name of Scheme	E/Cost	Work order date	Required Completion Date	Completion Date	Penalty @10%
Installation of street lights at Tehsil Bazar	15,000,000	21.09.2022	21.03.2023	In progress	1,500,000
Total	15,000,000				1,500,000

The lapse occurred due to weak internal controls, resulting into loss to Government.

When pointed out in November, 2024 the management stated that penalty will be recovered from the contractor concerned after verification of record.

PAO (TMO) was requested in December 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of penalty besides completion of the scheme.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2017-18 and 2023-24 vide Para No. 1.3.2.7 & No. 3.4.3.2 having financial impact of Rs.29.333 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No 03 (2023-24)

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34.3 Assistant Director LG & RDD, Swabi

34.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 143.631 million were raised in this report during the current audit of Assistant Director LG & RDD Swabi. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Others	143.631
Total		143.631

34.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports of the following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VAC/NAC meetings are given below:

Sr. No.	Audit Year	VACs/NACs meeting
1.	2002-03 to 2023-24	Not Convened

34.3.3 Audit Paras

34.3.3.1 Others

34.3.3.1.1 Blockage of Government money due to retention of District Council fund -Rs 143.631 million

According to Para 95 of General Financial Rules Volume-I, all anticipated savings should be surrendered to Government well before close of financial year. No savings should be held in reserve for possible future excesses.

During Audit of the accounts of Assistant Director LGE &RDD Swabi for the financial year 2023-24, it was observed that an amount of Rs 143,631,568 (non-salary) pertaining to defunct District Council Swabi, which is lying unspent in the Account-IV. However, the unspent amount was not surrendered to the government.

Non-transfer of District Council fund occurred due to weak internal controls resulting into blockage of Government money.

When pointed out in October 2024, the management stated that detailed reply would be provided after examination of relevant record. No reply was furnished till finalization of this report.

PAO (Deputy Commissioner) was requested in October 2024 with several reminders to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate surrender of fund to the government concerned.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2023-24 vide Para No. 4.4.1.1 having financial impact of 150.720 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 10 (2023-24)

CHAPTER-35

DISTRICT SWAT



District Swat is the headquarter district of Malakand Division of Khyber Pakhtunkhwa. According to the census of 2023, it has a total area of 5,337 sq.km with a population size of 2,687,384 comprising 51.1% male and 48.9% female. Geographically, it lies in the North of the province, approximately 200 KMs away from the provincial capital-Peshawar. District Swat used to be the capital of the kingdom of Wali Swat in the past and is known for its spellbinding natural beauty and history of buddhist civilization. Due to its natural beauty especially in areas like Malam Jabba, Kalam, Maho-Dand, Madyan and Osho forests, Swat was dubbed as ‘Switzerland of the East’ by Queen Elizabeth. District Swat is also famous for Orchards of Peaches, Apples, Plums and Persimmons and handicraft especially the shawls of Islaampur. Some of its brief features are given below:

District Profile

Area: 5,337 Sq KM

Population: 2,687,384

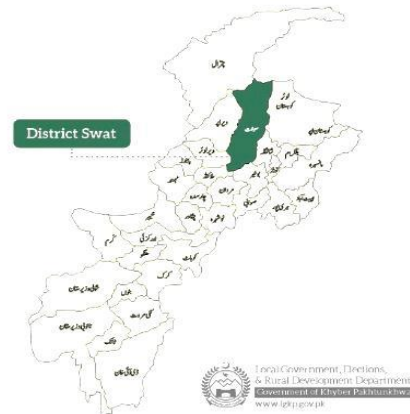
Languages: Pashto, Kohistani

Tehsils: 7

No. of Village Councils: 205

No. of Neighbourhood Councils: 17

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



35.1 Local Government, Swat

35.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 457.168 million were raised as a result of this audit. This amount includes recoveries of Rs. 202.108 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	3.989
B	Procurement related irregularities	171.071
C	Management of Accounts with Commercial Bank	1.523
2	Value for money and service delivery issues	185.937
3	Others	94.648
Total		457.168

35.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

S. No	Audit Year	ZAC/DAC/TAC Meetings
1	2002-03 to 2023-24	Not convened

35.1.3 Audit Paras

35.1.3.1 Irregularities

A. HR/Employees related irregularities

35.1.3.1.1 Irregular payment of arrears of pay and allowances without sanction of Finance Department – Rs 3.989 million

According to serial No. 8 (i) (3) of the Khyber Pakhtunkhwa Delegation of Financial Power Rules, 2018, TA claim more than 3 years old and claim of arrear of pay and allowances, other than TA, more than six years old, shall require sanction of Finance Department after investigation by Audit.

During audit of the accounts of the office of District Director On-Farm Water Management Swat for the financial year 2022-23, it was observed that an amount of Rs 3,989,699 was paid to sub-engineers on account of arrear of pay and allowances for the period from July 2005 to December 2012 without obtaining sanction from the Finance Department KP as the claims were more than six years old. Hence, the payment was held irregular. Detail at **Annexure-35.2**.

The irregularity occurred due to weak financial controls, resulting in irregular payment.

When pointed out in February 2024, management stated that the sub-engineers were entitled to the payment of arrear on the basis of Court decision. Therefore, obtaining sanction from the Finance Department Khyber Pakhtunkhwa was not required.

Management reply was not convincing as obtaining sanction of Finance Department KP was required as per Delegation of Financial Power Rules, 2018 as referred to above.

PAO (DC Swat) was requested in March 2024 with several reminders vide DG office letter No.1838-80 dated 13.11.2024 and RDA Swat letter No. 180-87 dated 22.11.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends regularization from the competent authority besides fixing responsibility for payment of arrear without obtaining sanction from the Finance Department Khyber Pakhtunkhwa.

AIR Para No. 02/2022-23

B. Procurement related irregularities

35.1.3.1.2 Irregular payment due to allowing Compulsory Land Acquisition Charges without due process of law - Rs 147.615 million

According to section 23(2) of Land Acquisition Act 1894, "in addition to the market value of the land as above provided, the court shall in every case award a sum of 15% on such market value, in consideration of the compulsory nature of acquisition".

During audit of the accounts of Deputy Commissioner Swat for the financial year 2023-24, it was observed that Rs.147,615,186 was paid as 15% compulsory acquisition charges in addition to the compensation of land while acquiring land for different departments. Audit held that the Deputy Commissioner/Collector was not competent to allow 15 % Compulsory Acquisition charges. Only the Court of law could allow the said charges. Furthermore, the compulsory acquisition charges were allowed at initial stage of land acquisition without written objection, obstructions, refusal or appeal regarding compensation of land by the landowner. Detail at **Annexure -35.3**.

The lapse occurred due to violation of Land Acquisition Act, resulting in loss to the Government.

When pointed out in July 2024, management stated that detailed reply would be furnished after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAO (DC Swat) was requested in August 2024 with several reminders vide DG office letter No.1838-80 dated 13-11-2024 and RDA Swat letter No. 180-87dated 22.11.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery and stoppage of such practice in future.

AIR Para No. 11/2023-24

35.1.3.1.3 Un-justified payment on account of hiring of vehicles – Rs.12.913 million

According to Para 23 of GFR Vol.-I, every Government officer is personally responsible for any loss sustained by Government through fraud or negligence either on his part or on the part of his subordinate staff.

During audit of the accounts of Deputy Commissioner Swat for the financial year 2023-24, it was observed that Rs.12,913,680 was paid on account of hiring of vehicles for General Elections 2024. Audit observed that the expenditure was un-justified due to the following reasons.

- i. Payment was made to the contractor without providing list of vehicles and other supporting documents.
- ii. Total No. of trip made and kilometer covered was also not available on record.
- iii. No tender/quotation was made for hiring of vehicle to achieve economical rates
- iv. Huge amount of Rs.22,000 per vehicle per day was made without any assessment / market rates.
- v. Besides payment of hiring charges an amount of Rs 21,840 per vehicle per day was also paid on account of POL for the same vehicle

The lapse occurred due to weak internal and financial controls, resulting in un-justified expenditure.

When pointed out in July 2024, management stated that payment was made to the contractor through cross cheques and supporting documents would be produced to audit. However, neither no progress was reported till finalization of this report.

PAO (DC Swat) was requested in August 2024 with several reminders vide DG office letter No.1838-80 dated 13.11.2024 and RDA Swat letter No. 180-87dated 22.11.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends provision of supporting documents of expenditure besides investigation to probe into the matter for fixing responsibility on the person(s) at fault.

AIR Para No. 02/2023-24

35.1.3.1.4 Un-justified expenditure/ transfer of funds on account of purchase of CCTV Cameras - Rs.10.543 million

According to Rule-1 Chapter-II of KPPRA Rules-2014, the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs. 500,000 (rupees five hundred thousand).

During audit of the accounts of District Education Office (Male) Swat for the financial year 2023-24, it was observed that Rs.10,542,915 was transferred to Parent Teachers Council (PTC) bank accounts for purchase of plant and machinery (CCTV Cameras). Audit observed that:

- i. The office was required to procure the CCTV cameras through open competitive bidding as principal method of procurement.
- ii. The funds were transferred to PTC accounts and Government was deprived of the economical rates.
- iii. Utilization report of funds and job completion report was not available on record.
- iv. The execution of work was not monitored by anyone as monitoring report was not available on record.
- v. The demand/ requirement of CCTV Cameras of each school were also not available on record.

The lapse occurred due to violation of procurement rules, resulting in un-justified expenditure and miss-utilization of funds.

When pointed out in August 2024, management stated that as per directives of the DC office Swat, the funds were transferred to concerned schools. Reply was not convincing as the office did not produce such directions whereas the sanction accorded by the Deputy Commissioner revealed that the funds shall be utilized as per codal formalities.

PAO (DC Swat) was requested in August 2024 with several reminders vide DG office letter No.1838-80 dated 13-11-2024 and RDA Swat letter No. 180-87dated 22.11.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends clarification of transfer of funds to PTC Accounts without adopting proper procurement procedure and fixing responsibility on the person(s) at fault.

AIR Para No. 03/2023-24

C. Management of Accounts with Commercial Banks

35.1.3.1.5 Non-deposit of profit into Government treasury –Rs.1.523 million

According to Para 3(ix) of Finance Department Khyber Pakhtunkhwa letter No. 2/3-(F/L)/FD/2019-20/Vol-XIII dated 3rd February 2020, in case of current account, the same may be converted to PLS mode and the profit earned on designated bank accounts be deposited in Government Treasury immediately except where departments/offices/Autonomous & semi-autonomous Bodies/ Organizations/ Corporations have been specifically permitted under some Statute/Act.

During audit of the accounts of District Education Office (Male) Swat for the financial year 2023-24, it was noticed that Rs.1,523,250 was earned on the balance amount lying in various PLS accounts maintained by its subordinate offices/ schools. However, the earned profit was not deposited into the government treasury. Detail at **Annexure -35.4**.

The lapse occurred due to non-compliance with Finance Department KP instructions, resulting into loss to the government.

When pointed out in August 2024, management stated that the concerned SDEOs have been directed to deposit the profit into Government Treasury as soon as possible. The reply was not convincing as no progress was reported till finalization of this report.

PAO (DC Swat) was requested in September 2024 with several reminders vide DG office letter No.1838-80 dated 13-11-2024 and RDA Swat letter No. 180-87dated 22.11.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends deposit of bank profit into Government treasury under proper head of account.

Note: The issue was also reported earlier in the Audit Report for the Audit Years 2023-24 vide para number 2.4.1.11 having financial impact of Rs 0.961 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 09/2023-24

35.1.3.2 Value for money and service delivery issues

35.1.3.2.1 Non-credit of land compensation to Government treasury-Rs.141.852 million

According to Finance Department, Government of Khyber Pakhtunkhwa, letter No. 2/3(F/L) FD/2022 dated Peshawar 9th March 2022, all the funds deposited in commercial banks shall immediately be transferred to government treasury to the relevant head of account within 15 days after issuing of this letter, failing which the funds should be credited to Provincial Account through State Bank of Pakistan and strict disciplinary action under the rules shall be initiated.

During audit of the accounts of Deputy Commissioner Swat for the financial year 2023-24, it was observed that the remaining amount of land acquisition fund for Rs.141,852,000 (lying in designated bank account) was not transferred to the government treasury.

The lapse occurred due to violation of government rules, resulting in non-deposit of balance amount into government treasury and un-authorized and un-authentic payments.

When pointed out in July 2024, management stated remaining amount of land acquisition would be transferred to the government treasury. However, no progress was reported till finalization of this report.

PAO (DC Swat) was requested in August 2024 with several reminders vide DG office letter No.1838-80 dated 13-11-2024 and RDA Swat letter No. 180-87 dated 22.11.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends transfer of balance amount of land compensation lying in designated bank accounts to the government treasury.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2023-24 vide para number 2.4.2.1 having financial impact of Rs 338.801 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 01/2023-24

35.1.3.2.2 Non-deposit of taxes into government treasury and non-transfer of 2% tax to TMAs – Rs.44.085 million

According to Treasury Rule 7 (i), all the money received by or tendered to government officers on account of the revenue shall without undue delay be paid in full into a treasury.

During audit of the accounts of Deputy Commissioner Swat for the financial year 2023-24, it was noticed that Rs.44,084,680 was collected on account of stamp duty and 2% TMA charges on transfer of immovable property from the acquiring departments. However, the amount was retained in the designated bank accounts instead of deposit of stamp duty into Government treasury and transfer of 2% to the concerned TMAs. Detail at **Annexure-35.5**.

The lapse occurred due to violation of rules, resulting in loss to the Government.

When pointed out in July 2024, management stated that the government taxes would be deposited into government treasury. No reply was furnished for transfer of TMA tax. However, no progress was reported till finalization of this report.

PAO (DC Swat) was requested in August 2024 with several reminders vide DG office letter No.1838-80 dated 13-11-2024 and RDA Swat letter No. 180-87dated 22.11.2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends deposit of taxes into Government treasury and transfer of 2% tax to the concerned TMAs.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2023-24 vide para number 2.4.2.2 having financial impact of Rs 38.218 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 12/2023-24

35.1.3.3 Others

35.1.3.3.1 Un-authentic payment on account of Ramzan Package – Rs.80.00 million

According to S.No II of letter No.SO(ZB)/CM-Directives/2024/977-86 dated 13.03.2024 of Government of Khyber Pakhtunkhwa Zakat, Ushar, Social welfare, Special Education and women empowerment Department, a district level committee shall be constituted comprising District Office Social welfare and District Zakat Officer, headed by the respective Deputy Commissioner, which will be authorized for identification, payment and monitoring.

