

AUDIT REPORT

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

AUDIT YEAR 2025-26

صداقت
متانت اعانت
AUDITOR-GENERAL'S DEPARTMENT

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



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



PREFACE

Articles 169 & 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with sections 8, 12 & 15 of the Auditor-General (Functions, Powers and Terms & Conditions of Service) Ordinance 2001 and Section 37 of the Khyber Pakhtunkhwa Local Government Act 2013 (Amended 2022), require the Auditor-General of Pakistan to conduct audit of the accounts of receipts and expenditure 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, Assistant Directors, Local Government & Rural Development Department, and Water & Sanitation Services Companies in the province for the Financial Years 2023-24 and 2024-25. The Directorate General of Audit, Local Governments, Khyber Pakhtunkhwa conducted audit during 2025-26 and 2024-25 (Phase-II) on test check basis with a view to report significant findings to the relevant stakeholders.

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

Most of the observations included in this report were finalized in the light of written replies of the departments.

The Audit Report is submitted to the Governor Khyber Pakhtunkhwa, in pursuance of the 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:

(Maqbool Ahmad Gondal)
Auditor-General of Pakistan

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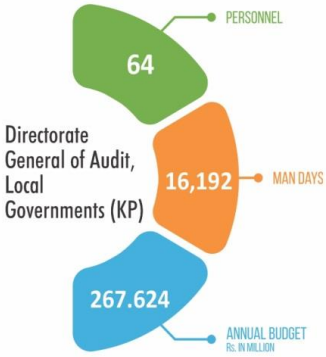
ABBREVIATIONS AND ACRONYMS

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
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
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
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

FATA	Federally Administered Tribal Area
FBR	Federal Board of Revenue
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
GPS	Government Primary School
HDPE	High Density Polypropylene Pipe
HQ	Head Quarter
HR	Human Resource
IT	Information Technology
KM	Kilo Metre
KPCIP	Khyber Pakhtunkhwa Cities Improvement Projects
KP	Khyber Pakhtunkhwa
KPPRA	Khyber Pakhtunkhwa Public Procurement Regulatory 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
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

WSSC	Water & Sanitation Services Company
WSSP	Water & 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 64 officers and staff with a total of 16,192 man-days. Annual budget amounting to Rs.267.624 million was allocated to the office for the FY 2025-26. This audit report includes audit observations pertaining to the financial attest audit, compliance with authority audit and Performance audit conducted during the Audit Years 2024-25 and 2025-26.

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 134 Tehsil Municipal Administrations in the province. The 4146 Village and Neighborhood Councils (V&NCs) of the province have ADs LG&RDD as their Principal Accounting Officers.

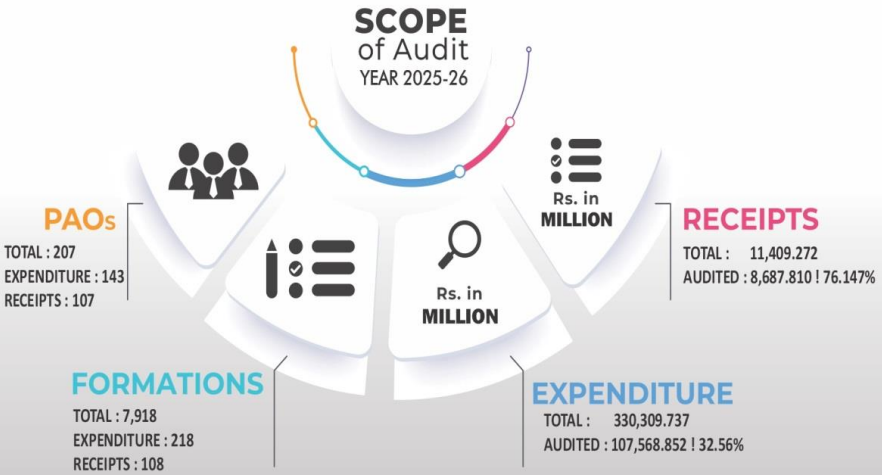
a. Scope of Audit

There are 7,918 formations having 207 PAOs which are under the audit jurisdiction of this office. Total expenditure and receipts of these formations were Rs. 330,309.737 million and Rs. 11,409.272 million respectively for the Financial Year 2024-25.

Audit coverage relating to expenditure for the current audit year comprises 218 formations of 143 PAOs having a total expenditure of Rs. 107,568.852 million for the Financial Year 2024-25, which in terms of percentage is 32.56% of auditable expenditure.

Audit coverage relating to receipts for the current audit year comprises 108 formations of 107 PAOs having a total Receipts of Rs. 8,687.810 million for the Financial Year 2024-25, which in terms of percentage is 76.147% 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. 4,456.011 million was pointed out in this report. Recovery amounting to Rs. 200.422 million was effected till finalization of the report.



c. Audit Methodology

The Audit Year 2025-26 witnessed intensive application of desk audit techniques in the DGA-LGs Khyber Pakhtunkhwa. This was facilitated by access to live SAP ERP S4/HANA 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 risk 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. 4,456.011 million was pointed out whereas Rs. 200.422 million was affected till finalization of the report.
ii. Payments through DDOs were reduced by Rs. 96.340 million, from Rs.1,019.681 million in audit year 2024-25 to Rs. 923.341 million in audit year 2025-26.
iii. Mandatory deduction of various allowances started on pointation of audit.
iv. Most of the schools at the primary level were made functional at the 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 I.Irregular cash payments to DDOs instead of vendors-Rs. 923.341 million.

02 I.Un-verified payment of arrears on account of pay and allowances-Rs.154.300 million.

03 I.Non-Reconciliation of cash balances – Rs. 9,271.008 million

04 I.Retention of Public Accounts Liabilities- Rs.1,257.174 million

05 I.Un-justified Balances under G/L Account G10113–Security Deposits – Rs.17.321 million.

06 I.Fraud, embezzlement and misappropriation were detected in four cases amounting – Rs. 23.589 million.

07 I.HR/Employees related irregularities were detected in thirty-four cases amounting – Rs.559.561 million.

08 I.Procurement related irregularities were noticed in twenty-six cases amounting – Rs.453.549 million.

09 I.Management of Accounts with Commercial Banks issues were noticed twenty-seven amounting – Rs.858.818 million

10 I.Value for money and service delivery issues were detected fifteen cases amounting – Rs. 660.502 million.

11 I.Other issues including accidents, negligence etc were detected nineteen cases amounting – Rs. 3,601.507 million.

Minor irregularities/weaknesses pointed out during the audit are being taken up separately with the authorities concerned as detailed in Annexures of relevant chapters.

g. Recommendations

i. Cheques are required to be issued to the suppliers/vendors instead of DDOs.
ii. All relevant record pertaining to the arrears of pay and allowances may properly be maintained.
iii. Corrective action may be taken regarding variation in cash balance figures of SBD/NBP and financial statements.
iv. Transfer / clearance of Public Account liabilities from A/C-IV to A/C-I as per Khyber Pakhtunkhwa Finance Department instructions.
v. All balances of G-10113 may be transferred to new relevant head of accounts as per CGA instructions and corrective action may be taken regarding debit balances.
vi. Disciplinary actions may be initiated against the delinquents.
vii. Established recoveries may be affected by the respective fora.
viii. Internal Controls may be strengthened.

CHAPTER-1

PUBLIC FINANCIAL MANAGEMENT

1.1 Sectoral Analysis

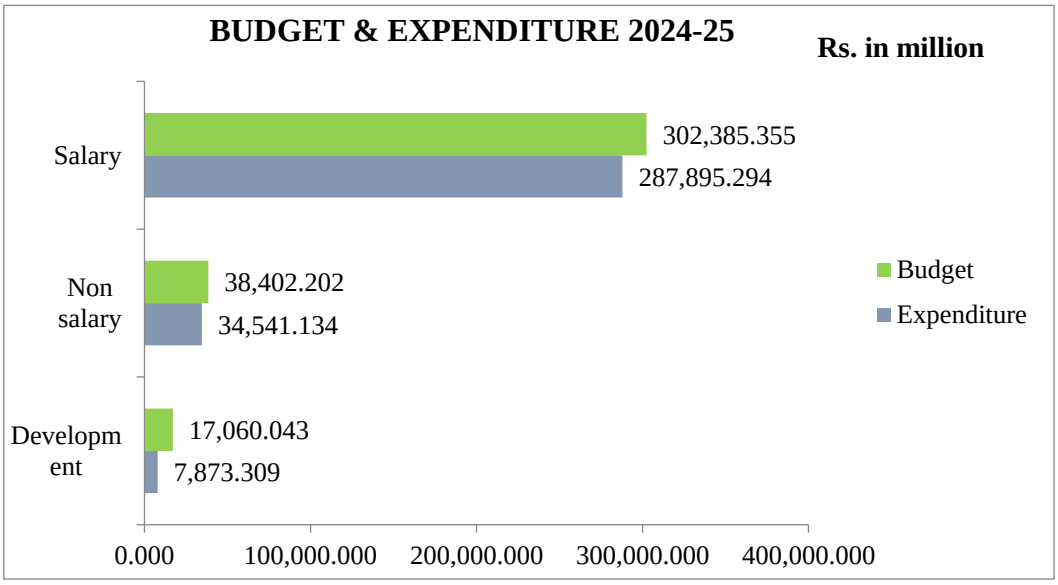
The Khyber Pakhtunkhwa, Local Government Act, 2013 was promulgated in the year 2013 which retained the previous structure of the Local Government initially introduced in the province under the Local Government Ordinance (LGO), 2001. The Local Government Act, 2013 was further ammended in the years 2015, 2017, 2019, 2020, 2021 and 2022. However, under the 2019 amendment, the district government was abolished and replaced by a new Tehsil government tier for which the Khyber Pakhtunkhwa City/Tehsil Local Government Rules of Business, 2022 were notified by the Local Government, Elections & Rural Development Department on 23rd June 2022. According to these rules, Assistant Commissioner is the Principal Accounting Officer of 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 district government. 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.

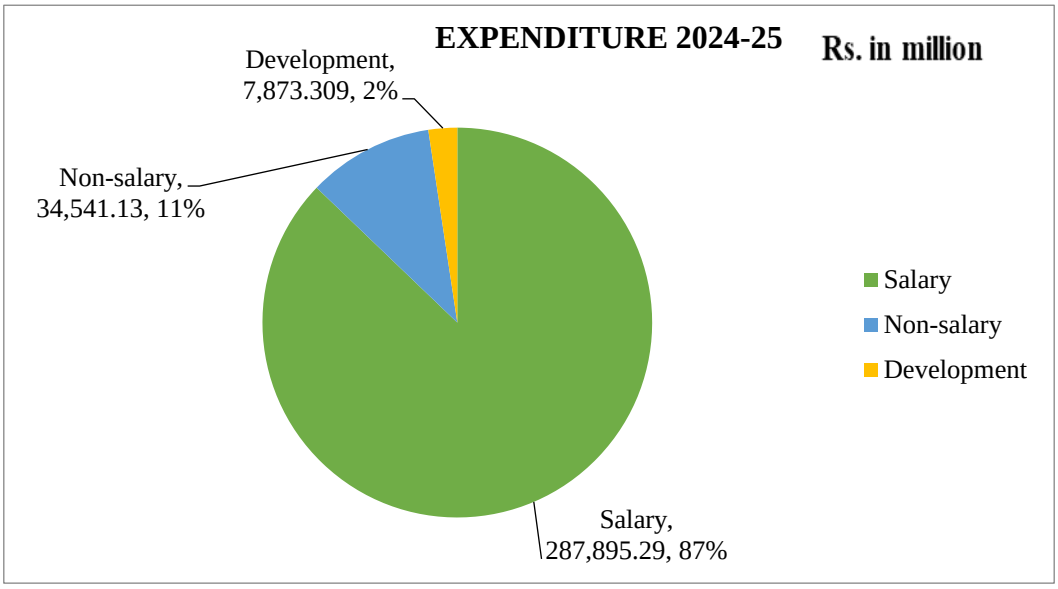
In the Districts of Khyber Pakhtunkhwa, funds amounting to Rs.357,847.599 million were allocated to 7,918 formations working under 207 PAOs, out of which, expenditure of Rs. 330,309.737 million was made resulting into saving of Rs. 27,537.862 million. Audit coverage relating to expenditure for the current audit year comprises of 218 formations of 143 PAOs having a total expenditure of Rs. 107,568.852 million for the Financial Year 2024-25. In terms of percentage, the audit coverage for expenditure is 32.56% of auditable expenditure and audit coverage for receipts is 76.147%. 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	302,385.355	287,895.294	(14,490.061)	107,568.852	32.56%
Non-salary	38,402.202	34,541.134	(3,861.068)		
Development	17,060.043	7,873.309	(9,186.733)		
Total	**357,847.599**	**330,309.737**	**(27,537.862)**	**107,568.852**	

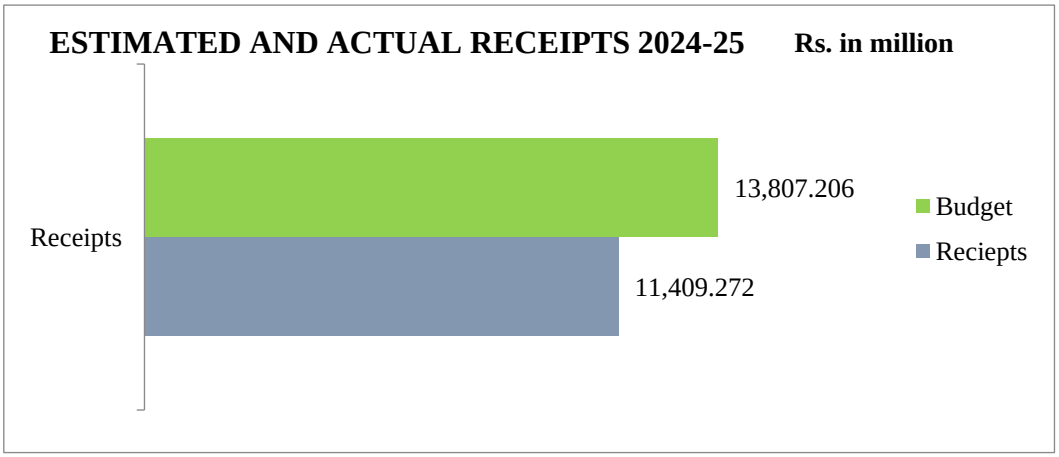




RECEIPTS

(**Rs. in million**)

Description	Budget	Receipts	Receipts Audited	%age
Receipts	13,807.206	11,409.272	8,687.810	76.147%



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

i. Education

According to City/Tehsil Local Government, Rules of Business 2022, Primary & Secondary Education Department is entrusted with provision of 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 2025 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)

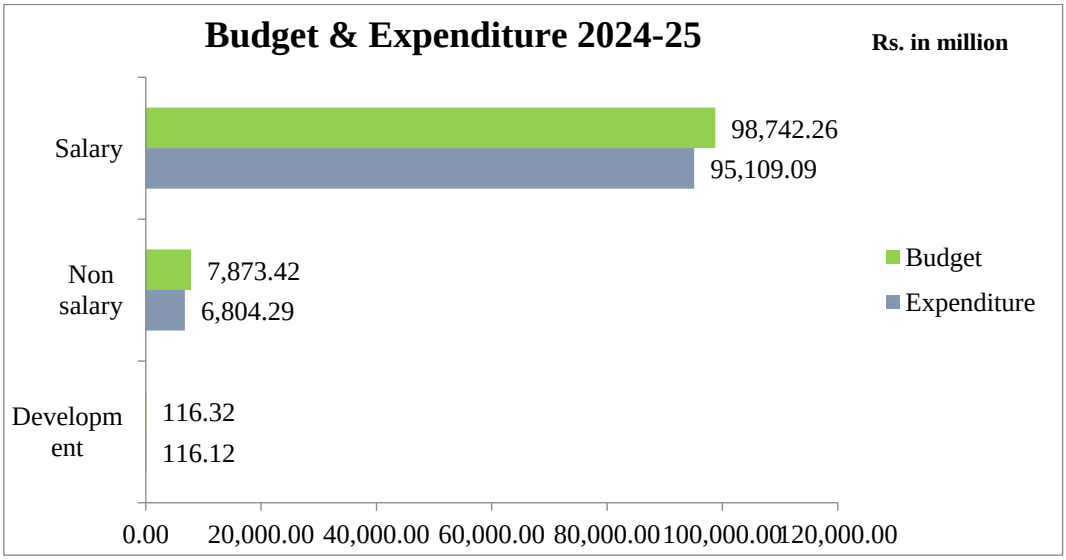
(Rs in million)

S.No.	Total No. of Formations	Formations Audited	Expenditure audited FY 2024-25	Revenue /Receipts audited FY 2024-25
1.	35	35	**102,029.50**	NIL

Comments on Budget and Accounts (Variance Analysis) 2024-25

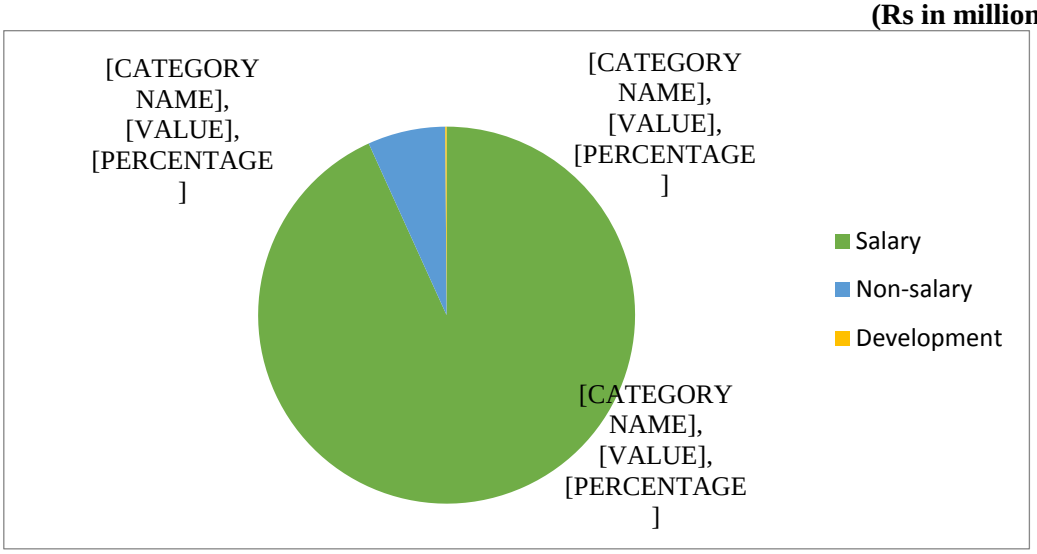
(Rs in million)

Description	Budget	Actual Expenditure	-Saving/+Excess	%age
Salary	98,742.26	95,109.09	-3,633.165	3.68
Non-salary	7,873.42	6,804.29	-1,069.136	13.58
Developmental	116.32	116.12	-0.194	0.17
Total	**106,732.00**	**102,029.50**	**-4,702.495**	**4.41**



EXPENDITURE 2024-25

(Rs in million)



The expenditure profile remains heavily tilted toward recurring side, where the Salary component alone consumed 93% of the total outlay, leaving a meager 7% for Non-Salary and Developmental heads. A substantial saving of Rs. 4,702.495 million was observed, which indicates a lack of realistic budgeting and suggests that funds were 'parked' instead of being utilized for public service.

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 2024-25 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 2 offices in 2 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

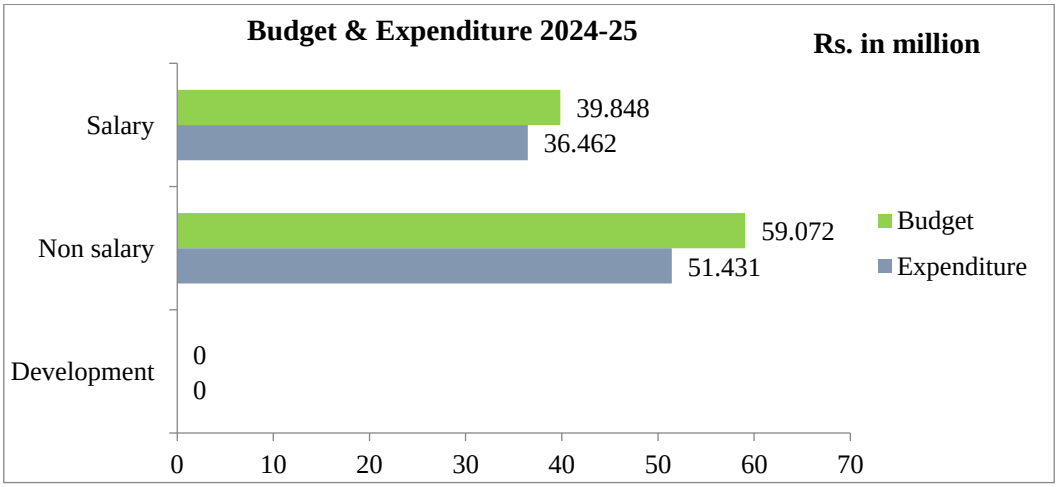
(Rs. in million)

S.No.	Total No. of Formations	Formations Audited	Expenditure Audited FY 2024-25	Revenue/ Receipts Audited FY 2024-25
1.	33	02	87.893	Nil

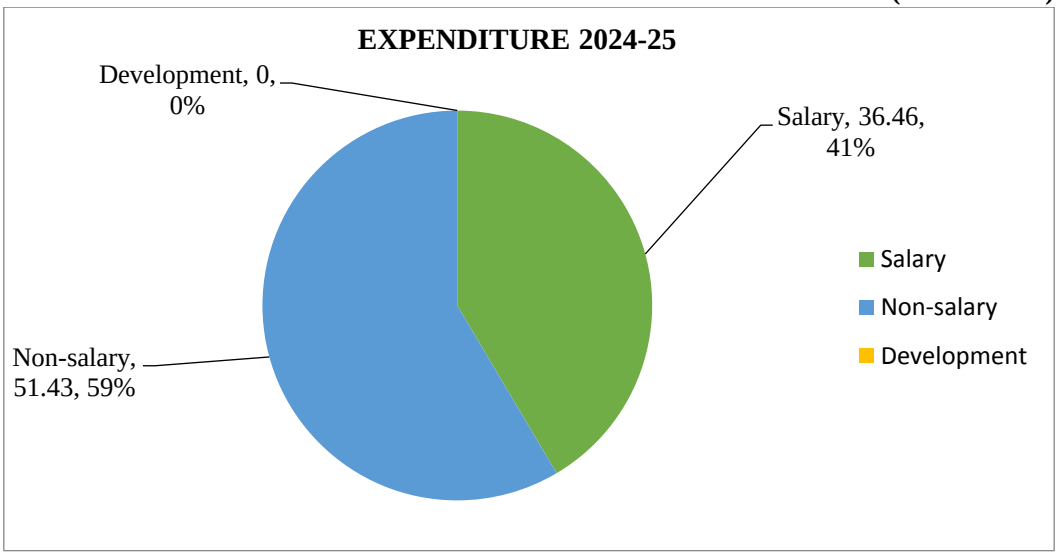
Comments on Budget and Accounts (Variance Analysis)

(Rs. in million)

Description	Budget	Actual Expenditure	Excess (+)/ Saving (-)	%age Excess/ Saving
Salary	39.848	36.462	-3.386	8.497%
Non-salary	59.072	51.431	-7.641	12.935%
Development	0	0	0	0
Total	**98.92**	**87.893**	**-11.027**	**11.147%**



(Rs in million)



The salary component was 41% of total expenditure whereas non-salary component was 59% of the total expenditure.

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 134 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

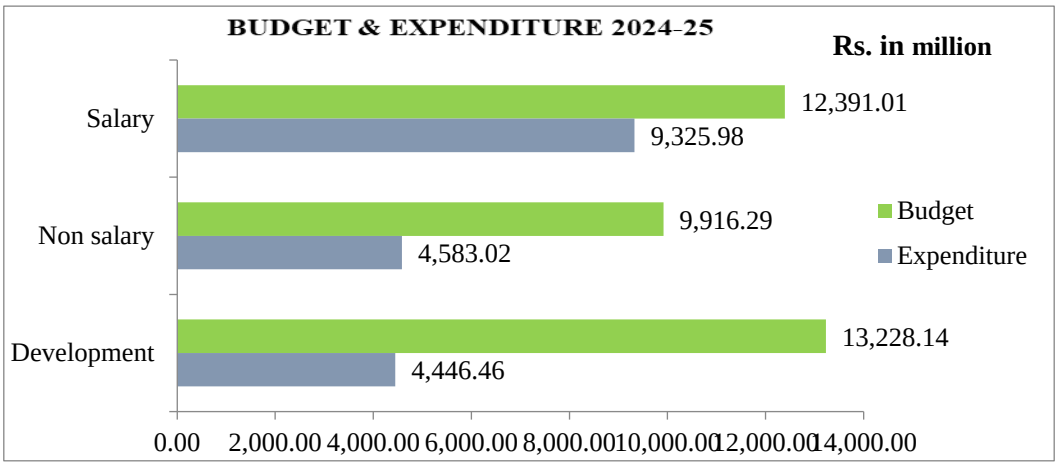
(Rs. in million)

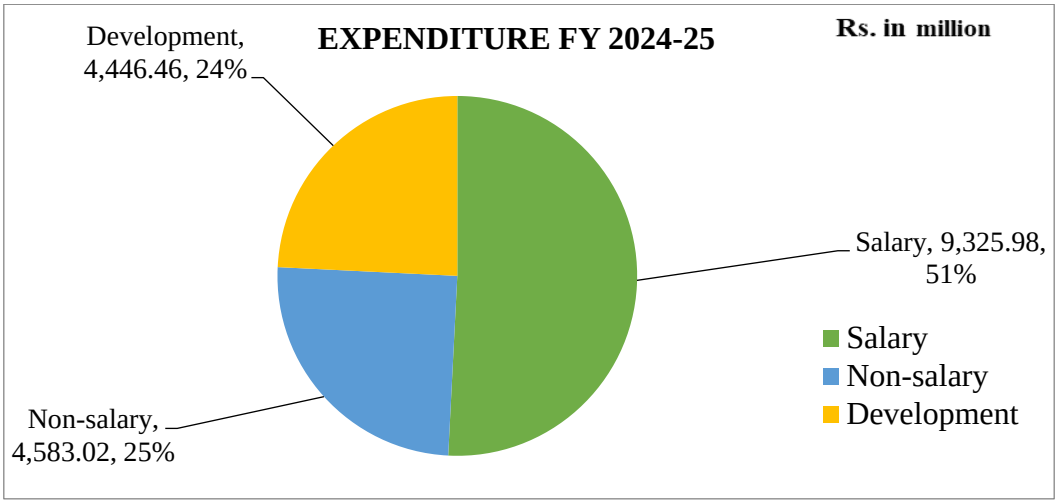
S.No.	Total No. of Formations	Formations Audited	Expenditure Audited FY 2024-25	Revenue /Receipts Audited FY 2024-25
1.	134	105	18,355.460	7,879.272

Comments on Budget and Accounts (Variance Analysis) 2024-25

(Rs in million)

Description	Budget	Actual Expenditure	Excess / (Saving)	%age
Salary	12,391.013	9,325.981	(3,065.032)	24.74
Non-salary	9,916.288	4,583.017	(5,333.271)	53.78
Developmental	13,228.145	4,446.463	(8,781.682)	66.39
Total:	**35,535.446**	**18,355.460**	**(17,179.985)**	**48.35**





The salary component was 51% of total expenditure whereas non-salary and developmental component was only 49% 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.

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 currently functioning under 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.

Khyber Pakhtunkhwa has seven (7) Water Supply & Sanitation Services Companies (WSSCs) in which two (2) WSSC i.e. Mardan and Swat were audited. Audit profile of WSSCs and Comments on its Budget and Accounts (Variance Analysis) is given below;

Audit Profile of WSSCs Khyber Pakhtunkhwa

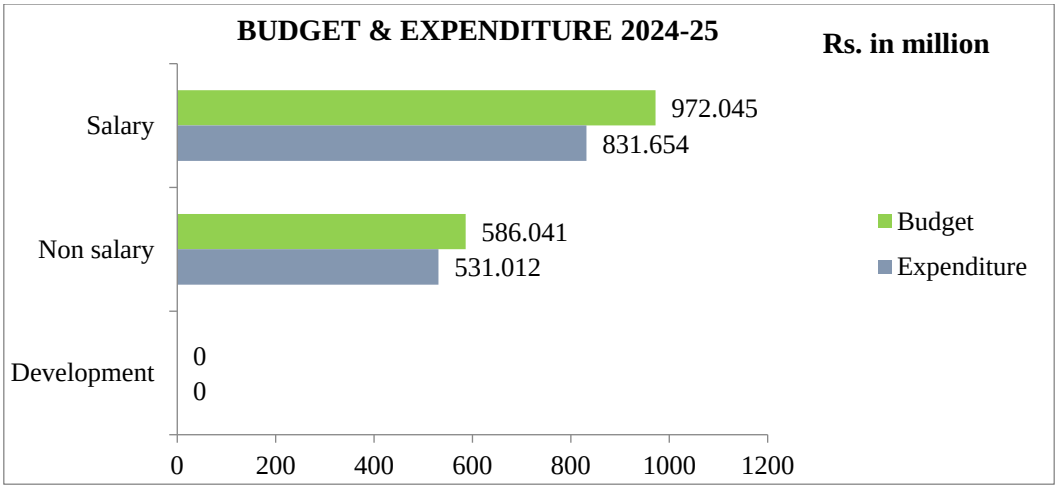
(Rs.in million)

S. No.	Total No. of Formations	Formations Audited	Expenditure Audited in FY2024-25	Revenue/ Receipts FY 2024-25
1	7	2	1,362.666	252.656

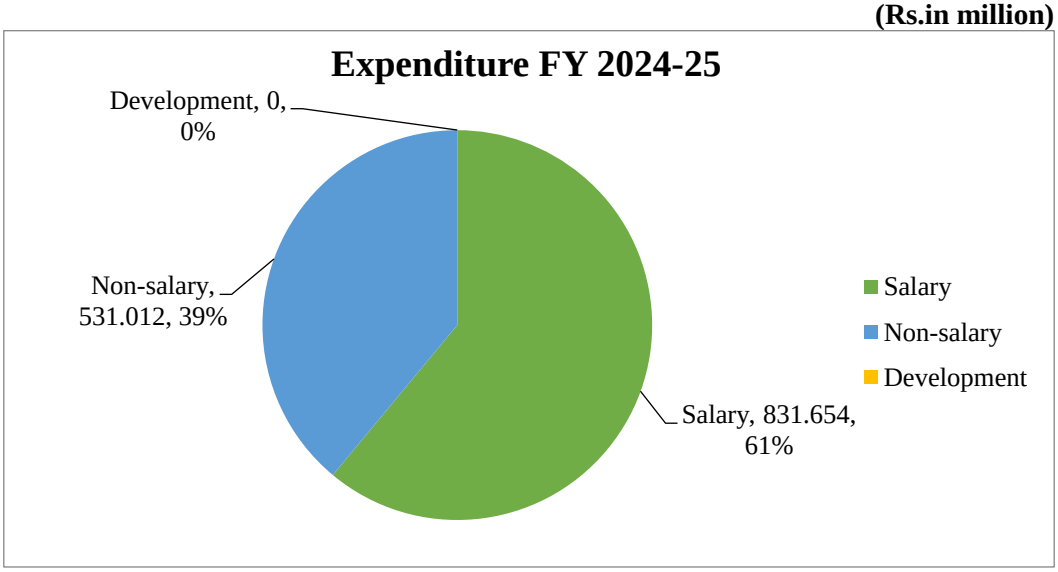
Comments on Budget and Expenditure (Variance analysis), FY 2024-25

(Rs.in million)

Description	Budget	Actual Expenditure	Excess/(Saving)	%age of Excess / Saving
Salary	972.045	831.654	(140.391)	14.443
Non-salary	586.041	531.012	(55.029)	9.390
Development	0	0	0.000	0
Total	**1,558.086**	**1,362.666**	**(195.42)**	**12.542**



(Rs.in million)



The salary component was 61% and non-salary was 39% of the total expenditure. Non-allocation of developmental funds occurred due to limited fiscal space available with the Provincial Government.

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 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 includes 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 look after the affairs of 4,146 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

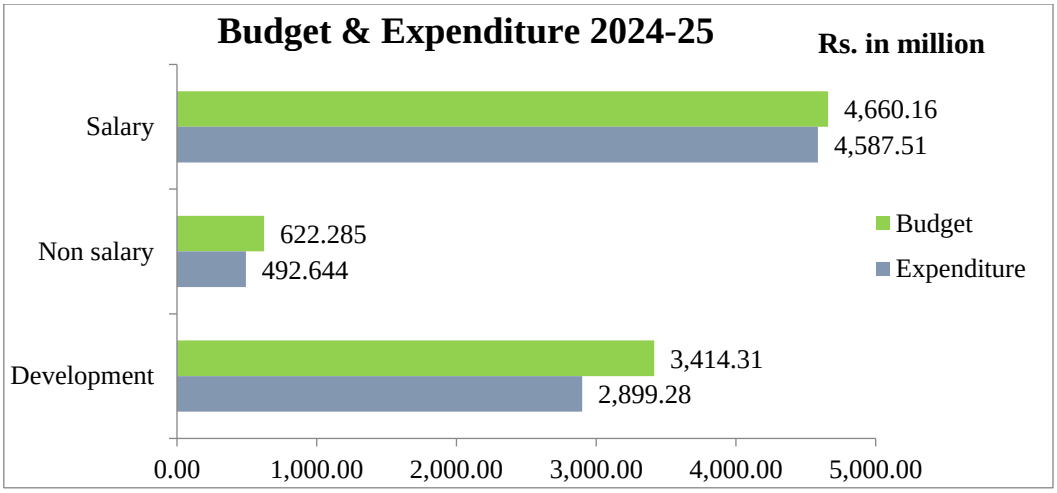
(Rs in million)

Sr No	Total No. of Formations	Formations Audited	Expenditure Audited FY 2024-25	Revenue /Receipts audited FY 2024-25
1	35	35	6,053.06	Nil

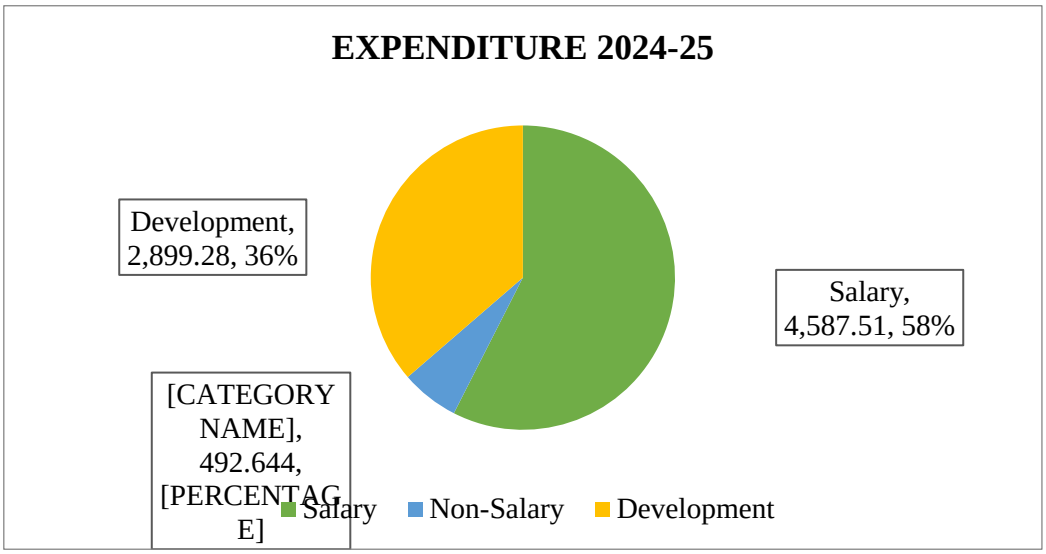
Comments on Budget and Accounts (Variance Analysis)

(Rs in million)

Description	Budget	Actual Expenditure	(Saving)/Excess	%age
Salary	4,660.159	4,587.507	(72.652)	1.56%
Non-salary	622.285	492.644	(129.641)	20.83%
Developmental	3,414.310	2,899.277	(515.033)	15.08%
Total	**8,696.755**	**7,979.428**	**(717.326)**	**8.25%**



(Rs in million)



The salary component was 58% of total expenditure whereas non-salary component was 6% while development component was 36% of the total expenditure. Substantial expenditure was incurred on development owing to the sufficient allocation of funds by the Provincial Government for district-level development initiatives. 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.

1.2 Audit Paras (Financial Attest Audit)

1.2.1 Irregular payments to the DDOs instead of Vendors – Rs 923.341 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 Certification Audit of Districts Comptroller of Accounts/ District Accounts Offices of 36 districts for the Financial Year 2024-25, it was observed that the DCAs/ DAOs paid Rs. 923.341 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-1.4**.

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 2025, the managements stated that these offices make all out efforts to discourage direct payments through DDOs. However, some payments through DDOs 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, secret services charges/unforeseen expenditure, transfers of public account balances from Account-IV to Account-I etc.; however, necessary documents in support thereto are duly obtained. Despite all this, it is assured that payments through DDO would be reduced as much as possible.

Reply was not tenable as the payments through DDOs in the above stated cases were not allowed. Furthermore, DAC/Pre-CHM directed in its meeting held on 22.10.2025, all the DAOs to bifurcate the figures of transfer of mandatory deductions from Account-IV to Account-I, utility claims, petty cash recoupments, payment on account of Secret Funds by the DCs & Financial Assistance to the families of the deceased Govt. employees from the amount under observation and show it to the audit for verification regarding settlement of the para.

Audit recommends the implementation of the decision of DAC/Pre-CHM.

1.2.2 Un-verified Payment on account of arrears of Pay & Allowances - Rs.154.300 million

According to Para 2.3.2.4 of APPM, all transactions recorded must represent genuine transactions. This objective is achieved through maintaining an audit trail from the payment to the source documents supporting the claim.

During Certification Audit for the Financial Year 2024-25, it was pointed out that 08 District Accounts Offices/ District Comptroller of Accounts offices paid arrears of pay and allowances amounting to Rs. 154.300 million to the employees of various departments/offices. However, documents (source-II) required under the rules in support of the said claims were not provided to Audit, hence the authenticity of the payments made could not be verified. Detail is given at **Annexure-1.5.**

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 2025, the managements stated that the organization of the Accountant General Khyber Pakhtunkhwa has a robust mechanism for the Pre- Audit of the claims including arrear claims of Pay & allowances. No claim is admitted without proper supporting documents prescribed in the rules. All the record is available in the respective District Account Offices which may be verified as and when desired.

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 22.10.2025 wherein it was decided that all the DAOs to ensure availability of the relevant record to the Audit teams for verification at the concerned DAO at the earliest for timely decision regarding settlement of the para. In compliance of DAC meeting, field audit teams were deputed again for verification of arrears but record was not provided.

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.

1.2.3 Non-Reconciliation of cash balances – Rs. 9,271.008 million

According to Para 6.3.5.2 of APPM, "The Accountant General (AG and AGPR) will prepare a consolidated monthly reconciliation for each of the government's bank account with the SBP under their jurisdiction."

According to Para 6.3.3.1 of APPM, "The head office of SBP shall report cash balances of each government bank account on a daily basis and in the form prescribed by the Auditor-General".

According to Para 6.3.4.1 of APPM, "monthly reconciliation of bank accounts is a necessary part of financial management and is also an effective measure for detecting and deterring fraud and irregularities."

During Certification Audits, in twenty four (24) out of thirty six (36) District Comptroller of Accounts/ Districts Accounts Officers for the financial year 2024-25, it was noted that balances as per financial statements were Rs.22,524.455 million whereas, the balances in the system of State Bank of Pakistan were Rs.13,253.367 million resulted in variation of Rs.9,271.088 million, which were required to be reconciled with banks. Detail is given at **Annexure-1.6**.

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

When pointed out in September, 2025 the managements stated that the cash balances disclosed in the Cash Flow Statement in the Annual Financial Statements of the District Government Accounts are correct and duly reconciled with the respective SBP/NBP and may be verified at the district level. Reply was not cogent as no evidence in support of the reply was provided till finalization of this report.

DAC meetings and Pre-CHM were held on 22.10.2025 wherein it was reiterated that matter is of important nature. Hence, the Chair directed all the DAOs to ensure full reconciliation of the cash balances of their respective district Govt. Account-IV and show it to the Audit in the Revised Draft Manuscript of the Annual District Govt. Account for the FY 2024-25.

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

1.2.4 Retention of Public Accounts Liabilities- Rs.1,257.174 million

According to Letter No. BO (PFC-II) FD/5-16/2017-18/Misc dated 16.3.2018 of Finance Department, Government of Khyber Pakhtunkhwa, the mandatory deductions made against various head of salary under Account-IV i.e. GP Fund, Benevolent Fund, Group Insurance, Income Tax & Security Deposits etc. shall be deposited to Account-I on monthly basis.

During the Certification Audit of District Accounts Offices/District Comptroller of Accounts Offices for the FY 2024-25, it was observed that the (19) DAOs/DCAs retained the public account liabilities under various heads of public account i.e. GP Fund, Benevolent Fund, Group Insurance, Income Tax & newly created Security Deposits head G-1120 D etc. amounting to Rs.1,257.174 million since 2015 and did not transfer them to A/C-1, without any justification and authorization. (Detail is given at **Annexure-1.7**)

The lapse occurred due to negligence and weak financial controls, resulting into retention of public accounts liabilities.

When pointed out in September, 2025 the managements stated that all the DAOs have been directed to transfer the public account balances in Account-IV to the Provincial Govt. Account-I on monthly basis for proper maintenance. This transfer is regularly watched for further payments to various organization e.g. BF Management Board, Pension Cell in Finance Department, RBDC Management Cell in Finance Department, FBR etc. The amount of liabilities objected by audit does not specifically pertain to the Financial Year 2024-25; rather it is the sum of such liabilities appearing in the annual district finance accounts of various districts since 2015 which would be looked into properly and corrected.

DAC meetings and Pre-CHM were held on 22.10.2025 wherein it was decided that verification of record in the Revised Draft Manuscript of the Annual Accounts of District Govts for the FY 2024-25 would be conducted.

Audit recommends transfer / clearance of public account liabilities.

1.2.5 Un-justified balances under G/L Account G10113–Security Deposits – Rs. 17.321 million

According to Controller General of Accounts office letter No.CGA/FABS/Public Works Division/2024/PF-I/268-A dated 12.05.2025, historical balances under object head G10113 may be transferred to newly created object head G1120D-Public Works (Security Deposit).

During the Certification Audit of District Accounts Offices/District Comptroller of Accounts Offices for the FY 2024-25, it was observed that balances amounting to Rs. 17.321 million were reflected under Object Head G10113 – Public Works/ Pakistan PWD Deposits (Security Deposits) in violation of the CGA instructions (Detail is given at **Annexure-1.8**)

The lapse occurred due to negligence and weak financial controls, resulting into un-justified balances.

When pointed out in September, 2025 the managements stated that during the financial year 2024-25 the Controller General of Accounts Islamabad introduced new object heads i.e. G1120D and G10146 for the vendor-wise maintenance of Security balances appearing under the object G-10113- Securities through Correction Slip No. 616. In this regard clear directions were given to all the Accounting Circles to transfer the existing balances under G10113 to the newly created object heads on the prescribed format. Accordingly, the requisite balances were transferred by works divisions of C&W, PHE and Irrigation Departments to authenticate the figures intimated by the said works divisions, exclusive teams were deputed there with proper ToRs, whose reports are in the pipeline. Being a gigantic task, the Works Departments at provincial level were focused in the first Phase while the balances appearing under G10113 in Account-IV mainly pertain to Local Govt Deptt; would be transferred to the specified object heads very soon in the second phase.

DAC meetings and Pre-CHM were held on 22.10.2025 wherein it was decided to expedite work on the clearance of the defunct object G-10113-Securities as directed by the Controller General of Accounts. Progress may be shared with Audit. Para would stand till all balances appearing in G-10113 are transferred to the newly created object heads G-1120D and G-10146.

Audit recommends compliance of the CGA directions in the matter.

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

i. Classified Summary of Audit Observations

Audit observations amounting to Rs 605.973 million were raised in this audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No.	Classification	Amount
A	Value for money and service delivery issues	565.973
B	Others, including cases of accidents, negligence etc.	40.000
Total		**605.973**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

S.No.	Audit Year	ZAC/DAC Meeting
1.	2002-03 to 2024-25	Not Convened

2.1 AUDIT PARAS

A. Value for money and service delivery issues

2.1.1 Wasteful expenditure on account of construction of schools- Rs.529.355 million

According to S.No 10 (viii) 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 education department are, "need based establishment and up-gradation of schools with particular focus on deficient area according to criteria and policy of the Government."

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 various District Education Offices (Male & Female) Abbottabad for the financial year 2024-25, it was observed that management incurred an expenditure of Rs. 529.335 million on establishment/up-gradation of schools. Audit held that the expenditure incurred on establishment/up-gradation and provision of facilities in schools was wasteful due to non-availability of staff/students. The schools remained non-functional because letter of SNEs was submitted to the quarter concerned after lapse of more than one year. Transfer of funds to closed schools was held un-justified. These schools were non-functional till the date of audit. **Detail at Annexure-2.2.**

The lapse occurred due to poor planning and without need assessment, which resulted in wasteful expenditure.

When pointed out in August 2025, the management replied that the matter had already been taken up with Government and SNEs submitted to higher ups for approval. The management further stated that detailed reply would be furnished after scrutiny of record. However, no progress was intimated till finalization of this report.

PAOs concerned were requested in August 2025 with subsequent reminders dated 03.10.2025 and 20.10.2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends appropriate action against the person(s) responsible.

AIR Para No. 07 (M), 06(F) (2024-25)

2.1.2 Loss due to non-recovery of compensation of damaged schools- Rs.36.618 million

Section 41 of Government of Khyber Pakhtunkhwa Local Government Act 2013 (amended 2022) 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 Offices (Male & Female), Abbottabad for the financial year 2024-25, it was observed that building of GPS Shahkot was completely damaged and GMS Shahkot was partially damaged due to construction work carried out by CPEC authority. However, after lapse of considerable time neither the construction cost of schools amounting to Rs. 36.618 million was recovered nor any action was taken against the CPEC authority. Detail is given below:

S.No	Name of School	Construction Cost (Rs. in million)
1	GPS Shahkot	22.436
2	GMS Shahkot	14.182
	Total	**36.618**

Similarly, GGPS Kala Pani was damaged in July 2023 due to construction of Omni Heights Hotel at backyard of the school. Later on, in January 2024 an agreement was executed between E&SE Abbottabad and Representative of Omni Heights Hotel, wherein it was agreed that Hotel management will construct and hand over the school within 9 months (01.04.2024 to 31.12.2024). However, neither construction was started (after lapse of 17 months) nor compensation was made to education department. Moreover, no action was taken against the Omni Heights owner at appropriate forum.

The lapse occurred due to inefficiency of the management, resulting in loss to government.

When pointed out in August 2025, the management of DEO (Male) replied that CPEC authorities were requested time and again to provide/release

sufficient amount as was demanded to reconstruct the school. Several meetings have also been conducted under the chairmanship of DC Abbottabad, but with no fruitful results as the CPEC authorities do not agree to provide sufficient amount for reconstruction of classrooms. While the management of DEO (Female) replied that the issue has already been taken up with the department and district administration to resolve the issue at the earliest. However, no progress was intimated till finalization of this report.

PAO (DC Abbottabad) was requested in August 2025 with subsequent reminders dated 03.10.2025 and 20.10.2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends that the matter may be taken up with the CPEC authority and Omni Height through Secretary Education department for immediate construction of schools besides adopting legal course to resolve the issue.

AIR Para No. 08 (M), 07(F) (2024-25)

B. Others, including cases of accidents, negligence etc.

2.1.3 Irregular expenditure on Repair of Transformers – Rs.40.00 million

According to S.No. 13 (vii) of Second Schedule of The Khyber Pakhtunkhwa District Government Rules of Business 2015, the functions and responsibility of AD LG&RDD is "rural development works including water supply, rural access roads, embankment and drainage works".

As per Chapter 2 clause 2.6 Note No. xiii of consumer service manual-January 2021 issued by NEPRA via Letter No. NEPRA/DG(CAD)/TCD-10/1883-35 date 13th January 2021, In case of Housing Society/ Scheme/ Colony/ Multistory Building/ Commercial Plaza/high Rise Building once DISCO (PESCO) takes over the distribution system for individual metering and billing, the responsibility of maintenance, repair, replacement of the said system or up gradation/reinforcement thereof shall rest with DISCO (PESCO).

According to S.No. 13.1 of the Government of Khyber Pakhtunkhwa Planning & Development Guidelines (2015) for devolved tiers of Local Governments under LGA, 2013, all works—except petty works and repairs—require a properly detailed estimate and Technical Sanction from the competent authority. Such sanction must be issued by authorized officials within one month of PC-I approval and shall not exceed the administrative approval cost; otherwise, the project must be revised and resubmitted.

According to the Local Government, Elections and Rural Development Department letter No. AO (Planning)/LCB/2-1/General file/2019 dated 02.05.2019 mandated that the location coordinates of each scheme be maintained in record to ensure verification and prevent duplication.

The Director General LG&RDD KP, through letter No. Director (LG)3-18/ADP/7555-57 dated 13.06.2024, directed that cost estimates be prepared on prevailing MRS rates with proper market rate analysis for non-scheduled items.

During audit of the accounts of Assistant Directors, Local Government & Rural Development Department Abbottabad, for the financial year 2024-25, it was observed that an expenditure of Rs 40.000 million was incurred on repair of transformers.

Audit observed the following irregularities:

i. Repair of transformers was carried out by AD LG&RDD in different constituencies, whereas it was the responsibility of PESCO. The repair of transformers was required to be outsourced through PESCO pre-qualified/approved workshop which was not done**.** Detail at **Annexure-2.3**
ii. Technical sanction was not obtained, which was required to be obtained from the Electrical Engineer having experience/specialty in the relevant field.
iii. The inspection report by PESCO, along with transformer details, such as make, serial number, purchase order number, date and year of manufacturing, location, capacity, and nature of fault, was not maintained as required.
iv. The repaired transformers were not checked by the Committee including representative of PESCO, & Tehsil member concerned and representative of the owner of workshop.
v. Demand from the community and Site/ specific location where repair was carried out was also not available on record.
vi. Payments of Rs. 2.428 million were made for non-scheduled items without conducting market rate analysis, rendering the expenditure irregular.

The lapse occurred due to weak internal controls and non-adherence to government instructions which resulted in irregular expenditure.

When pointed out in September 2025, the management replied that Technical Sanction and market rate analysis would be made and progress would be shown to audit. No progress was shown to audit till finalization of this report.

PAO (DC Abbottabad) was requested in September 2025 with subsequent reminders to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing responsibility against the person(s) at fault.

AIR Para No. 07 & 08 (2024-25)

2.2 Tehsil Municipal Administrations, Abbottabad

i. Classified Summary of Audit Observations

Audit observations amounting to Rs 23.558 million were raised in this audit. The amount of Rs 23.558 million is 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
A	Others, including cases of accidents, negligence etc.	23.558
Total		**23.558**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

2.2 AUDIT PARAS

A. Others, including cases of accidents, negligence etc.

2.2.1 Non-collection / non-deposit of rent of Government properties – Rs.15.585 million

According to Rule 45 (i) and (ii) of the District or City District Government Budget Rules 2016 "Failure to pay any tax and other money claimable under this Act shall be an offence and all arrears of taxes, rents and other moneys claimable by a local government under this Act shall be recovery as arrears of land revenue".

During audit of the accounts of Tehsil Municipal Administrations, Abbottabad and Havelian for the Financial Year 2024-25, it was observed that the management failed to collect or deposit an amount of Rs 15.585 million on account of rent of shops, Cabins and other Government properties. **Detail at Annexure- 2.4**

The lapse occurred due to negligence and weak financial management, which resulted in loss to government.

When pointed out in July 2025, the management stated that recovery of the outstanding amount of rent of shops and cabins is under process, which would be intimated to audit. No progress was intimated to audit till finalization of this report.

DAC meeting was held on 30.12.2025 on audit paras relating to TMA Havelian wherein the matter was discussed in detail. The management of TMA concerned responded that the amount of Rs. 1,834,590 has been recovered against the total rent of property of Rs. 4.394 million outstanding as on 30.06.2025. The department further stated that a special task is in progress for recovery of said outstanding dues and assured that the balance amount of Rs. 3,252,364 will be recovered till the end of current financial year (2025-26). The forum decided that the TMA Havelian may prepare the record of each year outstanding and provide to audit for verification. Para would stand till recovery of total outstanding amount.

Audit recommends that relevant record may be produced to audit for verification.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2020-21, 2021-22, 2022-23 and 2023-24 vide Paras number 3.5.1.2, 3.5.3.5, 3.4.3.3 and 3.4.2.3 having financial impact of Rs 75.905 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No.7 (TMA Abbottabad) (2024-25)
AIR Para No.3 (TMA Havelian) (2024-25)

2.2.2 Non-recovery of outstanding amount from revenue contractors – Rs.7.973 million.

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, the contractor will deposit monthly installment till 5th of each month, if he failed to do so, contract may be cancelled.

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, if the contractor/firm violate 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.

According to Khyber Pakhtunkhwa Local Govt. Act, 2013 clause 45 (collection and recovery of taxes, etc.) sub-clause (1), 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 recovery as arrears of land revenue.

During audit of the accounts of TMA Abbottabad for the Financial Year 2024-25, it was observed that an amount of Rs. 7,972,723 was outstanding against various revenue contractors on 30.06.2025, which was not recovered. Moreover, neither the contracts were cancelled nor contractors were recommended for blacklisting by the management. Detail at **Annexure- 2.5**

The lapse occurred due to negligence of the management in monitoring and making recovery from contractors, resulting in loss to the Government.

When pointed out in July 2025, the management of TMA Abbottabad stated that the recovery of outstanding dues would be made in 2025, action has

been initiated against the defaulters as per rules. However, no progress was intimated till finalization of this report.

PAO (TMO Abbottabad) was requested in August 2025 with subsequent reminders dated 03.10.2025 and 20.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends immediate recovery of outstanding dues from the defaulting contractors otherwise the contract may be cancelled.

AIR Para No.9 (TMA Abbottabad) (2024-25)

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

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 103.175 million were raised as a result of this audit. This amount also includes recoverable of Rs. 8.340 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
A	Irregularities	-
	HR related irregularities	3.330
B	Value for money and service delivery issues	22.777
C	Others, including cases of accidents, negligence etc.	77.068
Total		**103.175**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

S.No.	Audit Year	ZAC/DAC Meeting
1.	2002-03 to 2024-25	Not Convened

3.1 AUDIT PARAS

A. Irregularities

HR/Employees related Irregularities

3.1.1 Loss to Government due to non-recovery of inadmissible stipends paid to government employees – Rs 3.330 million

According to condition No. (h) of the Terms of Reference of the Government of Khyber Pakhtunkhwa, Auqaf, Hajj, Religious & Minority Affairs Department Notification No. SO (AUQAF-I) 3-1/2019/5884-95 dated 27th August 2019 amended through a corrigendum No. SO (AUQAF-I) 3-1/2021/ Vol-IV/1178-87 dated 15th December 2021 , such Pesh Imams shall not be entitled to the Assistance/Stipends in case they are employed in Government Department/Autonomous bodies/Local Bodies etc.

During audit of the accounts of Deputy Commissioner Bajaur for the financial year 2024-25, it was observed that stipends of Rs 3,330,000 were paid to twenty-five (25) Pesh Imams of the Jamia Masjids from the object head A03959(Stipend for Ulemas/Minority leaders), which were government teachers in education department Bajaur. They were not entitled to the stipends as per rule referred to above. Detail at **Annexure-3.2**

The lapse occurred in violation of rules, which resulted in loss to the Government.

When pointed out in July 2025, the management stated that further payment of stipends has been stopped and recovery of inadmissible payment of stipends would be made from the concerned Pesh Imams/government employees and progress would be furnished to audit. No progress was intimated till finalization of this report.

PAO (DC Bajaur) was requested in August 2025 with subsequent reminders dated 29.09.2025 and 02.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends recovery from the concerned employees and deposit of the amount into Government treasury besides inquiry in the case and fixing of responsibility against person(s) at fault.

AIR Para No. 04/2024-25

B. Value for money and service delivery issues

3.1.2 Irregular retention of rental receipts in designated bank account – Rs.5.010 million and non assessment of annual rent of shop

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, all expired leases shall be renewed at the prevailing market rates for a specified period with condition very clearly spelled out.

According to Para (j) of the Government of Khyber Pakhtunkhwa, Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures dated 03.07.2024, no department shall retain receipts in Bank Accounts. The Department must remit all Receipts to Provincial Account forthwith except where Departments/facilities have been specifically permitted under some Statute/Act.

According to 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 Deputy Commissioner, Bajaur for the financial year 2024-25, it was observed that an amount of Rs 5,009,961 was realized on account of rent of shops and other buildings, however, the same was not deposited into Government treasury till date of audit (July 2025). Detail is as under:

S. No.	Description	Total amount (Rs)
1	Rent of shops from July 2024 to June 2025	2,328,770
2	Rent of property rented to UBL	720,000
3	Rent of property rented to ABL	1,035,091
4	Rent of property rented to NBP	926,100
Total		**5,009,961**

Moreover, the local office did not assess the annual rental amount on the prevailing market rate basis and the shops were leased on nominal rent of Rs 500 to Rs 1000 per month per shop since long, which resulted in huge loss to the Government. Audit held that monthly rent of these properties should have been

increased to improve the receipts collection of the Government. Detail at **Annexure-3.3.**

The lapse occurred due to negligence of the management and weak financial controls, which resulted in loss to government.

When pointed out in July 2025, the management stated that the realized amount of rent would be deposited into Government treasury. However, no progress was intimated till finalization of this report.

PAO (DC Bajaur) was requested in August 2025 with subsequent reminders dated 29.09.2025 and 02.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends that justification for delay may be provided besides immediate deposit of the rent into government treasury. Moreover, assessment may be made to lease out the shops at the prevailing market rates.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2023-24 & 2024-25 vide para numbers 2.4.2.1 & 3.1.3.2.1 having financial impact of Rs. 7.179 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 02/2024-25

3.1.3 Irregular withdrawal of funds through DDO and cash payments from designated bank accounts -Rs 17.767 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 cheque payments."

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 Deputy Commissioner, Bajaur for the financial year 2024-25, it was observed that an amount of Rs 17,767,000 was withdrawn from government treasury through DDO and further paid in cash from

designated bank accounts. In most of the cases, Actual Payee's Receipts (APRs) were not available on record to authenticate the payments. Detail is as under:

(Amount in (Rs)

Detail of withdrawal through DDO Cheques								
S. No	**Cost Cen**	**Date**	**Head**	**Description**	**Title**	**Vendor No.**	**Vendor Name**	**Total Amount**
1	BJ6002	12.09.2024	A03989	NMDs	DDO	3054405	DC Bajaur	8,370,000
2	BJ6002	24.12.2024	A03989	NMDs	DDO	3054405	DC Bajaur	4,397,000
3	BJ6002	06.05.2025	A03989	NMDs	DDO	3054405	DC Bajaur	5,000,000
Total								**17,767,000**

The lapse occurred due to negligence and violation of the rules by the management and District Accounts Offices, resulting into irregular withdrawal of funds from treasury through DDO.

When pointed out in July 2025, the management stated that special funds were released to meet the unforeseen expenditure of Newly Merged Districts by Finance Department. District Accounts Officer was requested for issuance of DDO Cheques. DDO Cheques were properly credited to designated bank account to have sufficient funds for meeting the expenditure. Crossed cheques were issued from the designated bank account and complete record of disbursement was available for verification. Reply was not convincing as the entire withdrawal was made through DDO cheques instead of direct payments to the concerned according to rules.

PAO (DC Bajaur) was requested in August 2025 with subsequent reminders dated 29.09.2025 and 02.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility besides strengthening of internal controls to avoid such lapses in future. Further APRs of the disbursed amount may be provided to audit for verification.

AIR Para No. 08/2024-25

C. Others, including cases of accidents, negligence etc.

3.1.4 Unauthorized additional payment of 15% compulsory acquisition charges – Rs. 64.741 million

According to Section 18(1) of Land Acquisition Act 1894, any person who has not accepted the award may, by written application to the collector, require that 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.

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 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, Bajaur for the financial year 2024-25, it was observed that Rs.64,741,775 was paid to the land owners on account of compulsory acquisition charges @ 15 % with the original cost of land of Rs. 431,611,835. 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 as required under sections 18 (1), 3 (d) and 23 (2) of Land Acquisition Act 1894. Detail is as under:

(Amount in Rs.)

S. No	Name of scheme	Cost of land	15% compulsory charges
01	Construction of Judicial Complex Bajaur Khar	233,440,014	35,016,002
02	Construction of Dumping Site at Khar	22,000,000	3,300,000
03	Khar Bypass Road	176,171,821	26,425,773
Total		**431,611,835**	**64,741,775**

The lapse occurred due to violation of rules, which resulted in loss the Government.

When pointed out in July 2025, the management of DC, Bajaur replied that DC being collector is competent to include compulsory acquisition charges

in the initial assessment to avoid litigation and unnecessary delay in acquisition process and this practice is in vogue in all district throughout the province. However, clarification from provincial government regarding inclusion of compulsory acquisition charges in the initial assessment without claim by the land owners and without observing other formalities as required under Sections 18 (1), 3 (d) and 23 (2) of land acquisition act 1894 would be obtained and progress would be reported to audit. The reply of the management is not convincing as the payment of 15% compulsory acquisition charges was made in violation of the Act.

PAO (DC Bajaur) was requested in August 2025 to convene DAC meeting with subsequent reminders dated 29.09.2025 and 02.10.2025, which could not be held till finalization of this report.

Audit recommends regularization of the payment by following the process according to rules, otherwise, recovery of the amount may be made from the person (s) responsible.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2024-25 vide para number 3.1.3.3.2 having financial impact of Rs 25.692 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 16/2024-25

3.1.5 Overpayment to PTCs over and above the actual demand – Rs.12.327 million

According to APPM Para No.8.2.3.1, Government employees shall be held personally responsible for any loss or deficiency sustained by the Government through their theft, robbery, fraud or negligence.