During audit of the accounts of Deputy Commissioner Swat for the financial year 2023-24, it was observed that Rs.80,000,000 was paid on account of Eid Package to Assistant Commissioner offices for onward distribution amongst the needy and poor people of District Swat. Audit observed that the payment was un-authentic due to the following reasons.

- i. Recommendation of Director BISP was not available to verify that the beneficiaries previously did not receive any assistance from BISP.
- ii. The list provided by the politicians was neither scrutinized nor any record of zakat, Ushar and social welfare departments regarding poor/needy, widow and eligible participants was available.
- iii. Almost 95% payments were made through open cheques as cash withdrawal was made from designated bank accounts. Hence, the possibility of misappropriation of funds could not be ruled out.

The lapse occurred due to weak internal and financial controls, resulting in un-authentic expenditure.

When pointed out in July 2024, management stated that detailed reply would be furnished after scrutiny of record. However, no progress was reported till finalization of this report.

PAO (DC Swat) was requested in August 2024 with several reminders vide DG office letter No.1838-80 dated 13.11.2024 and RDA Swat letter No. 180-87dated 22.11.2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends surrender of savings to the provincial Government.

AIR Para No. 05/2023-24

35.1.3.3.2 Non-surrender of savings of election fund – Rs. 14.648 million

According to Para 95 of GFR volume I, all anticipated savings should be surrendered to Government well before close of financial year. No savings should be held in reserve for possible future excesses.

During audit of the accounts of Deputy Commissioner Swat for the financial year 2023-24, it was observed that provincial Government transferred Rs.29,089,000 to District Account-IV on account of transport plan, Generator and POL cost for General Elections-2024. Out of which Rs. 14,441,000 was incurred whereas the remaining amount of Rs.14,468,000 was still lying unspent in District Account-IV. Audit is of the view that the saving should have been surrendered to the provincial Government. Detail is given below:

(Rs in million)

S. No	Particulars	Amount Received	Expenditure	Saving
1	Transportation plan cost	6.864	6.864	-
2	Additional Demand POL	6.049	6.049	-
3	Generations and POL costs	6.276	-	6.276
4	Clearance of roads	9.900	1.528	8.372
Total		29.089	11.428	14.648

The lapse occurred due to violation of government rules, resulting in blockage of funds.

When pointed out in July 2024, management stated that Finance Department did not release last installment of budget in June 2024 which would be adjusted against the saving funds of election as it was provided through PFC. Reply was not tenable as no evidence was provided from Finance Department in support of the reply for adjustment of savings.

PAO (DC Swat) was requested in August 2024 with several reminders vide DG office letter No.1838-80 dated 13.11.2024 and RDA Swat letter No. 180-87dated 22.11.2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends surrender of savings to the Provincial Government.

AIR Para No. 03/2023-24

35.2 Tehsil Municipal Administrations, Swat

35.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 307.608 million were raised as a result of this audit. This amount includes recoveries of Rs. 255.632 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)		
Sr. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	50.508
B	Procurement related irregularities	1.468
C	Management of Accounts with commercial bank	253.697
2	Value for money and service delivery issues	1.935
Total		307.608

35.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

Sr. No.	Audit Year	TAC Meeting
1	2009-10 to 2023-24	Not convened

35.2.3 Audit Paras

35.2.3.1 Irregularities

A. HR/Employees related irregularities

35.2.3.1.1 Irregular payment on account of daily wage employees – Rs.50.508 million

According to Finance Department KP letter No.BO.I/FD/5-8/2023-24/Austerity Measures dated 7.07.2023 S.No.(e), “contingent paid staff shall be engaged during the course of financial year 2023-24 only after approval of the Finance Department”.

During audit of the accounts of TMO Kabal, TMO Khwazakhela, TMO Matta, TMO Barikot and TMO Bahrain (District Swat) for the financial year 2023-24, it was observed that expenditure of Rs.50,508,372 was incurred on account of payment to daily wage employees. However, approval of the Finance Department KP for hiring of contingent paid staff was not obtained. Abstract is as under and detail at **Annexure-35.6**.

(Amount in Rs.)

S No	Name of TMA	Amount
1	Kabal	4,113,000
2	Khawazekhela	18,906,000
3	Matta	14,392,998
4	Barikot	4,457,119
5	Bahrain	8,639,255
Total		50,508,372

The lapse occurred due to non-compliance with Government instructions and weak internal and financial controls, resulting in irregular payment.

When pointed out in November 2024, management of all the TMAs stated that there was lack of regular sanitation staff to provide sanitation services smoothly in tehsils therefore daily wagers were hired in the best interest of public. Reply was not convincing as no selection criteria, duties of daily wagers and APRS were produced to audit.

PAOs (respective TMOs) were requested in December 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry into the matter to for fixing responsibility besides regularization of the payment from the provincial Government.

Note: The issue was also reported earlier in the Audit Report for the Audit Years 2021-22 vide Para number 3.4.1.1 and 2023-24 vide Paras number 3.4.1.1 and 3.4.1.2 having financial impact of Rs. 21.777 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 01,01,01,12&10/2023-24

B. Procurement related irregularities

35.2.3.1.2 Overpayment due to allowing PCC 1:2:4 beyond the length of PCC 1:4:8 – Rs.1.468 million

According to Para 220 and 221 of CPWA Code, the Sub Divisional Officer, before making payments to the contractors is required to compare the quantities in the bills and see that all the rates are correctly entered and that all the calculations have been checked arithmetically.

During audit of the accounts of TMA Khawazakhela for the financial year 2023-24, it was observed that overpayment of Rs. 1,468,456 was made to M/S Zarak Construction in the following two schemes due to execution of excess length of PCC 1:2:4 than length of PCC 1:4:8 which was un-justified. Audit held that that length of both the items was required to be same. Detail given below:

(Amount in Rs.)

Name of Scheme	Length of PCC 1:4:8	Required Length of PCC 1:2:4	Actual Length of PCC 1:2:4 paid	Excess Length of PCC 1:2:4 made	Rate of PCC 1:2:4	Excess Payment	Below 5%	Overpayment
PCC Link Road at Village Kherabad"	200	200	290	90	8587.41	772,872	38,643	734,228
PCC Link Road at village Gulibagh	200	200	290	90	8587.41	772,872	38,643	734,228
Total								1,468,456

The irregularity occurred due to weak financial controls, resulting in loss to the government.

When pointed out in November, 2024 management stated that detailed reply would be produced to audit. However, no reply was furnished till finalization of this report.

PAO (TMO Khwazakhela) was requested in December 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of overpaid amount.

AIR Para No. 04/2023-24

C. Management of Accounts with Commercial Bank

35.2.3.1.3 Non-deposit of profit into government treasury –Rs.253.697 million

According to Para 3(ix) of Finance Department Khyber Pakhtunkhwa letter No. 2/3-(F/L)/FD/2019-20/Vol-XIII dated 03rd February 2020, in case of current account, the same to be converted to PLS mode and the profit earned on the designated bank accounts be deposited into Government treasury immediately.

During audit of the accounts of Tehsil Municipal Administrations District Swat for the financial year 2023-24, it was observed that Rs.253,697,657 was earned on the balance amount lying in their respective PLS bank accounts. However, the earned profit was not deposited into Government treasury. Abstract is as under and detail at **Annexure-35.7**.

(Amount in Rs.)

S No.	Name of TMA	Amount
1	Khwazakhela	2,998,612
2	Kabal	9,402,360
3	Matta	69,896,930
4	Babuzai	117,893,434
5	Charbagh	10,660,407
6	Barikot	749,907
7	Bahrain	42,096,007
Total		253,697,657

The lapse occurred due to non-compliance with Finance Department KP instructions, resulting into loss to the government.

When pointed out in November 2024, management of some TMAs did not furnish reply, whereas some offices stated that the amount would be deposited in

government treasury. However, no progress was reported till finalization of this report.

PAOs (respective TMOs) were requested in December 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends deposits of bank profit into Government treasury under proper head of account.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2021-22 and 2022-23 vide Paras number 3.4.1.10 and 3.4.1.15 respectively and for the year 2023-24 vide paras number 3.4.1.10 to 3.4.1.15 having financial impact of Rs 80.836 million. Recurrence of same irregularity is matter of serious concern.

AIR Para No. 03, 1, 4, 2 & 2/2023-24

35.2.3.2 Value for money and service delivery issues

35.2.3.2.1 Loss to Government due to non-deduction of Sales Tax on services – Rs. 1.935 million

According to Government of Khyber Pakhtunkhwa Finance Department Notification No. BO(Res-III)FD/2-2/2019-20/Vol-IV dated 7-9-2021 KPRA sales tax @ 2% may be included in all item of codes of MRS 2021 on analogy of 2021 Income Tax already included in MRS 2021 and will be paid to KPRA as specified under S.No. 14 of KP Finance Act.

During audit of the accounts of TMA Matta for the financial year 2023-24, it was observed that an expenditure of Rs.96,791,673 was incurred on execution of various developmental schemes. However, KPRA sales tax @ 2% amounting to Rs.1,935,833 was not deducted from the contractor bills. Detail at **Annexure-35.8**.

The lapse occurred due to violation of government instructions, resulting in loss to the government.

When pointed out in November 2023, management stated that tax would be recovered and would be deposited to the concerned head of account. However, no progress was reported till finalization of this report.

PAO (TMO Matta) was requested in December 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends recovery of taxes from the concerned contractors or persons responsible and deposit into Government treasury.

AIR Para No. 01/2023-24

35.3 Assistant Director LG & RDD, Swat

35.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 90.106 million were raised as a result of this audit. This amount includes recoveries of Rs. 13.914 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Irregularities	
A	HR/Employees related irregularities	13.914
B	Management of Accounts with Commercial Banks	76.192
Total		90.106

35.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs Meetings are given below:

Sr. No.	Audit Year	VAC/NAC Meeting
1	2013-14 to 2023-24	Not convened

35.3.3 Audit Paras

35.3.3.1 Irregularities

A. HR/Employees related irregularities

35.3.3.1.1 Overpayment of pay and allowance without performance of duties- Rs. 13.914 million

According to para 23 of GFR Vol.-I every Government officer is personally responsible for any loss sustained by Government through fraud or negligence either on his part or on the part of his subordinate staff.

During audit of the accounts of Assistant Director LG&RDD Swat for the financial year 2023-24, it was observed that Rs.13,914,407 was paid on account of arrear of pay and allowances to 17 employees who were regularized by the provincial government in October 2022. Before regularization, they were the employees of the CDLD Project and performed their duties on fixed pays. As per record they assumed the charge of their posts on regular basis in the office of Assistant Director LG&RDD Swat on 28th February 2024 while arrear of pay and allowance were paid with effect from 1st October 2022 without performing their duties. Detail is given at **Annexure-35.9**.

The lapse occurred due to weak financial controls, resulting in loss to the Government.

When pointed out in October 2024, management stated that the amount would be recovered from the concerned staff. However, no progress was reported till finalization of this report.

PAO (DC Swat) was requested in November 2024 with several reminders vide DG office letter No.1838-80 dated 13-11-2024 and RDA Swat letter No. 180-87dated 22.11.2024 to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends recovery from the concerned employees and deposit in government treasury.

AIR Para No. 02/2023-24

B. Management of Accounts with Commercial Banks

35.3.3.1.2 Un-authorized retention of public funds in DDO accounts – Rs.76.192 million

According to Para 290 of CTR, “No money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grant.

During audit of the accounts of the Assistant Director LG&RDD Swat for the financial year 2023-24, it was observed that an amount of Rs.76,192,638 was drawn from the Government treasury vide Cheque No. 2831818 dated 26.6.2024 and deposited in designated bank account No.3005290898 of Khyber Bank. The amount was retained in DDO account without any immediate disbursements.

The lapse occurred due to violation of treasury rules, resulting in un-authorized retention of government fund.

When pointed out in October 2024, management stated that the funds were released on 26-6-2024 and the amount was withdrawn from the treasury on simple receipt and deposited in to designated bank account to avoid lapse of budget. Rely was not convincing as the government rules was not followed.

PAO (DC Swat) was requested in November 2024 with several reminders vide DG office letter No.1838-80 dated 13.11.2024 and RDA Swat letter No. 180-87dated 22.11.2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends inquiry to probe into the matter for fixing responsibility on person(s) responsible.

AIR Para No. 04/2023-24

35.4 Water Supply and Sanitation Services Company, Swat

35.4.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 21.529 million were raised as a result of this audit. The whole amount of Rs. 21.529 million is recoverable as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs in million)

Sr. No.	Classification	Amount
1	Irregularities	
A	Management of Accounts with Commercial Bank	19.312
2	Value for money and service delivery issues	2.217
Total		21.529

35.4.2 Comments on the Status of Compliance with PAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of PAC meetings are given below:

Sr. No.	Audit Year	PAC meetings
1.	2020-21 to 2023-24	Not convened

35.4.3 Audit Paras

35.4.3.1 Irregularities

A. Management of Accounts with Commercial Bank

35.4.3.1.1 Loss to Government due to non-deposit of bank account profit in government treasury – Rs 19.312 million

According to Para ix of Finance Department Khyber Pakhtunkhwa notification No. 2/3-(F/L)/FD/2019-20/Vol-XIII dated 3rd February 2020, all government organizations shall convert current bank account to PLS mode and the profit earned be deposited in Government Treasury under relevant head of account immediately.

During audit of the accounts of Water & Sanitation Services Company Swat for the financial year 2023-24, it was observed that profit amounting to Rs. 19,312,825 was earned on the balance amount lying in PLS account. However, the earned profit was not deposited into Government treasury. Detail at **Annexure-35.10**.

The lapse occurred due to non-compliance with Finance Department KP instructions resulting into loss to the government.

When pointed out in December 2024, management did not respond to audit observation.

PAO (Secretary LGE&RDD) was requested in December 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends deposit of profit into Government treasury.

Note: The issue was also reported earlier in the Audit Reports for the Audit Year 2022-23 and 2023-24 vide Paras number 5.4.1.3 and 5.4.1.6 respectively having financial impact of Rs.70.852 million. Recurrence of same irregularity is matter of serious concern.

AIR Para No. 04/2023-24

35.4.3.2 Value for money and service delivery issues

35.4.3.2.1 Loss to Government due to less deposit of taxes –Rs. 2.217 million

According to Para 8 and 26 of the General Financial Rules Volume-I, each administrative department to see that the dues of the government are correctly and promptly assessed, collected and paid into Government Treasury.