During audit of the accounts of District Education Officer (Male & Female), Bajaur for the financial year 2024-25, it was observed that Parent Teacher Councils (PTCs) of various schools hired teachers on need basis. Payments for the PTCs hired teachers amounting to Rs.19.000 million were transferred to PTCs bank accounts of (27) Schools against their actual demand of Rs. 6.673 million. Audit held that the excess amount of Rs. 12.327 million (Rs.19.00 million – Rs. 6.673 million) were transferred to the schools. Detail is as under:

(Amount in Rs)

S. No	Name of Office	Demand of Schools	Amount paid	Overpayment	Further detail at
1	DEO (Male) Bajaur	5,672,500	10,700,000	5,027,500	**Annexure-3.4(a)**
2	DEO (Female) Bajaur	1,000,000	8,300,000	7,300,000	**Annexure-3.4(b)**
	Total	**6,672,500**	**19,000,000**	**12,327,500**	

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

When pointed out in December 2025, the management replied in case of S.No.1, detailed scrutiny of the record would be made and recovery, if any, would be made from the concerned. Reply was not convincing as overpayment was made to the schools concerned which needs recovery. In case of S.No.2 the management replied that the matter has been taken up with Education Department through Director Education for guidance/utilization of the surplus amount. As per reply, the department admitted the withdrawal of surplus amount of PTC Funded Teachers Liabilities.

PAO (DC Bajaur) was requested in January 2026 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends recovery of the amount and deposit into Government treasury besides action against the person(s) at fault.

AIR Para No. 08 & 15 (2024-25)

3.2 Tehsil Municipal Administrations, Bajaur

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 41.786 million were raised as a result of this audit. This amount also includes recoverable of Rs. 16.411 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
A	Irregularities	-
	HR/Employees related irregularities	25.375
B	Value for money and service delivery issues	16.411
Total		**41.786**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not convened

3.2 AUDIT PARAS

A. Irregularities

HR/Employees related irregularities

3.2.1 Irregular expenditure on account of hiring of daily wages staff – Rs.25.375 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."

According to S.No. 6 of the Government of Khyber Pakhtunkhwa Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures, dated 03.07.2024, "contingent paid staff shall be engaged during the course of financial year 2024-25 only after approval of the Finance Department".

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/ vendor concerned) instead of payment through DDOs/cash basis.

During audit of the accounts of Tehsil Municipal Administrations, Khar and Nawagai for the financial year 2024-25, it was observed that a large number of daily wages/contingent paid staff was hired by the local offices and an expenditure of Rs.25,375,638 was incurred on account of payment of wages. Detail is as under**:**

S.No.	Name of TMA	Particulars	Daily wages paid (Rs)	Total own source income (Rs)	10% of the own source income (Rs)	Excess amount (Rs)
1	TMA Khar	Daily wage staff	20,064,000	44,879,633	4,487,963	15,576,037
2	TMA Nawagai	-do-	5,311,638	3,054,736	305,473	5,006,165
	Total		**25,375,638**	**47,934,369**	**4,793,436**	**20,582,202**

Audit observed the following irregularities:

i. Payment of Rs. 25,375,638 was made by various TMAs on hiring of staff exceeding the prescribed limit of ten (10) percent of own source income of TMAs by Rs. 20,582,202.
ii. Appointments were made without obtaining prior approval from the Finance Department Government of KP.
iii. No selection criterion was followed for appointment of these staff.
iv. Need of appointment of the contingent paid staff was not ascertained.
v. The amount was paid in cash, while muster roll/ actual payee's receipts were not available on record.

The lapse occurred due to non-compliance of rules, which resulted in irregular expenditure.

When pointed out in August 2025, the management replied that daily wages staff was hired due to non-availability of permanent staff to carry out the sanitation and official work in the best public interest. Moreover, detailed reply would be submitted after scrutiny of relevant record. However, no progress was intimated till finalization of this report.

PAOs (TMO Khar &Nawagai) were requested in September 2025 with subsequent reminders dated 02.10.2025 and 16.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends that the matter may be probed and inquiry may be conducted for fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2021-22, 2022-23 2023-24 & 2024-25 vide para numbers 3.5.1.2, 3.4.1.1, 3.4.1.1 & 3.2.3.1.1having financial impact of Rs. 35.981 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para Nos. 03&06/2024-25

B. Value for money and service delivery issues

3.2.2 Non-recovery of outstanding amount from revenue contractors– Rs.16.411million

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, the contractor will deposit monthly installment till 5th of each month, if he failed to do so contract may be cancelled.

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, if the contractor/firm violate 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.

According to Khyber Pakhtunkhwa Local Govt. Act, 2013 clause 45 (collection and recovery of taxes, etc.) sub-clause (1), 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 Administration, Khar for the Financial Year 2024-25, it was observed that an amount of Rs.16,411,787 was outstanding against the revenue contractors on 30.06.2025, which was not recovered. Moreover, neither the contracts were cancelled nor contractors were recommended for blacklisting by the management. Detail is as under:

Amount in (Rs)

S.No	Name of contract	Bid amount	Collected amount	Outstanding amount
1	Jinnah Bus stand Khar	22,898,400	11,404,769	11,493,631
2	Shingas Market adda	5,198,750	280,594	4,918,156
	Total	**28,097,150**	**11,685,363**	**16,411,787**

The lapse occurred due to negligence of the management in monitoring and making recovery from contractors, resulting in loss to the Government.

When pointed out in August 2025, the management stated that notices would be issued to the contractors for recovery and progress would be shown to audit. However, no progress was intimated till finalization of this report.

PAO (TMO Khar) was requested in September 2025 with subsequent reminders dated 02.10.2025 and 16.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends immediate recovery of outstanding dues from the defaulting contractors otherwise the contract may be cancelled.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2024-25 vide para number 3.2.3.2.1 having financial impact of Rs 11.674 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para Nos. 01&09/2024-25

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

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 492.785 million were raised in this report during current audit of Local Government Bannu. This amount also includes recoverable of Rs.11.863 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.)
A	Irregularities	-
	Procurement related Irregularities	46.55
B	Others, including cases of accidents, negligence etc.	446.235
	Total	**492.785**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

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

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

4.1 AUDIT PARAS

A. Irregularities

Procurement related irregularities

4.1.1 Irregular expenditure on Repair of Transformers – Rs. 40.05 million

According to S.No. 13 (vii) of Second Schedule of The Khyber Pakhtunkhwa District Government Rules of Business 2015, the functions and responsibility of AD LG&RDD is "rural development works including water supply, rural access roads, embankment and drainage works".

As per Chapter 2 clause 2.6 Note No. xiii of consumer service manual-January 2021 issued by NEPRA via Letter No. NEPRA/DG(CAD)/TCD-10/1883-35 date 13th January 2021, In case of Housing Society/ Scheme/ Colony/ Multistory Building/ Commercial Plaza/high Rise Building once DISCO (PESCO) takes over the distribution system for individual metering and billing, the responsibility of maintenance, repair, replacement of the said system or up gradation/reinforcement thereof shall rest with DISCO (PESCO).

According to S.No. 13.1 of the Government of Khyber Pakhtunkhwa Planning & Development Guidelines (2015) for devolved tiers of Local Governments under LGA, 2013, all works—except petty works and repairs—require a properly detailed estimate and Technical Sanction from the competent authority. Such sanction must be issued by authorized officials within one month of PC-I approval and shall not exceed the administrative approval cost; otherwise, the project must be revised and resubmitted.

According to the Local Government, Elections and Rural Development Department letter No. AO (Planning)/LCB/2-1/General file/2019 dated 02.05.2019 mandated that the location coordinates of each scheme be maintained in record to ensure verification and prevent duplication.

The Director General LG&RDD KP, through letter No. Director (LG)3-18/ADP/7555-57 dated 13.06.2024, directed that cost estimates be prepared on prevailing MRS rates with proper market rate analysis for non-scheduled items.

During audit of the accounts of Assistant Director, Local Government & Rural Development Department Bannu, for the financial year 2024-25, it was

observed that an expenditure of Rs. 40,529,677 was incurred on repair of transformers as detailed below:

Cost Centre	Head of A/c	Cheque number and date	Amount (Rs.)
BU7022	A13101 (Repair of Machinery)	2889154 dated 24.06.2024	40,529,677

Audit observed the following irregularities:

i. Repair of transformers was carried out by AD LG&RDD in different constituencies, whereas it was the responsibility of PESCO. The repair of transformers was required to be outsourced through PESCO pre-qualified/approved workshop which was not done**.**

ii. Sanction of the expenditure was not obtained from the competent authority

iii. The inspection report by PESCO, along with transformer details, such as make, serial number, purchase order number, date and year of manufacturing, location, capacity, and nature of fault, was not maintained as required.

iv. The repaired transformers were not checked by the Committee including representative of PESCO, & Tehsil member concerned and representative of the owner of workshop.

v. Demand from the community and Site/ specific location where repair was carried out was also not available on record.

vi. Despite of the repeated requests not a single voucher or bill was provided to Audit for verification.

vii. Whereabouts of the old material was not known.

The lapse occurred due to weak internal controls and non-adherence to government instructions which resulted in irregular expenditure.

When pointed out in December 2025, the management replied that detailed reply would be given after thorough checking of record. No progress was shown to audit till finalization of this report.

PAO DC (Bannu) was requested in December 2025 with subsequent reminder to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing responsibility against the person(s) at fault.

AIR Para No. 12/2024-25

4.1.2 Irregular execution of Developmental Schemes without open competitive bidding –Rs.6.50 Million

According to Rule 14 (1) of The Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules, 2014 save as otherwise provided hereinafter and subject to the provisions of rule ["18"], the procuring entity shall use open competitive bidding as the principal method of procurement for the procurement of over the value of Rs. 500,000 rupees five hundred thousand.

According to Chapter-V Miscellaneous Provisions of KPPRA Rules, 2014, a procuring entity shall announce in an appropriate manner, all proposed annual procurements and shall proceed accordingly without any splitting or regrouping of the procurements so planned.

According to minutes of the meeting of the DDC dated 28/11/2024, following general instructions were set out for executing agency for installation of Pressure Pumps:

"No pressure pump shall be installed inside a private boundary area, hence to fade away the concept of private/individuals benefit. If violated, then concerned executing agency shall provide a certificate to the effect that the water facility is not individual oriented."

During audit of the Assistant Director (LG&RDD) Tehsil Kakki, for the Financial Year 2024-25, it was observed that an expenditure of Rs. 6,500,000 was incurred on execution of various developmental schemes as per detail at **Annexure-4.2**

Audit observed the following irregularities:

1. The schemes were awarded on quotation basis and open competitive bidding was not adopted.

2. The executing agency did not provide a certificate stating that no such facility was provided by Public Health Engineering Department in the area.
3. All the schemes were installed for specific persons instead of installation of the schemes for a community purpose.
4. Handing/Taking over from the Government agency of the completed Schemes was not available.
5. GIS Plotting / mapping of all the Pressure Pumps were also missing.
6. Materials testing from lab were not conducted.

The lapse occurred due to weak internal controls, which resulted in to violation of Government rules.

When reported in December, 2025, the management stated that detailed reply would be submitted after consultation of record. No reply was submitted till finalization of this report.

PAO (DC Bannu) was requested in December, 2025 to convene DAC Meeting, which could not be held till finalization of this report.

Audit recommends compliance of audit observations and action against the person(s) at fault.

AIR Para 08/2024-25

B. Others, including cases of accidents, negligence etc.

4.1.3 Irregular withdrawal of funds through DDOs and cash payment from designated bank accounts -Rs 37.389 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 cheque payments."

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 offices of District Education Officer (Male) Bannu, Assistant Director, Local Government & Rural Development Department Bannu and Deputy Commissioner Bannu for financial year 2024-25, it was observed that an amount of Rs. 37,389,510 was withdrawn from government treasury through DDOs and further paid in cash from designated bank accounts. In most of the cases, Actual Payee's Receipts (APRs) were not available on record to authenticate the payments. Detail is as under:

S.No	Name of Office	Head of Account	Vendor name	Bank Account No	Amount (Rs.)
1.	DEO (Male) Bannu	A03970	DEO (Male) Bannu	NBP4044754772 NBP Main branch Bannu	29,507,600
2.	AD LGRDD Bannu	A013101	AD LGRDD Bannu	PK03KHYB0103003005201763 Bank of Khyber Bannu branch	5,991,410
3.	DC Bannu	A03989	DC Bannu	NBO4069119368 NBP Bannu	1,890,500
Total					**37,389,510**

The lapse occurred due to negligence and violation of the rules by the management and District Accounts Office, resulting into irregular withdrawal of funds from treasury through DDOs.

When pointed out in August and December 2025, the management of the DEO (Male) Bannu replied that the funds were withdrawn from treasury to avoid lapse of budget whereas the management of the Assistant Director, Local Government & Rural Development Department Bannu and Deputy Commissioner Bannu replied that detailed reply will be submitted after checking the record. The reply was not satisfactory as Government rules were violated.

PAO (DC Bannu) was requested in August, September and December 2025 with subsequent reminders in October 2025 and December 2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends that Actual Payee Receipts (APRs) and sanction of the disbursed amount may be provided to audit for verification besides inquiry into the matter for fixing responsibility besides strengthening of internal controls to avoid such lapses in future.

AIR Para No. 11, 05, 06/2024-25

4.1.4 Irregular advance payment on account of execution of developmental schemes – Rs. 313.493 million

According to PC-1 for Projects of Water Conservation in Khyber Pakhtunkhwa serial number 6.3.1.6 Mode of Payment the Government share of 80% of the total cost will be made by the department to the farmer through crossed - cheque, after due endorsement of Third Party Validation (TPV) consultants, issued from the project account in the name of beneficiaries/ Soil and Water Conservation Assistance (SWCA) according to sanctioned estimate after the successful completion of the construction work according to specification and design.

During Audit of the accounts of the District Officer Soil & Water Conservation Bannu for the financial year 2023-24, it was observed that local office paid Rs. 313,493,763 in advance to the beneficiaries of the different developmental schemes before completion. Further the local office neither provided the bank accounts statements of the beneficiaries nor Third Party Validation (TPV) reports to audit to authenticate the payments as per detail in **Annexure-4.3.**

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

When pointed out in 02/2025, the management replied that no irregular advance withdrawals of fund were made. Payment in advance was made due to Freezing/ceasing of fund in 2023-24. Payment to the beneficiaries was made in two installments through crossed cheques (copy of crossed cheques attached in file) on account of developmental schemes as per approved PC-I. Moreover, all

the details regarding payments to beneficiaries along with all codal formalities are available in file for official record. The reply is not tenable as the Finance Department KP has not issued any instruction/letter/notification regarding freezing of funds and the PC-1 of the schemes states that payment will be made in two installments after due verification of the TPV consultant.

The observation was reported to the DC Bannu as critical issue, the DC Bannu convened a meeting on 03.06.2025, to discuss the critical issue where it was decided that the District Officer Soil & Water Conservation Bannu will provide TPV Reports of all schemes, bank statement of all the beneficiaries/Farmers and acknowledgment certificates on affidavit from all the beneficiaries, which was not provided to audit till finalization of this report.

DAC meeting was convened on 27.06.2025, however, the department did not attend the meeting. It is further stated that the DAC meeting under the chairmanship of Deputy commissioner on critical issues was held earlier on 03.06.2025, where it was decided that the District Officer Soil & Water Conservation Bannu will provide TPV Reports of all schemes, bank statement of all the beneficiaries/Farmers and acknowledgment certificates on affidavit from all the beneficiaries, which was not provided to audit till finalization of this report.

Audit recommends that all the record as per decision of the DAC may be provided to audit for verification.

AIR Para No. 04/2023-24

4.1.5 Overpayment due to double payment of steel-Rs. 11.863 million

According to MRS 2024, item code 9-45 P/F Burnt Brick Tile Roofing over Tee Iron and Steel Girder, in 1:6 c/s mortar (12' max span) has a rate of Rs.8645.95 per square meter.

According to Rule 75 (2) of the Khyber Pakhtunkhwa 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 Assistant Director, Local Government & Rural Development Department Bannu, for the financial year 2024-25, it was observed that two works (Construction of community centers in District Bannu Package 1 and Package 2) were executed at a cost of Rs 119.98 million which was awarded to M/s Shayan Khan and Co. Government contractor. Audit observed that an amount of Rs.11,863,566 was paid for an item of work i.e. fabrication of heavy steel, item code 25-10 MRS 2024 @ Rs 276,669 per ton.

Audit held that the payment was already made for the said item P/f of Burnt brick tile roofing over Tee Iron and steel girder in 1:6 cement sand mortar vide item code 9-45 MRS 2024 @ Rs. 8645.95 per square meter, wherein the cost of steel was included. Detail is in table given below:

Name of Work	Cost (Rs.)	Item Name	Item rate (Rs.)	Qty (tons)	Amount Paid (Rs)	Rate required to be paid	Overpayment (Rs)
Construction of community centers in Distt Bannu Package 1 and Package 2	119,980,000	Fabrication of heavy steel work, item code 25-10	276,669	42.88	11,863,566	-	11,863,566

When pointed out in December 2025 the management replied that detailed reply will be given after checking of record. No reply was given till finalization of this report.

PAO DC (Bannu) was requested in December 2025 with subsequent reminder in January 2026 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends immediate recovery of overpayment from the contractor and action against the official(s) at fault.

AIR Para No. 02/2024-25

4.1.6 Unauthorized / doubtful expenditure on execution of community schemes – Rs.62.500 million

According to the DDC Minutes issued by the by the Deputy Commissioner Bannu dated 28-1-2025 No pressure pump shall be installed inside a private boundary area. Hence to fade away the concept of individual benefit. If

violated the executing agency shall provide a certificate that the facility is not individual oriented.

According to para 280-83 (1) The measurement book is a most important record being the basis of all accounts of quantities, whether of work done by daily labor or by the piece or by the contractor or of the materials received which have to be counted or measured.

According to the Local Government, Elections and Rural Development Department letter No. AO (Planning)/LCB/2-1/General file/2019 dated 02.05.2019 mandated that the location coordinates of each scheme be maintained in record to ensure verification and prevent duplication.

During audit of the accounts of Assistant Director LG&RDD, Bannu for the financial year 2024-25, it was observed that an expenditure of Rs 62,500,000 was made on the installation of Pressure pumps in various areas of District Bannu as per detail given below:

S.No	Name of Scheme	Cost (Rs)
1	Installation of pressure pumps at various locations in PK 102 Bannu	15,000,000
2	Installation of pressure pumps at various locations in PK 101 Bannu	47,500,000
Total		**62,500,000**

Audit observed the following irregularities.

i. The Pressure Pumps were installed for individuals instead of community.
ii. Technical Sanctions of the schemes were not obtained and MBs of the schemes were also not maintained.
iii. The schemes were handed over to individuals instead of proper handing over to Community or PHE Department Bannu.
iv. The location of the pumps installed was not approved by the DDC or the DC in Administrative approval.
v. The existing position of water supply schemes of PHE Department in the locality was not available to know whether any water supply schemes exist in the area or not.

The lapse occurred due to weak internal controls, which resulted in to violation of Government rules.

When reported in December, 2025, the management stated that detailed reply would be submitted after consultation of record. No reply was submitted till finalization of this report.

PAO (DC Bannu) was requested in December, 2025 to convene DAC Meeting, which could not be held till finalization of this report.

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

AIR Para 17/2024-25

4.1.7 Loss to government due to award of contract on higher rate – Rs.20.99 million

According to Rule 14(2)(b)(ix) of KP procurement rules 2014 the bid found to be the lowest evaluated bid shall be accepted

According to Rule 23 of GFR, every Government officer should realize fully and clearly that he would 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 it may be shown that he contributed to the loss by his own action or negligence.

During audit of the accounts of Assistant Director LG & RDD Bannu for the financial yearn 2024-25, it was observed that the department awarded contract "Construction of community center at various Locations in Bannu Package I and II" on higher rates at par to M/s Shayan Khan and Co. despite the fact that other contractors M/s Gul Shahbaz Khan & Sons and M/s Dost & Co. offered lower rates of 15% and 20% respectively below the estimated cost. Due to award of contracts on higher rates Government was put into a loss of Rs. 20,999,000. Detail is in table given below:

S.No	Name of Work	Cost of Scheme (Rs.)	Bid offered (Rs.)	Bid accepted (Rs.)	Loss (Rs.)
1	Construction of community center at various Locations in Bannu Package I	59,998,000	47,998,400 (20% below)	59,996,000	11,999,600
2	Construction of community center at various Locations in Bannu Package II	59,996,000	50,998,300 (15 % below)	59,998,000	8,999,400
Total					**20,999,000**

The lapse occurred due to weak internal controls, which resulted in to violation of Government rules.

When reported in December, 2025, the management stated that detailed reply would be submitted after consultation of record. No reply was submitted till finalization of this report.

PAO (DC Bannu) was requested in December, 2025 to convene DAC Meeting, which could not be held till finalization of this report.

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

AIR Para 18&19/2024-25

4.2 Tehsil Municipal Administrations, Bannu

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 29.673 million were raised as a result of this audit. This amount also includes recoverable of Rs.22.303 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
A	Others, including cases of accidents, negligence etc.	29.673
Total		**29.673**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

4.2 AUDIT PARAS

A. Others, including cases of accidents, negligence etc.

4.2.1 Irregular cash payments from designated bank account –Rs.7.37 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 cheque payments."

During Audit of the accounts of Tehsil Municipal Administration (Wazir) for the Financial Year 2024-25, it was observed that an amount of Rs. 7,370,864 was withdrawn from designated bank account No. PK03KHYB 0103003005161563 Bank of Khyber Bannu branch and paid in cash instead of issuing crossed cheques to the vendors. Moreover, Actual Payee's Receipts (APRs) were not available on record to authenticate the payments.

The lapse occurred due to negligence and violation of the rules by the management, resulting into irregular withdrawal of funds from bank accounts.

When pointed out in August 2025, the management stated that detailed reply would be submitted later on. Reply of the management was not satisfactory as Government rules were violated.

PAO (TMO Wazir) was requested in September 2025, with subsequent reminder in October to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry in the matter and action against the person(s) at fault besides stoppage of cash withdrawal and strengthening internal controls to ensure compliance with relevant rules/instructions.

AIR Para No. 06/2024-25

4.2.2 Non-recovery of outstanding amount from revenue contractors– Rs.17.355 million and non-recovery of Income Tax- Rs. 4.948 million

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, the contractor will deposit monthly installment till 5th of each month, if he failed to do so contract may be cancelled.

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, if the contractor/firm violate 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.

According to Khyber Pakhtunkhwa Local Govt. Act, 2013 clause 45 (collection and recovery of taxes, etc.) sub-clause (1), 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 TMAs Bannu, Domel and Bakka Khel for the Financial Year 2024-25, it was observed that an amount of Rs. 17,355,152 was outstanding against various revenue contractors on 30.06.2025, which was not recovered. Additionally, income tax of Rs 4,948,677 was also not recovered from the contractors. Moreover, neither the contracts were cancelled nor contractors were recommended for blacklisting by the management. **Detail at Annexure-4.4.**

The lapse occurred due to negligence of the management in monitoring and making recovery from contractors, resulting in loss to the Government.

When pointed out in July & August 2025, the management of TMA Domel and Baka Khel stated that reply would be submitted after consulting the record. Whereas TMA Bannu stated that the amount would be recovered and deposited into treasury. However, no progress was intimated till finalization of this report.

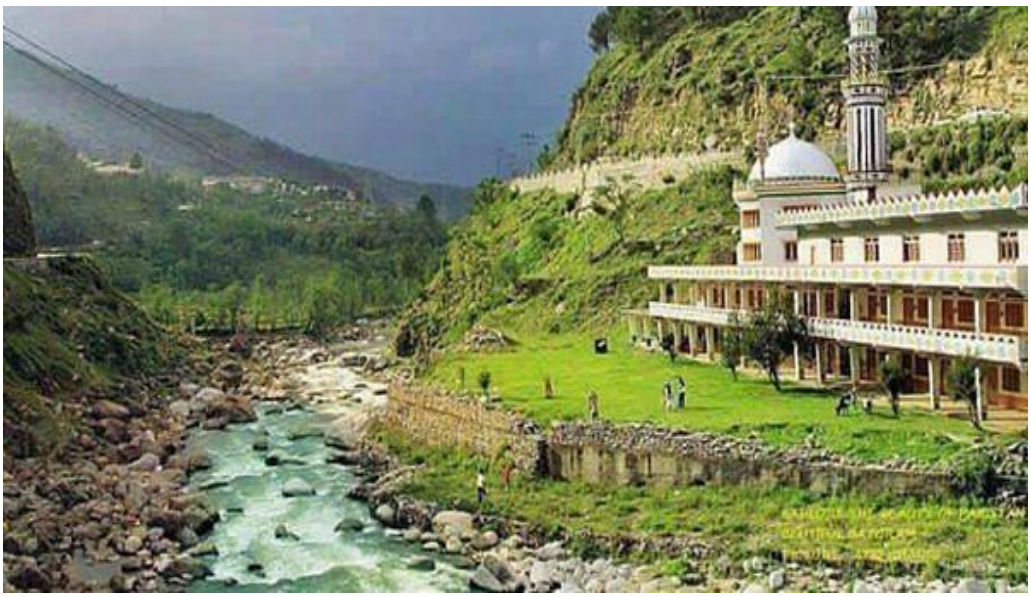
PAOs concerned were requested in August & September 2025 with subsequent reminders dated 25.09.2025 and 21.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends immediate recovery of outstanding dues from the defaulting contractors otherwise the contract may be cancelled.

AIR Para No. 02,01,01/2024-25

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

i. Classified Summary of Audit Observations

Audit observations amounting to Rs 18.262 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
A	Irregularities	
	Procurement related irregularities	18.262
Total		**18.262**

ii. 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 2024-25	Not Convened

5.1 AUDIT PARAS

A. Irregularities

Procurement related irregularities

5.1.1 Irregular expenditure on Repair of Transformers – Rs.18.262 million

According to S.No. 13 (vii) of Second Schedule of The Khyber Pakhtunkhwa District Government Rules of Business 2015, the functions and responsibility of AD LG&RDD is "rural development works including water supply, rural access roads, embankment and drainage works".

As per Chapter 2 clause 2.6 Note No. xiii of consumer service manual-January 2021 issued by NEPRA via Letter No. NEPRA/DG(CAD)/TCD-10/1883-35 date 13th January 2021, In case of Housing Society/ Scheme/ Colony/ Multistorey Building/ Commercial Plaza/high Rise Building once DISCO (PESCO) takes over the distribution system for individual metering and billing, the responsibility of maintenance, repair, replacement of the said system or up gradation/reinforcement thereof shall rest with DISCO (PESCO).

According to S.No. 13.1 of the Government of Khyber Pakhtunkhwa Planning & Development Guidelines (2015) for devolved tiers of Local Governments under LGA, 2013, all works—except petty works and repairs—require a properly detailed estimate and Technical Sanction from the competent authority. Such sanction must be issued by authorized officials within one month of PC-I approval and shall not exceed the administrative approval cost; otherwise, the project must be revised and resubmitted.

According to the Local Government, Elections and Rural Development Department letter No. AO (Planning)/LCB/2-1/General file/2019 dated 02.05.2019 mandated that the location coordinates of each scheme be maintained in record to ensure verification and prevent duplication.

The Director General LG&RDD KP, through letter No. Director (LG)3-18/ADP/7555-57 dated 13.06.2024, directed that cost estimates be prepared on prevailing MRS rates with proper market rate analysis for non-scheduled items.

During audit of the accounts of Assistant Director, Local Government & Rural Development Department, Battagram, for the financial year 2024-25, it was observed that an expenditure of Rs 18,262,368 was incurred on repair of transformers. Audit observed the following irregularities:

i. Repair of transformers was carried out by AD LG&RDD in different constituencies, whereas it was the responsibility of PESCO. The repair of transformers was required to be outsourced through PESCO pre-qualified/approved workshop which was not done**.** Detail at **Annexure-5.2**.
ii. Technical sanction was not obtained, which was required to be obtained from the Electrical engineer having experience/specialty in the relevant field.
iii. The inspection report by PESCO, along with transformer details—such as make, serial number, purchase order number, date and year of manufacturing, location, capacity, and nature of fault—was not maintained as required.
iv. The repaired transformers were not checked by the Committee including representative of PESCO, & Tehsil member concerned and representative of the owner of workshop.
v. Demand from the community and Site/ specific location where repair was carried out was also not available on record.
vi. Payments of Rs. 1,677,378 were made for non-scheduled items without conducting market rate analysis, rendering the expenditure irregular.

The lapse occurred due to weak internal controls and non-adherence to government instructions which resulted in irregular expenditure.

When pointed out in December 2025, the management replied that Technical Sanction and market rate analysis would be made and progress would be shown to audit. No progress was shown to audit till finalization of this report.

PAO (DC Battagram) was requested in January 2026 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing responsibility against the person(s) at fault.

AIR Para No.03 (2024-25)

5.2 Tehsil Municipal Administrations, Battagram

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 5.687 million were raised as a result of this audit. The amount of Rs. 5.687 million is 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
A	Others, including cases of accidents, negligence etc.	5.687
Total:		**5.687**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

5.2 AUDIT PARAS

A. Others, including cases of accidents, negligence etc.

5.2.1 Non-collection/non-deposit of rent of Government properties– Rs.5.687 million

According to Rule 45 (i) and (ii) of the District or City District Government Budget Rules 2016 "Failure to pay any tax and other money claimable under this Act shall be an offence and all arrears of taxes, rents and other moneys claimable by a local government under this Act shall be recovery as arrears of land revenue".

During audit of the accounts of Tehsil Municipal Administration, Battagram for the Financial Year 2024-25, it was observed that the management failed to collect or deposit an amount of Rs. 5,686,790 on account of rent of shops, Cabins. **Detail at Annexure-5.3.**

The lapse occurred due to negligence and weak financial management, which resulted in loss to government.

When pointed out in August 2025, the management stated that recovery of the outstanding amount of rent of shops and cabins is under process, which would be intimated to audit. No progress was intimated to audit till finalization of this report.

PAO (TMO Battagram) was requested in August 2025 with subsequent reminders to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends depositing the collected amount and recovery of the outstanding rent as per the lease agreement/rules besides inquiry for fixing responsibility.

Note: The issue was reported earlier also in the Audit Reports for the Audit Years 2019-20, 2020-21, 2021-22, 2022-23 and 2023-24 vide Para numbers 5.3.2.5, 3.5.1.7 ,3.5.2.4, 3.4.3.1 and 3.4.2.1 respectively having financial impact of Rs 19.206 million. Recurrence of such irregularity is matter of concern and needs to be addressed.

AIR Para No. 02 (2024-25)

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

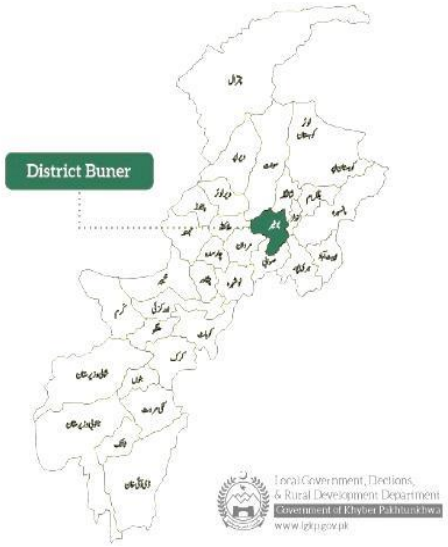
Languages: Pashto

Tehsils: 6

No. of Village Councils: 105

No. of Neighborhood Councils: 0

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



6.1 Tehsil Municipal Administrations, Buner

i. Classified Summary of Audit Observations

Audit observations amounting to Rs 6.499 million were raised as a result of this audit. This amount also includes recoverable of Rs 6.499 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
A	Others, including cases of accidents, negligence etc.	6.499
	Total	**6.499**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

6.1 AUDIT PARAS

A. Others, including cases of accidents, negligence etc.

6.1.1 Non-recovery of outstanding amount from revenue contractors– Rs.6.499 million

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, the contractor will deposit monthly installment till 5th of each month, if he failed to do so, contract may be cancelled.

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, if the contractor/firm violate 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.

According to Khyber Pakhtunkhwa Local Govt. Act, 2013 clause 45 (collection and recovery of taxes, etc.) sub-clause (1), 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 TMAs Gagra, Daggar & Khadukhel District Buner for the financial year 2024-25, it was observed that an amount of Rs.6,498,850 was outstanding against various revenue contractors as on 30.06.2025, which was not recovered. Moreover, neither the contracts were cancelled nor contractors were recommended for blacklisting by the management. Detail at **Annexure-6.2**

The lapse occurred due to negligence of the management in monitoring and making recovery from contractors, resulting in loss to the Government.

When pointed out in August 2025, the management replied that notices will be issued to the concerned for recovery and progress will be shown to audit. However, no progress was intimated till finalization of this report.

PAOs concerned were requested in September 2025 with subsequent reminders in September, 2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends immediate recovery of outstanding dues from the defaulting contractors otherwise the contract may be cancelled.

Note: The issue was also reported in Audit Reports for Audit years 2020-21, 2021-22, 2022-23, 2023-24 and 2024-25 vide paras No. 3.5.2.10, 3.5.2.2, 3.4.3.1, 3.4.2.2 and 5.3.4.2.1 to 5.3.4.2.2 having financial impact of Rs 13.132 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 01, 01 & 04 (2024-25)

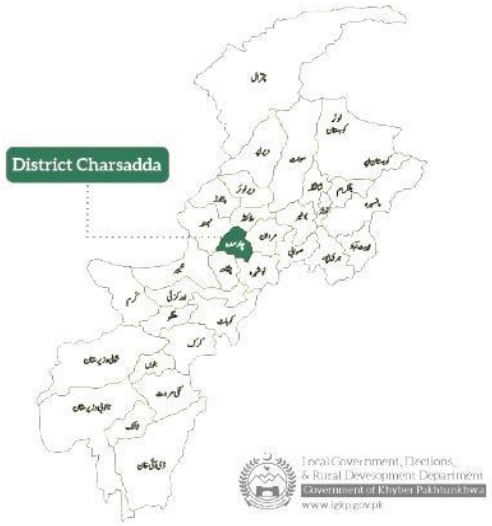
CHAPTER-7

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 KMs 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

i. Classified Summary of Audit observations

Audit observations amounting to Rs. 59.485 million were raised as a result of this audit. This amount also includes recoveries of Rs. 2.117 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
A	Others, including cases of accidents, negligence etc.	59.485
Total		**59.485**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

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

7.1 AUDIT PARAS

A. Others, including cases of accidents, negligence etc.

7.1.1 Irregular expenditure on Repair of Transformers – Rs.26.556 million

According to S.No. 13 (vii) of Second Schedule of The Khyber Pakhtunkhwa District Government Rules of Business 2015, the functions and responsibility of AD LG&RDD is "rural development works including water supply, rural access roads, embankment and drainage works".

As per Chapter 2 clause 2.6 Note No. xiii of consumer service manual-January 2021 issued by NEPRA via Letter No. NEPRA/DG(CAD)/TCD-10/1883-35 date 13th January 2021, In case of Housing Society/ Scheme/ Colony/ Multistory Building/ Commercial Plaza/high Rise Building once DISCO (PESCO) takes over the distribution system for individual metering and billing, the responsibility of maintenance, repair, replacement of the said system or up gradation/reinforcement thereof shall rest with DISCO (PESCO).

According to S.No. 13.1 of the Government of Khyber Pakhtunkhwa Planning & Development Guidelines (2015) for devolved tiers of Local Governments under LGA, 2013, all works—except petty works and repairs—require a properly detailed estimate and Technical Sanction from the competent authority. Such sanction must be issued by authorized officials within one month of PC-I approval and shall not exceed the administrative approval cost; otherwise, the project must be revised and resubmitted.

According to the Local Government, Elections and Rural Development Department letter No. AO (Planning)/LCB/2-1/General file/2019 dated 02.05.2019, the location coordinates of each scheme be maintained in record to ensure verification and prevent duplication.

During audit of the accounts of Assistant Directors, Local Government & Rural Development Department, Charsadda for the financial year 2024-25, it was observed that an expenditure of Rs 26,556,000 was incurred on repair of transformers.

Audit observed the following irregularities:

i. Repair of transformers was carried out by AD LG&RDD, whereas it was the responsibility of PESCO. The repair of transformers was required to

be outsourced through PESCO pre-qualified/approved workshop which was not done**.**

ii. Technical sanction was accorded by the Civil Engineer for which he was not competent. The sanction was required to be obtained from the Electrical engineer having experience/specialty in the relevant field.

iii. Payments of Rs. 6,555,828 were made for non-scheduled items without conducting market rate analysis in PK 66 and 62.

iv. Location coordinates of the scheme "Repair & maintenance of Transformers at PK-62" amounting to Rs 10,000,000 were not obtained.

v. The inspection report by PESCO, along with transformer details—such as make, serial number, purchase order number, date and year of manufacturing, location, capacity, and nature of fault—was not maintained as required

vi. Demand from the community and Site/ specific location where repair was carried out was also not available on record.

The lapse occurred due to weak internal controls and non-adherence to government instructions which resulted in irregular expenditure.

When pointed out in December 2025, the management replied that Technical Sanction, location coordinates of the schemes and market rate analysis would be obtained and progress would be shown to audit. No progress was shown to audit till finalization of this report.

PAO (DC Charsadda) was requested in January 2026 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends that the matter may be probed besides fixing responsibility against the person(s) at fault.

AIR No. 04,05&06/2024-25

7.1.2 Illegal occupation of state land measuring 541 Kanal

"Under Section 172 of the West Pakistan Land Revenue Act, 1967 and the KP Recovery of Possession Ordinance, 2001, the Deputy Commissioner is empowered to eject any person in unlawful occupation of state land, and use force if required."

During audit of the accounts of Deputy Commissioner, Charsadda for the Financial Year 2024-25, it was observed that state land measuring 541 Kanals was illegally occupied by private individuals/entities without any lawful authority, lease, or allotment by the competent authority. The district administration made no efforts to vacate the encroached/illegally occupied land from grabbers. Details are at **Annexure-7.2.**

The lapse occurred due to negligence of the management to vacate the state land which resulted in illegal occupation.

When pointed out in July 2025, the management stated that efforts were made to vacate the state property. However, no progress was intimated till finalization of this report.

PAO (DC Charsadda) was requested in July 2025 with subsequent reminders dated 15.09.2025 & 06.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends that the management may make concerted efforts to vacate the state land besides action against person(s) at fault.

AIR Paras No. 15/2024-25

7.1.3 Wastage of public resources due to non-functioning of public schools- Rs. 32.929 million

Section 41 of Local Government Act 2013 provides that, "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 Officers (Male and Female) Charsadda for the Financial Year 2024-25, it was observed that a number of schools under the administrative control of the DEO (Male and Female) are closed for several years. The cost of construction of these non-functional schools under the DEO (F) was Rs. 32.929 million while cost of non-functional schools under DEO (M) was not provided. This resulted in wastage of public resources besides depriving the children of the local area from education. (Detail at **Annexure-7.3**)

The lapse occurred due to weak administrative controls and negligence of the management which resulted in wastage of government funds.

When pointed out in September 2025, the management stated that detailed reply would be furnished after scrutiny of record. However, no progress was intimated till finalization of this report.

PAO (DC Charsadda) was requested in September 2025, with a subsequent reminder dated 13.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends that the closed schools may be made functional to provide opportunity to the local community to have access to basic education besides appropriate action against the person(s) at fault.

AIR Paras No.12&08/2024-25

7.2 Tehsil Municipal Administrations, Charsadda

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 27.709 million were raised as a result of this audit. This amount also includes recoveries of Rs 22.549 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
A	Irregularities	-
	HR/Employees related irregularities	2.442
	Management of Accounts with Commercial Banks	5.511
B	Others, including cases of accidents, negligence etc.	19.756
Total		**27.709**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

7.2 AUDIT PARAS

A. Irregularities

HR/Employees related irregularities

7.2.1 Irregular expenditure on account of hiring of daily wage staff – Rs.2.442 million

According to S.No. 6 of the Government of Khyber Pakhtunkhwa Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures, dated 03.07.2024, "contingent paid staff shall be engaged during the course of financial year 2024-25 only after approval of the Finance Department".

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/ vendor concerned) instead of payment through DDOs/cash basis.

During audit of the accounts of Tehsil Municipal Administrations, Charsadda & Tangi for the financial year 2024-25, it was observed that daily wage/contingent paid staff was hired by the local offices and an expenditure of Rs. 2,441,525 was incurred on account of payment of wages. Detail is given below:

(Rs. in million)

S.No.	TMA	Expenditure
1	Charsadda	1.180
2	Tangi	1.261
Total		**2.441**

Audit observed the following irregularities:

i. Appointments were made without obtaining prior approval from the Finance Department, Government of KP.
ii. No selection criterion was followed for appointment of the staff.
iii. The amount was paid in cash, while muster roll/ actual payee's receipts were not available on record.

The lapse occurred due to non-compliance of rules, which resulted in irregular expenditure.

When pointed out in August 2025, the management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAOs (TMO Charsadda & Tangi) were requested in September 2025 with subsequent reminders to convene DAC meetings, which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing of responsibility against persons at fault besides termination of the staff hired without approval of the competent forum.

AIR Paras No. 02, 10&6 (2024-25)

Management of Accounts with Commercial Banks

7.2.2 Irregular cash payments from designated bank account – Rs.5.511 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 cheques to employees/vendor concerned.

According to Finance Department Letter No: BO(W&M)/6-5/2019-20 dated 19/02/2020 which 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, Charsadda for the Financial Year 2024-25, it was observed that Rs 5,511,239 was withdrawn from designated bank account maintained at BOK Charsadda Branch bearing account No. 2007612934 and payments were made in cash instead of issuing cross cheques to the vendors. Moreover, Actual Payee's Receipts and detail of disbursement of the payment was also not available on record, therefore, veracity of the expenditure could not be verified. Details are given at **Annexure-7.4**.

The lapse occurred due to weak internal controls, resulting in un-verified cash withdrawal from designated bank accounts.

When pointed out in August 2025, 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 Charsadda) was requested in August 2025 with subsequent reminders to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault and strengthening of internal controls to avoid such lapses in future besides provision of relevant record in support of payments to audit for verification.

AIR Paras No. 03(2024-25)

B. Others, including cases of accidents, negligence etc.

7.2.3 Non-recovery of rent of shops – Rs. 7.927 million

According to Rule 45 (i) and (ii) of the District or City District Government Budget Rules 2016 "Failure to pay any tax and other money claimable under this Act shall be an offence 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".

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 accounts of Tehsil Municipal Administrations Charsadda and Shabqadar for the Financial Year 2024-25, it was observed that management of both offices failed to recover the long outstanding monthly rents from tenants of different shops amounting to Rs. 4,567,180 and Rs. 3,360,000 respectively. No serious efforts were found on record to recover the long outstanding dues from the defaulters. Detail at **Annexure-7.5 (a&b).**

The lapse occurred due to apathy and non-responsible attitude of the management of the TMAs, resulting in non-recovery of rent.

When pointed out in August 2025, the management stated that reply would be furnished after consulting original record. However, no reply was furnished till finalization of this report.

PAOs (TMOs) were requested in August 2025 with a subsequent reminder dated 13.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends immediate recovery of outstanding rent and disciplinary action against the person(s) at fault under intimation to audit.

AIR Para No. 05&09/2024-25

7.2.4 Non recovery of outstanding amount from revenue contractors – Rs.10.585 million

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated

12.04.2022, the contractor will deposit monthly installment till 5th of each month, if he failed to do so, contract may be cancelled.

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, if the contractor/firm violate 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.

According to clause 5 of the contract agreement the contractor shall deposit the amount in 11 equal installments.

During audit of the accounts of Tehsil Municipal Administrations Charsadda and Shabqadar for the Financial Year 2024-25, it was observed that an amount of Rs.8,807,870 & Rs 1,776,904 respectively was outstanding against various contractors on 30.06.2025. Detail is given at **Annexure-7.6 (a&b).**

The lapse occurred due to negligence of the management in monitoring and enforcing recovery from contractors, resulting in loss to the Government.

When pointed out in August 2025, the management stated that reply would be submitted after consulting the detailed record. However, no reply was furnished till finalization of this report.

PAOs (TMOs) concerned were requested in August 2025 with a subsequent reminder dated 13.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends immediate recovery of outstanding dues from the defaulting contractors otherwise the contract may be cancelled.

AIR Para No. 11/2024-25

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

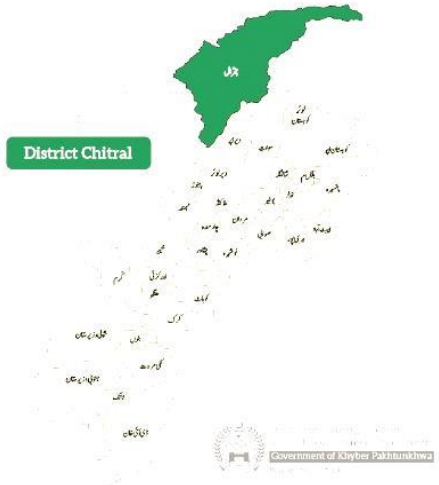
Languages: Khowar

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

i. Classified Summary of Audit observations

Audit observations amounting to Rs. 51.746 million were raised as a result of this audit. This amount also includes recoverable of Rs.2.18 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
A	Irregularities	-
	HR/Employees related irregularities	2.580
B	Others, including cases of accidents, negligence etc.	49.166
Total		**51.746**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

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

8.1 AUDIT PARAS

A. Irregularities

HR/Employees related Irregularities

8.1.1 Non-deduction of conveyance and teaching allowance during leave period–Rs 2.58 million

According to Government of Khyber Pakhtunkhwa Finance Department (Regulation Wing) letter No FD(SOSR-II)/8-18/2016 dated 07-01-2016, Conveyance allowance will not be admissible during earned leave, study leave (training purpose) & extra ordinary leave.

According to Government of KP, Finance Department letter No. F-D(S-R-II)S-2/70 dated 17.07.1977, conveyance allowances shall not be admissible to the government employees during leave period.

According to para (iv) of Government of Khyber Pakhtunkhwa Finance Department (Regulation Wing), Notification No. FD (SO-SR-II) 2-5/2021-22/Teaching Allow: dated 07-07-2021, Teaching Allowance will not be admissible to Officers/Officials, who are on earned leave, extra ordinary leave and study leave except casual leave.

During audit of the accounts of District Education Offices (Male & Female) Chitral Lower for the financial year 2024-25, it was observed that the local offices did not deduct Rs2,580,225 on account of conveyance and teaching allowance from the employees during the leave period. Detail is as under:

S. No	Name of Department	Amount (Rs)
1	DEO (M) Chitral Lower	1,156,741
2	DEO (F) Chitral Lower	1,423,484
Total		**2,580,225**

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

When pointed out in August 2025, the management replied that recovery would be made from the concerned staff. No progress was intimated till finalization of this report.

PAO (DC Chitral Lower) was requested in September 2025, with subsequent reminders dated 29.09.2025, 02.10.2025 &03.10.2025 respectively to convene DAC meeting which could not be held till finalization of this report.

Audit recommends recovery and deposit into government treasury.

AIR Para No 06&17/2024-25

B. Others, including cases of accidents, negligence etc.

8.1.2 Unauthorized additional payment of 15% compulsory acquisition charges – Rs. 11.022 million

According to Section 18(1) of Land Acquisition Act 1894, any person who has not accepted the award may, by written application to the collector, require that 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.

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 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 Commissioners, Chitral Lower for the financial year 2024-25, it was observed that an amount of Rs. 11,022,752 was paid to the land owners on account of compulsory acquisition charges @ 15% with the original cost of land of Rs. 73,485,004. The cost of compulsory acquisition charges was initially included in the assessment without claim by the landowners and without award of such charges by the court in every case as required under sections 18 (1), 3 (d) and 23 (2) of Land Acquisition Act 1894.

The lapse occurred due to violation of rules, which resulted in loss the Government.

When pointed out in July 2025, the management replied that DC being collector was competent to include compulsory acquisition charges in the initial assessment to avoid litigation and unnecessary delay in acquisition process and this practice is in vogue throughout the province. However, clarification from provincial government regarding inclusion of compulsory acquisition charges in the initial assessment without claim by the land owners and without observing

other formalities as required under Sections 18 (1), 3 (d) and 23 (2) of land acquisition act 1894 would be obtained. However, no progress was reported till finalization of this report.

PAO (DC Chitral Lower) was requested in August 2025, with subsequent reminders dated 29.09.2025 & 02.10.2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends regularization of the payment by following the process according to rules, otherwise, recovery of the amount may be made from the person (s) responsible.

Note: The issue was also reported earlier in the Audit Report of district Chitral Lower for the Audit Years 2020-21, 2021-22, 2022-23and 2023-24 vide paras No. 2.5.3.1, 2.3.5, 2.4.3.15, 2.4.1.4 and 8.1.3.2.1 respectively having financial impact of Rs 138.626.

AIR Para No. 01/2024-25

8.1.2 Irregular expenditure on account of purchase of schools bags - Rs.5.996 million

According to rule 18 C(V)(d)of the Khyber Pakhtunkhwa Public Procurement Regularity Authority 2014, there may be more than one variation orders as long as the total value of all the variation orders remains within 15 percent of the original contract.

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 grants.

According to Directorate of Elementary & Secondary Education Khyber Pakhtunkhwa Letter No. 565-621 Dated: 30.04.2025 addressed to all DEOs (M&F), to float tender notice for the procurement of school bags for boys in primary schools at District level.

According to S.No 6.1 & 3 of the Terms & conditions of the agreement/contract between DEO (Male) Chitral Lower and M/S Danyial Enterprises, all the taxes i.e. sales tax, income tax etc. will be borne by the

supplier. Moreover, if 100% supply of the order items is not completed up to 15.07.2025, 2% penalty will be imposed on the undelivered value of items.

During audit of the accounts of the District Education Officers (Male & Female), Chitral Lower for the financial year 2024-25, it was observed that Rs.5,996,384 were spent on purchase of school bags.

Following irregularities were noticed;

i. Approved tenders were limited to the procurement of 2953 bags, however, 12415 bags were procured, resulting in excess expenditure of Rs.4,550,826 for additional 9422 bags.
ii. DEO (Male& Female), Chitral Lower made an advance payment for Rs.4,080,000 and 1,916,000 respectively to contractor for supply of 12,415 school bags in violation of rules.
iii. The school bags were required to be delivered upto 15.07.2025, however the same were not delivered.
iv. School bags were neither taken on stock register nor any proof regarding issuance was available on record.

The lapse occurred due to weak administrative and financial controls, resulting in irregular expenditure.

When pointed out in August 2025, the management replied that funds were released as per the actual release of the provincial government and demand of the education department and supply of bags would be completed. Reply was not cogent as the funds were released to the department in excess of the required amount and documentary evidences regarding supply were also not provided.

PAO (DC Chitral Lower) was requested in August, 2025 with subsequent reminders 29.09.2025 & 02.10.2025 to convene DAC meetings, which could not be held till finalization of this report.

Audit recommends inquiry into the matter and fixing of responsibility besides immediate supply of school bags.

AIR Para No. 3&4/2024-25

8.1.3 Irregular withdrawal of funds through DDOs and cash payments from designated bank accounts –Rs 19.385 million

According to Government of KP 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 cheque payments.

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 offices of Deputy Commissioner, Chitral Lower for the financial years 2024-25, it was observed that an amount of Rs 19,385,010 was withdrawn from government treasury through DDOs and further paid in cash from designated bank accounts. In most of the cases, Actual Payee's Receipts (APRs) were not available on record to authenticate the payments. **Detail is given at Annexure 8.2**.

The lapse occurred due to negligence and violation of the rules by the management and District Accounts Office, resulting into irregular withdrawal of funds from treasury through DDOs.

When pointed out in July 2025, the management replied that the staff was posted at different offices in the district, therefore amount of honoraria was withdrawn from government treasury through DDO and cash payments were made after fulfillment of codal formalities. The management reply was not cogent as DDO payments were made instead of direct payment to vendors.

PAO (DC Chitral Lower) was requested in August, 2025 with subsequent reminders 29.09.2025 & 02.10.2025 to convene DAC meetings, which could not be held till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility besides strengthening of internal controls to avoid such lapses in future. Further APRs of the disbursed amount may be provided to audit for verification.

AIR Para No. 15/2024-25

8.1.4 Irregular retention of pension funds in designated bank account– Rs.12.763 million

According to the Notification No.2791/DCLC dated 12-9-2024, issued by Deputy Commissioner Lower Chitral, on the eve of dissolution of District Council in August 2019, it was decided that the pension fund amount of the employees of the defunct District council shall be deposited into Government treasury.

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. Such amount lying in commercial banks should be drawn and credited to Government immediately. Failure to comply with these instructions shall be taken seriously and stern disciplinary action will be taken.

According to rule 77(ii) of CTR, every officer receiving money on behalf of the Government should maintain a cash book in Form TR 4 and all monetary transactions should be entered in the cashbook as soon as they occur and attested by the head of the office in token of check. The cash book should be closed regularly and completely checked.

During audit of the accounts of AD Local Government Chitral Lower for the financial year 2024-25, it was observed that an amount of Rs 11,866,175 was laying unspent on account of pension fund of Zilla Council in the designated bank account at the end of June 2025, whereas District Council was already dissolved in August 2019 i.e. six years back. The said amount was required to be transferred to the relevant TMAs as the employees had been posted there. Moreover, it was also observed that Rs 897,850 was paid as pay and allowances from pension account.

The lapse occurred due to weak internal controls which resulted in non-utilization of available funds.

When pointed out in September 2025, management did not furnish any reply.

PAO (DC lower Chiral) was requested in September 2025 to convene DAC meeting with subsequent reminders, which could not be held till finalization of this report.

Audit recommends to justify the retention of funds in the designated bank account.

AIR Para No.01&02/2024-25

8.2 Tehsil Municipal Administrations, Chitral Lower

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 5.525 million were raised as a result of this audit. This amount also includes recoverable of Rs. 1.413 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
A	Irregularities	
	HR/Employees related irregularities	4.112
B	Value for money and service delivery issues	1.413
Total		5.525

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

8.2 AUDIT PARAS

A. Irregularities

HR/Employees related irregularities

8.2.1 Irregular expenditure on account of hiring of daily wages staff – Rs.4.112 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."

According to S.No. 6 of the Government of Khyber Pakhtunkhwa Finance Department letter No.BO-I/FD/5-8/2024-25/Austerity Measures, dated 03.07.2024, "contingent paid staff shall be engaged during the course of financial year 2024-25 only after approval of the Finance Department".

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/ vendor concerned) instead of payment through DDOs/cash basis.

During audit of the accounts of the Tehsil Municipal Administration Chitral Lower for the financial year 2024-25, it was observed that daily wages/contingent paid staff was hired by the local offices and an expenditure of Rs. 4,112,000 was incurred on account of payment of wages. Detail is given below:

Wages paid (Rs)	Total own source income (Rs)	10% of own source income (Rs)	Excess payment (Rs)
4,112,000	15,861,331	1,586,133	2,525,867

Audit observed the following irregularities:

i. Total own source income of the TMA was 15,861,331 and payment of Rs.4,112,000 was made on hiring of daily wages staff, which exceeds the

prescribed limit of ten (10) percent of own source income by Rs.2,525,867.

ii. Appointments were made without obtaining prior approval from the Finance Department Government of KP.
iii. No selection criterion was followed for appointment of these staff.
iv. Need of appointment of the contingent paid staff was not ascertained.
v. The amount was paid in cash, while muster roll/ actual payee's receipts were not available on record.

The lapse occurred due to non-compliance of rules, which resulted in irregular expenditure.

When pointed out in July & August 2025, the management replied that daily wages staff was hired due to non-availability of permanent staff to carry out the sanitation and official work in the best public interest. Moreover, detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAOs concerned were requested in August & September, 2025 with subsequent reminders in October, 2025 to convene DAC meetings, which could not be held till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility against the person(s) at fault, besides strengthening of internal controls to avoid such lapses in future.

AIR Para No. 10/2024-25

B. Value for money and service delivery issues

8.2.2 Non-recovery of outstanding amount from revenue contractors – Rs.1.413 million

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, the contractor will deposit monthly installment till 5th of each month, if he failed to do so, contract may be cancelled.

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, if the contractor/firm violate 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.

According to Khyber Pakhtunkhwa Local Govt. Act, 2013 clause 45 (collection and recovery of taxes, etc.) sub-clause (1), 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 TMA Chitral Lower for the financial year 2024-25, it was observed that an amount of Rs. 1,413,529was outstanding against the revenue contractors on 30.06.2025, which was not recovered. Detail is given below.

S.No	Name of contract	Total amount (Rs)	Amount collected (Rs)	Amount outstanding (Rs)
1	Adda Fee	3,635,057	2,237,000	1,106,677
2	Slaughter House	551,852	245,000	306,852
Total		**4,186,909**	**2,482,000**	**1,413,529**

The lapse occurred due to negligence of the management in monitoring and making recovery from contractors, resulting in loss to the Council/TMA.

When pointed out in August 2025, the management replied that detailed reply would be furnished after scrutiny of record. No reply was furnished till finalization of this report.

PAO (TMO Chitral Lower) was requested in September 2025 with subsequent reminders dated 02.10.2025 and 09.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends recovery of outstanding dues amount from the defaulter contractors besides fixing of responsibility against the person(s) at fault.

AIR Para No. 03 (2024-25)

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

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 11.059 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
A	Irregularities	-
	Management of Accounts with Commercial Banks	11.059
Total		**11.059**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

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

9.1 AUDIT PARAS

A. Irregularities

Management of Accounts with Commercial Banks

9.1.1 Irregular cash payments from designated bank account –Rs.7.940 million

According to Government of KP 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 cheque payments."

During audit of the accounts of District Education Officers (Male & Female) Chitral Upper for the Financial Year 2024-25, it was observed that an amount of Rs. 7,939,878 was withdrawn from designated bank accounts and paid in cash instead of issuing crossed cheques to the vendors. Moreover, Actual Payee's Receipts (APRs) were not available on record to authenticate the payments. **Detail at Annexure-9.2.**

The lapse occurred due to negligence and violation of the rules by the management, resulting into irregular withdrawal of funds from bank accounts.

When pointed out in August 2025, the management replied that petty cash was credited in the designated bank accounts. Reply was not satisfactory as Government rules were violated.

PAO (DC Chitral Upper) was requested in September 2025 with subsequent reminders dated 29.09.2025 and 02.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter and action against the person(s) at fault besides stoppage of cash withdrawal and strengthening internal controls to ensure compliance with relevant rules/instructions.

AIR Para No. 04 & 05/2024-25

9.1.2 Irregular withdrawal of funds through DDOs and cash payments from designated bank accounts -Rs 3.119 million

According to Government of KP 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 cheque payments."

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 Education Office (Male) Chitral Upper for the financial year 2024-25, it was observed that an amount of Rs 3,119,161 was withdrawn from government treasury through DDO and further paid in cash from designated bank account. In most of the cases, Actual Payee's Receipts (APRs) were not available on record to authenticate the payments. Detail is given at **Annexure–9.3.**

The lapse occurred due to negligence and violation of the rules and District Accounts Office, resulting into irregular withdrawal of funds from treasury through DDO.

When pointed out in August 2025, the management replied that payment of electricity and telephone charges were made through DDO which were usually paid in cash. The reply was not satisfactory as Government rules were violated.

PAO (DC Chitral Upper) was requested in September 2025 with subsequent reminders dated 29.09.2025 and 02.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility besides strengthening of internal controls to avoid such lapses in future. Further APRs of the disbursed amount may be provided to audit for verification.

AIR Para No.04/2024-25

9.2 Tehsil Municipal Administrations, Chitral Upper

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 10.920 million were raised as a result of this audit. This amount also includes recoverable of Rs. 0.00 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
A	Irregularities	
	HR/Employees related irregularities	10.920
Total		**10.920**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

9.2 AUDIT PARAS

A. Irregularities

HR/Employees related irregularities

9.2.1 Irregular expenditure on account of hiring of daily wages staff – Rs.10.920 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."

According to S.No. 6 of the Government of Khyber Pakhtunkhwa Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures, dated 03.07.2024, "contingent paid staff shall be engaged during the course of financial year 202Swat4-25 only after approval of the Finance Department".

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 Mastuj for the financial year 2024-25, it was observed that daily wages/contingent paid staff was hired by the local office and an expenditure of Rs 10,920,120 was incurred on account of payment of wages. Detail is given below:

Wages paid (Rs)	Total own source income (Rs)	10% of own source income (Rs)	Excess payment (Rs)
10,920,120	4,803,430	480,343	1,0439,777

Audit observed the following irregularities:

i. Total own source income of the TMA was 4,803,430 and payment of Rs.10,920,120 was made on hiring of daily wages staff, which exceeds

the prescribed limit of ten (10) percent of own source income for Rs.10,439,777.

ii. Appointments were made without obtaining prior approval from the Finance Department Government of KP.
iii. No selection criterion was followed for appointment of these staff.
iv. Need of appointment of the contingent paid staff was not ascertained.

The lapse occurred due to non-compliance of rules, which resulted in irregular expenditure.

When pointed in August 2025, the management replied that detailed reply would be submitted after verification of record. No reply was furnished till finalization of this report.

PAO (TMO Mastuj) was requested in August 2025 with subsequent reminders dated 02.10.2025 and 13.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends that the matter may be probed expenditure and inquiry may be conducted for fixing responsibility against the person(s) at fault.

AIR Para No. 12/2024-25

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 & Dev
Statistics of Khyber Pakhtunkhwa 2024



10.1 Local Government, D.I.Khan

i. Classified Summary of Audit Observations

During the audit year 2025-26, observations amounting to Rs.62.342 million were raised that includes recoveries of Rs. 6.210 million. Summary of the audit observations classified as under:

(Rs. in million)

Sr. No.	Classification	Amount
A	Irregularities	-
	HR/Employees related irregularities	6.210
	Procurement related Irregularities	6.132
B	Others, including cases of accidents, negligence etc.	50.00
Total		**62.342**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

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

10.1 AUDIT PARAS

A. Irregularities

Employees related Irregularities

10.1.1 Un-authorized payment on account of special allowance and Un-Attractive area allowance Rs. 6.21 million

According to Para-2 (i) of the Govt. of KPK, Finance Department's Notification No. FD (SO SR-II) 2 -5/2021-22/Special Allow dated 07.07.2021, special allowance will be admissible to all employees except those who are in receipt of teaching allowance 2021, risk allowance, health professional allowance and dress allowance, washing allowance and integrated allowance.

According to Finance Division's O.M. No. F.5(4)R-13/80 dated 16.06.1980, revised vide F.No. 27(1)R-5/2012 dated 01.07.2016, the Unattractive Area Allowance/ compensatory allowance was allowed to the employees working in specified areas i.e. Chitral, Kohistan, Dir and Merged areas of Hazara and Mardan Division, Swat, Buner, Shangla, Malakand Division.