During audit of the accounts of Water and Sanitation Services Company, Swat for the financial year 2022-23, it was observed that Government taxes of Rs. 10,592,033 were deducted from various suppliers/ contractors bills. Out of which Rs. 8,374,780 was deposited into Government treasury while the remaining amount of Rs.2,217,253 was outstanding. Hence, tax was less deposited by Rs. 2,217,253. Detail is given below:

(Amount in Rs.)				
S.No	Type of Tax	Total Tax Deducted	Tax Deposited	Less Deposit of Tax
1	FBR income tax	4,598,285	3,605,572	992,713
2	Sales tax	1,652,595	1,582,865	69,730
3	Sales tax on service	4,022,403	2,871,993	1,150,410
4	Stamp duty	318,750	314,350	4,400
Total		10,592,033	8,374,780	2,217,253

Less deposit of taxes occurred due to lack of effective financial management, resulting in loss to the Government.

When pointed out in December 2023, management stated that detailed reply would be furnished after scrutiny of record. However, no reply was furnished till finalization of this report.

PAO (Secretary LGE&RDD) was requested in December 2023 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends deposit of taxes into Government treasury.

AIR Para No. 08/2022-23

CHAPTER-36

DISTRICT TANK



District Tank is situated in D.I. Khan Division of Khyber Pakhtunkhwa. According to the census of 2023, it has a total area of 1,679 sq. km. with a population size of 391,885 comprising 51.3% male and 48.7% female. Geographically, it lies south of the province, approximately 280 KMs away from the provincial capital-Peshawar. It is mainly known for its natural resources, historical significance, and agricultural production. Some of its brief features are given below:

District Profile

Area: 1,679 sq. km.

Population: 391,885

Languages: Saraiki and Pashto.

Tehsil: 2 (Tank & Jhandola)

No. of village councils: 72

No. of Neighborhood councils: 5

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



36.1 Local Government, Tank

36.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 120.55 million were raised as result of this audit. This amount also includes recoverables of Rs. 6.354 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)		
Sr. No.	Classification	Amount
1	Irregularities	-
A	HR/Employees related irregularities	47.906
B	Procurement related irregularities	44.752
C	Management of Accounts with Commercial Bank	2.089
2	Others	25. 803
Total		120.55

36.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meetings
1.	2002-03 to 2023-24	Not convened

36.1.3 Audit Paras

36. 1.3.1 Irregularities

A. HR/Employees related irregularities

36.1.3.1.1 Irregular payment to teachers under head double shift schools – Rs.33.467 million

According to Elementary & Secondary Education Department, Khyber Pakhtunkhwa (Reforms & Implementation Wing), Peshawar letter No. S.O(Reforms)/R&I/DSS-Release/DSS/2022-23 dated Peshawar the, 23rd November 2023 para-No. 4&5 “Every DEO shall provide the list of all teachers along with received pay, vacancy list certificate by 05th of every month & A certificate of unspent amount and utilization in the DSS shall be provided by 05th of every month”.

During audit of the accounts of District Education Office Female Tank and Principal, Govt. Shaheed Sher Nawaz Centennial Model Boys High School No.1 Tank for the financial year 2023-24, it was observed that an amount of Rs.33,467,000 was paid to various teachers on account of pay for double shift schools as per details in **Annexure-36.3**.

Following irregularities were noticed:

- i. Sanctioned strength as well as the letters of rationalization of vacant posts duly verified by the DEO (Male & Female) Tank were not found as per the record.
- ii. Advertisement, Selection Formula/criteria for the Double shift teachers was also not found as per their official record.
- iii. Verified documents/testimonials of the hired teacher were not available as per the record.
- iv. Daily attendance of the Double shift staff was not found as per the record.
- v. CNICs of the hired teachers were also not available as per local office records.
- vi. No. of the students registered in the double shift and morning shift programs and their daily attendance was not produced to Audit for authentication.

- vii. Actual Payee receipts duly countersigned by DEO (Male & Female) Tank of hired staff were also not produced.
- viii. Comparative statements, academic documents, and domicile certificates of the applied candidates were not found as per their records.
- ix. An affidavit or job acceptance certificate made by the candidate with the principal has not been found as per the record.

Irregular withdrawal of funds occurred due to weak internal controls, resulting in suspected misappropriation of funds.

When pointed out in August 2024, the management did not furnish any reply.

DAC meeting was held on 12.02.2025 wherein the management replied that this office requisitioned the required documents from schools concerned, which are still awaited and will be produced to audit for verification. The forum decided to verify the documents i.e hiring of staff under DSS program from audit. However, verification was not made till finalization of this report.

Audit recommends provision of record for verification as per the DAC decision.

AIR Para No.1/2023-24

36.1.3.1.2 Illegal appointment of staff during ban period and disbursement of salaries Rs. 14.439 million

According to Chief Minister Secretariat Khyber Pakhtunkhwa Peshawar Notification No.DS©/CMS/KP/2024, dated 02/03/2024, the honorable Chief Minister KP, has been pleased to impose complete ban on all kinds of recruitments throughout the province.

During scrutiny of the HR related accounts of the office of District Education Office (Male &Female) Tank for the financial year 2023-24, it was observed that the local offices appointed the employees as per details in **Annexure-36.2.**

Audit observed the following irregularities

- i. It is very astonishing to note that the feeding of the data in SAP system of the above employees was firstly made in the month of August, September, October & November, 2023, which shows that back dated appointment of

teachers, Naib Qasid, Junior Clerk and Sweeper were made without observing the codal formalities the above employees.

- ii. Salaries amounting to Rs. 14,439,798 were disbursed in favor of the above-named employees.
- iii. The employees were recruited during ben by the election commission of Pakistan.
- iv. Record pertaining to test and interview was not available on record of local office.

Illegal appointment occurred due to weak internal controls, resulting in violation of Government instructions.

When pointed out in August 2024, the management did not furnish any reply.

DAC meeting was held on 12.02.2025 wherein the management replied that this office has appointed various employees during 2022-23 & 2023-24 and prepared their change proforma for early feeding of data in SAP system but due to shortcomings in documents, feeding was made late by DAO. Moreover, no appointment was made during ban period and all appointments were made through NTS. The forum decided to verify the documents i.e hiring of staff during ban period from audit. However, verification was not made till finalization of this report.

Audit recommends provision of record for verification as per the DAC decisionault.

AIR Para No. 2/2023-24

B. Procurement related irregularities

36.1.3.1.3 Irregular and uneconomical expenditure on account of purchase of CCTV cameras Rs. 30.420 million

As per S.No (3) (ii) of the Govt of Khyber Pakhtunkhwa Home & Tribal Affairs Department letter No.SO (Security-II) /1-2/HD / General Election/2024 dated 2th May 2024, regarding minutes of the meeting about disposal of CCTV cameras UP and batteries installed for general elections-2024, the Deputy Commissioner concerned will make proper handing taking over with District Education Office (DEO) concerned clearly mentioning the specification and

condition of CCTV and accessories. DEO concerned will further make the necessary handing taking over with concerned school's Principal/ Headmaster.

During Audit of the accounts of Deputy Commissioner Tank for the Financial Year 2023-24, it was noticed that an expenditure of Rs. 30,420,000 was incurred on account of purchase and installation of CCTV cameras along with accessories in 169 sensitive polling stations established in various Govt schools in District Tank during general election 2024. Audit observed the following irregularities;

- i. CCTV Cameras, UPS, batteries and other IT related equipment were directly purchased from supplier without using open competitive bidding as the principal method of procurement for the procurement of IT equipment.
- ii. The Deputy Commissioner has not made any proper handing taking over of the said equipment with DEO (M & F) and school's Principal concerned in violation of Govt of Khyber Pakhtunkhwa Home & Triable Affairs Department letter mentioned above.
- iii. Detailed list of polling stations duly signed by the District Returning Officer where CCTV cameras were installed was not available on record.

The lapse occurred due to weak internal controls, resulting in uneconomical and irregular expenditure.

When pointed out in July, 2024, the management stated that detailed reply regarding placing of supply order and handing taking over of stock will be given in due course of time.

DAC meeting was held on 12.02.2025 wherein the management replied that this office has made proper handing taking over with the DEO (M/F) and list of sensitive polling stations duly signed by District Returning Officer is available on record. The forum decided that documents i.e lists of polling stations, detail of schools, handing taking over record and stock entries may be verified from audit. However, verification was not made till finalization of this report.

Audit recommends provision of record for verification as per the DAC decision.

AIR Para No.1/2023-24

**36.1.3.1.4 Irregular expenditure on the account of purchase of medicines-
Rs. 12.481 million**

According to Rule-75(8)(c) of District Government Budget Rules 2016 states that all materials received should be examined, counted, measured or weighed as the case may be, delivery should be taken in charge by a responsible Government officer, who should see that the quantity is complete and its quality is good, and he may record a certificate to that effect, and entered into stock register. Rule-9(2)(f) of Khyber Pakhtunkhwa, District and City District Governments, Budget Rules 2016 states that the function of Drawing & Disbursing officer are the maintenance of relevant records both accounting and operational up to date and in an orderly manner.

During audit of the accounts of District Director Live Stock, Tank for the financial year 2022-23, it was observed that an expenditure amounting to Rs. 12,481,119/- on the account of purchase of medicines was incurred. The detail is as **Annexure-36.4**.

Audit observed the following: -

- i. Tender documents were not available on record.
- ii. The Drug Inspection report was not available on record.
- iii. The delivery challans were not found with vouchers.
- iv. The medicines distributed during the year 2022-23 to various institutions/ Centre but the local office failed to provide distribution and Departmental Receipt Form (DRF) of each institution during signed by concerned in-charge.

The lapse occurred due to weak internal controls, resulting in irregular expenditure.

When pointed out in February, 2024, the management stated that all record was maintained in accordance to rules and copies of tender documents will be provided to audit.

Reply was not tenable as no progress was shown in this regard. PAO (DC Tank) was requested in August 2024 for convening DAC meeting with several reminders No. Admin/Follow-up/2024-25/1852-58 dated 17.12.2024 however, the DAC meeting could not be convened till finalization of this report.

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

AIR Para No.3/2022-23

36.1.3.1.5 Irregular expenditures on account of sports promotion activities-Rs.1.852 millions

As per S.No.06 of Chapter II of Khyber Pakhtunkhwa Public Procurement Regularity Authority Act, 2012, the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of goods over the value of Rs. 500,000 (Rupees five hundred thousand).

During audit of the accounts of District Office Sports, Tank for the financial year 2022-23, it was observed that expenditure of Rs.1,852,858 was incurred on account of promotion of sports. Detail is given below:

(Amount in Rs.)

Head of Account	Payee/Vender	Cheque No	Date	Amount
Promotion of Sports Activities	Sarhad Aluminum Glass	1269247	24.05.23	827,858
	Yasoob Builders	1269587	09.06.23	1,025,000
Total				1,852,858

Audit observed that purchases made from suppliers without adhering to the tender process, leading to uneconomical expenditure.

Lapse occurred due to weak internal and administrative controls, resulting in irregular expenditure.

When pointed out in April 2024, management stated that matter will be checked and reply will be submitted after consulting relevant record.

Reply was not tenable as no progress was shown in this regard. PAO (DC Tank) was requested in August 2024 for convening DAC meeting with several reminders No. Admin/Follow-up/2024-25/1852-58 dated 17.12.2024 however, the DAC meeting could not be convened till finalization of this report.

Audit recommends inquiry for fixing responsibility and proper tendering process for such expenditures in light of the KPPRA rules to achieve economical rates.

AIR Para No.2/2022-23

C. Management of Accounts with Commercial Banks

36.1.3.1.6 Loss due to non-conversion of current bank account into PLS mode Rs. 2.089 million

According to Para-3(ix) of Finance Department Khyber Pakhtunkhwa letter No. 2/3-(F/L)/FD/2019-20/Vol-XIII dated 3rd February 2020, in case of current account, the same be converted to PLS mode and the profit earned be deposited in Government Treasury under relevant head of account immediately and not later than a week when declared by the concerned bank. Moreover, as per Bank of Khyber Liability and Business Development Division the profit rates on Government Entity PLS Account for the year 2023-24 were fixed at level from 9.80% to 12.42%.

During audit of the accounts of Deputy Commissioner, Tank for the financial year 2023-24, it was observed that quarter concern did not convert current bank accounts into PLS mode besides having clear directions from the Finance Department Khyber Pakhtunkhwa as mentioned above due to which the government sustained a loss of Rs. 2,089,379 on account of profit as detailed in **Annexure-36.5**.

The lapse occurred due to non-compliance with Finance Department KP instructions resulting into loss to the government.

When pointed out in July 2024, the management stated the matter in noted for compliance.

Reply was not tenable as no progress was shown in this regard.

DAC meeting was held on 12.02.2025 wherein the management replied that this office has issued letter to the Manager Bank of Khyber, Tank for conversion of current account into PLS mode. The forum decided to keep the para stand till the conversion of current account into PLS account. However, no progress was intimated to audit till finalization of this report.

Audit recommends conversion of current account into PLS mode as per the DAC decision.

AIR Para No.6/2023-24

36.1.3.2 Others

36.1.3.2.1 Irregular expenditure on account of developmental Schemes-- Rs.1.361 million

As per Government of Khyber Pakhtunkhwa, Planning and Development, Civil Secretariat Peshawar Coordination Section Letter No 1060-67 dated 10.05.2016, no project shall be processed for consideration / approval of competent Forum without GPS coordinates.

Para 209 of CPWA requires that detailed measurement should be recorded nearly in Measurement Book (MB) by the Engineer in Charge.

During audit of the accounts of District Office On-Farm Water Management, Tank for the financial year 2022-23, it was observed that amount of Rs. 1,361,869 was paid on execution of developmental/Water course schemes as per details given below:

(Amount in Rs.)			
S.No	Scheme Name	Source	Expenditure
1	Hidayatullah WC	ADP	474,256
2	Haibat Ullah WC	ADP	467,613
3	Muhammad Saleem WST	ADP	420,000
Total			1,361,869

The expenditure was held irregular as GPS coordinates were not included in any document to verify the exact location of schemes. Measurement books were also not available in office.

Lapse occurred due to weak internal controls, resulting in irregular expenditure.

When reported in April 2024, the management stated that all the documents will be produced in DAC.

Reply was not tenable as no progress was shown in this regard. PAO (DC Tank) was requested in May 2024 for convening DAC meeting with several reminders No. Admin/Follow-up/2024-25/1852-58 dated 17.12.2024 however, the DAC meeting could not be convened till finalization of this report.

Audit recommends production of GPS Coordinates, MBs, verification of schemes and action against persons responsible.

AIR Para No.5/2022-23

36.1.3.2.2 Irregular expenditure through PTCs-Rs.24.442 million

According to Para-1 of PTC Guidelines (Record Maintenance), PTC will maintain complete record of income (receipts) and expenditure (payments) and shall also submit copies thereof to the DEO concerned at closure of the financial year.