During audit of the accounts of the District Education Offices (Male & Female) for the Financial Year 2024-25, and District Director Livestock D.I.Khan for the Financial Year 2023-24, it was observed that as per data extracted from the SAP system, the management of both the offices overpaid Rs.3.291 million on account of special allowance to teaching cadre employees and Rs. 2.919 million on account of Un-attractive area allowance respectively to the employees, who were not entitled to these allowances as per ibid notifications. Detail at **Annexure-10.2 (a&b)**

The lapse occurred due to willful negligence of management and weak financial controls, which resulted in loss to the Government.

When pointed out in August 2025, the management replied that detailed reply will be furnished after consultation of record. However, no reply was given till the finalization of this report.

PAO (DC D.I. Khan) was requested in July 2025, with subsequent reminders dated 25.09.2025 & 20.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends immediate stoppage of the said allowances and recovery besides action against the person (s) at fault.

AIR Para No.03 (2024-25)
AIR Para-01(FY2023-24) Phase-II

Procurement related Irregularities

10.1.2 Unauthorized expenditure on civil works in violation of KPPRA rules– Rs.6.132 million and less deduction of income tax – Rs.0.156 million

According to Rule 10(b), Chapter-II of the Khyber Pakhtunkhwa Public Procurement Rules, 2014, as 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 and works over the value of Rs. 500,000." Furthermore according to Chapter-V (31) of KPPRA Rules 2014, "A procuring entity shall announce in an appropriate manner, all proposed annual procurements and shall proceed accordingly without any splitting or regrouping of the procurements so planned.

According to Section 153 (1) (b) of Income Tax Ordinance 2001, "Income tax be deducted @ 11% from the persons appearing in the Active Tax Payers list and @ 22% 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 Director Agriculture (Extension), D.I.Khan and office of District Director Live Stock & Dairy Development Department, D.I.Khan for the financial year 2024-25, it was observed that expenditure of Rs.6,132,000 was incurred under the following object heads without adopting the open competitive bidding, thus compromising transparency and ignoring value for money.

Sr. No.	Department Name	HoA	Amount (Rs.)
1	District Director Agriculture (Extension), D.I.Khan	AO3970- Others	3,182,000
2	District Director Live Stock & Dairy Development Department, D.I.Khan	Purchase of "Furniture & Fixture"	1,600,000
3	-do-	Purchase of "Plant & Machinery"	1,350,000
		Total	**6,132,000**

Audit observed the following irregularities.

(i) Open competitive bidding was avoided by splitting of the amounts.

(ii) The expenditure of Rs.3.182 million was required to be met from the object head repair of office building A13301, instead of object head "AO3970-Others". Thus the expenditure was misclassified. **Detail at Annexure-10.3**

(iii) All the civil work was shown executed through a General Order Supplier M/S White Rose, D.I.Khan having no construction's work experience.

(iv) Income Tax @ 22 % was required to be deducted as the supplier does not appear in the ATL. Instead income tax @ 5% was deducted which resulted in less deduction amounting to Rs. 156,655.

(v) The items were purchased without any demand from the main & sub-sections and items were not recorded in the stock registers.

(vi) Physical verification certificates of purchase committees ascertaining the quantity and quality of items were not available on record. **Detail at Annexure-10.4**

The irregularity occurred due to non-compliance of Government rules, resulting into irregular expenditure.

When pointed out in December, 2025, the management of DD (Agriculture), D.I.Khan stated that detailed reply would be submitted in due course of time. DD Livest stock stated that purchase was made for smooth running of office. Reply was not cogent as procurement rules were violated.

PAO (DC, D.I. Khan) was requested in January, 2026 to convene the DAC meeting, which could not be convened till finalization of this report.

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

AIR Para No.03 and 06/2024-25

B. Others, including cases of accidents, negligence etc.

10.1.3 Irregular expenditure on Repair of Transformers – Rs.50.00 million

According to S.No. 13 (vii) of Second Schedule of The Khyber Pakhtunkhwa District Government Rules of Business 2015, the functions and responsibility of AD LG&RDD is "rural development works including water supply, rural access roads, embankment and drainage works".

As per Chapter 2 clause 2.6 Note No. xiii of consumer service manual-January 2021 issued by NEPRA via Letter No. NEPRA/DG(CAD)/TCD-10/1883-35 date 13th January 2021, In case of Housing Society/ Scheme/ Colony/ Multistory Building/ Commercial Plaza/high Rise Building once DISCO (PESCO) takes over the distribution system for individual metering and billing, the responsibility of maintenance, repair, replacement of the said system or up gradation/reinforcement thereof shall rest with DISCO (PESCO).

According to S.No. 13.1 of the Government of Khyber Pakhtunkhwa Planning & Development Guidelines (2015) for devolved tiers of Local Governments under LGA, 2013, all works—except petty works and repairs—require a properly detailed estimate and Technical Sanction from the competent authority. Such sanction must be issued by authorized officials within one month of PC-I approval and shall not exceed the administrative approval cost; otherwise, the project must be revised and resubmitted.

According to the Local Government, Elections and Rural Development Department letter No. AO (Planning)/LCB/2-1/General file/2019 dated 02.05.2019 mandated that the location coordinates of each scheme be maintained in record to ensure verification and prevent duplication.

The Director General LG&RDD KP, through letter No. Director (LG)3-18/ADP/7555-57 dated 13.06.2024, directed that cost estimates be prepared on prevailing MRS rates with proper market rate analysis for non-scheduled items.

During audit of the accounts of Assistant Director, Local Government & Rural Development Department D.I.Khan, for the financial year 2024-25, it was observed that an expenditure of Rs 50,000,000 was incurred on repair of transformers. Audit observed the following irregularities:

i. Repair of transformers was carried out by AD LG&RDD in different constituencies, whereas it was the responsibility of PESCO. The repair of transformers was required to be outsourced through PESCO pre-qualified/approved workshop which was not done**.**

ii. Amount was drawn in advance on simple receipt from Govt treasury vide cheque No. 3087354 dated 23.06.2025 without actual execution of work.

iii. Neither detail of further utilization of funds was available in record nor supporting vouchers were submitted before close of 30th June 2025.

iv. Technical sanction was accorded by the Civil Engineer for which he was not competent. The sanction was required to be obtained from the Electrical engineer having experience/specialty in the relevant field.

v. Report regarding inspection by PESCO and the details of transformer i.e. Make, Serial No, PO No date and year of manufacturing, location, capacity and fault in separate register was not maintained as required.

vi. The inspection report by PESCO, along with transformer details—such as make, serial number, purchase order number, date and year of manufacturing, location, capacity, and nature of fault—was not maintained as required.

vii. Demand from the community and Site/ specific location where repair was carried out was also not available on record.

The lapse occurred due to weak internal controls and non-adherence to government instructions which resulted in irregular expenditure.

When pointed out in September, 2025, management stated that funds were withdrawn on simple receipt to avoid the lapse of budget. Technical Sanction and market rate analysis would be made and progress would be shown to audit. No progress was shown to audit till finalization of this report.

PAO (DC DIKhan) was requested in September 2025 with subsequent reminders to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing responsibility against the person(s) at fault.

AIR Para No.01 (2024-25)

10.2 Tehsil Municipal Administrations, D.I.Khan

i. Classified Summary of Audit Observations

During the audit year 2025-26, observations amounting to Rs. 21.580 million were raised that includes recoveries of Rs. 21.139 million. Summary of the audit observations classified as under:

(Rs. In million)

Sr. No.	Classification	Amount (Rs)
A	Others, including cases of accidents, negligence etc.	21.580
Total		**21.580**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

10.2 AUDIT PARAS

A. Others, including cases of accidents, negligence etc.

10.2.1 Non-recovery of outstanding amount from revenue contractors – Rs.14.490 million

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, the contractor will deposit monthly installment till 5th of each month, if he failed to do so, contract may be cancelled.

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, if the contractor/firm violate 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 TMA DIKhan & Paroa for the Financial Year 2024-25, it was observed that an amount of Rs. 14,490,213 was outstanding against various revenue contractors on 30.06.2025, which was not recovered. Further neither the contracts were cancelled nor contractors were recommended for blacklisting by the management. **Detail at Annexure-10.5**

The lapse occurred due to negligence of the management in monitoring and making recovery from contractors, resulting in loss to the Government.

When pointed out in July & August 2025, the management of TMAs stated that reply would be submitted after consulting the record. However, no progress was intimated till finalization of this report.

PAO concerned was requested in August 2025, with subsequent reminders dated 25.09.2025 and 21.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends immediate recovery of outstanding dues from the defaulting contractors otherwise the contract may be cancelled.

AIR Para 04 TMA DIKhan & AIR Para 03 TMA Paroa (FY-2024-25)

10.2.2 Non-collection / non-deposit of rent of Government properties – Rs.7.090 million

According to Rule 45 (i) and (ii) of the District or City District Government Budget Rules 2016 "Failure to pay any tax and other money claimable under this Act shall be an offence 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 TMA, Kulachi for the Financial Year 2024-25, it was observed that the management failed to collect or deposit an amount of Rs 7,090,674 on account of rent of shops as detailed below;-

S.No	Detail of shops	Amount (Rs)
1	Asad Jan Khan Market Block A Maddi Gate Kulachi	2,689,974
2	Asad Jan Khan Market Block B Maddi Gate Kulachi	1,754,888
3	Main Bazar Kulachi	322,826
4	Al-Sheikh Market Shakhi Gate Kulachi	629,610
5	Shakhi Gate Androon Shehr Sharqan Side Kulachi	1,693,376
Total		**7,090,674**

The lapse occurred due to negligence and weak financial management, which resulted in loss to government.

When pointed out in July & August 2025, the management stated that recovery of the outstanding amount of rent of shops is under process, which would be intimated to audit. No progress was intimated to audit till finalization of this report.

PAO (TMOs) were requested in August & September 2025 with subsequent reminders to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends depositing the collected amount and recovery of the outstanding rent as per the lease agreement/rules besides inquiry for fixing responsibility.

AIR Para No. 04 (2024-25)

CHAPTER-11

DISTRICT DIR LOWER



District Lower Dir is the 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

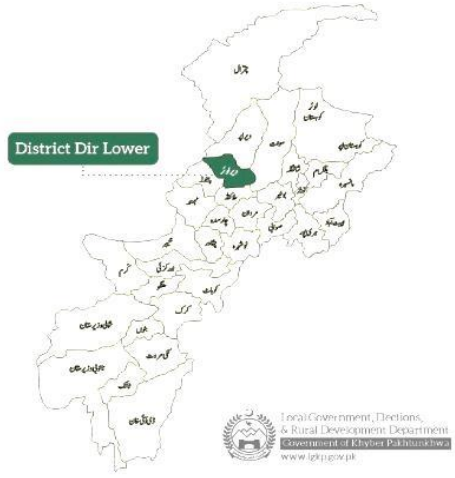
Languages: Pashto

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

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 33.807 million were raised as a result of this audit. This amount includes recoveries of Rs. 2.204 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
A	Irregularities	-
	Procurement related irregularities	5.978
B	Value for money and service delivery issues	2.204
C	Others, including cases of accidents, negligence etc.	25.625
Total		**33.807**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

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

11.1 AUDIT PARAS

A. Irregularities

Procurement related Irregularities

11.1.1 Irregular expenditure without adopting open competitive bidding- Rs.5.978 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.

According to Para 32B (e) of the KPPRA 2014 dated 03-02-2014 that the functions and responsibilities of the procurement committee is to constitute sub-committees for technical evaluation.

During audit of the accounts of Deputy Commissioner, Dir Lower for the financial year 2024-25, it was observed that an expenditure amounting to Rs. 5,978,871 was incurred on account of purchase of Furniture & Fixture, Plant & Machinery and Office Stationery**.** Detail at **Annexure-11.2 (a,b&c)**.

Audit observed the following irregularities:

1. Purchases were made by splitting of the amounts to avoid open competitive bidding.
2. Sub-committees were not constituted by the procurement committees for technical evaluation as required in KPPRA rules
3. The items were not recorded in the stock registers.

The lapse occurred due to willful negligence by the management concerned, resulting into irregular and un-economical expenditure.

When pointed out in July 2025, the management replied that the funds were released quarterly and the purchases were made through quotations. Reply was not convincing as competitive bidding process was not followed.

PAO (DC Dir Lower) was requested in August 2025, to convene DAC meeting with subsequent reminders dated 29-09-2025 and 02-10-2025, which could not be held till finalization of this report.

Audit recommends inquiry in the matter and action against person(s) responsible for making irregular and uneconomical expenditure.

AIR Para No. 07/2024-25

B. Value for money and service delivery issues

11.1.2 Overpayment due to allowing higher rate - Rs 2.204 million

According to item No. 03-20-a of Market Rates System (MRS) 2022, of 2nd Bi-annual, "transportation of earth all types beyond 250 m and up to 500 m" was Rs 249.73m^3.

During audit of the accounts of Assistant Director LG&RDD, Dir Lower for the financial year 2024-25, it was observed that an overpayment of Rs.2,204,967 was made to the contractors due to allowing higher rate than admissible rate allowed in MRS 2022. Detail is given below:

(Amount in Rs)

Name of Scheme	Item No	Item of work	Rate Paid	Rate admissible	Diff	Quantity (M3)	Overpaid Amount
Construction of Main Khwar Road	03-20-a	Transportation of earth all types beyond 250 m and upto 500 m.	351.73	249.73	102	10516.32	1,072,665
Construction of Main Khwar Road phase-II	03-20-a	Transportation of earth all types beyond 250 m and upto 500 m.	351.73	249.73	102	11101	1,132,302
						Total	**2,204,967**

The lapse occurred due to negligence and weak internal controls, which resulted in loss to Government.

When pointed in September 2025, the management replied that recovery would be made from the contractors. No progress was intimated till finalization of this report.

PAO (DC Dir Lower) was requested in October 2025 with subsequent reminders dated 29-09-2025 and 02-10-2025, to convene DAC meeting which could not be held till finalization of this report.

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

AIR Para No.2 & 8/2024-25

C. Others, including cases of accidents, negligence etc.

11.1.3 Unauthorized additional payment of 15% compulsory acquisition charges – Rs 13.070 million

According to Section 18(1) of Land Acquisition Act 1894, any person who has not accepted the award may, by written application to the collector, require that 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.

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 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 2024-25, it was observed that an amount of Rs. 13,070,478 was paid on account of compulsory acquisition charges @ 15 % with the original cost of land of Rs. 87,136,517. 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 as required under sections 18 (1), 3 (d) and 23 (2) of Land Acquisition Act 1894. Detail is as under:

(Amount in Rs)

S.No	Name of scheme	Cost of Land	Compulsory acquisition charges
01	Graveyard at Sabar Shah Mirzo Rabat Tehsil Balambat	3,993,752	599,063
02	Judicial Complex Samarbagh	9,330,552	1,399,583
03	Canal System of Sanam Dam Tehsil Adenzai	73,812,213	11,071,832
	Total	**87,136,517**	**13,070,478**

The lapse occurred due to violation of rules, which resulted in loss to Government.

When pointed out in July 2025, the management replied that detailed reply would be furnished later on. No reply was furnished till finalization of this report.

PAO (DC Dir Lower) was requested in August 2025 with subsequent reminders dated 29-09-2025 and 02-10-2025, to convene DAC meeting which could not be held till finalization of this report.

Audit recommends regularization of the payment by following the process according to rules, otherwise, recovery of the amount may be made from the person (s) responsible.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2020-21, 2023-24 and 2024-25 amounting to Rs. 129.606 million 22.487 million and Rs 2.818 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

11.1.4 Irregular withdrawal of funds through DDO and cash payments from designated bank accounts -Rs 10.899 million

According to Government of Khyber Pakhtunkhwa 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 cheque payments."

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 Deputy Commissioner, Dir Lower for the financial year 2024-25, it was observed that an amount of Rs 10,899,962 was withdrawn from government treasury through DDO and further paid in cash from designated bank accounts. In most of the cases, Actual Payee's Receipts (APRs) were not available on record to authenticate the payments. Detail at **Annexure-11.3.**

The lapse occurred due to negligence and violation of the rules by the management and District Accounts Offices, resulting into irregular withdrawal of funds from treasury through DDO.

When pointed out in July 2025, the management stated that compliance would be made in future. Reply was not convincing as the DDO payment was against the government policy and instructions.

PAO (DC Dir Lower) was requested in August 2025 with subsequent reminders dated 29-09-2025 and 02-10-2025, to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility besides strengthening of internal controls to avoid such lapses in future. Further APRs of the disbursed amount may be provided to audit for verification.

AIR Para No. 08/2024-25

11.1.5 Irregular purchase of medicines – Rs.1.656 million

As per section 22(1) of the Drug Act 1976, "the Government Analyst to whom a sample of any drug has been submitted for test and analysis under sub-section (3) of section 19 shall deliver to the Inspector submitting it a signed report in quadruplicate in the prescribed form and forward one copy thereof to the authority as may be prescribed".

According to Director General, Live Stock & Dairy Development Department KP letter No. 350-383 dated 06-12-2013 random samples must be sent for lab analysis before procession to relevant bill of cost to ensure the quality of medicines.

During audit of the accounts of District Director Livestock, Dir Lower, for financial year 2023-24, it was observed that an expenditure of Rs.1,656,745 was incurred on the purchase of medicines during Financial Year 2023-24 as per detail given below:

S. No	Name of firm	Cheque No	Date	Amount (Rs)
1	Haarolds Pharma	1416946	12-02-2024	567,171
2	Symans Pharma	1497995	20-06-2024	477,687
3	Avicenna Laboratory	1497996	20-06-2024	611,887
			Total	**1,656,745**

Audit observed the following irregularities:

1. Payments were made to the suppliers/ firms without clearance of samples of medicines from Government Drug Testing Laboratory (DTL).
2. Quarterly report regarding clinical efficiency of brand of medicine was not submitted to Medicine Coordination Cell (MCC), which posed potential risk to the Government interest and general public as well.
3. The delivery challans were not found with vouchers.
4. Indents/demands were not obtained from Civil Veterinary Hospitals (CVHs) / Civil Veterinary Dispensaries (CVDs) in case of livestock to authenticate the nature and need of the medicines issued.
5. The medicines were distributed during the year 2023-24 to various institutions/ centers but the local office failed to provide distribution and Departmental Receipt Form (DRF) of each institution dully signed by concerned in-charge.
6. Furthermore, the main stock register revealed that the medicines/ other store were shown issued to various sub-ordinate institution/ hospitals. However, indents of sub-ordinate units were not produced to audit. Thus, audit could not authenticate the original issue of medicines/ store, hence possibility of misappropriation could not be ruled out.

The lapse occurred due to weak internal controls, resulting in irregular expenditure on purchase of medicines.

When pointed out in January 2025, the management replied that the DTL reports were available. Reply was not tenable as the said documents were not available at the time of audit for verification. However, no progress was intimated.

PAO (DC Dir Lower) was requested on 29.05.2025 & 22.08.2025, to convene DAC meeting which could not be convened till finalization of this report.

Audit recommends the implementation of government procurements rules, besides fixing responsibility.

AIR No. 02 (2023-24) Phase-II

11.2 Tehsil Municipal Administrations, Dir Lower

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 44.319 million were raised as a result of this audit. This amount includes recoveries of Rs. 2.933 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
A	Irregularities	-
	HR/Employees related Irregularities	35.166
B	Value for money and service delivery issues	2.933
C	Others, including cases of accidents, negligence etc.	6.220
	Total	**44.319**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

11.2 AUDIT PARAS

A. Irregularities

HR/Employees related Irregularities

11.2.1 Irregular expenditure on account of hiring of daily wages staff– Rs.35.166 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."

According to Para (e) of the Government of Khyber Pakhtunkhwa, Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures dated 03.07.2024, contingent paid staff shall be engaged during the course of financial year 2024-25 only after approval of the Finance Department.

During audit of the accounts of Tehsil Municipal Administrations Timergara, Lalqilla, Munda and Samarbagh, District Dir Lower for the financial year 2024-25, it was observed that a large number of daily wages/contingent paid staff was hired by the local offices and an expenditure of Rs. 35,166,485 was incurred on account of payment of wages. Detail at **Annexure-11.4.**

Audit observed the following irregularities:

i. Payment of Rs. 35,166,485 was made by TMA Lalqilla on hiring of staff exceeding the prescribed limit of ten (10) percent of own source income of TMAs by Rs. 11,273,485.
ii. Appointments were made without obtaining prior approval from the Finance Department Government of KP.
iii. No selection criterion was followed for appointment of these staff.
iv. Need of appointment of the contingent paid staff was not ascertained.
v. Muster roll/ actual payee's receipts were not available on record.

The lapse occurred due to non-compliance of rules, which resulted in irregular expenditure.

The lapse occurred due to negligence of the management, resulting in irregular hiring of daily wages staff.

When pointed out in August 2025, the management stated that due to shortage of sanitation staff, daily wagers were hired only for sanitation purpose. Reply was not convincing as standing orders of the Finance Department were violated.

PAOs (TMO Timergara, Lalqilla, Munda and Samarbagh) were requested in September 2025 to convene DAC meeting with subsequent reminders dated 02-10-2025 and 09-10-2025, which could not be held till finalization of this report.

Audit recommends that the matter may be probed and inquiry may be conducted for fixing responsibility against the person(s) at fault.

AIR Para No 02, 05, 04 & 06 /2024-25

B. Value for money and service delivery issues

11.2.2 Non-recovery of outstanding amount from revenue contractors – Rs.2.933 million

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, the contractor will deposit monthly installment till 5th of each month, if he failed to do so, contract may be cancelled.

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, if the contractor/firm violate 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.

According to Khyber Pakhtunkhwa Local Govt. Act, 2013 clause 45 (collection and recovery of taxes, etc.) sub-clause (1), 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 Administration, Adenzai for the financial year 2024-25, it was observed that contracts of General Bus Stand and Cattle Fair Chakdara were awarded, however, receipts amounting to Rs.2,933,616were outstanding against the contractors till the date of audit (August 2025). Detail is given below:

(Amount in Rs)

S. No	Name of contract	Contractual Amount	Amount deposited	Amount not deposited
1	GBS Chakdara	3,347,230	841,760	2,505,470
2	Cattle Fair Chakdara	3,529,646	3,101,500	428,146
Total		**6,876,876**	**3,943,260**	**2,933,616**

The lapse occurred due to negligence of the management in monitoring and making recovery from contractors, resulting in loss to the Government.

When pointed out in August 2025, the management stated that notices were issued to the concerned contractors for recovery. No progress was intimated till finalization of this report.

PAO (TMO Adenzai) was requested in September 2025 to convene DAC meeting with subsequent reminders dated 02-10-2025 and 09-10-2025, which could not be held till finalization of this report.

Audit recommends immediate recovery of outstanding dues from the defaulting contractors otherwise the contract may be cancelled.

AIR Para No. 04 /2024-25

C. Others, including cases of accidents, negligence etc.

11.2.3 Irregular cash withdrawal from designated bank account– Rs.6.220 million

According to Government of Khyber Pakhtunkhwa 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 cheque payments."

According to Para 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 Tehsil Municipal Administration Munda for the financial year 2024-25, it was observed that an amount of Rs. 6,220,087 was withdrawn from designated bank accounts and paid in cash instead of issuing crossed cheques to the vendors. Moreover, Actual Payee's Receipts (APRs) were not available on record to authenticate the payments. Detail at **Annexure-11.6.**

The lapse occurred due to negligence and violation of the rules by the management, resulting into irregular withdrawal of funds from bank accounts.

When pointed out in August 2025, the management stated that there was no registered vendor in the jurisdiction of TMA Munda therefore, cash payment was made. Reply was not convincing as cash payment was made in violation of the instructions of Finance Department, KP.

PAO (TMA Munda) was requested in September 2025 to convene DAC meeting with subsequent reminders dated 02-10-2025 and 09-10-2025, which could not be held till finalization of this report.

Audit recommends inquiry in the matter and action against the person(s) at fault besides stoppage of cash withdrawal and strengthening internal controls to ensure compliance with relevant rules/instructions.

AIR Para No.03 /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

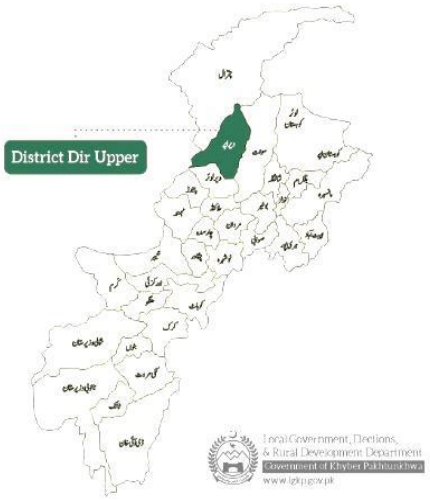
Languages: Pashto, Kohistani

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

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 211.834 million were raised as a result of this audit. This amount also includes recoverable of Rs 1.235 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
A	Irregularities	-
	Procurement related irregularities	10.358
	Management of Accounts with Commercial Banks	200.241
B	Value for money and service delivery issues	1.235
Total		**211.834**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

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

12.1 AUDIT PARAS

A. Irregularities

Procurement related irregularities

12.1.1 Irregular Advance Payment on account of execution of developmental schemes – Rs.6.758 million

According to PC-1 for Projects of Water Conservation in Khyber Pakhtunkhwa serial no 6.3.1.6 Mode of Payment the Government share of 80% of the total cost will be made by the department to the farmer through crossed - cheque, after due endorsement of Third Party Validation (TPV) consultants, issued from the project account in the name of beneficiaries/ Soil and Water Conservation Assistance (SWCA) according to sanctioned estimate after the successful completion of the construction work according to specification and design.

During Audit of the accounts of the District Officer Soil & Water Conservation Dir Upper the Financial year 2023-24, it was observed that local office paid Rs. 6,758,224 in advance to the beneficiaries of the different developmental schemes before completion. Further the local office neither provided the bank accounts statements of the beneficiaries nor Third Party Validation (TPV) reports to audit to authenticate the payments. Detail as per **Annexures-12.2.**

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

When pointed out in March 2025, the management stated detailed reply would be submitted after scrutiny of the relevant record. However, no reply was furnished till finalization of this report.

PAO (DC Dir Upper) was requested on 29.05.2025 & 22.08.2025, to hold DAC meeting which could not be convened till finalization of this report.

Audit recommends inquiry into the matter for fixing the responsibility against the person(s) at fault and strengthening of internal controls to avoid the lapse in future.

AIR Para No 01 (2023-24) Phase II

12.1.2 Irregular award of solarization contract without PEC registration - Rs 3.60 million

According to the Bye-Laws and Registration Regulations issued by Pakistan Engineering Council (PEC), award of electrical/solarizations works is permissible only to contractors holding valid EE-11 (vi) code, Solar installation and no work shall be awarded beyond the scope of registration.

According to rule 8 (Qualification of Suppliers and Contractors), of Khyber Pakhtunkhwa Public Procurement Rules, 2014, procuring entities to ensure that bidders possess the necessary professional, technical, and statutory qualification.

During audit of the office of Assistant Director (LG&RDD), Dir Upper for the Financial Year 2024-25, it was observed that solarization work amounting to Rs 3,680,000 at DHQ Hospital Dir Upper was awarded to M/S Shaheen Construction, who did not possess the required PEC registration code E-11 at the time of award. The registration certificate available on record showed that the contractor lacked the mandatory specialization code for execution of solarization works. Therefore, audit held that awarding the work to an unqualified contractor was irregular.

The Lapse occurred due to weak internal controls and non-compliance with mandatory eligibility requirements which resulted in irregular award of contract.

When pointed out in December 2025, the management stated that the contractor is already registered with the PEC and having relevant Code. Reply was not tenable as the contractor was not registered under the relevant code E-11 meant for execution of solarization work.

PAO (DC Dir Upper) was requested in December, 2025 with subsequent reminder in January, 2026 to convene DAC meetings, which could not be held till finalization of this report.

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

AIR Par No 18 (2024-25)

Management of Accounts with Commercial Banks

12.1.3 Irregular withdrawal of funds through DDOs and cash payments from designated bank accounts -Rs 2.241 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 cheque payments."

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 offices of District Director, Fisheries Dir Upper for the financial years 2023-24, it was observed that an amount of Rs 2,240,700 was withdrawn from government treasury through DDOs and further paid in cash from designated bank accounts. In most of the cases, Actual Payee's Receipts (APRs) were not available on record to authenticate the payments. Detail at **Annexure-12.3.**

The lapse occurred due to negligence and violation of the rules by the management and District Accounts Offices, resulting into irregular withdrawal of funds from treasury through DDOs.

When pointed out in February 2025, the management replied that detailed reply would be furnished after scrutiny of record. However, no reply was furnished till finalization of this report.

PAO (DC Dir Upper) was requested in May & August 2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility besides strengthening of internal controls to avoid such lapses in future. Further APRs of the disbursed amount may be provided to audit for verification.

AIR Para No 03(2023-24) Phase II

12.1.4 Irregular transfer of funds to designated bank account – Rs.198.00 million

According to Para (ii) of the Government of Khyber Pakhtunkhwa, Finance Department, letter No2/3(F/L)/FD/2022 dated 3rd June 2022, no funds should be kept in any bank account by Drawing and Disbursing Officer unless expressly authorised by the Finance Department. Such funds lying in banks should be withdrawn and credited to the Government Treasury immediately except where Departments/Offices/Autonomous/Semi-Autonomous Bodies /Organization/ Corporation have been specially permitted under some statute/Act.

During audit of the accounts of Assistant Director LG&RDD Dir Upper, for the financial year 2024-25, it was observed that developmental funds of Rs.198,000,000 were withdrawn from the Government treasury in lump sum through simple receipts. The withdrawn amount was kept in designated bank account instead of direct payments to the contractors by the District Accounts Office through contractor bills on the basis of works done at sites. Thus, lump sum transfer of funds to designated bank account was unauthorized.

The lapse occurred due to violation of rules, which resulted in unauthorized transfer of funds to designated bank account.

When pointed out in December 2025, the management replied that payments were made by the DAO office to the contractors for their accrued liabilities. Reply was not tenable as lump sum amount was withdrawn on simple receipts from the government treasury and deposited in the designated bank account and then payment is made to the contractors without Pre-audit.

PAO (DC Dir Upper) was requested in January 2026 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends fixing responsibility on the persons at fault for transfer of funds to designated bank account besides regularization from the Finance Department.

AIR Para No. 02 (2024-25)

B. Value for money and service delivery issues

12.1.5 Non-recovery of Government dues on account of registration fee of Water Users Associations (WUAs) – Rs. 1.235 million

According to Khyber Pakhtunkhwa Water Users Associations Act 1981 (Amended in 2011) read with clause 5 of the agreement executed between the Water Users Associations and On Farm Water Management Department, it is the responsibility of the On Farm Water Management Department to register WUAs under WUAs Act by the concerned District Officer.

According to the decision under Agenda Item No.3 of the first Project Implementation Committee (PIC) minutes of the meeting held on 21.11.2019 under National Programe for Improvement and Lining of Water Courses (NPIWC-II) KP component, a fee of Rs.1000/- shall be fixed as registration fee per WUA which will be deposited in the Government receipt head at each district level and total monthly receipt shall be communicated to DG office accordingly.

During audit of account of the District Officer On Farm Water Management Dir Upper, it was observed that local office registered 1,235 Water Users Associations in district Dir Upper under Khyber Pakhtunkhwa WUA Ordinance 1981 but the prescribed registration fee amounting to Rs 1,235,000 @ Rs 1000 per WUA was not deposited into Government treasury.

Non-deposit of registration fee occurred due to violation of the decision of the PIC meeting which resulted in loss to the Government.