According to Clause-4 of Financial Procedure for transfer of funds to PTCs, the Executive District Officer (Schools & Literacy) of the respective District Government shall accord Administrative Sanction and Executive District Officer (F&P) shall Issue Financial Sanction for transfer of funds from the District Account -IV to the Bank Account of the Parent Teacher Councils. These funds shall be transferred/credited to Bank Account of the Councils by the respective District Accounts Offices.

During audit of the accounts of District Education Offices (Male & Female), Tank for the financial year 2023-24, it was observed that funds of Rs.24,442,955 were transferred to PTC Accounts of various Schools as per **Annexure-36.6.**

Audit observed the following irregularities;

- i. Record including vouchers and other documents pertaining to expenditure incurred was not available on record as required under Para-1 of PTC Guidelines.
- ii. Progress Reports regarding execution and completion of works were not available on record to ascertain that the works were actually completed.
- iii. Bank Statements of PTC Accounts of Schools were not produced to Audit to ascertain that funds were actually transferred to Bank Accounts and utilized accordingly.
- iv. The local office also did not make reconciliation with the concerned Banks and PTC Bank Accounts of respective Schools to authenticate the transfer of funds to concerned Schools.
- v. Income Tax-Rs.2,199,864 & Sales Tax amounting to Rs. 4,155,302 was neither deducted nor deposited into Government Treasury as evident from schools PTC accounts (expenditures record).

- vi. Record/releases in respect of expenditures incurred- Rs. 3,913,000 (TK6005) & Rs. 26,728,015 (A03970-Other & A013303-Other Building) were not found at local office.

Irregular expenditure was occurred due to weak financial controls resulting in loss to Govt.

When pointed out in August 2024, the management did not furnish any reply.

DAC meeting was held on 12.02.2025 wherein the management replied that this office has directed all school authorities and PTCs to arrange and produce complete record alongwith detailed justification to audit for verification. The forum decided to keep the para stand till verification of record by audit. However, verification was not made till finalization of this report.

Audit recommends provision of record for verification as per the DAC decision.

AIR Para No.20 & 02/2023-24

36.2 Tehsil Municipal Administrations, Tank

36.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 16.187 million were raised as result of this audit. This amount also includes recoverables of Rs. 16.187 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)		
S.No.	Classification	Amount
1	Others	16.187
Total		16.187

36.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

Sr. No.	Audit Year	TAC Meetings
1.	2012-13 to 2023-24	Not convened

36.2.3 Audit Paras

36.2.3.1 Others

36.2.3.1.1 Non-recovery of Outstanding Rent of Shops-Rs.12.101 million.

According to rule 51(1) of the Tehsil Municipal Administration (Budget) Rules 2016, “The primary obligation of the TO (Regulation) shall be to ensure that all revenue due is claimed, realized and credited immediately into the Tehsil Fund under the proper receipt head”.

According to Para-8&26 of GFR Vol-I, each administrative department to see that the dues of the government are correctly and promptly assessed collected and paid into government treasury.

During audit of the accounts of Tehsil Municipal Administration, Tank for the financial year 2022-23, it was observed that officer concern did not recover outstanding rent of shops amounting to Rs.12,101,266 from the allottees and thus showing poor performance of Taxation Branch. It is also to mention here that rent record/detail of houses under the jurisdictions of local TMA office are not available at local office record. Detail of outstanding rent is given at **Annexure-36.7**.

Non-recovery of outstanding rent is occurred due to weak Internal Controls resulting in loss to TMA.

When reported in November 2024, the management stated that reply will be given after scrutiny of the relevant record.

Reply was not tenable as no progress was shown in this regard. PAO (TMO Tank) was requested in August 2024 for convening DAC meeting with several reminders No. Admin/Follow-up/2024-25/1859 dated 17.12.2024 however, the DAC meeting could not be convened till finalization of this report.

Audit recommends recovery of outstanding at the earliest under intimation to Audit.

AIR Para No.01/2023-24

36.2.3.1.2 Loss due to Non-recovery of Income Tax u/s 236A-Rs.2.797 million

As per Section 236 A of income tax ordinance 2001, the income shall be deducted @ 10% of the sale price person appearing on Active Tax Payer list (ATL) and 20% of person not appearing on ATL.

During audit of the accounts of Tehsil Municipal Administration, TMA Tank for the financial year 2023-24, it was observed that income tax @ 10% of the bid amount amounting to Rs.2,978,974 was not recovered from the contractors as per details in **Annexure-36.8**.

Non-recovery of Income Tax occurred due to violation of rules resulting in loss to Government.

When reported in November 2024, the management replied that after scrutiny of the relevant record proper reply will be given.

Reply was not tenable as no progress was shown in this regard. PAO (TMO Tank) was requested in August 2024 for convening DAC meeting with several reminders No. Admin/Follow-up/2024-25/18529 dated 17.12.2024 however, the DAC meeting could not be convened till finalization of this report.

Audit recommends recovery of Income Tax from the contractors and deposited in Government Treasury and also action against the dealing hands to stop such practice in future under intimation to Audit.

AIR Para No.03/2023-24

36.2.3.1.3 Loss due to non-recovery of penalty-Rs.1.289 million

According to Para-5 of the Local Council Board, Notification, No. AOII/LCB/6-11/2022 dated Peshawar the 12th April 2022 “the contractor will deposit monthly installment till 5th of each month if he failed to do so then 2% penalty shall be imposed till 10th. Then after a final notice shall be served to clear the dues otherwise contract may be cancelled till 15th of the said month”.

During audit of the accounts of Tehsil Municipal Administration, TMA Tank for the financial year 2023-24, it was observed that different contracts were auctioned to different contractors. According to condition, contractors were bound to deposit monthly installments up to 5th of each month. However, the contractors did not deposit the amount of monthly installments within stipulated period of time. As per condition of the ibid notification, TMA was required to penalize the contractor @ 2% per day which action was not taken, and the TMA was put to loss of Rs.1,289,520 detail at **Annexure-36.9**.

Non-imposition of penalty occurred due to weak internal control which resulting in loss to Government.

When reported in November 2024, the management replied that after scrutiny of the relevant record proper reply will be given.

Reply was not tenable as no progress was shown in this regard. PAO (TMO Tank) was requested in August 2024 for convening DAC meeting with several reminders No. Admin/Follow-up/2024-25/1859 dated 17.12.2024; however, the DAC meeting could not be convened till finalization of this report.

Audit recommends immediate recovery of penalty and action against the dealing hands as the lapse occurred due to their negligence.

AIR Para No.4/2023-24

36.3 Assistant Director LG & RDD, Tank

36.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs. 15.723 million were raised as result of this audit. Summary of the audit observations classified by nature is as under:

(Rs.in million)

Sr. No.	Classification	Amount
1	Others	15.723
Total		15.723

26.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs meetings are given below:

Sr. No.	Audit Year	VACs/NACs Meetings
1.	2013-14 to 2023-24	Not convened

36.3.3 Audit Paras

36.3.3.1 Others

36.3.3.1.1 Irregular withdrawal of funds on simple receipt- Rs. 9.523 million

According to rule-290 of FTR read with Para-136 of GFR Vol-1, no money should be drawn from Government Treasury unless required for immediate disbursement and adjustment thereof required to submit within prescribed period or return to head quarter before or on 30th. June.

During audit of the AD LG&RDD Tank for the financial year 2023-24, it was observed that an expenditure of Rs. 9,523,810 was incurred on account of Machinery and Equipment. However, the amount was withdrawn in lump-sum on simple receipt vide Cheque No. 2767729 dated 24.06.2024 from Govt treasury in violation of criteria mentioned above. Moreover, no detail of further utilization of funds was available on record.

The lapse occurred due to weak internal controls, resulting in advance withdrawal from government treasury.

When pointed out in October, 2024, the management stated that the said amount was drawn for repair of transformers of PESCO on public demand and utilization report will be submitted in due course of time.

Reply was not tenable as no progress was shown in this regard. PAO (DC Tank) was requested in August 2024 for convening DAC meeting with several reminders No. Admin/Follow-up/2024-25/1852-58 dated 17.12.2024 however, the DAC meeting could not be convened till finalization of this report.

Audit recommends inquiry for fixing of responsibility and action against the person(s) at fault besides stoppage of advance withdrawal of funds from treasury.

AIR Para No. 04/2023-24

36.3.3.1.2 Un-economical expenditure on account of developmental schemes-Rs. 6.200 million

As per Chapter IV (26) of KP Public Procurement Regulatory Authority Act, 2012 of Procurement of works & non-consulting services requires that the where short listing is deemed necessary, the procuring entity shall pre determine

criteria for short listing and there will normally be a minimum of three consultants in the short, but there is no upper limit for no of candidates to be shortlisted.

During audit of the accounts of Assistant Director (Local Govt) Tank for the financial year 2023-24, it was observed that expenditure of Rs.6,200,000 was incurred on execution of developmental schemes, while the work was awarded to contractors in presence of single participant in the bidding process instead of minimum three participants as required under rule ibid as detailed below:-

(Amount in Rs.)

S.No	Name of Scheme	Name of Contractor	Expenditure
1	Construction of street pavement Bin Yamin	Said Amin	1000,000
2	Construction of drain Salah Jan	Rafatullah Pathu	1,200,000
3	Construction of village surai kalai	Rafatullah Pathu	2,000,000
4	Construction of water pound Kirai Surat Korona	Rafatullah Pathu	1,000,000
5	Construction of street Kamran	Rafatullah Pathu	1,000,000
Total			6,200,000

Un-economical award of contract occurred due to weak internal controls, resulting in loss to Govt.

When pointed out in October 2024, management stated that the detailed reply along with supporting documents will be provided in due course of time.

Reply was not tenable as no progress was shown in this regard. PAO (DC Tank) was requested in August 2024 for convening DAC meeting with several reminders No. Admin/Follow-up/2024-25/1852-58 dated 17.12.2024 however; the DAC meeting could not be convened till finalization of this report.

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

AIR Para No. 07/2023-24

CHAPTER-37

DISTRICT TORGHAR



District Torghar is situated in Hazara Division of Khyber Pakhtunkhwa. According to the census of 2023, District Torghar has a total area of 454 sq. km. with a population size of 200,445 comprising 51% male and 49% female. Geographically, it lies northeast of the province, approximately 340 KMs away from the provincial capital-Peshawar. It is mainly known for its natural beauty, tourism, and cultural significance.

District Profile

Area: 454 Sq KM

Population: 200.445

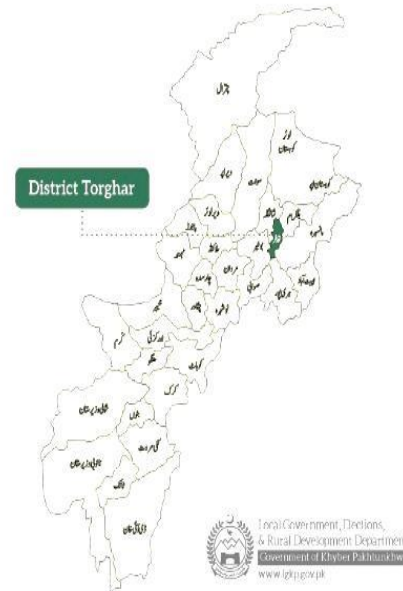
Languages: Pashto, Kohistani, Urdu

Tehsils: 3

No. of Village Councils: 39

No. of Neighbourhood Councils: 1

Source: *Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024*



37.1 Local Government, Torghar

37.1.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 6.823 million were raised as a result of this audit. This amount also includes recoverables of Rs 5.223 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1	Others	6.823
Total		6.823

37.1.2 Comments on the Status of Compliance with ZAC/DAC/TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC/TAC Meetings are given below:

Sr. No.	Audit Year	ZAC/DAC/TAC Meetings
1.	2011-12 to 2023-24	Not convened

37.1.3 Audit Paras

37.1.3.1 Others

37.1.3.1.1 Loss to Government due to non-deduction of taxes - Rs 2.943 million

According to Revenue & Estate Department Government of Khyber Pakhtunkhwa Notification No. AS(S)3/240/-23/RM/1928/20237-308 dated 27-7-2022, the registration fee shall be 0.5%, mutation fee 2%, stamp duty 2%, and CVT 2% of the consideration money of all registered documents.

During audit of the accounts of Deputy Commissioner Torghar, for the Financial Year 2023-24, it was observed that an amount of Rs 12,522,570 was paid by DC Torghar to the landowners but Government taxes amounting to Rs.2,942,803 were not deducted. Detail given at **Annexure-37.2**.

The irregularity occurred due to weak internal controls, resulting into loss to the Government.

When pointed out in July 2024, the management replied that the taxes will be deducted and deposited. The reply was not convincing as no progress was shown to audit till finalization of this report.

DAC meeting was held on 20.11.2024 wherein the forum decided that there is no exemption from Government taxes for those districts where land settlement has not been made. Therefore, the para stands till the recovery of taxes.

Audit recommends implementation of the DAC decision.

AIR Para No. 01 (2023-24)

37.1.3.1.2 Non-deduction of income tax and KPRA Sales tax-Rs 2.280 million

According to Section 153(1)(b) of income tax ordinance 2001, the 4% income tax will be charged from contractor on provision of transport services.

According to Notification No BO (Res-III) FD/2-2/2019-20/vol-1 dated 05.08.2020 rate KPRA tax @ 15% shall be charged on transportation services providers.

During audit of the accounts of Deputy Commissioner Torghar, it was observed that the local office did not deduct Rs 480,000 and Rs 1,800,000 on

account of income tax and KPRA sales tax on services respectively, on hiring of vehicles for election duty during financial year 2023.24. Detail is given below:

(Amount in Rs.)

Name of Contractor	Amount paid to contractor	Income tax @ 4%	KPPRA sales tax @ 15%	Amount
Malik Traders	12,000,000	480,000	1,800,000	2,520,000

The lapses occurred due to weak internal control system and non-adherence to government rules & regulations, resulting into loss to government.

When pointed out in July 2024, the management replied that the vendor concerned is already registered and is an active tax payer. Reply was not convincing as no record was shown to audit in support of reply till finalization of this report.

DAC meeting was held on 20.11.2024 wherein the forum decided that the para stands till verification of income tax and sales tax returns by audit. However, verification was not made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 02 (2023-24)

37.1.3.1.3 Non-completion of work - Rs. 1.600 million

Para 23 of GFR Vol-I requires that every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which he contributed.

During audit of the accounts of District Education Officer, (Male) Torghar, for the Financial Year 2023-24, it was observed that the Parent Teacher Council of GPS Gutgalli incurred an expenditure of Rs.1,600,000 on construction of 2 numbers of additional classroom out of Conditional grant in 2022. Audit noted that the construction of classrooms was still incomplete till the date of audit which deprived poor students of the facility.