When pointed out in February 2025, the management replied that this office has registered a number of WUAs in District Dir Upper without receiving any registration fee as no such instructions regarding collection of registration fee from the Water Users Associations were received from the provincial Government. However, the matter would be taken up with the provincial Government for future course of actions. The reply was not tenable as the decision was already made in the 1st Project Implementation Committee (PIC) meeting under National Program for Improvement and Lining of Watercourses.

PAO (DC Dir Upper) was requested on 29.05.2025 & 22.08.2025, to hold DAC meeting which could not be convened till finalization of this report.

Audit recommends deposit of registration fee into Government treasury.

AIR Para No. 01 (2023-24) Phase-II

12.2 Tehsil Municipal Administrations, Dir Upper

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 7.491 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
A	Irregularities	-
	HR/Employees related irregularities	7.491

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

12.2 AUDIT PARAS

A. Irregularities

HR/Employees related irregularities

12.2.1 Irregular expenditure on account of hiring of daily wages staff – Rs.7.491 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."

According to S.No. 6 of the Government of Khyber Pakhtunkhwa Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures, dated 03.07.2024, "contingent paid staff shall be engaged during the course of financial year 2024-25 only after approval of the Finance Department".

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/ vendor concerned) instead of payment through DDOs/cash basis.

During audit of the accounts of TMA Dir Upper and TMA Kalkot of District Dir Upper for the financial year 2024-25, it was observed that daily wages/contingent paid staff was hired by the local offices and an expenditure of Rs. 7,490,519 was incurred on account of payment of wages. Detail is given below:

S. No	Name of office	Daily wages (Rs)	Own source income (Rs)	10% of own source income (Rs)	Excess payment (Rs)
1	TMA Kalkot	5,147,919	1,100,500	110,050	5,037,869
2	TMA Dir Upper	2,342,600	25,350,000	2,535,000	-
Total		**7,490,519**	**26,450,500**	**2,645,050**	**5,037,869**

Audit observed the following irregularities:

i. Payment of Rs. 5,147,919 was made by TMA Kalkot on hiring of staff exceeding the prescribed limit of ten (10) percent of own source income by Rs. 5,037,869.

ii. Appointments were made without obtaining prior approval from the Finance Department Government of KP.
iii. No selection criterion was followed for appointment of these staff.
iv. Need of appointment of the contingent paid staff was not ascertained.
v. The amount was paid in cash, while muster roll/ actual payee's receipts were not available on record.

The lapse occurred due to non-compliance of rules, which resulted in irregular expenditure.

When pointed out in July & August 2025, the management replied that daily wages staff was hired due to non-availability of permanent staff to carry out the sanitation and official work in the best public interest. Moreover, detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAOs (TMO Dir Upper & Kalkot) were requested in August & September, 2025 with subsequent reminders in October, 2025 to convene DAC meetings, which could not be held till finalization of this report.

Audit recommends that the matter may be probed expenditure and inquiry may be conducted for fixing responsibility against the person(s) at fault.

AIR Para Nos. 03&05(2024-25)

CHAPTER-13

DISTRICT HANGU



District Hangu 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

i. Classified Summary of Audit observations

Audit observations amounting to Rs 25.159 million were raised as a result of this audit. This amount also includes recovery of Rs 2.534 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
A	Irregularities	-
	Procurement related irregularities	24.000
B	Others, including cases of accidents, negligence etc.	1.159
Total		**25.159**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

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

13.1 AUDIT PARAS

A. Irregularities

Procurement related irregularities

13.1.1 Irregular purchase of medicines –Rs 14.00 million

According to Health Department Letter No. 5044-5244/MCC dated 23.09.2021 and Clause 6 of the specimen of contract agreement provided with the afore referred letter, "The procuring entity shall arrange to obtain sample/s from each batch of the supplied drugs/medicines through notified Drug Inspector/s concerned and send to the concerned Drug Testing Laboratory for Test/Analysis as provided in the Drugs Act 1976".

According to Director General, Live Stock & Dairy Development Department KP letter No. 350-383 dated 06-12-2013 random samples must be sent for lab analysis before procession to relevant bill of cost to ensure the quality of medicines.

During audit of the accounts record of District Director Livestock Hangu for the Financial Year 2023-24, it was observed that an expenditure amounting to Rs 14,000,000 was incurred on procurement of medicines. Audit observed the following irregularities:

1. Payments were made to the suppliers/ firms without clearance of samples of medicines from Government Drug Testing Laboratory (DTL).
2. The delivery challans were not found with vouchers.
3. Indents/demands were not obtained from Civil Veterinary Hospitals (CVHs) / Civil Veterinary Dispensaries (CVDs) in case of livestock to authenticate the nature and need of the medicines issued.
4. The medicines were distributed during the year 2023-24 to various institutions/ centers but the local office failed to provide distribution and Departmental Receipt Form (DRF) of each institution dully signed by concerned in-charge.
5. Furthermore, the main stock register revealed that the medicines/ other store were shown issued to various sub-ordinate institution/ hospitals. However, indents of sub-ordinate units were not produced to audit.

Thus, audit could not authenticate the original issue of medicines/ store, hence possibility of misappropriation could not be ruled out.

The lapse occurred due to weak internal controls, resulting in irregular expenditure on purchase of medicines.

When pointed out in January, 2025 the management stated that detailed reply would be submitted after consulting of relevant record. No reply was furnished till finalization of this report.

PAOs (DCs Local Govt KP) were requested on 13.11.2024, 29.05.2025 & 22.08.2025, to hold DAC meeting which could not be convened till finalization of this report.

Audit recommends ensuring test of medicines through DTL and obtaining efficacy reports & provision of documents for verification besides fixing responsibility.

AIR Para No. 2&4(2023-24) Phase-II

13.1.2 Irregular expenditure on account of Repair of Transformer- Rs.10.00 million

According to S.No. 13 (vii) of Second Schedule of The Khyber Pakhtunkhwa District Government Rules of Business 2015, the functions and responsibility of AD LG&RDD is "rural development works including water supply, rural access roads, embankment and drainage works".

As per Chapter 2 clause 2.6 Note No. xiii of consumer service manual-January 2021 issued by NEPRA via Letter No. NEPRA/DG(CAD)/TCD-10/1883-35 date 13th January 2021, In case of Housing Society/ Scheme/ Colony/ Multistory Building/ Commercial Plaza/high Rise Building once DISCO (PESCO) takes over the distribution system for individual metering and billing, the responsibility of maintenance, repair, replacement of the said system or up gradation/reinforcement thereof shall rest with DISCO (PESCO).

According to S.No. 13.1 of the Government of Khyber Pakhtunkhwa Planning & Development Guidelines (2015) for devolved tiers of Local Governments under LGA, 2013, all works—except petty works and repairs—require a properly detailed estimate and Technical Sanction from the competent

authority. Such sanction must be issued by authorized officials within one month of PC-I approval and shall not exceed the administrative approval cost; otherwise, the project must be revised and resubmitted.

According to the Local Government, Elections and Rural Development Department letter No. AO (Planning)/LCB/2-1/General file/2019 dated 02.05.2019 mandated that the location coordinates of each scheme be maintained in record to ensure verification and prevent duplication.

The Director General LG&RDD KP, through letter No. Director (LG)3-18/ADP/7555-57 dated 13.06.2024, directed that cost estimates be prepared on prevailing MRS rates with proper market rate analysis for non-scheduled items.

During audit of the accounts of Assistant Director, Local Government Hangu for the Financial Year 2024-25, it was observed that an expenditure of Rs.10,000,000 was incurred on repair of transformers. Audit observed the following irregularities:

i. Repair of transformers was carried out by AD LG&RDD in different constituencies, whereas it was the responsibility of PESCO. The repair of transformers was required to be outsourced through PESCO pre-qualified/approved workshop which was not done**.**
ii. Technical sanction was accorded by the Civil Engineer for which he was not competent. The sanction was required to be obtained from the Electrical engineer having experience/specialty in the relevant field.
iii. The inspection report by PESCO, along with transformer details—such as make, serial number, purchase order number, date and year of manufacturing, location, capacity, and nature of fault—was not maintained as required.
iv. Demand from the community and Site/ specific location where repair was carried out was also not available on record.

The lapse occurred due to weak internal controls and non-adherence to government instructions which resulted in irregular expenditure.

When pointed out in December, 2025 Management stated that the requirements have almost been completed and will be produced to audit. However no evidence in support of the reply was produced to audit.

PAO (DC Hangu) was requested in December 2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing responsibility against the person(s) at fault.

AIR Para No. 5 (2024-25)

B. Others, including cases of accidents, negligence etc.

13.1.3 Unauthorized collection of pupil fund in government schools Rs.1.159 million

According to Article 25-A of the Constitution of the Islamic Republic of Pakistan, "The State shall provide free and compulsory education to all children of the age of five to sixteen years in such manner as may be determined by law".

During audit of the accounts of the District Education Officer (Male), Hangu for Financial Year 2024–25, it was observed that an amount of Rs. 1,159,351 was collected from students of Government Schools in District Hangu and retained in separate bank accounts under the heads of Sports Fund, Scouts Fund and Shaheen Fund**.** The collection of funds from students is unauthorized & unconstitutional as free education is the constitutional right of every student of the age five to sixteen years. Details are given below:

S. No.	Receipt head	Bank account No.	Closing balance (Rs)
1	Sports fund	3002454757	198,106
2	Scouts fund	3002420162	475,831
3	Shaheen fund	3002431938	485,414
		Total Profit	**1,159,351**

The lapse occurred due to negligence of the management which resulted in unauthorized collection of funds from students.

When pointed out in August 2025, the management did not furnish any reply.

PAO (DC Hangu) was requested in August 2025 with subsequent reminders to convene DAC meeting which could not be held till finalization of this report.

Audit recommends that the matter may be referred to Secretary E&SE, KP for clarification.

AIR Para No.07 (2024-25)

13.1.4 Loss due to non-deposit of saving into Government Treasury of Rs.2.534 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.

During audit of the office of Assistant Director LG&RDD, Hangu for the Financial Year 2024-25, it was observed that management awarded developmental scheme "Repair of transformer in PK-93 (CMD)" with estimated cost of Rs 10,000,000 on 26% below bid cost, resulted into saving of Rs. 2,533,839, which was retained in the designated bank account No. 4015285271 NBP Hangu branch till date of audit i.e. December 2025 instead of depositing into government treasury. Details are given below.

S. No	Detail of deductions	Amount (Rs.)
1	Deductions made from 1st Running bill	1,436,772
2	Deductions made from 2nd Running bill	661,463
3	Deductions made from 3rd Running bill	435,604
	Total	**2,533,839**

The lapse occurred due to weak internal control and non-compliance of government rules which resulted in loss to government.

When pointed out in December 2025, the management stated that the saving amount will be utilized after approval of the competent authority and progress will be intimated to audit. However no progress was intimated till finalization of this report.

PAO (DC Hangu) was requested in December 2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends that the saving amount may either be utilized with the approval of the competent authority or deposit into government treasury.

AIR Para No. 01 (2024-25)

13.2 Tehsil Municipal Administrations, Hangu

i. Classified Summary of Audit Observations

Audit observations amounting to Rs 13.682 million were raised as a result of this audit. This amount also includes recovery of Rs 3.552 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
A	Irregularities	-
	Management of Accounts with Commercial Banks	10.130
B	Others, including cases of accidents, negligence etc.	3.552
Total		**13.682**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

13.2 AUDIT PARAS

A. Irregularities

Management of Accounts with Commercial Banks

13.2.1 Irregular cash payments from designated bank account –Rs.10.130 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 cheque payments."

During Audit of the accounts of Tehsil Municipal Administration Hangu for the Financial Year 2024-25, it was observed that an amount of Rs. 10,130,038 was withdrawn from designated bank accounts and paid in cash instead of issuing crossed cheques to the vendors. Moreover, Actual Payee's Receipts (APRs) were not available on record to authenticate the payments. **Detail at Annexure-13.2.**

The lapse occurred due to negligence and violation of the rules by the management, resulting into irregular withdrawal of funds from bank accounts.

When pointed out in July 2025, the management did not furnish any reply.

PAO (TMO Hangu) was requested in August 2025 with subsequent reminders to convening DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry in the matter and action against the person(s) at fault besides stoppage of cash withdrawal and strengthening internal controls to ensure compliance with relevant rules/instructions.

AIR Para No.02 (2024-25)

B. Others, including cases of accidents, negligence etc.

13.2.2 Non-recovery of outstanding amount from revenue contractors – Rs.3.552 million

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, if the contractor/firm violate 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.

According to Khyber Pakhtunkhwa Local Govt. Act, 2013 clause 45 (collection and recovery of taxes, etc.) sub-clause (1), 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 Administration Thall of District Hangu for the Financial Year 2024-25, it was observed that an amount of Rs. 3,552,814 was outstanding against a contractor on 30.06.2025. Details are given below:

(Amount in Rs.)

S. No.	Name of contract	Contractual Amount	Amount Recovered	Less Recovery
1	Stop Adda Thall	5,968,370	5,290,060	678,310
2	Municipal Services fee Thall	4,820,000	4,212,860	607,140
3	Cattle fare market Doaba	8,280,000	7,138,500	1,241,500
4	Larri Adda Fee Doaba	3,045,434	2,019,570	1,025,864
5	Tehbazari	729,160	71,610	0
Total		**22,842,964**	**18,732,600**	**3,552,814**

The lapse occurred due to negligence of the management in monitoring and making recovery from contractors, resulting in loss to the Government.

When pointed out in September 2025, management did not furnish any reply.

PAO (TMO Thall) was requested in September 2025 with subsequent reminders to convening DAC meeting which could not be held till finalization of this report.

Audit recommends immediate recovery of outstanding dues from the defaulting contractors otherwise the contract may be cancelled.

Note: The issue was also reported earlier in the Audit Reports for the Audit year 2023-24 & 2024-25 vide Para No. 3.4.2.1 and 13.1.3.2.2 having financial impact of Rs 1,894,300 and Rs 10,082,610 respectively. Recurrence of same irregularity is a matter of serious concern.

AIR Para No.1 (2024-25)

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

i. 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
A	Irregularities	-
	Procurement related irregularities	30.00
Total		**30.00**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

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

14.1. AUDIT PARAS

A. Irregularities

Procurement related irregularities

14.1.1 Irregular expenditure on Repair of Transformers –Rs.30.00 million

According to S.No. 13 (vii) of Second Schedule of The Khyber Pakhtunkhwa District Government Rules of Business 2015, the functions and responsibility of AD LG&RDD is "rural development works including water supply, rural access roads, embankment and drainage works".

As per Chapter 2 clause 2.6 Note No. xiii of consumer service manual-January 2021 issued by NEPRA via Letter No. NEPRA/DG(CAD)/TCD-10/1883-35 date 13th January 2021, In case of Housing Society/ Scheme/ Colony/ Multistory Building/ Commercial Plaza/high Rise Building once DISCO (PESCO) takes over the distribution system for individual metering and billing, the responsibility of maintenance, repair, replacement of the said system or up gradation/reinforcement thereof shall rest with DISCO (PESCO).

According to the Local Government, Elections and Rural Development Department letter No. AO (Planning)/LCB/2-1/General file/2019 dated 02.05.2019 mandated that the location coordinates of each scheme be maintained in record to ensure verification and prevent duplication.

The Director General LG&RDD KP, through letter No. Director (LG)3-18/ADP/7555-57 dated 13.06.2024, directed that cost estimates be prepared on prevailing MRS rates with proper market rate analysis for non-scheduled items.

During audit of the accounts of Assistant Directors, Local Government & Rural Development Department, Haripur for the financial year 2024-25, it was observed that an expenditure of Rs 3,000,000 was incurred on repair of transformers. Audit observed the following irregularities:

i. Repair of transformers was carried out by AD LG&RDD in different constituencies, whereas it was the responsibility of PESCO. The repair of transformers was required to be outsourced through PESCO pre-qualified/approved workshop which was not done**. Detail at Annexure-14.2 (a&b)**.

ii. Technical sanction was accorded by the Civil Engineer for which he was not competent. The sanction was required to be obtained from the Electrical engineer having experience/specialty in the relevant field.
iii. The inspection report by PESCO, along with transformer details—such as make, serial number, purchase order number, date and year of manufacturing, location, capacity, and nature of fault—was not maintained as required.
iv. The repaired transformers were not checked by the Committee including representative of PESCO, & Tehsil member concerned and representative of the owner of workshop.
v. Demand from the community and Site/ specific location where repair was carried out was also not available on record.
vi. Payments of Rs. 13.870 million were made for non-scheduled items without conducting market rate analysis, rendering the expenditure irregular.

The lapse occurred due to weak internal and financial controls and non-adherence to government instructions which resulted in irregular expenditure.

When pointed out in September 2025, the management replied that Technical Sanction and market rate analysis would be made and progress will be shown to audit. No progress was shown to audit till finalization of this report.

DAC meeting was held on 23-12-2025, wherein the DAC forum decided that Technical Sanction from DG LG & RDD office Peshawar will be obtained. Market rate analysis for non-scheduled items will be conducted and corrective measures will be taken. DAC further directed that the GPS Coordinates provided by the department shall be verified by AD LG office and representative of District Administration and progress will be intimated within 30 days with audit. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 05, 06 & 08 (2024-25)

14.2 Tehsil Municipal Administrations, Haripur

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 43.939 million were raised as a result of this audit. This amount also includes recovery of Rs. 24.289 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
A	Irregularities	-
	Management of Accounts with Commercial Bank	19.650
B	Others, including cases of accidents, negligence etc.	24.289
Total		**43.939**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

14.2 AUDIT PARAS

A. Irregularities

Management of Accounts with Commercial Banks

14.2.1 Irregular payments from pension bank account -Rs.19.650 million.

According to Local Council Board letter No. AO/LCB/PLA/1-18/Lalb:2019-20 dated 22.03.2020, directed all the TMAs to close all the unnecessary bank accounts except four (04) Nos accounts in the bank of Khyber detail given below:

i. Tehsil Funds Account (Pension)
ii. Tehsil Trust Account (Security)
iii. Tehsil Special Deposits Accounts (Deposit work/Developmental)
iv. Tehsil General Account

According to TMA Budget Rules 2016, Rule 4, (a) Every TMA shall maintain a Public Account; (b) Monies collected under Public Account shall not be available for annual appropriation; (c) The withdrawals from the Public Account shall be for the purpose for which funds were deposited; (d) Repayment of funds from Public Account heads must be credited to the same head.

During audit of the accounts of Tehsil Municipal Administration, Haripur, for the financial year 2024-25, it was observed that an expenditure of Rs 19,650,168 was made on contingencies, repair of tubewell motors and security payments from Pension account No.2005763943 BOK in violation of government instructions as the account was meant for the purpose of pension payments only. **Detail at Annexure-14.3.**

The lapse occurred due to weak internal controls and financial mismanagement, which resulted in irregular payments.

When pointed out in August 2025, the management replied that the local fund income was deposited in pension account due to technical issues in general account and the fund utilized was from own source income instead of pension fund. No documentary evidence in support of reply was given to audit.

PAO (TMO Haripur) was requested in August 2025 with subsequent reminders dated 03.10.2025 and 20.10.2025 to convene DAC meeting which

could not be held till finalization of this report.

Audit recommends to deposit the amount in pension account immediately, besides appropriate action against the person(s) at fault.

AIR Para No. 05 Haripur (2024-25)

B. Others, including cases of accidents, negligence etc.

14.2.2 Non-collection / non-deposit of rent of Government properties– Rs.24.289 million

According to Rule 45 (i) and (ii) of the District or City District Government Budget Rules 2016 "Failure to pay any tax and other money claimable under this Act shall be an offence and all arrears of taxes, rents and other moneys claimable by a local government under this Act shall be recovery as arrears of land revenue".

During audit of the accounts of Tehsil Municipal Administration, Haripur, for the Financial Year 2024-25, it was observed that the management failed to collect or deposit an amount of Rs 24,289,000 on account of rent of shops, Cabins and other Government properties. **Detail at Annexure-14.4.**

The lapse occurred due to negligence and weak financial management, which resulted in loss to government.

When pointed out in August 2025, the management replied that efforts for recovery will be maximized and progress will be shown to audit. However, no progress was intimated to audit till finalization of this report.

PAO (TMO Haripur) was requested in August & September 2025 with subsequent reminders to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends depositing the collected amount and recovery of the outstanding rent as per the lease agreement/rules besides inquiry for fixing responsibility.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2023-24 and 2024-25 vide Paras number 3.4.2.1 & 14.2.3.2.1respectively having financial impact of Rs 47.234 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 04 (2024-25)

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

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 24.612 million were raised as a result of this audit. This amount also includes recoveries of Rs 9.612 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
A	Irregularities	-
	Procurement related irregularities	15.00
B	Others, including cases of accidents, negligence etc.	9.612
Total		**24.612**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

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

15.1 AUDIT PARAS

A. Irregularities

Procurement related irregularities

15.1.1 Irregular expenditure on Repair of Transformers- Rs. 15.00 million

According to S.No. 13 (vii) of Second Schedule of The Khyber Pakhtunkhwa District Government Rules of Business 2015, the functions and responsibility of AD LG&RDD is "rural development works including water supply, rural access roads, embankment and drainage works".

As per Chapter 2 clause 2.6 Note No. xiii of consumer service manual-January 2021 issued by NEPRA via Letter No. NEPRA/DG(CAD)/TCD-10/1883-35 date 13th January 2021, In case of Housing Society/ Scheme/ Colony/ Multistory Building/ Commercial Plaza/high Rise Building once DISCO (PESCO) takes over the distribution system for individual metering and billing, the responsibility of maintenance, repair, replacement of the said system or up gradation/reinforcement thereof shall rest with DISCO (PESCO).

According to S.No. 13.1 of the Government of Khyber Pakhtunkhwa Planning & Development Guidelines (2015) for devolved tiers of Local Governments under LGA, 2013, all works—except petty works and repairs—require a properly detailed estimate and Technical Sanction from the competent authority. Such sanction must be issued by authorized officials within one month of PC-I approval and shall not exceed the administrative approval cost; otherwise, the project must be revised and resubmitted.

According to the Local Government, Elections and Rural Development Department letter No. AO (Planning)/LCB/2-1/General file/2019 dated 02.05.2019 mandated that the location coordinates of each scheme be maintained in record to ensure verification and prevent duplication.

The Director General LG&RDD KP, through letter No. Director (LG)3-18/ADP/7555-57 dated 13.06.2024, directed that cost estimates be prepared on prevailing MRS rates with proper market rate analysis for non-scheduled items..

During audit of the accounts of Assistant Director, Local Government Karak for the Financial Year 2024-25, it was observed that an expenditure of Rs

15,000,000 was incurred on repair of transformers. Audit observed the following irregularities. **Detail at Annexure-15.2.**

i. Repair of transformers was carried out by AD LG&RDD in different constituencies, whereas it was the responsibility of PESCO. The repair of transformers was required to be outsourced through PESCO pre-qualified/approved workshop which was not done**.**
ii. Technical sanction was accorded by the Civil Engineer for which he was not competent. The sanction was required to be obtained from the Electrical engineer having experience/specialty in the relevant field.
iii. The inspection report by PESCO, along with transformer details—such as make, serial number, purchase order number, date and year of manufacturing, location, capacity, and nature of fault—was not maintained as required.
iv. The repaired transformers were not checked by the Committee including representative of PESCO, & Tehsil member concerned and representative of the owner of workshop.
v. Demand from the community and Site/ specific location where repair was carried out was also not available on record.

The lapse occurred due to weak internal controls and non-adherence to government instructions which resulted in irregular expenditure.

When pointed out in December, 2025 Management stated that the requirements have almost been completed and will be produced to audit. However no evidence in support of the reply was produced to audit.

PAO (DC Karak) was requested in December 2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing responsibility against the person(s) at fault.

AIR Para No. 8 (2024-25)

B. Others, including cases of accidents, negligence etc.

15.1.2 Non-collection / non-deposit of rent of Government properties – Rs.9.612 million

According to Rule 45 (i) and (ii) of the District or City District Government Budget Rules 2016 "Failure to pay any tax and other money claimable under this Act shall be an offence 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 Deputy Commissioner (Karak) for the Financial Year 2024-25, it was observed that the management did not deposit the already collected amount of Rs 6,106,006 on account of rent of shops. Furthermore, an amount of Rs 3,506,521 was outstanding against occupants of shops up to 30th June, 2025. Detail at **Annexure-15.3 (a&b).**

The lapse occurred due to negligence and weak financial management, which resulted in loss to government.

When pointed out in July 2025, the management stated that recovery of the outstanding amount of rent of shops is under process, which would be intimated to audit. No progress was intimated to audit till finalization of this report.

PAO (DC Karak) was requested in August 2025 with subsequent reminders dated 27.08.2025 and dated 23.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends depositing the collected amount and recovery of the outstanding rent as per the lease agreement/rules besides inquiry for fixing responsibility.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2020-21, 2022-23, 2023-24 and 2024-25 vide Paras No. 2.5.3.1, 2.4.3.1, 2.4.3.1 and 15.1.3.2.1 having financial impact of Rs. 6,106,006, Rs. 2,608,135, Rs 2,898,073 and 3,202,297 respectively. Recurrence of same irregularity is a matter of serious concern.

AIR Para No.01/2024-25

15.2 Tehsil Municipal Administrations, Karak

i. Classified Summary of Audit Observations

Audit observations amounting to Rs 2.800 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
A	Irregularities	-
	HR/Employees related irregularities	1.747
B	Management of accounts with Commercial bank	1.053
Total		**2.800**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

15.2 AUDIT PARAS

A. Irregularities

HR/Employees related irregularities

15.2.1 Irregular expenditure on account of hiring of daily wages staff – Rs.1.747 million

According to S.No. 6 of the Government of Khyber Pakhtunkhwa Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures, dated 03.07.2024, "contingent paid staff shall be engaged during the course of financial year 2024-25 only after approval of the Finance Department".

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/ vendor concerned) instead of payment through DDOs/cash basis.

During audit of the accounts of the Tehsil Municipal Administration, (BD Shah) for the financial year 2024-25, it was observed that daily wages/contingent paid staff was hired by the local offices and an expenditure of Rs. 1,747,500 was incurred on account of payment of wages. **Detail at Annexure-15.4.**

Audit observed the following irregularities:

i. Appointments were made without obtaining prior approval from the Finance Department Government of KP.
ii. No selection criterion was followed for appointment of these staff.
iii. Need of appointment of the contingent paid staff was not ascertained.
iv. The amount was paid in cash, while muster roll/ actual payee's receipts were not available on record.

The lapse occurred due to non-compliance of rules, which resulted in irregular expenditure.

When pointed out in August 2025, the management replied that daily wages staff was hired due to non-availability of permanent staff to carry out the sanitation and official work in the best public interest. Moreover, 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 September 2025 with subsequent reminders dated 19.09.2025 and dated 23.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends that the matter may be probed expenditure and inquiry may be conducted for fixing responsibility against the person(s) at fault.

AIR Para No. 1(2024-25)

Management of Accounts with Commercial Banks

15.2.2 Irregular cash payments from designated bank account –Rs.1.053 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 cheque payments."

During audit of the accounts of Tehsil Municipal Administration, Takht E Nasrati Karak for the Financial Year 2024-25, it was observed that an amount of Rs. 1,053,459 was withdrawn from designated bank accounts and paid in cash instead of issuing crossed cheques to the vendors. Moreover, Actual Payee's Receipts (APRs) were not available on record to authenticate the payments. Detail is given below:

(Amount in Rs.)

S.No	Date	Bank account No	Amount
1	06.01.2025	2009866038 BOK	382,863
2	07.03.2025	-do-	300,000
3	26.07.2024	-do-	10,897
4	13.09.2024	-do-	19,720
5	29.10.2024	-do-	18,636
6	31.12.2024	-do-	21,343
7	07.02.2025	2009865977 BOK	300,000
		Total	**1,053,459**

The lapse occurred due to negligence and violation of the rules by the management, resulting into irregular withdrawal of funds from bank accounts.

When pointed out in August 2025, the management stated that detailed reply would be submitted later on whereas, open cheques were given or paid in

cash. Reply of the management was not satisfactory as Government rules were violated.

PAO (TMO) was requested in September 2025 with subsequent reminders dated 19.09.2025 and dated 23.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter and action against the person(s) at fault besides stoppage of cash withdrawal and strengthening internal controls to ensure compliance with relevant rules/instructions.

AIR Para No. 7(2024-25)

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

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 267.461 million were raised as a result of this report. This amount includes recoveries of Rs. 21.840 million as pointed out by audit. Summary of the audit observations classified as under:

(Rs. in million)

Sr. No.	Classification	Amount
A	Irregularities	-
	HR/Employees related irregularities	110.970
	Procurement related irregularities	7.575
B	Others, including cases of accidents, negligence etc.	148.916
Total		**267.461**

ii. Comments on the of 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
1	2020-21 to 2024-25	Not convened

16.1 AUDIT PARAS

A. Irregularities

HR/Employees related irregularities

16.1.1 Illegal appointment of teachers - Rs 49.560 million

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

According to Section 3 of the Khyber Pakhtunkhwa Employees (Removal from Service) Act 2025, the employees unlawfully appointed shall be deemed to have never been appointed, and their appointment is hereby declared to be void ab-initio. The employees mean the employees appointed w.e.f. 22-01-2023 to 29-02-2024.

During audit of the accounts of the District Education Officer (Male) Khyber for the financial year 2024-25, it was observed that 81 teachers were appointed during the period of caretaker government (22-01-2023 to 29-02-2024) and paid Rs 49,560,396 on account of their salaries. Audit held that the management made appointments despite the ban imposed by the Election Commission of Pakistan. Further, the Provincial Government terminated the services of employees through the above said act. However, the services of the hired employees were retained despite the promulgation of this Act. Detail is given at **Annexure-16.2.**

The lapse occurred due to willful negligence of the management which resulted in irregular appointments.

When pointed out in August 2025, the management stated that detailed reply would be submitted after scrutiny of record which was not provided till finalization of the audit report.

PAO (DC Khyber) was requested in August 2025 with a subsequent reminder dated 06.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing responsibility against the person(s) at fault besides removal of the employees from service.

AIR Para No. 13/2024-25

16.1.2 Irregular expenditure on account of hiring of daily staff – Rs.61.41 million

According to Para 6 of the Government of Khyber Pakhtunkhwa, Finance Department letter NO. BO-I/FD/5-8/2024-25/Austerity Measures dated 30.06.2024, the contingent paid staff shall be engaged during the course of Financial Year 2024-25 only after the approval of the Finance Department, Khyber Pakhtunkhwa.

During audit of the accounts of Deputy Commissioner, Khyber for the financial year 2024-25, it was observed that an expenditure of Rs 61,410,000 was incurred on hiring of daily wages staff. However, the following irregularities were noted:

1. Appointments were made without obtaining prior approval from the Finance Department, Government of KP.
2. Record i.e. nature of duties performed by the staff as well as their place of deployment, was not available on record due to which the necessity, appropriateness, and verification of services rendered could not be established.

The lapse occurred due to non-compliance with government instructions which resulted in irregular appointment and expenditure.

When pointed out in July 2025, the management replied that detailed reply would be submitted after scrutiny of record which was not provided till finalization of the audit report.

PAO (DC Khyber) was requested in July 2025 with subsequent reminders dated 15.09.2025 and 06.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing of responsibility against persons at fault besides termination of the staff hired without approval of the competent forum.

AIR Para No. 16/2024-25

Procurement related irregularities

16.1.3 Irregular expenditure without adopting open competitive bidding and non-maintenance of stock register – Rs.7.575 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 Rule 75 (8) a, b & c, Part-XII of the Government 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 with reference to the total amount of orders. All material received should be examined, counted, measured or weighted, quality and quantity be checked and entered into a stock register.