The lapse occurred due to weak management resulting into non-completion of work.

When pointed out in August 2024, management did not furnish any reply

DAC meeting was held on 20.11.2024 wherein the forum decided that the para stands till completion of the work followed by physical verification by audit. However, verification was not made till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 12 (2023-24)

37.2 Tehsil Municipal Administrations, Torghar

37.2.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 85.808 million were raised as a result of this audit. This amount does not include recoverable as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
1.	Irregularities	
A.	HR/Employees related Irregularities	7.296
2.	Others	78.512
Total		85.808

37.2.2 Comments on the Status of Compliance with TAC Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of TAC Meetings are given below:

Sr. No.	Audit Year	TAC Meetings
1.	2011-12 to 2023-24	Not convened

37.2.3 Audit Paras

37.2.3.1 Irregularities

A. HR/Employees related irregularities

37.2.3.1.1 Irregular payment on account of daily wage staff-Rs 7.296 million

According to Rule 4(6) of the Khyber Pakhtunkhwa, City/Tehsil Local Government Rules of Business, 2022 notification No. SOG/LG/7/5/ROBs/2022/TLG dated 20/06/2022. “The Tehsil Local Government may, from time to time, on need basis, hire the services of workers, on daily wages basis, from its own source revenue: provided that such cost shall remain less than ten percent of the revenue of own source of the Tehsil Council in financial year.”

During audit of the accounts of Tehsil Municipal Administration, Judbah and Hassanzai for the Financial Year 2023-24, it was observed that salaries amounting to Rs 7,296,000 were paid to daily wage staff. Audit observed that income from own source of the TMAs was Rs 6,479,699 and expenditure on daily wages was 112% of the own receipts, which was un-justified. Detail is given below:

(Amount in Rs.)				
S.No	Name of TMA	Salaries Amount	Own Receipt	%age Expenditure
1	TMA Judba	4,608,000	2,340,726	196%
2	TMA Hassan zai	2,688,000	4,138,973	65%
Total:		7,296,000	6,479,699	112%

The lapse occurred due to weak financial controls resulting into irregular expenditure.

When pointed out in November, 2024 the management stated that detailed reply will be furnished after consulting record. Reply was not convincing as no documentary evidences provide in support of reply.

PAOs (TMO Judbha and Hassan Zai) was requested in December 2024, to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends strengthening financial controls to avoid such lapse in future.

AIR Para No. 03&03 (2023-24)

37.2.3.2 Others

37.2.3.2.1 Non-utilization of funds Rs 78.512 million

According to Rule 23 (g) Tehsil Municipal Administration Budget Rules 2016, it is the responsibility of Tehsil Nazim to supervise utilization of funds allocated to tehsil municipal administration

According to S No 9.11 of Planning & Development Guidelines 2015 for devolved tiers of Local Government under LGA 2013 that “project’s completion period will be restricted to one year for building, nine months for roads and six months for other projects as per Government policy”.

During audit of the accounts of the Tehsil Municipal Administrations, Judbha & Hassan Zai (Torghar) for the Financial Year 2023-24, it was observed that a huge amount of Rs 30,434,764 (TMA Judbha) and Rs 48,077,310 (TMA Hasan zai) on account of developmental funds remained unutilized without any cogent reason/justification since long. as per **Annexure-37.3**.

The lapse occurred due to inefficiency of the management, resulting into blockage of fund and depriving inhabitants of the locality from the required benefits.

When pointed out in December, 2024 management replied that most of the developmental work are completed and payment will be made accordingly as per reports of Tehsil Officer Infrastructure TMA Judba and Hassan Zai. Reply of the departments is not cogent as the local office did not utilize the funds in time.

PAOs (TMO Judbha & Hassan Zai) were requested in December 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends appropriate action for non-utilization of funds.

AIR Para No. 04&04 (2023-24)

37.3 Assistant Director LG & RDD, Torghar

37.3.1 Classified Summary of Audit Observations

Audit observations amounting to Rs 10.000 million were raised as a result of this audit. This amount does not include recoverable as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

(Rs in million)

S. No.	Classification	Amount
1.	Others	10.000
Total:		10.000

37.3.2 Comments on the Status of Compliance with VACs/NACs Directives

The audit reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of VACs/NACs Meetings are given below:

Sr. No.	Audit Year	VACs/NACs Meetings
1.	2011-12 to 2023-24	Not convened

37.3.3 Audit Paras

37.3.3.1 Others

37.3.3.1.1 Irregular expenditure on repair of transformers-Rs.10.00 million

According to section 11.3.4 Chapter II of CONSUMER SERVICE MANUAL-2021 of National Electric Power Regulatory Authority “In case of more than one Connection on the same substation /transformer with different ownerships such as commercial plazas/apartments/shops/residences, where bills are issued separately, the responsibility of maintenance, repair and replacement of the said system or up gradation/reinforcement thereof shall rest with the DISCO (PESCO).

During audit of the accounts of Assistant Director LG&RDD Torghar, it was observed that Assistant Director LG&RDD withdrew Rs 10,000,000 from treasury on account of repair and maintenance of transformers and deposited in designated bank account. Audit held that the release and withdrawal of the subject amount was irregular as the repair and maintenance of transformers is the responsibility of the PESCO in the light of above rules.

The lapse occurred due to weak financial controls resulting into non-adherence to the government’s instructions.

When pointed out in September 2024, the management replied that amount was withdrawn after fulfilling all the codal formalities. In addition to this, Finance Department allowed the advance sanction for withdrawal of the said amount. Reply was not convincing as repair & maintenance of transformers was the responsibility of PESCO.

DAC meeting was held on 20.11.2024 wherein the forum decided that para stands till completion of work as per rules and verified by audit.

Audit recommends implementation of the DAC decision.

AIR Para No.01(2023-24)

CHAPTER-38

THEMATIC AUDIT

38.1. THE ROLE OF WATER AND SANITATION SERVICES COMPANY, MARDAN IN PROVISION OF WATER AND SANITATION SERVICES TO THE SELECTED UNION COUNCILS OF DISTRICT MARDAN



38.1.1 INTRODUCTION

Access to clean drinking water and adequate sanitation are fundamental human rights, recognized globally under Sustainable Development Goal 6 (SDG-6), which aims to ensure availability and sustainable management of water and sanitation for all. The Federal and Provincial Governments of Pakistan, including Khyber Pakhtunkhwa, are committed to achieving these targets by prioritizing the provision of safe drinking water, improving sanitation facilities, and promoting effective waste management practices.

In alignment with these objectives, Water and Sanitation Services Company (WSSC), Mardan, has been tasked with delivering water and sanitation services to 14 selected union councils in District Mardan. This role includes the provision of clean drinking water to meet essential domestic needs, such as cooking, hygiene, and sanitation, in addition to managing water resources responsibly to prevent wastage and ensure sustainability. The company operates various water supply schemes that directly serve the public, helping to protect health, support livelihoods, and foster environmental stewardship through integrated water resource management.

Furthermore, WSSC Mardan is responsible for ensuring sanitary conditions in urban areas by delivering essential sanitation services, including sewerage, garbage collection, and solid waste management. These services are essential to maintaining public health and creating a hygienic environment, thereby contributing directly to the SDG-6 targets and supporting the government's vision of sustainable urban development.

38.1.2 Background

The Water and Sanitation Services Company, Mardan (WSSCM) was established on December 1, 2016, as part of a targeted initiative by the Government of Khyber Pakhtunkhwa to strengthen water, sanitation, and sanitation services in urban areas. This effort aligned with Sustainable Development Goal 6 (SDG-6), which aims to ensure the availability and sustainable management of water and sanitation for all. As urban populations in KP grew, the limitations of existing municipal frameworks, such as the Tehsil Municipal Administrations (TMAs), became evident, prompting the need for specialized, corporatized entities to address these critical needs more effectively.

In line with this vision, WSSCM was mandated to assume control of water, sanitation, and solid waste management services from TMA Mardan, operating under a corporatized framework designed to modernize and professionalize service delivery. The company's scope initially covered 14 urban union councils in Mardan District, where it serves a population of approximately 400,000. This transition marked a major milestone in KP's urban development strategy, signifying a shift from traditional municipal operations to a sustainable utility model aimed at ensuring continuous, efficient, and accessible water and sanitation services.

Since its inception, WSSCM has achieved several key milestones in expanding and improving service delivery. The company operates a network of 36 tube wells and 11 overhead reservoirs that supply water on a rotational basis to thousands of residential and commercial consumers. Despite these advances, challenges remain, including incomplete distribution networks that leave some communities underserved. In response, WSSCM and the KP government have prioritized infrastructure investment, particularly focusing on extending water supply networks and enhancing solid waste and wastewater management capacity.

As part of its mission to provide continuous and safe water services, WSSCM has implemented a rotational water supply schedule, with water delivered in three shifts daily, each lasting 3-4 hours. The company has steadily adapted to the challenges of financial sustainability, workforce management, and infrastructure expansion, focusing on strengthening service delivery and increasing efficiency to meet the demands of a rapidly growing urban population.

38.1.3 Establishing the Audit Themes

38.1.3.1 Reasons of Selection

The Thematic Audit of Water and Sanitation Services Company Mardan (WSSCM) is significant due to its direct alignment with Sustainable Development Goal 6 (SDG-6), which emphasizes access to clean water and sanitation. Ensuring effective water resource management and improved sanitation services are essential as urban populations continue to grow, leading to a shortfall in water availability due to infrastructure limitations. This audit also aligns with the National Water Policy of Pakistan, which underscores sustainable water management, equitable distribution, and improved sanitation facilities as critical for national health, economic growth, and environmental protection.

Moreover, the Integrated Water Resources Strategy (2018) of the Government of Khyber Pakhtunkhwa reinforces the importance of efficient water resource utilization, particularly in urban areas where population pressures are high. This strategy prioritizes measures for safe drinking water, sanitation, and waste management to meet future demands while ensuring environmental sustainability. Evaluating WSSCM's performance in line with these policies will assess its effectiveness in achieving key policy objectives, identify operational gaps, and recommend improvements to strengthen its capacity for sustainable, resilient service delivery in Mardan.

38.1.3.2 Purpose/Objectives

The purpose of this thematic audit is to provide insights and evaluations which will help in better management of service delivery, and sustainability of Water and Sanitation Services Company, Mardan (WSSCM). This audit will be beneficial for WSSCM, relevant government agencies, and policymakers in identifying strengths, gaps, and areas for improvement in water and sanitation service delivery, particularly in urban settings. Given the critical importance of SDG-6, which advocates for universal and equitable access to safe and affordable drinking water and sanitation, this audit aligns with both national and provincial objectives. The findings aim to inform decision-making and support strategic planning, ultimately contributing to the sustainable development goals.

The audit focuses on the following objectives:

1. To assess the effectiveness, and sustainability of WSSC, Mardan's in provision of clean drinking water and waste management in selected union councils of Mardan.
2. To evaluate the effectiveness of Services and Assets Management Agreement (SAMA) executed between WSSC, Mardan, Public Health Engineering Division and TMA, Mardan in provision of municipal services in selected union councils of district, Mardan.
3. To examine the future preparedness of WSSC, Mardan towards increased demand of water and sanitation services in selected union councils of district, Mardan.
4. To examine the steps taken by WSSC, Mardan in ensuring safe water supply and effective wastewater management for public health.

38.1.3.3 Scope

This thematic audit evaluates Water and Sanitation Services Company Mardan's (WSSCM) role in water supply, sanitation, and solid waste management to the selected Union Councils of District Mardan, covering fiscal years 2020-21 to 2023-24. It focuses on the effectiveness, sustainability, and community impact of these services, providing insights into recent operational trends and improvements.

The audit will examine both WSSCM's internal structure and interagency collaboration, particularly with the Tehsil Municipal Administration (TMA) Mardan and Public Health Engineering Department (PHED) under the Services and Assets Management Agreement (SAMA). Additionally, by reviewing various services, as it will highlight disparities in service delivery across different urban zones and identify gaps affecting underserved areas.

38.2 Legal Frame Work governing the Theme

The Water and Sanitation Services Company, Mardan (WSSCM) operates within a structured legal framework established by the Government of Khyber Pakhtunkhwa to manage urban water, sanitation, and solid waste services. WSSCM was incorporated on June 1, 2015, under Section 42 of the Companies Ordinance 1984 (now replaced by the Companies Act 2017), as a company limited by guarantee with no share capital. This incorporation enables WSSCM to function as a private-sector entity under the Local Government & Rural Development Department, providing public benefit services within Mardan's urban and semi-urban areas.

Key primary legislation includes the **Local Government Act, 2013**, specifically Section 115A, which empowers the Government to outsource any local government functions, including water and sanitation, to entities like WSSCM. This section provides the legal basis for delegating municipal functions from the Tehsil Local Government to specialized authorities or companies.

In terms of performance regulation, WSSCM's operations are governed by its **Services and Assets Management Agreement (SAMA)** with the Tehsil Municipal Administration (TMA) Mardan and the Public Health Engineering Department (PHED). This agreement outlines the service expectations,

performance benchmarks, and asset management responsibilities that guide WSSCM's water and sanitation services.

This legal framework collectively supports WSSCM's role as a corporatized public utility and defines its operational, financial, and regulatory responsibilities.

38.3 Stakeholders and governmental organizations identified as directly/ indirectly involved:

The following stakeholders are collectively identified and are related to water, sanitation, and waste management services to the selected Union Councils of District Mardan.

1. Department of Local Government, Elections, and Rural Development, Khyber Pakhtunkhwa
2. Provincial Government of Khyber Pakhtunkhwa
3. Tehsil Local Government, Mardan
4. Public Health Engineering Department, Khyber Pakhtunkhwa
5. Water and Sanitation Services Company, Mardan
6. Tehsil Municipal Administration Mardan
7. Environmental Protection Agency, Khyber Pakhtunkhwa
8. Planning and Development Department, Khyber Pakhtunkhwa
9. Finance Department, Khyber Pakhtunkhwa
10. Khyber Pakhtunkhwa Revenue Authority
11. Donor Agencies and International Development Partners
12. Village/Neighborhood Councils falling under WSSC, Mardan
13. Private Contractors and Service Providers
14. Citizens and Local Communities of District Mardan

38.4 Role of important organizations:

This audit examines the functions of major organizations involved in provision of water and sanitation services falling under the jurisdiction of WSSC, Mardan. Moreover, TMA Mardan and PHED Mardan have formally transferred municipal services related to water and sanitation to WSSCM under the Service and Assets Management Agreement (SAMA). However, overlapping functions among these entities impact WSSCM's service delivery.

- a) **Tehsil Municipal Administration (TMA) Mardan:** Originally responsible for urban services like waste management, sanitation, and water supply, TMA Mardan now collaborates with WSSCM, focusing on infrastructure and spatial planning under the Khyber Pakhtunkhwa Local Government Act, 2013. Despite its transfer of some functions, TMA's involvement in planning and public service delivery occasionally overlaps with WSSCM's operational scope, impacting overall efficiency.
- b) **Public Health Engineering Department (PHED) Mardan:** Primarily responsible for rural water supply, PHED operates tube wells and maintains water infrastructure, particularly in rural and peri-urban areas. PHED's management of certain tube wells within WSSCM's operational zones contributes to functional overlap, posing coordination challenges.
- c) **Water and Sanitation Services Company Mardan (WSSCM):** Tasked with urban water, sanitation, and waste management, WSSCM serves about 400,000 residents across 14 Union Councils. Despite notable improvements in service quality, WSSCM's effectiveness is hindered by overlapping roles with TMA and PHED, complicating its mandate and impacting service delivery across Mardan's urban zones.
- d) **Department of Local Government, Elections, and Rural Development, Khyber Pakhtunkhwa:** The Department of Local Government, Elections, and Rural Development oversee Local Government governance and is responsible for establishing policies and regulatory frameworks for municipal and rural services. This department supports local bodies like TMA and WSSCM by setting standards, allocating resources, and facilitating inter-agency cooperation for effective service delivery. The department has played a central role in establishing corporatized water and sanitation Companies like WSSCM and creating a framework for sustainable urban management. By empowering local bodies and promoting decentralized governance, the department has strengthened the ability of organizations to meet local service delivery needs in an effective and accountable manner.

38.5 Organization's Financials:

WSSC, Mardan working on the theme of clean drinking water, sanitation and waste management are funded as details given below:

1. **Government of Khyber Pakhtunkhwa:** Provides primary funding through provincial grants to support WSSCM's core operations, including water supply, sanitation, and solid waste management. Allocates funds through the Annual Development Program (ADP) to finance specific development initiatives, aiding in the expansion and improvement of WSSCM services.
2. **Tehsil Municipal Administration (TMA) Mardan:** Contributes financially by permitting direct deductions from its budget for WSSCM's operational costs, ensuring sustained municipal services within its jurisdiction. Acts as a financial partner in covering essential administrative and service provision expenses.
3. **WSSCM's Internal Revenue Generation:** Generates modest income from service fees on water supply, catering to both residential and commercial users. Obtains a nominal revenue stream from the sale of compost, produced from kitchen waste, as part of its waste management initiative. Self-generated revenue, while beneficial, remains limited and insufficient to meet total operational costs, making government funding crucial for stability.
4. Financial position of WSSC, Mardan for financial years 2020-21 to 2023-24 is as under:

Budgetary support & WSSCM Receipts

(Amount in Rs)

S.No	Financial year	Provincial Grant Operational)	Provincial ADP	At source deduction from TMA Mardan	Own Source Receipts	Other Income (bank Profit)	Total
1	2020-21	356,640,000		403,579,000	13,795,141	13,008,598	787,022,739
2	2021-22	177,500,000	71,420,000		10,491,408	17,758,330	277,169,738
3	2022-23	354,500,000			12,781,788	15,149,467	382,431,255
4	2023-24	477,831,000			14,155,255	14,309,998	506,296,253
Total		1,366,471,000	71,420,000	403,579,000	51,223,592	60,226,393	1,952,919,985

WSSCM's expenditure

(Amount in Rs)

Financial Year	Budgetary provision	Operational Expenses	Administrative Expenses	Project Expenses	Total Expenses	Excess/(Saving)
2020-21	787,022,739	345,263,746	51,985,131	74,442,337	471,691,214	(315,331,525)
2021-22	277,169,738	420,585,579	63,006,955	21,843,490	505,436,024	228,266,286
2022-23	382,431,255	494,816,621	66,802,196	6,683,480	568,302,297	185,871,042
2023-24	506,296,253	550,016,286	67,445,857	1,767,069	619,229,212	112,932,959
Total	1,952,919,985	1,810,682,232	249,240,139	104,736,376	2,164,658,747	211,738,762

38.6 Field Audit Activity

38.6.1 Methodology

The audit was conducted in accordance with INTOSAI Auditing Standards as adopted by the Department of the Auditor-General of Pakistan, ensuring a quality audit conducted economically, efficiently, and effectively. Data collection included interviews with key officers of WSSC Mardan—such as the CEO, General Manager, and heads of financial, administrative, and technical departments—to understand how they met their responsibilities. Documents review provided insights into the effectiveness of water supply schemes, focusing on the Service and Asset Management Agreement (SAMA), relevant laws and policies, and internal progress and budget reports. Comparative analysis and data provided by WSSC, Mardan was conducted and conclusion drawn. Additionally, the internal control framework of WSSC Mardan was assessed through a structured questionnaire to gain further insights into the company's operations. (see **Annexure-38.1** for details).

38.6.2 Audit Analysis

This section presents an analysis of the internal control framework of WSSC, Mardan. While the organization has implemented key controls over various operational areas, certain weaknesses and gaps exist that impact the effectiveness and robustness of these controls.

Identified Flaws in Internal Controls of WSSC, Mardan:

- i. Water Quality Monitoring: water quality testing and third-party verifications are not regularly conducted.
- ii. Waste Management Compliance: Although WSSC Mardan has mechanisms in place to monitor waste collection, however there are no

proper system to ensure stoppage of illegal dumping and segregation of solid waste.

- iii. Asset Management and Record Verification: though WSSC's asset management system exists but annual verification and disposal of stock and stores is not regularly conducted.
- iv. Population Growth Forecasting and Strategic Planning: While the Sectoral Master Plan supports long-term planning, WSSC Mardan does not update population growth forecasts on yearly basis, which may affect timely infrastructure adjustments.
- v. Payroll Management and Fraud Prevention: Payroll processes are currently controlled but lack a centralized digital management system like SAP system, which could improve accuracy and transparency.
- vi. Formal Risk Assessment and Mitigation: WSSC has identified primary risks in water and waste management but lacks a regular risk assessment process to address emerging threats proactively.

Internal Audit and Its Effectiveness: WSSC Mardan's current approach to internal audit is primarily based on management reviews and monitoring of Key Performance Indicators. While this method provide some level of oversight, it does not meet the full requirements of an effective internal audit framework, as they are not standardized, documented, or carried out by a specialized team. The absence of a structured internal audit process limits the organization's ability to identify, mitigate and control weaknesses on a proactive basis.

38.6.2.2 Critical Review

- a) Absence of approved Master Plan regarding availability and use of water resources and improvement in sanitation services.
- b) Lack of information about water resources especially groundwater
- c) Resources allocation not based on objectives and need assessment criteria;
- d) Low awareness regarding importance of good hygiene for effectiveness of water supply services;
- e) Inadequate sanitation services posing serious threat to the quality of surface and ground water resources;
- f) No direct accountability or link between cost recovery and services provision;
- g) 10 No. of non-functional water supply schemes

- h) One non-functional Sewerage Treatment Plant
- i) Non-introduction of new schemes for sanitation and water supply since establishment of the company.
- j) Insufficient solid waste management system.
- k) Less realization of receipts from water supply schemes as the company made a nominal collection of water charges of Rs 51.223 million from the consumers during financial years (2020-21 to 2023-24).
- l) Persistent declining trend in solid waste disposal from 60,375 tons per year to 53,894 tons during financial years (2020-21 to 2023-24).

38.6.2.3 Significant Audit Observations

38.6.2.3.1 Failure to Supply Clean Drinking Water

According to section 19(1) (a) of Drinking Water Act 2020, it shall be the duty of a water service provider that while supplying water to any premises for domestic purposes to supply only water which is wholesome (clean and hygienic water) at the time of supply.

According to Serial No. 17 b of KP Urban Policy 2022-2030, Community water tanks shall be cleaned on monthly basis

Supply of clean and hygienic drinking water to the residents of the 14 Union Councils of District Mardan is primary responsibility of WSSCM. For this purpose, the company was required to conduct water quality tests from a certified/approved water quality testing laboratory like Pakistan Council of Research in Water Resources (PCRWR) etc. However, it failed to conduct the tests for the last two years (2022-23 to 2023-24). Furthermore, no evidence regarding cleaning of community water tanks was available. Thus, a clean and hygienic water supply was not ensured. In addition, only six water tanks out of eleven are providing chlorinated water.

The lapse occurred due to weak internal controls of water quality testing and third-party verifications resulting into provision of unhygienic drinking water.

When pointed out in November 2024, the management stated that WSSCM has initiated water quality testing using its own established laboratory, covering all water sources (Tube Wells), and testing is currently in progress at consumer end to ensure compliance with standards. WSSCM manages 10 tanks out of which 7 are operational and providing water to the community. These functional tanks are fully

enclosed, preventing air contamination which are cleaned annually due to minimal silt deposition as the tanks do not accumulate silt significantly on a monthly basis. The remaining 3 water tanks are non-functional for specific reasons. Reply is not convincing as no water quality test conducted through a standard laboratory like PCRWR etc. was shown to audit. So far as the cleaning of water tanks is concerned, the cleaning of water tanks is required on monthly basis in compliance with KP Urban Policy 2022-2030.

PAO was requested in November, 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends conducting water quality tests and cleaning of water tanks on monthly basis.

38.6.2.3.2 Insufficient increase in Water Supply Connections to Meet the Current and Increasing Demand

According to clause 3(iii) of the Services and Assets Management Agreement between Water and Sanitation Services Company Mardan (WSSCM), Tehsil Municipal Administration Mardan and Government of Khyber Pakhtunkhwa, WSSCM is responsible for expansion, increase, enhancement, and improvement in existing organizational and financial capability for water and sanitation; introduction of new schemes, plans, programmes, operations, activities, rates, actions, procedures, processes for tasks so transferred.

According to Para 6 (i) of Khyber Pakhtunkhwa drinking Water Policy 2015, access to drinking water is basic human right and it is the responsibility of the Government to ensure its provision to all citizens.

The data on water supply connections provided by WSSC Mardan indicates slow growth in the number of connections, which may be insufficient to meet the rising demand for clean drinking water in the region. Over the three years, domestic connections increased marginally from 4,244 in 2021-22 to 4,440 in 2023-24, while commercial connections rose from 373 to 421 in the same period. Despite a slight increase in total connections, this growth does not align with the projected demand for water supply services in Mardan's expanding population, potentially affecting the sustainability and effectiveness of WSSC's water provision. Detail is given below:

Financial Year	Domestic Connections	Commercial Connections	Total Connections
2021-22	4244	373	4617
2022-23	4334	381	4715
2023-24	4440	421	4861

It is pertinent to mention that the WSSCM is providing water supply services to 36,000 persons out of the total projected population of 400,000 of the 14 union councils.

The lapse occurred due to limited outreach and expansion efforts to connect more households and commercial entities to the water supply network resulting into non-fulfilling the increasing demand.

When pointed out in November 2024, the management stated that public demand for water in Mardan city is relatively low due to the shallow water table, with many residents relying on private boreholes for their water needs. WSSCM is effectively meeting the community water supply needs where required or requested

for connection. Reply is not tenable as the nominal increase in water connections is not corresponding with increase of population of Mardan city.

PAO was requested in November 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends that WSSC Mardan should intensify efforts to expand its water supply network, with a focus on increasing both domestic and commercial connections to adequately meet the growing demand for clean drinking water.

38.6.2.3.3 Inconsistent Solid Waste Recycling Performance at WSSC Mardan

According to clause 3(vii) of the Services and Assets Management Agreement between Water and Sanitation Services Company Mardan (WSSCM), Tehsil Municipal Administration Mardan and Government of Khyber Pakhtunkhwa, WSSCM must take all the steps for effective management of the services in order to safeguard public health, to ensure that municipal services is effectively managed, waste water and solid waste is reduced, recycled or disposed-off in environment friendly manner and promoting safety standards.

Volume of solid waste recycled by WSSC Mardan shows inconsistency, indicating challenges in sustaining effective waste management. While waste recycling increased significantly from 415 tons in 2020-21 to 804 tons in 2021-22, it declined

to 778 tons in 2022-23 and further dropped to 565 tons in 2023-24. This downward trend over the last two years suggests potential issues with WSSC Mardan's waste management efficiency, which may impact its ability to provide sustainable services. However, compost production and sales have steadily increased, reflecting some success in waste processing and resource recovery. Detail is as given below:

(Quantity in Tons)				
Description	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Waste recycled	415	804	778	565
Compost produced	34	70	89	101
Compost Sold/Gifted	12.83	10.6	13.04	42.53

This inconsistency in waste recycling output raises concerns about WSSC Mardan's operational capacity and long-term sustainability in maintaining effective waste management services.

The lapse occurred due to limited operational capacity and resource constraints impacting consistent waste recycling efforts.

When pointed out in November 2024, the management stated that the compost plants produce compost that is sold to the market to recover operational costs. As the first facility of its kind in the province and new product, local farmers were hesitant to adopt the use of compost. Production fluctuations are solely due to market demand, not due to any lapse in WSSCM's operations. WSSCM is currently negotiating with a private buyer interested in purchasing the entire quantity of compost from the plant. Once this agreement is finalized, WSSCM will be able to operate the compost plant at full capacity, enabling consistent production and enhancing cost recovery. Reply was not satisfactory as despite increase in the quantity of recycled waste it shows a decline trend.

PAO was requested in November 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends strengthening of waste management operations by enhancing resource allocation and capacity-building measures to ensure consistent and sustainable waste recycling performance.

38.6.2.3.4 Declining Trend in Solid Waste Collection, Disposal, and Transportation

According to clause 3(iii) of the Services and Assets Management Agreement between Water and Sanitation Services Company Mardan (WSSCM), Tehsil Municipal Administration Mardan and Government of Khyber Pakhtunkhwa, WSSCM is responsible for expansion, increase, enhancement, and improvement in existing organizational and financial capability for water and sanitation; introduction of new schemes, plans, programmes, operations, activities, rates, actions, procedures, processes for tasks so transferred.

The analysis of solid waste collection, disposal, and transportation by WSSC Mardan reveals a concerning decline over recent years. After peaking to 60,375 tons in 2021-22, the quantity handled dropped to 58,192 tons in 2022-23 and further to 53,894 tons in 2023-24. This downward trend indicates potential inefficiencies in waste management practices, which may hinder WSSC's capacity to provide reliable sanitation services to the community.

The lapse occurred due to insufficient resources and logistical challenges affecting the consistency and capacity of waste management operations.