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, Khyber for the Financial Year 2024-25, it was observed that expenditure of Rs. 7,575,003 under various object heads without following the open competitive bidding, thus compromising transparency and ignoring value for money. Detail is given at **Annexure-16.3**. Audit observed;

1. In most cases, the procurement was carried out by splitting the total expenditure into multiple transactions upto Rs. 400,000 each, within the same month and from the same vendors to avoid open competitive bidding.
2. The items were not recorded in the stock register.

3. Inspection committee was not constituted.
4. Items were purchased in different months without any demand from the main & sub-sections.
5. Physical verification certificates of purchase committee ascertaining the quantity and quality of items was not available on record.

The lapse occurred due to willful negligence of the government rules, resulting into irregular and un-economical expenditure.

When pointed out in July 2025, the management replied that detailed reply would be furnished after consulting the original record, however, no reply was furnished till finalization of the report.

PAO (DC Khyber) was requested in July 2025 with subsequent reminders dated 15.09.2025 and 06.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter and action against person(s) responsible for making irregular/ uneconomical expenditure and provision of relevant record to audit for verification.

AIR Para No. 19/2024-25

B. Others, including cases of accidents, negligence etc.

16.1.4 Loss to the Government due to non-registration of Arms & Ammunition dealers–Rs. 21.840 million

According to Schedule 5, under rule 40(1) of the KP Arm Rules 2014, initial fee for Arm Dealers (NRB) is specified as Rs. 25,000 for every license granted for Form V&VI (Arms dealership).

According Government of Khyber Pakhtunkhwa, Home and TA Department notification No. SO(Arms)/HD/Arms Policy/Rates Enhancement dated 08.07.2019, the Provincial Government of KP has been pleased to revise/enhance the existing fee/rates of the issuance of dealership license in Form-V and Form VI to Rs. 60,000 w.e.f 01.07.2019.

During the audit of accounts of the office of the Deputy Commissioner, District Khyber for the Financial Year 2024-25, it was observed that 364 arms dealers were operating across various tehsils without being registered as per reports of the respective Assistant Commissioners. This constitutes a violation of the applicable arms rules and government policy, reflecting weak internal controls and regulatory oversight. The failure to register these dealers not only resulted in non-compliance but also caused a loss of Rs. 21,840,000 to the government exchequer due to non-collection of registration fees. Detail is given below:

S #	Name of Sub Division	Total number of Arms dealer	Registration Fee per dealer	Total Loss of Revenue (Rs)
1.	Landikotal	45	60,000	2,700,000
2.	Jamrud	308	60,000	18,480,000
3.	Bara	11	60,000	660,000
	Total	**364**		**21,840,000**

The lapse occurred due to negligence of the management and non-compliance with government policy which resulted in loss to government.

When pointed out in July 2025, the management replied that detailed reply would be submitted after scrutiny of record which was not provided till finalization of the audit report.

PAO (DC Khyber) was requested in July 2025 with subsequent reminders dated 15.09.2025 and 06.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends to ensure immediate registration of all active arms dealers and recover the outstanding registration fees besides fixing responsibility against the person(s) at fault.

AIR Para No. 14/2024-25

16.1.5 Irregular disbursement of Muajib/lungi Allowance-Rs 5.00 million

According to Rule 283 of Federal Treasury Rules, the head of an office is personally responsible for the amount drawn on a bill signed by him on his behalf until he has paid it to the person entitled to receive it, and obtained a legally valid acquaintance of the office copy of the bill. If, in any case, owing to the large size of an establishment or for any other reason, it is not found feasible or convenient to obtain the receipts of the payees on the office copy of the bill, the head of the office may maintain a separate acquaintance roll in Form T. R. 28.

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/ vendor concerned) instead of payment through DDOs.

During audit of the accounts of Deputy Commissioner Khyber for the financial Year 2024-25, it was observed that an amount of Rs 5,000,000 was withdrawn from Government treasury on account of lungi/Muajib allowance under the object head "A01299" Allowances to Tribes during FY 2024-25 and deposited into designated bank account. The fund was further disbursed in cash instead of payment through crossed cheques to the concerned.

The lapse occurred due to non-compliance with government rules and instructions which resulted irregular payment.

When pointed out in July 2025, the management stated that detailed reply would be submitted after scrutiny of record which was not provided till finalization of the audit report.

PAO (DC Khyber) was requested in July 2025 with subsequent reminders dated 15.09.2025 and 06.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry into the matter and action against the person(s) at fault besides strengthening internal controls to avoid such lapses.

AIR Para No. 21/2024-25

16.1.6 Irregular expenditure on Repair of Transformers – Rs.30.00 million

According to S.No. 13 (vii) of Second Schedule of The Khyber Pakhtunkhwa District Government Rules of Business 2015, the functions and responsibility of AD LG&RDD is "rural development works including water supply, rural access roads, embankment and drainage works".

As per Chapter 2 clause 2.6 Note No. xiii of consumer service manual-January 2021 issued by NEPRA via Letter No. NEPRA/DG(CAD)/TCD-10/1883-35 date 13th January 2021, In case of Housing Society/ Scheme/ Colony/ Multistory Building/ Commercial Plaza/high Rise Building once DISCO (PESCO) takes over the distribution system for individual metering and billing, the responsibility of maintenance, repair, replacement of the said system or up gradation/reinforcement thereof shall rest with DISCO (PESCO).

According to the Local Government, Elections and Rural Development Department letter No. AO (Planning)/LCB/2-1/General file/2019 dated 02.05.2019 mandated that the location coordinates of each scheme be maintained in record to ensure verification and prevent duplication.

During audit of the accounts of Assistant Director, Local Government & Rural Development Department, Khyber for the financial year 2024-25, it was observed that an expenditure of Rs 30,000,000 was incurred on repair of transformers. Audit observed the following irregularities:

i. Repair of transformers was carried out by AD LG&RDD in different constituencies, whereas it was the responsibility of PESCO. The repair of transformers was required to be outsourced through PESCO pre-qualified/approved workshop which was not done**.**
ii. Technical sanction was accorded by the Civil Engineer for which he was not competent. The sanction was required to be obtained from the Electrical engineer having experience/specialty in the relevant field.
iii. The inspection report by PESCO, along with transformer details—such as make, serial number, purchase order number, date and year of

manufacturing, location, capacity, and nature of fault—was not maintained as required.

iv. The repaired transformers were not checked by the Committee including representative of PESCO, & Tehsil member concerned and representative of the owner of workshop.

v. Demand from the community and site/ specific location where repair was carried out was also not available on record.

The lapse occurred due to weak internal controls and non-adherence to government instructions which resulted in irregular expenditure.

When pointed out in December 2025, management stated that detailed reply will be furnished after scrutiny of record.

PAO (DC Khyber) was requested in January 2026 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing responsibility against the person(s) at fault.

AIR Para No. 04/2024-25

16.1.7 Irregular expenditure from NMDs fund - Rs. 67.873 million

Rule 11 of GFR provides that each head of a department 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.

Para 77 of Federal Treasury Rules provides that every officer receiving money on behalf of the Government should maintain a cash book in Form T. R-4. All monetary transactions should be entered in the cash book as soon as they occur and attested by the head of the office in token of check.

During audit of the accounts of Deputy Commissioner Khyber for the Financial Year 2024-25, it was observed that an expenditure of Rs 67,873,000 was incurred under the object head A-03989 “Expenditure for Newly Merged District”.

Audit observed the following irregularities:

1. Budget control register was not maintained.
2. Contingent bill/voucher of each transaction/payment was not prepared.
3. Payment register of maliks/elders and individual were also not showing complete information regarding payments.
4. Actual Payee's Receipts were not available on record.
5. Payments were made in cash instead of payment through crossed cheques.

The lapse occurred due to weak internal control which resulted in non-adherence with rules and regulations.

When pointed out in July 2025, the management stated that proper record would be maintained and shown to audit. However, no progress was shown till finalization of this report.

PAO (DC Khyber) was requested in August 2025 with a subsequent reminder 06.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends ensuring payments as per procedure and keeping all the relevant record maintained besides action against the person(s) at fault.

AIR Para No. 28/2024-25

16.1.8 Unauthorized expenditure without Technical Sanction – Rs.24.203 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 the Assistant Director, Local Government and Rural Development Department, Khyber for the financial year 2024-25, it was observed that an expenditure of Rs 24,203,583 was incurred on execution of following two developmental schemes. However, technical sanctions of the subject schemes were not obtained from the competent authority. Detail as given below:

S.No.	Name of scheme	Contractor	Appr./Cost (Rs)	Expenditure (Rs)
1.	Pavt. of Street & Drain at Bakar Abad, Ragi Side etc	Khyal Jan & Sons	10,000,000	9,203,583
2.	Pavt. of Street & Drain at Tedi bazar	Bilal Brothers	15,000,000	15,000,000
Total			**25,000,000**	**24,203,583**

The lapse occurred due to weak internal control, which resulted in unauthorized expenditure.

When pointed out in December 2025, the management replied that TS would be obtained from the competent authority and progress would be shown to audit in due course of time. Obtaining technical sanction was required before the commencement of work which was not done.

PAO (DC Khyber) was requested in January 2026 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends that no work can be started without obtaining technical sanction from the competent authority; hence inquiry may be conducted for fixing responsibility.

AIR Para No. 09 (2024-25)

16.2 Tehsil Municipal Administrations, Khyber

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 38.978 million were raised as a result of this report. This amount includes recoveries of Rs. 17.064 million as pointed out by audit. Summary of the audit observations classified as under:

(Rs. in million)

Sr. No.	Classification	Amount
A	Irregularities	-
	HR/Employees related irregularities	17.995
	Management of Accounts with Commercial Bank	3.919
B	Others, including cases of accidents, negligence etc.	17.064
Total		**38.978**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

16.2 AUDIT PARAS

A. Irregularities

HR/Employees related Irregularities

16.2.1 Irregular expenditure on account of hiring of daily wage staff – Rs.17.995 million

According to Para (e) of the Government of Khyber Pakhtunkhwa, Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures dated 03.07.2024, the contingent paid staff shall be engaged during the course of Financial Year 2024-25 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/ vendor concerned) instead of payment through DDOs/ cash basis.

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 Bara and Jamrud, District Khyber for the financial year 2024-25, it was observed that that a large number of daily wage/contingent paid staff was hired by the local offices and an expenditure of Rs.17.995 million was incurred on account of payment of wages. Detail is given below:

(Rs in million)

Name of TMA	Own Sources Receipts	10% Own Sources Receipts	Expenditure on hiring of daily wage staff	Excess
Bara	14.451	1.445	11.520	10.075
Jamrud	26.304	2.630	6.475	3.845
Total	**40.755**	**4.075**	**17.995**	**13.920**

Audit observed;

- Appointments were made without obtaining prior approval from the Finance Department Government of KP.

- Attendance or monitoring report of the supervisors was not available on record.
- Payments to daily wages staff were made in cash instead of crossed cheques.
- Excess payment of Rs. 13.920 million was made by TMAs on hiring of daily wage staff of the prescribed limit of ten (10) percent of own sources income.

The irregularity occurred due to non-compliance with the government instructions and policies which resulted in irregular payment.

When pointed out in August 2025, the management stated that detailed reply would be furnished after consulting the record. However, no progress was intimated till finalization of this report.

PAOs (TMOs) were requested in August 2025 with subsequent reminder dated 13.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing of responsibility against persons at fault besides termination of the staff hired without approval of the competent forum.

AIR Para No. 8,9/2024-25

Management of Accounts with Commercial Banks

16.2.2 Irregular cash payments from designated bank account – Rs.3.919 million

According to Finance Department Letter No: BO(W&M)/6-5/2019-20 dated 19/02/2020 which 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 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/ vendor concerned) instead of payment through DDOs.

During audit of the accounts of Tehsil Municipal Administrations Bara, Jamrud, District Khyber for the Financial Year 2024-25, it was observed that an amount of Rs 3.919 million was withdrawn from designated bank accounts and payments were made 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 expenditure could not be verified. Detail is given at **Annexure-16.4.**

The lapse occurred due to violation of prescribed accounting procedures which resulted in irregular cash payments.

When pointed out in August 2025, the management stated that detailed reply would be furnished after consulting the record. However, no progress was intimated till finalization of this report.

PAOs (TMOs) were requested in August 2025 with subsequent reminder dated 13.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault and strengthening of internal controls to avoid such lapses in future besides provision of relevant record in support of payments to audit for verification.

AIR Paras No. 5,10/2024-25

B. Others, including cases of accidents, negligence etc.

16.2.3 Non-defrayment of Income Tax – Rs. 5.544 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/FATA, shall frame the same on Market Rate System (MRS) but with 7.50% 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 Tehsil Municipal Administrations Bara and Landi Kotal, District Khyber for the Financial Year 2024-25, it was observed that an amount of Rs. 73,612,622 was paid to various contractors on execution of developmental schemes. However, scrutiny of relevant record revealed that TS/ PC-I estimates were prepared on MRS inclusive of prevailing income tax. However, neither income tax @ Rs 7.5% was deducted from the contractor's bills nor the PC-1/TS estimates were reduced to the extent of 7.5% to defray the amount already included in the rates which resulted into non recovery of income tax amounting to Rs 5,543,884. Details are attached as **Annexure-16.5**.

The lapse occurred due to non-compliance with government instructions, which resulted in loss to the Government.

When pointed out in August 2025, the management stated that detailed reply would be furnished after consulting the record. However, no progress was intimated till finalization of this report.

PAOs (TMOs) were requested in August 2025 with subsequent reminder dated 13.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends recovery of income tax from the concerned contractors and action against the person(s) at fault.

AIR Paras No. 1,11/2024-25

16.2.4 Non-recovery of outstanding amount from revenue contractors- Rs.11.520 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.

According to clause 1 of the contract agreement for the receipt contracts between TMA Bara and Contractors, the contractor shall deposit the amount in 11 equal installments.

During audit of the accounts of TMA Bara, District Khyber for the Financial Year 2024-25, it was observed that contracts of various public places were awarded to different contractors worth Rs 12,605,189. Out of the total contractual amount, the local office only recovered Rs 1,086,469 while the balance amount of Rs 11,520,320 remained unrecovered till the date of audit i.e. August 2025. Detail is given at the attached **annexure-16.6.**

The lapse occurred due to negligence and weak administrative controls resulting in loss to the Government.

When pointed out in August 2025, the management replied that the notices have been served upon the concerned contractors for depositing the outstanding dues and progress will be intimated to audit in due course of time. However, no progress was intimated till finalization of this report.

PAO (TMO) was requested in August 2025 with subsequent reminder dated 13.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends immediate recovery of outstanding dues from the defaulting contractors otherwise the contract may be cancelled.

AIR Paras No. 02/2024-25

CHAPTER-17

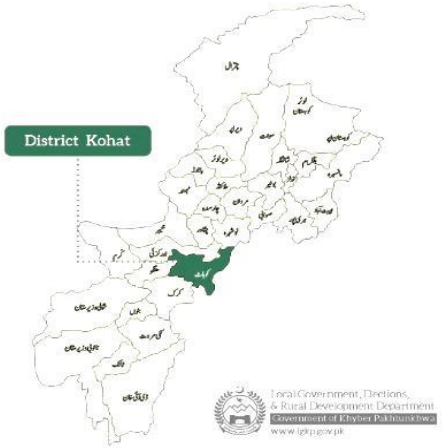
DISTRICT KOHAT



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

i. Classified Summary of Audit Observations

Audit observations amounting to Rs.38.197 million were raised as a result of this report. This amount includes recoveries of Rs.12.175 million as pointed out by audit. Summary of the audit observations are classified as under:

(Rs. in million)

Sr. No.	Classification	Amount
A	Irregularities	-
	Procurement related irregularities	30.000
B	Others, including cases of accidents, negligence etc.	8.197
Total		**38.197**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

S.No.	Audit Year	ZAC/DAC Meeting
1.	2002-03 to 2024-25	Not Convened

17.1 AUDIT PARAS

A. Irregularities

Procurement related irregularities

17.1.1 Irregular expenditure on Repair of Transformers - Rs. 30.00 million

According to S.No. 13 (vii) of Second Schedule of The Khyber Pakhtunkhwa District Government Rules of Business 2015, the functions and responsibility of AD LG&RDD is "rural development works including water supply, rural access roads, embankment and drainage works".

As per Chapter 2 clause 2.6 Note No. xiii of consumer service manual-January 2021 issued by NEPRA via Letter No. NEPRA/DG(CAD)/TCD-10/1883-35 date 13th January 2021, In case of Housing Society/ Scheme/ Colony/ Multistory Building/ Commercial Plaza/high Rise Building once DISCO (PESCO) takes over the distribution system for individual metering and billing, the responsibility of maintenance, repair, replacement of the said system or up gradation/reinforcement thereof shall rest with DISCO (PESCO).

According to S.No. 13.1 of the Government of Khyber Pakhtunkhwa Planning & Development Guidelines (2015) for devolved tiers of Local Governments under LGA, 2013, all works—except petty works and repairs—require a properly detailed estimate and Technical Sanction from the competent authority. Such sanction must be issued by authorized officials within one month of PC-I approval and shall not exceed the administrative approval cost; otherwise, the project must be revised and resubmitted.

According to the Local Government, Elections and Rural Development Department letter No. AO (Planning)/LCB/2-1/General file/2019 dated 02.05.2019 mandated that the location coordinates of each scheme be maintained in record to ensure verification and prevent duplication.

The Director General LG&RDD KP, through letter No. Director (LG) 3-18/ADP/7555-57 dated 13.06.2024, directed that cost estimates be prepared on prevailing MRS rates with proper market rate analysis for non-scheduled items.

During audit of the accounts of Assistant Director, Local Government Kohat for the Financial Year 2024-25, it was observed that an expenditure of Rs

30,000,000 was incurred on repair of transformers. Audit observed the following irregularities:

i. Repair of transformers was carried out by AD LG&RDD in different constituencies, whereas it was the responsibility of PESCO. The repair of transformers was required to be outsourced through PESCO pre-qualified/approved workshop which was not done**.**
ii. Technical sanction was accorded by the Civil Engineer for which he was not competent. The sanction was required to be obtained from the Electrical engineer having experience/specialty in the relevant field.
iii. The inspection report by PESCO, along with transformer details—such as make, serial number, purchase order number, date and year of manufacturing, location, capacity, and nature of fault—was not maintained as required.
iv. The repaired transformers were not checked by the Committee including representative of PESCO, & Tehsil member concerned and representative of the owner of workshop.
v. Demand from the community and Site/ specific location where repair was carried out was also not available on record.

The lapse occurred due to weak internal controls and non-adherence to government instructions which resulted in irregular expenditure.

When pointed out in December, 2025 Management stated that the requirements have almost been completed and will be produced to audit. However no evidence in support of the reply was produced to audit.

DAC meeting was convened on 19.12.2025 wherein it was decided to produce original record of the department and PESCO for verification. However no record was produced till finalization of this report.

Audit recommends implementation of the DAC decision.

AIR Para No. 4 (2024-25)

B. Others, including cases of accidents, negligence etc.

17.1.2 Non-deposit/Non-collection of rent/taxes of Government properties – Rs.4.597 million

According to Rule 45 (i) and (ii) of the District or City District Government Budget Rules 2016 "Failure to pay any tax and other money claimable under this Act shall be an offence 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 Deputy Commissioner Kohat for the Financial Year 2024-25, it was observed that the management did not deposit the collected receipts of Rs 3,553,614 into government treasury. Moreover, property tax amounting to Rs 956,098 was also outstanding against the Kohat Medical Centre since 06/2023 which was required to be realized.

The lapse occurred due to negligence and weak financial management, which resulted in loss to government.

When pointed out in July & August 2025, the management stated that recovery of the outstanding amount of rent of shops and cabins is under process, which would be intimated to audit. No progress was intimated to audit till finalization of this report.

DAC meeting was held on 19.12.2025 wherein the forum decided that audit would verify original record pertaining to the deposited amount within ten (10) days and till such verification para would stand. No record was produced to audit till finalization of this report.

Audit recommends that original record as per decision of the DAC forum may be provided to audit for verification.

AIR Para No.04 (2024-25)

17.1.3 Loss to government on account of rent paid to VCs/NCs working in Government buildings- Rs 3.600 million.

According to Rule 4 (2) (c & n) of the District or City District Government Budget Rules, 2016 of the Government of Khyber Pakhtunkhwa, the Head of Office is responsible for ensuring observance of all relevant financial

rules and regulations by his own office as well as by subordinate disbursing offices, and for guarding against waste and loss of public money.

During audit of the accounts of the Assistant Director, Local Government & Rural Development Department (LG&RDD), Kohat for FY 2024–25, it was observed that an amount of Rs. 3,600,000 was transferred to 15 Village Councils/Neighbourhood Councils (VCs/NCs) on account of rent of office buildings and retained in their designated bank accounts, despite the fact that these VCs/NCs were already functioning in Government-owned buildings**.** The payment of rent for premises owned by the Government is unauthorized which resulted in loss to the Government exchequer**.** The amount is therefore recoverable and required to be deposited into the Government treasury (details at **Annexure-17.2**).

The lapse occurred due to weak financial controls and willful negligence of management, which resulted in loss to government.

When pointed out in September 2025, management stated that detail reply will be furnished after consulting record.

DAC meeting was convened on 19.12.2025 wherein it was decided to initiate fact finding inquiry to investigate the matter. No compliance was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

AIR Para No.09 (2024-25)

17.2 Tehsil Municipal Administrations, Kohat

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 1,070.461 million were raised as a result of this report. This amount includes recoveries of Rs. 1,018.906 million as pointed out by audit. Summary of the audit observations classified as under:

(Rs. in million)

S. No.	Classification	Amount
A	Irregularities	-
	HR/Employees related Irregularities	6.648
	Management of Accounts with Commercial Bank	44.907
B	Others, including cases of accidents, negligence etc.	1,018.906
Total		**1,070.461**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

17.2 AUDIT PARAS

A. Irregularities

HR/Employees related Irregularities

17.2.1 Irregular expenditure on account of hiring of daily wages staff – Rs.6.648 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."

According to S.No. 6 of the Government of Khyber Pakhtunkhwa Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures, dated 03.07.2024, "contingent paid staff shall be engaged during the course of financial year 2024-25 only after approval of the Finance Department".

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/ vendor concerned) instead of payment through DDOs/cash basis.

During audit of the accounts of Tehsil Municipal Administrations Gumbat District Kohat for the financial year 2024-25, it was observed that daily wages/contingent paid staff was hired by the local offices and an expenditure of Rs. 6,648,680 was incurred on account of payment of wages. Detail is given below**.**

S. No.	Office/ Branch name	Amount (Rs)
01	Office of the Tehsil Municipal Officer	1,157,555
02	Office of the Tehsil Officer (Revenue)	823,000
03	Tehsil Officer Infrastructure	4,668,125
Total		**6,648,680**
10% of own source (Rs 7,704,078*10/100)		**770,408**
Excess payment than prescribed limit		**5,878,272**

Audit observed the following irregularities:

i. Payment of Rs.5,878,272 was made by TMA on hiring of staff exceeding the prescribed limit of ten (10) percent of own source income of TMA as required under the above rule.
ii. Appointments were made without obtaining prior approval from the Finance Department Government of KP.
iii. No selection criterion was followed for appointment of these staff.
iv. Need of appointment of the contingent paid staff was not ascertained.
v. The amount was paid in cash, while muster roll/ actual payee's receipts were not available on record.

The lapse occurred due to non-compliance of rules, which resulted in irregular expenditure.

When pointed out in August 2025, the management did not furnish any reply.

PAO (TMO Gumbat) was requested in August 2025 with subsequent reminders dated 19.09.2025 and 23.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends that inquiry may be conducted for fixing responsibility against the person(s) at fault.

AIR Para No.01 (2024-25)

Management of Accounts with Commercial Banks

17.2.2 Irregular cash payments from designated bank account –Rs.44.907 million

According to letter No. BO(W&M)/6-5/2019-20 Dated Peshawar the 19th February, 2020, of Finance Department Government of KPK "All the Principal Accounting Officers and DDOs are advised to stop henceforth all cash payments and open cheque payments."

During Audit of the accounts of Tehsil Municipal Administrations Kohat for the Financial Year 2024-25, it was observed that an amount of Rs. 44,299,907 was withdrawn from designated bank accounts and paid in cash instead of issuing

crossed cheques to the vendors. Moreover, Actual Payee's Receipts (APRs) were not available on record to authenticate the payments. **Detail at Annexure-17.3.**

The lapse occurred due to negligence and violation of the rules by the management, resulting into irregular withdrawal of funds from bank accounts.

When pointed out in August 2025, the management did not furnish any reply.

PAOs (TMOs KP) were requested in July, August & September 2025, with subsequent reminders in September & October to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry in the matter and action against the person(s) at fault besides stoppage of cash withdrawal and strengthening internal controls to ensure compliance with relevant rules/instructions.

AIR Para No.04 (2024-25)

B. Others, including cases of accidents, negligence etc.

17.2.3 Non-collection of rent of Government properties-Rs 1,018.906 million.

According to Rule 45 (i) and (ii) of the District or City District Government Budget Rules 2016 "Failure to pay any tax and other money claimable under this Act shall be an offence 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 Kohat for the Financial Year 2024-25, it was observed that the management failed to collect or deposit an amount of Rs 1,018,905,850 on account of rent of shops, Cabins and other Government properties. Detail at **Annexure-17.4 & 17.5.**

The lapse occurred due to negligence and weak financial management, which resulted in loss to government.

When pointed out in August 2025, the management did not furnish any reply.

PAO (TMO Kohat) was requested in August 2025 with subsequent reminders dated 19.09.2025 and 23.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends depositing the collected amount and recovery of the outstanding rent as per the lease agreement/rules besides inquiry for fixing responsibility.

AIR Para No.17 & 19 (2024-25)

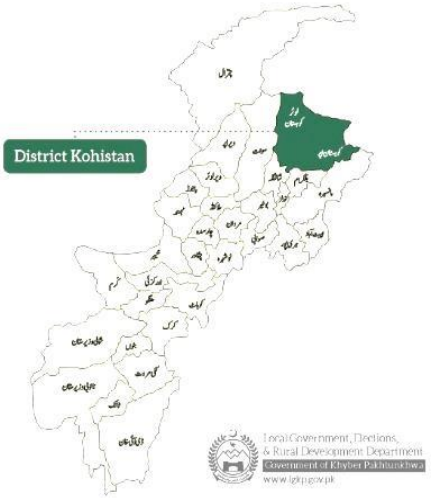
CHAPTER-18

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

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 4.617 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
A	Irregularities	
	Procurement related irregularities	4.617
Total		**4.617**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

S.No.	Audit Year	ZAC/DAC Meeting
1.	2002-03 to 2024-25	Not Convened

18.1 AUDIT PARAS

A. Irregularities

Procurement related irregularities

18.1.1 Irregular expenditure on Repair of Transformers – Rs.4.617 million

According to S.No. 13 (vii) of Second Schedule of The Khyber Pakhtunkhwa District Government Rules of Business 2015, the functions and responsibility of AD LG&RDD is "rural development works including water supply, rural access roads, embankment and drainage works".

As per Chapter 2 clause 2.6 Note No. xiii of consumer service manual-January 2021 issued by NEPRA via Letter No. NEPRA/DG(CAD)/TCD-10/1883-35 date 13th January 2021, In case of Housing Society/ Scheme/ Colony/ Multistory Building/ Commercial Plaza/high Rise Building once DISCO (PESCO) takes over the distribution system for individual metering and billing, the responsibility of maintenance, repair, replacement of the said system or up gradation/reinforcement thereof shall rest with DISCO (PESCO).

The Director General LG&RDD KP, through letter No. Director (LG)3-18/ADP/7555-57 dated 13.06.2024, directed that cost estimates be prepared on prevailing MRS rates with proper market rate analysis for non-scheduled items.

According to Para 394 of the Central Public Works Department Code, read with clause 1 of standard contract agreement, the person/persons whose tender may be accepted (hereinafter called security Deposit, the contractor) shall permit Government at the time of making payment to him for work done under the contact to deduct, such sum as will,' (with the' carnet money deposited by him) amount to 8% (Eight percent) of all moneys so payable such deductions to be held by Government by way of security deposit.

During audit of the accounts of Assistant Director, Local Government & Rural Development Department, Kohistan Lower, for the financial year 2024-25, it was observed that an expenditure of Rs 4,617,189 was incurred on repair of transformers. Audit observed the following irregularities:

i. Repair of transformers was carried out by AD LG&RDD in PK-32, whereas it was the responsibility of PESCO. The repair of transformers was required to be outsourced through PESCO pre-qualified/approved workshop which was not done**.** Detail at **Annexure-18.2**.

ii. Technical sanction was accorded by the Civil Engineer for which he was not competent. The sanction was required to be obtained from the Electrical engineer having experience/specialty in the relevant field.
iii. Payments of Rs. 1,953,705 were made for non-scheduled items without conducting market rate analysis, rendering the expenditure irregular. Detail at **Annexure-18.3**.
iv. The management recorded the deductions of 8% securities amounting to Rs. 230,798 on the face of the running bills; however, in actual the deduction was not done. Detail at **Annexure-18.4**.
v. The inspection report by PESCO, along with transformer details—such as make, serial number, purchase order number, date and year of manufacturing, location, capacity, and nature of fault—was not maintained as required.

The lapse occurred due to weak internal controls and non-adherence to government instructions which resulted in irregular expenditure.

When pointed out in December 2025, the management replied that Technical Sanction and market rate analysis would be made and progress would be shown to audit. No progress was shown to audit till finalization of this report.

PAO concerned was requested in January 2026 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing responsibility against the person(s) at fault.

AIR Para No. 01 (2024-25)

18.2 Tehsil Municipal Administrations, Kohistan Lower

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 4.167 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
A	Irregularities	-
	HR/Employees related irregularities	4.147
Total		**4.147**

ii. 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 2024-25	Not Convened

18.2 AUDIT PARAS

A. Irregularities

HR/Employees related irregularities

18.2.1 Irregular expenditure on account of hiring of daily wages staff – Rs.4.147 million

According to S.No. 6 of the Government of Khyber Pakhtunkhwa Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures, dated 03.07.2024, "contingent paid staff shall be engaged during the course of financial year 2024-25 only after approval of the Finance Department".

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."

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/vendor concerned) instead of payment through DDOs/cash basis.

During audit of the accounts of Tehsil Municipal Administration Pattan (Kohistan Lower) in Khyber Pakhtunkhwa for the financial year 2024-25, it was observed that daily wages/contingent paid staff was hired by the local office and an expenditure of Rs.4,147,000 was incurred on account of payment of wages.

Audit observed the following irregularities:

i. Appointments were made without obtaining prior approval from the Finance Department Government of KP.
ii. No selection criterion was followed for appointment of these staff.
iii. Need of appointment of the contingent paid staff was not ascertained.
iv. Payment of Rs. 4,147,000 was made by TMA on hiring of staff exceeding the prescribed limit of ten (10) percent of own source income of TMA as required under the above rule. **Detail at annexure-18.5**.
v. The amount was paid in cash, while muster roll/ actual payee's receipts were not available on record.

The lapse occurred due to non-compliance of rules, which resulted in irregular expenditure.

When pointed out in December 2025, the management replied that detail reply will be given after scrutiny of record. However, no reply was furnished till finalization of this report.

PAO concerned was requested in January, 2026 to convene DAC meetings, which could not be held till finalization of this report.

Audit recommends that the matter may be probed and inquiry may be conducted for fixing responsibility against the person(s) at fault.