When pointed out in November 2024, the management stated that the observed decrease in waste collection volumes from 2021-22 to 2023-24 is not due to inefficiencies in WSSCM waste management practices. Mardan city was full of decades old dumps which were cleared along with the waste generated on daily basis. The quantity of years old dumps decreased showing a decreasing trend in waste collection and disposal. Reply is not convincing as with the passage of time the quantity of solid waste has been increasing due to increase in population. So decrease in disposal of solid waste indicates potential inefficiencies in waste management practices.

PAO was requested in November 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends to enhance operational capacity by increasing resources and improving logistics for waste collection and disposal, ensuring consistent and effective sanitation services across Mardan.

38.6.2.3.5 Financial Sustainability Challenges of WSSC Mardan

According to Para 6 (ix) of Khyber Pakhtunkhwa drinking Water Policy 2015, Tariffs for drinking water services shall be set so as to recover at least the O&M costs of service provision. Mechanisms should be in place to allow tariffs to be regulated concurrent with the rise in costs.

According to clause 3(iii) of the Services and Assets Management Agreement between Water and Sanitation Services Company Mardan (WSSCM), Tehsil Municipal Administration Mardan and Government of Khyber Pakhtunkhwa, WSSCM is responsible for expansion, increase, enhancement, and improvement in existing organizational and financial capability for water and sanitation; introduction of new schemes, plans, programmes, operations, activities, rates, actions, procedures, processes for tasks so transferred.

The financial analysis of WSSC Mardan indicates significant challenges to its financial sustainability. The organization relies heavily on provincial grants and at-source deductions from TMA Mardan, which make up the majority of its receipts. In 2023-24, provincial grants and deductions contributed approximately 95% of total receipts (PKR 506.3 million), while WSSC's own source revenue remains minimal at only PKR 14.16 million (less than 3% of total receipts). Over the four-year period, there has been no significant increase in own-source revenue, indicating a lack of progress toward financial independence.

Additionally, expenditure has consistently exceeded total receipts, with total spending in 2023-24 reaching PKR 619.2 million compared to receipts of PKR 506.3 million. The company's cash and bank balances have also steadily declined from PKR 544 million in 2020-21 to PKR 108 million in 2023-24, reflecting a decreasing reserve position and the unsustainable use of cash reserves to cover operating deficits. Detail is at **Annexure-38.2**.

The lapse occurred due to heavy dependency on government grants and lack of effective revenue-generation mechanisms resulting into insufficient self-sustaining income.

When pointed out in November 2024, the management stated that WSSCM has started to enter into service contracts for solid waste and waste water management with different institutional and commercial entities, selling water through water tankers, providing waste water management, selling compost etc for achieving

financial sustainability of the company. No efforts reflecting financial soundness of the company were seen till finalization of this report.

PAO was requested in November 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends that WSSC Mardan should implement a strategic financial plan to diversify and increase own-source revenue streams, such as enhancing water and waste management service charges, exploring commercial revenue opportunities, and improving collection efficiency. Reducing dependency on provincial grants will strengthen the company's financial independence and ensure long-term sustainability.

38.6.2.3.6 Inadequate Future Preparedness of WSSC Mardan in Environmental and Financial Sustainability

According to clause 3(i) of the Services and Assets Management Agreement between Water and Sanitation Services Company Mardan (WSSCM), Tehsil Municipal Administration Mardan and Government of Khyber Pakhtunkhwa, WSSCM is exclusively responsible entity for planning, designing , construction, operation and maintenance of water supply, sanitation, sewerage, drainage, fluid and solid waste system and allied municipal services, infrastructure, utilities and facilities including hygiene and other functions assigned by the government in the area of operations determined.

During Thematic Audit of WSSC Mardan it was found that the Company lacks comprehensive preparedness for future demands on water supply, sanitation, and waste management services. While some efforts are being made in recycling and waste disposal, the declining waste collection and inconsistent recycling rates indicate insufficient capacity to manage future environmental demands effectively. Financially, the company's high dependency on provincial grants and limited own-source revenue hinder its ability to sustain and expand services without external support. This lacks of future-oriented planning poses risks to both service continuity and environmental impact management.

The lapse occurred due absence of a long-term strategic plan focused on enhancing operational efficiency, resource allocation for environmental sustainability, and financial self-reliance resulting in inadequate future preparedness.

When pointed out in November 2024, the management stated that WSSCM has submitted plans for solarization of tube wells, electrification of vehicles, service contract, compost selling, provision of jetting machine etc on cost basis for revenue generation to reduce its operation cost and increase financial sustainability while on the other hand, establishment of ISWM and STP will ensure its environmental sustainability. Reply was not tenable as no actual progress was shown till finalization of this report.

PAO was requested in November 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends to develop a strategic roadmap addressing environmental sustainability and financial independence to prepare WSSC Mardan for increasing future demands and ensure sustainable service delivery.

38.6.2.3.7 Non-establishment of Solid Waste Management Plant and Non-Segregation of Solid Waste.

According to clause 3(vii) of the Services and Assets Management Agreement between Water and Sanitation Services Company Mardan (WSSCM), Tehsil Municipal Administration Mardan and Government of Khyber Pakhtunkhwa, WSSCM must take all the steps for effective management of the services in order to safeguard public health, to ensure that municipal services is effectively managed, waste water and solid waste is reduced, recycled or disposed-off in environment friendly manner and promoting safety standards.

During Thematic Audit it was observed that Water and Sanitation Services Company Mardan (WSSCM) collected 227,114 tons of solid waste and transported the same to dumping ground during the last four financial years 2020-24. Audit holds that the solid waste consisted of different types of waste which needed to be segregated so as to reduce landfills waste. Furthermore, Solid Waste Treatment Plant (SWMP) is the need of the day for recycling of the solid waste but the Company has not yet established proper Solid Waste Management Plant except two (2) compost plants for agriculture waste which is recycling about 2% of total solid waste. Recycling of the solid waste will not only convert the waste into useful products rather it will minimize various environmental and health hazards effects.

Lapse occurred due to weak managerial control resulting into unfriendly environmental dispose of solid waste and may create health hazard effects besides non-generation of revenue from the recycled products.

When pointed out in November 2024, the management stated that: As mentioned in the audit observation WSSCM has established a compost plant on pilot base with a capacity of 5 tons of waste intake per day however, Mardan city generates around 200 tons solid waste per day. A project under title “Integrated Solid Waste Management” under KPCIP is in progress for catering segregation, material recovery and safe disposal of 100% waste generated in Mardan city. Reply is not satisfactory as 2.5% of the solid waste is recycled which is not sufficient and showing inefficiency on part of the company.

PAO was requested in November 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends segregation of solid waste and establishing of Solid Waste Management Plant.

38.6.2.3.8 Failure to Functionalize Sewerage Treatment Plant

According to clause 3(iv) of the Services and Assets Management Agreement between Water and Sanitation Services Company Mardan (WSSCM), Tehsil Municipal Administration Mardan and Government of Khyber Pakhtunkhwa, WSSCM is responsible for managing, controlling, using, occupying, maintaining machinery, equipments, tools, plants, vehicles, lands, buildings. Station spaces, structures and other moveable and immoveable assets owned, managed or controlled by the First Party, for the services in the area of operations.

During Thematic Audit of WSSCM it was observed that Sewerage Treatment Plant (STP) situated at Mistri Abad Guli Bagh was handed over to the Company by TMA in 2016. However, the same has not been functionalized till date. Audit holds that on one hand, functioning of the plant would have minimized hazardousness to health and on the other hand, would have generated revenue by selling the water for irrigation purpose to agriculture sector.

The lapse occurred due to weak managerial controls resulting into unfriendly environmental and unhealthy effects.

When pointed out in November 2024, the management stated that the construction of the Sewage Treatment Plant (STP) at Mistri Abad Guli Bagh, along with its associated network, is currently underway and is expected to be completed by 2025. The plant's capacity is being expanded to treat wastewater from six urban union councils, an improvement from the previous design that served only three. This STP is based on an advanced activated sludge treatment system, providing a substantial capacity increase. Additionally, as part of WSSCM's financial sustainability strategy, paid connections will be offered to the community, generating revenue to support the company's stability while promoting better environmental and public health conditions. Reply is not satisfactory as the STP has not been functionalized till finalization of this report.

PAO was requested in November 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate functioning of the Sewerage Treatment Plant

38.6.2.3.9 Non-Expansion of Services to Adjacent UCs of Urban Areas and Peri-Urban Areas

According to clause 3(iii) of the Services and Assets Management Agreement between Water and Sanitation Services Company Mardan (WSSCM), Tehsil Municipal Administration Mardan and Government of Khyber Pakhtunkhwa, WSSCM is responsible for expansion, increase, enhancement, and improvement in existing organizational and financial capability of water and sanitation; introduction of new schemes, plans, programmes, operations, activities, rates, actions, procedures, processes for tasks so transferred.

During Thematic Audit of WSSCM that it was observed that despite rapid extension of the urban area to the vicinity of Mardan city due to fast increase in population, the WSSCM did not expand its services to adjacent UCs of urban area and semi urban areas and restricted its operation to 14 Union Councils since its inception in 2016 which it required to expand its water supply and sanitation services to adjacent urban as well as semi urban areas of Mardan.

The lapse occurred due to weak internal controls resulting into deprivation of adjacent urban UCs and peri-urban area of the water supply and sanitation services.

When pointed out in November 2024, the management stated that the expansion of services to peri-urban areas is the mandate of Provincial Cabinet. WSSCM is ready

to take over the peri-urban areas upon transfer of funds. Reply is not satisfactory as the expansion of services is the responsibility of WSSCM as per SAMA.

PAO was requested in November 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends expansion of services to the adjacent and peri-urban union councils.

38.6.2.3.10 Non-Operation of Dysfunctional Tube Wells.

According to clause 3(iv) of the Services and Assets Management Agreement between Water and Sanitation Services Company Mardan (WSSCM), Tehsil Municipal Administration Mardan and Government of Khyber Pakhtunkhwa, WSSCM is responsible for managing, controlling, using, occupying, maintaining machinery, equipments, tools, plants, vehicles, lands, buildings. Station spaces, structures and other moveable and immovable assets owned, managed or controlled by the First Party, for the services in the area of operations.

During Thematic Audit it was observed that 36 tube wells were handed over to WSSCM by TMA Mardan in 2016 wherein 10 tube wells were dysfunctional. The WSSCM was required to functionalize the dysfunctional tube wells but the tube wells were not functionalized till date of audit i.e October 2024 resultantly the households of the respective areas were deprived of the water facility.

The lapse occurred due to weak internal controls resulting into deprivation of households of the water facility.

When pointed out in November 2024, the management stated that the 10 dysfunctional tube wells were handed over to WSSCM in an abandoned state, with bore failures at the time of take over from TMA. However, alternative tube wells were already constructed nearby to ensure water supply to the households in the respective areas. As a result, these areas are adequately served, and no community was left without access to water facilities. Reply is not tenable as the tube wells were constructed on the basis of feasibility reports keeping in view the population of the areas and the contention of the WSSCM is not acceptable because the population of the areas has increased manifold since construction of the tube wells.

PAO was requested in November 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends that the tube wells should be functionalized without further delay.

38.6.2.3.11 Non-Taking Over of Water Supply Schemes from Public Health Engineering Department.

According to Serial No. 81 of KP Urban Policy 2022-2030, Water and Sanitation Services Companies, the Public Health Engineering Department and the local governments shall revoke overlapping functions.

During Thematic Audit, it was observed that there are total 73 tube wells in the 14 union councils which are in the jurisdiction of WSSCM but out of these tube wells 37 tube wells are still operated by PHED. So only 49% of the total tube wells are taken over by WSSCM. Audit holds that the remaining 37 tube wells are situated in area which comes in the jurisdiction of WSSCM as well and required to be taken over from PHED. Thus, non-taking over the remaining 37 tube well from PHED is a lapse on part of the WSSCM.

Non-taking over WSS occurred due to weak internal controls resulting into overlapping of functions.

When pointed out in November 2024, the management stated that The Services and Assets Management Agreement (SAMA) exists between TMA and WSSCM, which means WSSCM cannot directly take over these tube wells from PHED. According to the agreement, PHED must first hand over the tube wells to TMA in fully functional condition, after which TMA will transfer them to WSSCM along with full operational capability and the associated operation and maintenance costs, as stipulated by SAMA. Reply is not satisfactory as supply of water in area is the prime responsibility of the WSSCM but no efforts were seen for taking over of supply schemes from PHED.

PAO was requested in November 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends immediate taking over of the WSS from PHED.

38.6.2.3.12 Non-Installation of Trash Bins and Insufficient Quantity of Containers for Solid Waste.

According to Annexure -2 to KP Urban Policy 2022-2030, installation of standard trash bins (25cm x91cm) in public areas including fruit and vegetable markets at every 50 meters is the responsibility of WSSC.

It was the responsibility of the WSSCM to install trash bins (25cm x91cm) in public areas including fruit and vegetable markets at every 50 meters but neither the trash bins were seen in public areas nor any documentary evidence was shown regarding installation of the trash bins.

Furthermore, 179 containers of different size (5 cubic metre and 0.8 cubic metre) have been placed at different locations for collection of solid waste/garbage. Audit holds that the area of 14 UCs under the jurisdiction of the WSSCM is 31.89 Km² or 31,890,000 m². Thus, the containers are placed at an average distance of 422 metre from each other which are not sufficient to accommodate the whole of solid waste/garbage and a considerable quantity of solid waste/garbage is heaped on the open ground, which cause health issues by making odor and contaminating the water through penetration into the ground.

Non-installation of trash bin and placing of insufficient number of containers for solid waste occurred due to weak managerial control resulting into open pile of solid waste in the streets and roadsides causing health issues to the residents.

When pointed out in November 2024, the management stated that WSSCM has installed 179 number of 5 cubic meter and 0.8 cubic meters of trash bin in the city. The capacity of the installed trash bins is more than the total waste generates in the city. Moreover, WSSCM sanitary workers collects waste from door steps of 68% households through handcarts, Suzuki mini tippers, tri-wheelers etc and disposed the waste in the mentioned containers which are then lifted and disposed off by large trucks within due time without creating problem of odor. The upcoming model of integrated solid waste management project under KPCIP is also based on 100% door to door collection of solid waste and don't have installation of trash bins. Reply is not convincing as installation of standard trash bins is the responsibility of WSSCM under KP Urban Policy 2022-30.

PAO was requested in November 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends installation of trash bins and containers for solid waste at a reasonable distance in the area under jurisdiction of the Company.

38.6.2.3.13 Failure to Replace Old Rusted Pipes to Avoid Underground Water Contamination and wastage of Water.

According to Serial No. 87 of the KP urban Policy 2022 to 2030, the mixing of tube well and sewage water shall be avoided by preventing sewage overflow, constructing septic tanks, and separating sewage pipes.

According to Serial No. 7.10(iii) of Khyber Pakhtunkhwa Drinking Water Policy 2015, water safety plans will be prepared for all water supply systems; which will include removal of hazardous contamination sources, repair of leakages, replacement of damaged/rusted pipes and ensuring that drinking water supply pipes do not pass through or across a drain/sewer or contaminated areas

During Thematic Audit, it was observed that drinking water distribution network under the jurisdiction of WSSCM in 14 Union Councils are 371,153 metres long consisting pipes of different diameters which were mostly laid about 50 years ago. As per Company record, 156,220-meter-long pipes are in deteriorated condition requiring replacement but the company failed to replace the pipes. Audit holds that rusted and leaked pipes cause underground water contamination as well as wastage of water due to leakage.

Moreover, no mechanism was found for separation of sewage pipes/channels from drinking water supply pipes passing through or across a drain/sewer or contaminated areas.

Non-replacement of rusted pipes occurred due to weak managerial control resulting into wastage of water and provision of contaminated drinking water.

When pointed out in November 2024, the management stated that WSSCM manages a 159,160-meter water supply network, with maintenance and repair handled by three dedicated leak detection teams. These teams conduct daily visits to their assigned areas to identify and address leaks in the water supply network. Additionally, WSSCM operates a dedicated complaint cell that allows the local community to report pipeline leakages, which are then promptly addressed by the leak detection team. Reply is not tenable because about 50% of the pipes are in deteriorated condition as mentioned in the un-approved master plan of the company.

PAO was requested in November 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends replacement of old rusted and leaked water supply pipes.

38.6.2.3.14 No Alternate Arrangement or Preparedness for Catastrophic Situation

According to Serial No. 10(1) of Khyber Pakhtunkhwa Drinking Water Policy 2015, Provincial, District and local level Emergency Preparedness and Response Plans (EPRPs) will be developed in coordination with the Khyber Pakhtunkhwa Provincial Disaster Management Authority (PDMA) for ensuring provision of drinking water to the people affected by emergencies such as floods, earthquakes, droughts and conflicts;

In the state of disaster like floods, earthquakes, droughts and conflicts water becomes the most important commodity. Lack of availability of fresh water enhances the vulnerability of the affected people. In order to provide immediate relief to the people, water emergency plan needs to be implemented so as to avoid the risk of the water scarcity and preserve water in case of such disasters.

During Thematic Audit of the WSSCM, neither emergency preparedness and response plan was developed in coordination of PDMA nor any physical preparedness for ensuring provision of drinking water to the people affected by emergencies such as floods, earthquakes, droughts and conflicts was seen.

Non-preparedness for catastrophic situation occurred due to weak managerial controls resulting into ill planning and non-preparedness for emergent situation.

When pointed out in November 2024, the management stated that WSSCM provides water to its consumer through water tanks during any emergency situation. WSSCM provided support during flood 2022 to the people of Swat by sending water tanker. During the covid-19 pandemic WSSCM has efficiently managed water and sanitation services to the communities, health facilities and quarantine areas. Reply is not satisfactory as no plan as well as physical preparedness was in place to handle the disastrous situation in earthquake or flood.

PAO was requested in November 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends the company should prepare plan for emergency and hold physical preparedness for emergent situation.

38.6.2.3.15 Failure to Launch Wide Awareness Campaigns

According to Para 5.3(viii) of Khyber Pakhtunkhwa drinking Water Policy 2015, increase of public awareness about water protection & conservation, safe hygiene practices, and the nexus between sanitation and safe water supply services is one of the objectives of the policy.

The purpose of public awareness is to develop the capacity of consumers in water use and protection of water resource and handling of solid waste. During thematic audit, it was observed that WSSCM did not launched wide awareness campaigns through electronic as well as print media. Though some awareness campaigns were conducted in a few schools, mosques and hujras yet they were not enough to cover the considerable number of citizens. Neither any hoarding board, poster, brochure nor social media for awareness of people was utilized.

Lack of proper awareness campaigns occurred due weak internal controls resulting into loss of water and mishandling of solid waste by the households.

When pointed out in November 2024, the management stated that carried out mass awareness campaign on water protection and proper handling of water in schools, colleges, universities and Masajid, moreover WSSCM actively posted all the awareness material and campaigns through its official social media accounts. The company has its own YouTube channel, Tiktok Account, Facebook Account, Tweeter, Instagram etc. for mass awareness and publicity. Reply is not convincing as the company has its social media accounts which are mostly used for the publicity of the company but lacking public awareness programmes about water protection & conservation, safe hygiene practices, and the nexus between sanitation and safe water supply services. Furthermore, no hoarding board, poster, brochure etc. for awareness of the people were seen.

PAO was requested in November 2024 to convene DAC meeting, which could not be convened till finalization of this report.

Audit recommends wide awareness campaigns need to be conducted for education of the households about conservation, protection of water and careful handling of solid waste.

38.7 Departmental Responses

The Audit findings were discussed with the management of WSSC Mardan and the following written para wise replies were furnished:

Para No. 38.7.2.3.1. WSSCM has initiated water quality testing using its own established laboratory, covering all water sources (Tube Wells), and testing is currently in progress at consumer end to ensure compliance with standards. WSSCM manages 10 tanks out of which 7 are operational and providing water to the community. These functional tanks are fully enclosed, preventing air contamination which are cleaned annually due to minimal silt deposition as the tanks do not accumulate silt significantly on a monthly basis. The remaining 3 water tanks are non-functional for specific reasons. Reply is not convincing as no water quality test conducted through a standard laboratory like PCRWR etc. was shown to audit. So far as the cleaning of water tanks is concerned, the cleaning of water tanks is required on monthly basis in compliance with KP Urban Policy 2022-2030.

Para No. 38.7.2.3.2. Public demand for water in Mardan city is relatively low due to the shallow water table, with many residents relying on private boreholes for their water needs. WSSCM is effectively meeting the community water supply needs where required or requested for connection. Reply is not tenable as the nominal increase in water connections is not corresponding with increase of population of Mardan city.

Para No. 38.7.2.3.3. The compost plants produce compost that is sold to the market to recover operational costs. As the first facility of its kind in the province and new product, local farmers were hesitant to adopt the use of compost. Production fluctuations are solely due to market demand, not due to any lapse in WSSCM's operations. WSSCM is currently negotiating with a private buyer interested in purchasing the entire quantity of compost from the plant. Once this agreement is finalized, WSSCM will be able to operate the compost plant at full capacity, enabling consistent production and enhancing cost recovery. Reply was not satisfactory as despite increase in the quantity of recycled waste it shows a declining trend.

Para No. 38.7.2.3.4. the observed decrease in waste collection volumes from 2021-22 to 2023-24 is not due to inefficiencies in WSSCM waste management practices. Mardan city was full of decades old dumps which were cleared along

with the waste generated on daily basis. The quantity of years old dumps decreased showing a decreasing trend in waste collection and disposal. Reply is not convincing as with the passage of time the quantity of solid waste has been increasing due to increase in population. So decrease in disposal of solid waste indicates potential inefficiencies in waste management practices.

Para No. 38.7.2.3.5. WSSCM has started to enter into service contracts for solid waste and waste water management with different institutional and commercial entities, selling water through water tankers, providing waste water management, selling compost etc for achieving financial sustainability of the company. No efforts reflecting financial soundness of the company were seen till finalization of this report.

Para No. 38.7.2.3.6. WSSCM has submitted plans for solarization of tube wells, electrification of vehicles, service contract, compost selling, provision of jetting machine etc on cost basis for revenue generation to reduce its operation cost and increase financial sustainability while on the other hand, establishment of ISWM and STP will ensure its environmental sustainability. Reply was not tenable as no actual progress was shown till finalization of this report.

Para No. 38.7.2.3.7. As mentioned in the audit observation WSSCM has established a compost plant on pilot base with a capacity of 5 tons of waste intake per day however, Mardan city generates around 200 tons solid waste per day. A project under title “Integrated Solid Waste Management” under KPCIP is in progress for catering segregation, material recovery and safe disposal of 100% waste generated in Mardan city. Reply is not satisfactory as 2.5% of the solid waste is recycled which is not sufficient and showing inefficiency on part of the company.

Para No. 38.7.2.3.8. the construction of the Sewage Treatment Plant (STP) at Mistri Abad Guli Bagh, along with its associated network, is currently underway and is expected to be completed by 2025. The plant’s capacity is being expanded to treat wastewater from six urban union councils, an improvement from the previous design that served only three. This STP is based on an advanced activated sludge treatment system, providing a substantial capacity increase. Additionally, as part of WSSCM’s financial sustainability strategy, paid connections will be offered to the community, generating revenue to support the company’s stability while promoting better environmental and public health conditions. Reply is not satisfactory as the STP has not been functionalized till finalization of this report.

Para No. 38.7.2.3.9. The expansion of services to peri-urban areas is the mandate of Provincial Cabinet. WSSCM is ready to take over the peri-urban areas upon transfer of funds. Reply is not satisfactory as the expansion of services is the responsibility of WSSCM as per SAMA.

Para No. 38.7.2.3.10. the 10 dysfunctional tube wells were handed over to WSSCM in an abandoned state, with bore failures at the time of take over from TMA. However, alternative tube wells were already constructed nearby to ensure water supply to the households in the respective areas. As a result, these areas are adequately served, and no community was left without access to water facilities. Reply is not tenable as the tube wells were constructed on the basis of feasibility reports keeping in view the population of the areas and the contention of the WSSCM is not acceptable because the population of the areas has increased manifold since construction of the tube wells.

Para No. 38.7.2.3.11. the Services and Assets Management Agreement (SAMA) exists between TMA and WSSCM, which means WSSCM cannot directly take over these tube wells from PHED. According to the agreement, PHED must first hand over the tube wells to TMA in fully functional condition, after which TMA will transfer them to WSSCM along with full operational capability and the associated operation and maintenance costs, as stipulated by SAMA. Reply is not satisfactory as supply of water in area is the prime responsibility of the WSSCM but no efforts were seen for taking over of supply schemes from PHED

Para No. 38.7.2.3.12. WSSCM has installed 179 number of 5 cubic meter and 0.8 cubic meters of trash bin in the city. The capacity of the installed trash bins is more than the total waste generates in the city. Moreover, WSSCM sanitary workers collects waste from door steps of 68% households through handcarts, Suzuki mini tippers, tri-wheelers etc and disposed the waste in the mentioned containers which are then lifted and disposed off by large trucks within due time without creating problem of odor. The upcoming model of integrated solid waste management project under KPCIP is also based on 100% door to door collection of solid waste and don't have installation of trash bins. Reply is not convincing as installation of standard trash bins is the responsibility of WSSCM under KP Urban Policy 2022-30.

Para No. 38.7.2.3.13. WSSCM manages a 159,160-meter water supply network, with maintenance and repair handled by three dedicated leak detection teams. These teams conduct daily visits to their assigned areas to identify and address leaks in the water supply network. Additionally, WSSCM operates a dedicated

complaint cell that allows the local community to report pipeline leakages, which are then promptly addressed by the leak detection team. Reply is not tenable because about 50% of the pipes are in deteriorated condition as mentioned in the un-approved master plan of the company.

Para No. 38.7.2.3.14. WSSCM provides water to its consumer through water tanks during any emergency situation. WSSCM provided support during flood 2022 to the people of Swat by sending water tanker. During the covid-19 pandemic WSSCM has efficiently managed water and sanitation services to the communities, health facilities and quarantine areas. Reply is not satisfactory as no plan as well as physical preparedness was in place to handle the disastrous situation in earthquake or flood.

Para No. 38.7.2.3.15. WSSCM carried out mass awareness campaign on water protection and proper handling of water in schools, colleges, universities and Masajid, moreover WSSCM actively posted all the awareness material and campaigns through its official social media accounts. The company has its own YouTube channel, Tiktok Account, Facebook Account, Tweeter, Instagram etc. for mass awareness and publicity. Reply is not convincing as the company has its social media accounts which are mostly used for the publicity of the company but lacking public awareness programmes about water protection & conservation, safe hygiene practices, and the nexus between sanitation and safe water supply services. Furthermore, no hoarding board, poster, brochure etc. for awareness of the people were seen.

PAO was requested in November 2024 to convene DAC meeting, which could not be convened till finalization of this report.

38.8 Recommendations:

1. Supply of clean drinking water should be ensured by conducting water quality tests from certified water quality testing laboratories.
2. A master plan needs to be prepared to meet the current as well as future demand of water and sanitation.
3. Solid and water waste treatment plants should be established to minimize the health and environment issues.
4. Mass awareness campaigns need to be launched for conservation, protection and handling of solid waste/garbage in useful manner.
5. Financial position of the company may be strengthened by increasing revenue from water supply and solid waste.
6. Old rusted water supply pipes should be replaced to avoid waste of water and contamination of drinking water.
7. A comprehensive alternative emergency plan should be made for disaster like earthquake, floods etc.
8. New water supply and sanitation scheme should be introduced.
9. Water supply and sanitation services need to be extended to the adjacent urban and peri-urban areas.
10. Number of water connections as well as tariff should be increased besides recovery of arrears so that deficit could be minimized.
11. 37 tube wells should be taken over from PHED Mardan so that the overlapping of functions could be revoked.
12. The dysfunctional tube wells should be functionalized.
13. The available Sewerage Treatment Plant needs to be functionalized.
14. Solid waste collection, disposal and transportation may be increased in proportion with increase of population.
15. Solid waste needs to be segregated and recycled significantly which will generate revenue as well as decrease in open dumping of solid waste.

38.9 Conclusion

Thematic audit of Water and Sanitation Services Company, Mardan (WSSCM) highlights critical challenges impacting its service delivery and sustainability. WSSCM faces inadequate water supply due to limited connections, poor water quality, and insufficient maintenance of infrastructure. In solid waste management, inconsistent recycling, declining waste collection rates, and the absence of a dedicated waste management plant hinder effectiveness. Financially, WSSCM relies heavily on government grants, generating minimal revenue and experiencing operational deficits, which undermine long-term stability. The company has no approved master plan to address present as well as future water and sanitation needs. There is no internal audit mechanism to curb inefficient management practices. To address these issues, WSSCM must strengthen its financial management, expand and maintain its water supply network, establish a solid waste management facility, and enhance its revenue-generating capacity. By developing a robust strategic plan and engaging the public in water conservation and hygiene practices, WSSCM can improve water supply and sanitation services' quality and protect public health of the residents of District, Mardan.

38.10 References

- Services and Assets Management Agreement (SAMA)
 - Financial Statements of WSSCM for the financial years 2020-21 to 2023-24
 - Questionnaire framed for thematic Audit
 - KP Drinking Water Policy 2015
 - KP Urban Policy 2022-2030
 - Other documented data collected during audit.
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