AIR Para No. 03 (2024-25)

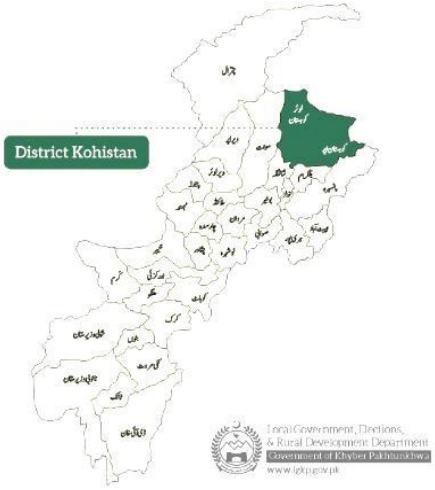
CHAPTER-19

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

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 13.391 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
A	Irregularities	-
	Procurement related irregularities	13.391
Total		**13.391**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

S.No.	Audit Year	ZAC/DAC Meeting
1.	2002-03 to 2024-25	Not Convened

19.1 AUDIT PARAS

A. Irregularities

Procurement related irregularities

19.1.1 Un-authorized & Irregular expenditure without open competitive bidding and Technical Sanction Rs.10.833 million.

According to Rule 10(b), Chapter-II of the Khyber Pakhtunkhwa Public Procurement Rules, 2014, as 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 and works over the value of Rs. 500,000." Furthermore, according to Chapter-V (31) of KPPRA Rules 2014, "A procuring entity shall announce in an appropriate manner, all proposed annual procurements and shall proceed accordingly without any splitting or regrouping of the procurements so planned.

According to Serial No. 13.1 of Planning & Development Guide Lines (2015) for devolved tiers of local governments of Khyber Pakhtunkhwa under LGA 2013 "For every work proposed to be carried out, except petty works and repairs a properly detailed estimate must be prepared for the sanction of the competent authority. This sanction is known as the "Technical Sanction".

During audit of the accounts of Assistant Director LG & RDD, Kohistan Upper, for the Financial Year 2024–25, it was observed that management issued twenty-seven (27) work orders for repair and maintenance of District Administration residential buildings under Head A-13302 to M/s Riaz & Co, at a total cost of Rs. 10,833,557 on 04.05.2024. Audit scrutiny revealed that:

i. Instead of preparing one consolidated PC-I, the total work was deliberately split into 27 individual items of work, each valued below Rs.500,000, to avoid open competitive bidding.
ii. All works were awarded through the quotation method, contrary to KPPRA Rules.
iii. Quotations for all 27 schemes were obtained during 09 & 10th May, 2024 from only three contractors, namely M/s Pattan Associates, M/s Shahdad & Brothers, and M/s Riaz & Co.

iv. Resultantly, all 27 works were awarded on 24.05.2024 to a single firm, M/S Riaz & Co. indicating lack of competition and transparency.
v. No Technical Sanction was obtained from competent authority as required.

The lapse occurred due to willful overriding of Finance Department instructions & KPPRA Rules by management, resulted in unauthorized & irregular expenditure.

When pointed out in December 2025, management stated that detailed reply will be submitted after scrutiny of record. Reply was not cogent as no reply was shown till finalization of this audit report.

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

AIR Para No. 02 (2024-25)

19.1.2 Irregular expenditure on Repair of Transformers-Rs. 2.558 million

According to S.No. 13 (vii) of Second Schedule of The Khyber Pakhtunkhwa District Government Rules of Business 2015, the functions and responsibility of AD LG&RDD is "rural development works including water supply, rural access roads, embankment and drainage works".

As per Chapter 2 clause 2.6 Note No. xiii of consumer service manual-January 2021 issued by NEPRA via Letter No. NEPRA/DG(CAD)/TCD-10/1883-35 date 13th January 2021, In case of Housing Society/ Scheme/ Colony/ Multistorey Building/ Commercial Plaza/high Rise Building once DISCO (PESCO) takes over the distribution system for individual metering and billing, the responsibility of maintenance, repair, replacement of the said system or up gradation/reinforcement thereof shall rest with DISCO (PESCO).

The Director General LG&RDD KP, through letter No. Director (LG)3-18/ADP/7555-57 dated 13.06.2024, directed that cost estimates be prepared on prevailing MRS rates with proper market rate analysis for non-scheduled items.

According to S.No. 13.1 of the Government of Khyber Pakhtunkhwa Planning & Development Guidelines (2015) for devolved tiers of Local Governments under LGA, 2013, all works—except petty works and repairs—

require a properly detailed estimate and Technical Sanction from the competent authority. Such sanction must be issued by authorized officials within one month of PC-I approval and shall not exceed the administrative approval cost; otherwise, the project must be revised and resubmitted.

During audit of the accounts of Assistant Director, Local Government & Rural Development Department, Kohistan Upper, for the financial year 2024-25, it was observed that an expenditure of Rs. 2,557,802 was incurred on repair of transformers. Audit observed the following irregularities:

i. Repair of transformers was carried out by AD LG&RDD in PK-31, whereas it was the responsibility of PESCO. The repair of transformers was required to be outsourced through PESCO pre-qualified/approved workshop which was not done**. Detail at Annexure-19.2**
ii. Technical sanction was not obtained, which was required to be obtained from the Electrical engineer having experience/specialty in the relevant field.
iii. Payments of Rs. 539,650 were made for non-scheduled items without conducting market rate analysis, rendering the expenditure irregular.
iv. The inspection report by PESCO, along with transformer details—such as make, serial number, purchase order number, date and year of manufacturing, location, capacity, and nature of fault—was not maintained as required.

The lapse occurred due to weak internal controls and non-adherence to government instructions which resulted in irregular expenditure.

When pointed out in December 2025, the management stated that detailed reply will be submitted after checking of record. Reply is not cogent as no progress was intimated to audit till finalization of this report.

PAO (DC Kohistan Upper) was requested to convene DAC meeting in January 2026, DAC was not convened till finalization of this report.

Audit recommends inquiry in the matter and fixing responsibility against the person(s) at fault.

AIR Para No. 02 (2024-25)

19.2 Tehsil Municipal Administrations, Kohistan Upper

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 5.888 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
A	Irregularities:	-
	HR related irregularities	5.888
Total:		**5.888**

ii. 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 2024-25	Not Convened

19.2 AUDIT PARAS

A. Irregularities

HR related irregularities

19.2.1 Irregular expenditure on account of hiring of daily wages staff – Rs.5.888 million

According to S.No. 6 of the Government of Khyber Pakhtunkhwa Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures, dated 03.07.2024, "contingent paid staff shall be engaged during the course of financial year 2024-25 only after approval of the Finance Department".

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."

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/ vendor concerned) instead of payment through DDOs/cash basis.

During audit of the accounts of TMA Dassu and TMA Kandian District Kohistan Upper for the financial year 2024-25, it was observed that daily wages/contingent paid staff was hired by the local offices and an expenditure of Rs. 5,888,000 was incurred on account of payment of wages. **Detail at Annexure-19.3.**

Audit observed the following irregularities:

i. Appointments were made without obtaining prior approval from the Finance Department Government of KP.
ii. No selection criterion was followed for appointment of these staff.
iii. Need of appointment of the contingent paid staff was not ascertained.
iv. Payment of Rs 5,862,250 was made by TMA Dassu and TMA Kandian on hiring of staff exceeding the prescribed limit of ten (10) percent of

own source income of TMAs as required under the above rule. **Detail at Annexure-19.3.**

v. The amount was paid in cash, while muster roll/ actual payee's receipts were not available on record.

The lapse occurred due to non-compliance of rules, which resulted in irregular expenditure.

When pointed out in August 2025, the management replied that daily wages staff was hired due to non-availability of permanent staff to carry out the sanitation and official work in the best public interest. Moreover, detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAOs concerned were requested in August, 2025 with subsequent reminders in October, 2025 to convene DAC meetings, which could not be held till finalization of this report.

Audit recommends that the matter may be probed and inquiry may be conducted for fixing responsibility against the person(s) at fault.

AIR Para No 03 TMA Dassu / 2024-25
AIR Para No 04 TMA Kandian / 2024-25

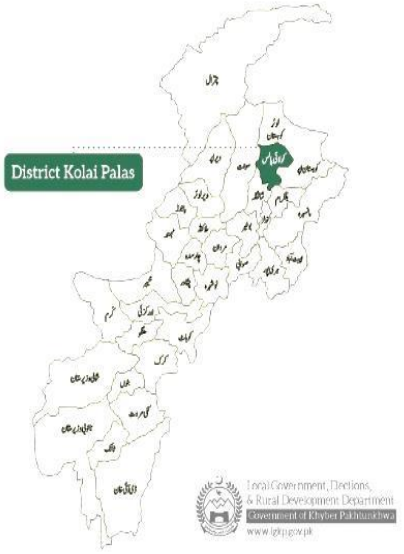
CHAPTER-20

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

i. 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)

Sr.No.	Classification	Amount
A	Others, including cases of accidents, negligence etc.	10.000

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

S.No.	Audit Year	ZAC/DAC Meeting
1.	2002-03 to 2024-25	Not Convened

20.1 AUDIT PARAS

A. Others, including cases of accidents, negligence etc.

20.1.1 Non-utilization of funds-Rs 10.00 million

According to Rule 10(h) of Khyber Pakhtunkhwa City/Tehsil Local Government Rules of Business,2022, Functions of the Head of devolved offices shall be to oversee utilization of resources necessary for the proper execution of programs, projects, services and other activities.

During audit of the accounts of Assistant Director LG&RDD, Kolai Palas, for the financial year 2024-25, it was observed that huge amount of Rs.10,000,000 on the account of repair of transformers was received in June 2024, and remained unspent till June, 2025 without any cogent reason/justification. Not only the inhabitants of the locality were deprived of the benefits but Government funds were also blocked.

The lapse occurred due to inefficiency of the management which resulted in non-utilization.

When pointed out in December 2025, management replied that funds will be utilized in current financial year, Department reply is not cogent as no progress was shown till finalization of this report in support of department reply.

PAO (DC Kolai Palas) was requested in January 2026 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends immediate utilization of the allocated funds for the intended purpose in accordance with the government rules and responsibility may be fixecd for the unjustified delay.

AIR Para No 02(2024-25)

20.2 Tehsil Municipal Administrations

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 8.000 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
A	Irregularities	-
	HR/Employees related irregularities	8.000
Total:		**8.000**

ii. 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 2024-25	Not Convened

20.2 AUDIT PARAS

A. Irregularities

HR/Employees related irregularities

20.2.1 Irregular expenditure on account of hiring of daily wages staff- Rs.8.000 million

According to S.No. 6 of the Government of Khyber Pakhtunkhwa Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures, dated 03.07.2024, "contingent paid staff shall be engaged during the course of financial year 2024-25 only after approval of the Finance Department".

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."

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/ vendor concerned) instead of payment through DDOs/cash basis.

During audit of the accounts of Tehsil Municipal Administrations, Palas and Battaira (Kolai Palas) for the financial year 2024-25, it was observed that daily wages/contingent paid staff was hired by TMAs and an expenditure of Rs.8,000,000 was incurred on account of payment of wages. **Detail at Annexure-20.2.**

Audit observed the following irregularities:

i. Appointments were made without obtaining prior approval from the Finance Department Government of KP.
ii. No selection criterion was followed for appointment of these staff.
iii. Need of appointment of the contingent paid staff was not ascertained.
iv. Payment of Rs. 7,980,120 was made by TMAs on hiring of staff exceeding the prescribed limit of ten (10) percent of own source income of TMA as required under the above rule. Detail at **annexure-20.2**

v. The amount was paid in cash, while muster roll/ actual payee's receipts were not available on record.

The lapse occurred due to non-compliance of rules, which resulted in irregular expenditure.

When pointed out in December 2025, management of TMA Palas stated that detail reply will be furnished after consulting original record. Whereas management of TMA Battaira stated that TMA Battaira is financially weak TMA and staff has been appointed for emergency works. Management reply is not cogent as daily wages staff was not allowed as per rules.

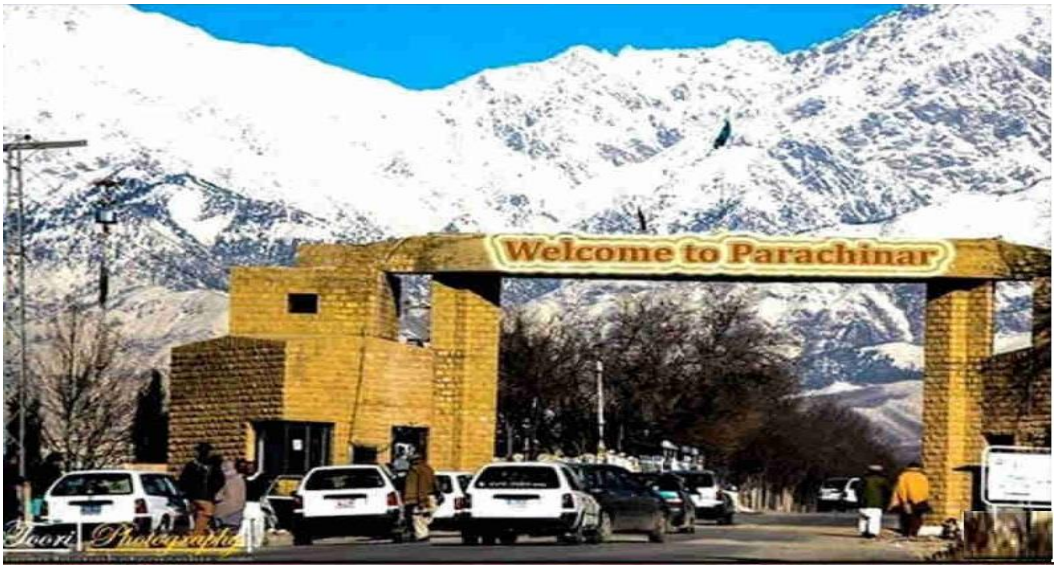
PAOs concerned were requested to convene DAC meeting in January 2026, DAC was not convened till finalization of this report.

Audit recommends that the matter may be probed and inquiry may be conducted for fixing responsibility against the person(s) at fault.

AIR Para No. 05 TMA Palas (2024-25)
AIR Para No.01 TMA Battaira (2024-25)

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

i. Classified Summary of Audit Observations

Audit observations amounting to Rs 51.014 million were raised as a result of this audit. This amount also includes recovery of Rs 1.926 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
A	Reported cases of fraud, embezzlement and misappropriation	1.926
B	Irregularities	0
	HR/Employees related irregularities	4.34
	Management of Accounts with Commercial Bank	44.748
	Total	**51.014**

ii. 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 2024-25	Not convened

21.1 AUDIT PARAS

A. Reported cases of fraud, embezzlement and misappropriation

21.1.1 Fraudulent appointment costing the government-Rs.1.926 million

According to terms and conditions at S No 15 DEO Kurram Appointment Order issued vide No 1100-1210 Apptt:T.T/2020 dated 12-10-2020 if any candidate with fake documents / low score has been appointed erroneously, their appointment order would be withdrawn since the day of issuance in the best interest of the entitled / right position holder candidates.

According to District Education Officer Male Kurram letter No 827-30/Edu-M dated 26-08-2025 Syed Ruhullah Kazmi "Theology Teacher" having personnel No. 00988247 GPS Miakia was removed from services as he was appointed on fake documents on 12-10-2020 and was withdrawing salary till 26.8.2025.

During audit of the accounts of DEO Male (Kurram), for the financial year 2024-25, it was observed that an employee named Sayed Ruhullah Kazmi was appointed as Theology Teacher having personnel No. 00988247 on fake documents and was paid Rs 1,926,027 on account of pay and allowances w.e.f 12.10.2020 to 30.06.2025. Detail is given below:

S No	Name	Personnel No	Period	Amount in Rs
1	Sayed Ruhullah Kazmi Theology Teacher	00988247	2021-22	193,440
2	Sayed Ruhullah Kazmi Theology Teacher	00988247	2022-23	310,800
3	Sayed Ruhullah Kazmi Theology Teacher	00988247	2023-24	652,000
4	Sayed Ruhullah Kazmi Theology Teacher	00988247	2024-25	769,787
Total				**1,926,027**

The lapse occurred due to gross negligence of management, resulting in fraudulent employment and loss to government.

When pointed out in the month of September 2025, the management did not furnish any reply.

PAO (DC Kurram) was requested in September 2025 with subsequent reminders dated 27.09.2025 and dated 23.10.2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends recovery of the amount paid on account of salaries besides inquiry and fixing of responsibilities against the person(s) involved in the fraudulent appointment and payment of salaries.

AIR Para No 6 (2024-25)

B. Irregularities

HR/ employees related irregularities

21.1.2 Irregular expenditure on account of hiring of daily wages staff – Rs.4.340 million

According to S.No. 6 of the Government of Khyber Pakhtunkhwa Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures, dated 03.07.2024, "contingent paid staff shall be engaged during the course of financial year 2024-25 only after approval of the Finance Department".

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/ vendor concerned) instead of payment through DDOs/cash basis.

During audit of the accounts of Deputy Commissioner Kurram for the financial year 2024-25, it was observed that daily wages/contingent paid staff was hired by the local offices and an expenditure of Rs. 4,340,000 was incurred on account of payment of wages.

Audit observed the following irregularities:

i. Appointments were made without obtaining prior approval from the Finance Department Government of KP.
ii. No selection criterion was followed for appointment of these staff.
iii. Need of appointment of the contingent paid staff was not ascertained.
iv. The amount was paid in cash, while muster roll/ actual payee's receipts were not available on record.

The lapse occurred due to non-compliance of rules, which resulted in irregular expenditure.

When pointed out in July & August 2025, the management replied that daily wages staff was hired due to non-availability of permanent staff to carry out the sanitation and official work in the best public interest. Moreover, detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAOs concerned were requested in August & September, 2025 with subsequent reminders in October, 2025 to convene DAC meetings, which could not be held till finalization of this report.

Audit recommends that the matter may be probed expenditure and inquiry may be conducted for fixing responsibility against the person(s) at fault.

AIR Para No 14 (2024-25)

Management of Accounts with Commercial Banks

21.1.3 Irregular withdrawal of funds through DDOs and cash payments from designated bank accounts -Rs 44.748 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 cheque payments."

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 offices of Deputy Commissioners, Kurram for the financial years 2023-24, 2024-25, it was observed that an amount of Rs.44,748,329 was withdrawn from government treasury through DDOs and further paid in cash from designated bank accounts. In most of the cases, Actual Payee's Receipts (APRs) were not available on record to authenticate the payments. Detail at **Annexure-21.2**

The lapse occurred due to negligence and violation of the rules by the management and District Accounts Offices, resulting into irregular withdrawal of funds from treasury through DDOs.

When pointed out in July, August & September 2025, the management of the some offices replied that the funds were withdrawn from treasury to avoid lapse of budget while management of few offices stated that detailed reply would be furnished after scrutiny of record. The management of some offices stated that either the payment was made through DDO only to those vendors who had no

bank accounts or for payment of utility bills. The replies were not satisfactory as Government rules were violated.

PAOs concerned were requested in February, August & September 2025 with subsequent reminders dated 13.11.2024, 29.05.2025 & 22.08.2025 and in September & October 2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility besides strengthening of internal controls to avoid such lapses in future. Further APRs of the disbursed amount may be provided to audit for verification.

AIR Para No 17 (2024-25)

21.2 Tehsil Municipal Administrations, Kurram

i. Classified Summary of Audit observations

Audit observations amounting to Rs 4.600 million were raised in this report during current audit of Local Government. Summary of the audit observations classified by nature is as under:

(Rs. in million)

S. No.	Classification	Amount
A	Irregularities	-
	HR/ Employees related irregulars	4.600
Total		**4.600**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not convened

21.2 AUDIT PARAS

A. Irregularities

HR/ Employees related irregulars

21.2.1 Irregular expenditure on account of hiring of daily wages staff – Rs.4.600 million

According to S.No. 6 of the Government of Khyber Pakhtunkhwa Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures, dated 03.07.2024, "contingent paid staff shall be engaged during the course of financial year 2024-25 only after approval of the Finance Department".

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."

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/ vendor concerned) instead of payment through DDOs/cash basis.

During audit of the accounts of Tehsil Municipal Administrations Central Kurram for the financial year 2024-25, it was observed that daily wages/contingent paid staff was hired by the local offices and an expenditure of Rs. 4,600,000 was incurred on account of payment of wages.

Audit observed the following irregularities:

i. Appointments were made without obtaining prior approval from the Finance Department Government of KP.
ii. No selection criterion was followed for appointment of these staff.
iii. Need of appointment of the contingent paid staff was not ascertained.
iv. Payment of Rs 4,600,000 was made by various TMAs on hiring of staff exceeding the prescribed limit of ten (10) percent of own source income of TMAs as required under the above rule.

v. The amount was paid in cash, while muster roll/ actual payee's receipts were not available on record.

The lapse occurred due to non-compliance of rules, which resulted in irregular expenditure.

When pointed out in July & August 2025, the management replied that daily wages staff was hired due to non-availability of permanent staff to carry out the sanitation and official work in the best public interest. Moreover, detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAOs concerned were requested in August & September, 2025 with subsequent reminders in October, 2025 to convene DAC meetings, which could not be held till finalization of this report.

Audit recommends that the matter may be probed expenditure and inquiry may be conducted for fixing responsibility against the person(s) at fault.

AIR Para No. 1(2024-25)

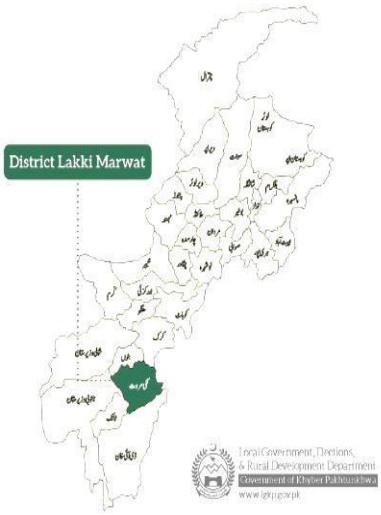
CHAPTER-22

DISTRICT LAKKI MARWAT



District Lakki 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

i. Classified summary of audit observations

During the audit year 2024-25, observations amounting to Rs. 137.686 million were raised in this report during current audit of Local Government. Summary of the audit observations classified by nature is as under:

(Rs in million)

S. No.	Classification	Amount
A	Irregularities	-
	Management of accounts with commercial banks	31.105
B	Others, including cases of accidents, negligence etc.	106.581
Total		**137.686**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

S.No.	Audit Year	ZAC/DAC Meeting
1.	2002-03 to 2024-25	Not Convened

22.1 AUDIT PARAS

A. Irregularities

Management of accounts with commercial banks

22.1.1 Irregular expenditure of Rs. 7.000 million and non-utilization of transformer repair funds – Rs. 23.000 million

According to S.No. 13 (vii) of Second Schedule of The Khyber Pakhtunkhwa District Government Rules of Business 2015, the functions and responsibility of AD LG&RDD is "rural development works including water supply, rural access roads, embankment and drainage works".

As per Chapter 2 clause 2.6 Note No. xiii of consumer service manual-January 2021 issued by NEPRA via Letter No. NEPRA/DG(CAD)/TCD-10/1883-35 date 13th January 2021, In case of Housing Society/ Scheme/ Colony/ Multistory Building/ Commercial Plaza/high Rise Building once DISCO (PESCO) takes over the distribution system for individual metering and billing, the responsibility of maintenance, repair, replacement of the said system or up gradation/reinforcement thereof shall rest with DISCO (PESCO).

According to the Local Government, Elections and Rural Development Department letter No. AO (Planning)/LCB/2-1/General file/2019 dated 02.05.2019 mandated that the location coordinates of each scheme be maintained in record to ensure verification and prevent duplication.

The Director General LG&RDD KP, through letter No. Director (LG)3-18/ADP/7555-57 dated 13.06.2024, directed that (2) cost estimates be prepared on prevailing MRS rates with proper market rate analysis for non-scheduled items (4) The scheme shall be executed through contractors /firms /workshops registered with PESCO/ WAPDA.

During audit of the accounts of Assistant Director, Local Government & Rural Development Department, Lakki Marwat for the financial year 2024-25, it was observed that funds for Rs. 30,000,000 were drawn vide Cheque No. 2621037 dated 24.06.2024 from Government treasury under object head "Other" for repair of transformers.

The following irregularities were noticed:

i. The amount was drawn in lump sum on simple receipt and deposited into designated bank account of BOK No. 3002529989 instead of work done basis to vendors/ suppliers.
ii. Expenditure on Repair of transformers amounting to Rs. 7,000,000 was incurred by AD LG&RDD in different constituencies, whereas it was the responsibility of PESCO. The repair of transformers was required to be outsourced through PESCO pre-qualified/approved workshop which was not done**.**
iii. Technical sanction was accorded by the Civil Engineer for which he was not competent. The sanction was required to be obtained from the Electrical engineer having experience/specialty in the relevant field.
iv. The inspection report by PESCO, along with transformer details—such as make, serial number, purchase order number, date and year of manufacturing, location, capacity, and nature of fault—was not maintained as required.
v. The repaired transformers were not checked by the Committee including representative of PESCO, & Tehsil member concerned and representative of the owner of workshop.
vi. Funds of Rs. 23,000,000 were not utilized till 30.06.2025. Furthermore, funds were not revived through formal approval from the Finance Department.

The lapse occurred due to weak internal controls and non-adherence to government instructions which resulted in irregular retention of funds.

When pointed out in December 2025, the management stated that funds were withdrawn on simple receipt to avoid the lapse of budget. Moreover, the remaining funds would be utilized after fulfillment of codal formalities. Reply of the management was not satisfactory as Government rules were violated.

PAO (DC Lakki Marwat) was requested in December 2025 with subsequent reminders to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing responsibility against the person(s) at fault.

AIR Para No. 5 (2024-25)

22.1.2 Irregular retention of contractor security into designated bank account-Rs.8.105 million

According to S.No.01 of tender approval documents issued by DG Local Govt Department Khyber Pakhtunkhwa vide No. DF(RD)/ Tender-Lakki Marwat/248-53 dated 01.06.2022, the contractor securities should be deposited in the relevant head of account.

According to the S.No. 02 of the Controller General of Accounts FABS Directorate Letter No. CGA/FABS/ Security-Deposit/186-2023/141 dated 27.11.2024. "The GL head of Public Works/ PWD Deposits G10113 contains balances of various accounts including Security Deposits. The CGA Office had created new GL head i.e G1120D for security Deposit against the GL head G10113 for separately recording and reporting the transactions".

During audit of the accounts of Assistant Director Local Government, Lakki Marwat for the financial year 2024-25, it was observed that contractor security amounting to Rs. 8,105,126 was deducted @ 8% from the contractor bills of various developmental schemes and deposited into designated bank account of AD Local Government instead of relevant GL Head (G1120D-Security Deposit). Furthermore, security deposit register was also not maintained. **Detail at Annexure-22.2.**

The lapse occurred due to negligence and violation of the rules by the management, resulting irregular retention of contractor security into designated bank account.

When pointed out in December 2025, the management stated that the amount was retained due to lapse of funds and would be refunded to the concerned contractors after successful completion of the schemes. Reply of the management was not satisfactory as Government rules were violated.

PAO (DC Lakki Marwat) was requested in December, 2025 with subsequent reminders to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends immediate compliance with the audit observation.

AIR Para No. 4 (2024-25)

B. Others, including cases of accidents, negligence etc.

22.1.3 Non disbursement of stipend among students-Rs. 104.286 million and unjustified payment of postal commission-Rs.2.295 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 withdraw 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 2024-25, it was noted that an amount of Rs.104,286,200 was paid to Senior Post Master, GPO, Lakki Marwat on account of stipend for disbursement among girl students (having attendance of more than 80%) on 05.10.2022. However, the stipend was not disbursed among students till the date of audit i.e. August, 2025. Despite non-disbursement of stipend, the postal commission amounting Rs. 2,295,652 was paid to GPO Lakki Marwat which is unjustified.

The lapse occurred due to lack of monitoring/reconciliation mechanism between the management and the GPO, which resulted in undue retention of government funds.

When reported in August, 2025, the management stated that detailed reply would be submitted after scrutiny of record. No reply was submitted till finalization of this report.

PAO (DC Lakki Marwat) was requested in August 2025, with subsequent reminders dated 25.09.2025 and 21.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends that the stipend may immediately be disbursed through any other disbursing agency besides recovery of the commission amount already paid to GPO.

AIR Para No. 15,16 (2024-25)

22.2 Tehsil Municipal Administrations, Lakki Marwat

i. Classified Summary of Audit Observations

During the audit year 2024-25, observations amounting to Rs. 72.932 million were raised in this report during current audit of Local Government. This amount also includes recoveries of Rs. 66.432 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
A	Irregularities	-
	Management of Accounts with commercial bank	6.500
B	Others, including cases of accidents, negligence etc.	66.432
Total		**72.932**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

22.2 AUDIT PARAS

A. Irregularities

Management of accounts with commercial banks

22.2.1 Irregular cash payments from designated bank account –Rs.6.500 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 cheque payments."

During Audit of the accounts of Tehsil Municipal Administration, Serai Naurang for the Financial Year 2024-25, it was observed that an amount of Rs. 6,500,424 was withdrawn from designated bank account and paid in cash instead of issuing crossed cheques to the vendors. Moreover, Actual Payee's Receipts (APRs) were not available on record to authenticate the payments. **Detail at Annexure-22.3.**

The lapse occurred due to negligence and violation of the rules by the management, resulting into irregular withdrawal of funds from bank accounts.

When pointed out in August 2025, the management stated that all the codal formalities had been duly fulfilled before incurring the expenditure. However, detailed records would be produced to audit in due course of time. Reply of the management was not satisfactory as Government rules were violated.

PAOs (TMOs KP) was requested in August & September 2025, with subsequent reminders in September & October to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry in the matter and action against the person(s) at fault besides stoppage of cash withdrawal and strengthening internal controls to ensure compliance with relevant rules/instructions.

AIR Para No.2 (2024-25)

B. Others, including cases of accidents, negligence etc.

22.2.2 Non-recovery of outstanding amount from revenue contractors – Rs.48.258 million and non-recovery of income tax –Rs. 18.174 million

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, the contractor will deposit monthly installment till 5th of each month, if he failed to do so, contract may be cancelled.

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, if the contractor/firm violate 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.

According to Section 236A of the income tax ordinance 2001 there will be income tax @ 10% and 20% of the bid amount on auction of any contract/right of collection.

According to Khyber Pakhtunkhwa Local Govt. Act, 2013 clause 45 (collection and recovery of taxes, etc.) sub-clause (1), 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 TMA Lakki Marwat, Sarai Naurang and Ghazni Khel for the Financial Year 2024-25, it was observed that an amount of Rs. 48,258,637 was outstanding against various revenue contractors on 30.06.2025, which was not recovered. Furthermore, income tax amounting to Rs.18,174,249 was also not recovered from the contractors. Moreover, neither the contracts were cancelled nor contractors were recommended for blacklisting by the management as detail given below: -

S.No	Name of Office	Contracts amount (Rs.)	Outstanding receipts (Rs.)	Outstanding income tax (Rs.)
1.	TMA Lakki Marwat	27,544,838	19,738,838	2,754,421
2.	TMA Ghazni Khel	56,119,376	26,611,643	9,392,359
3.	TMA Serai Naurang	20,839,624	1,908,156	6,027,469
Total		**104,503,838**	**48,258,637**	**18,174,249**

The lapse occurred due to negligence of the management in monitoring and making recovery from contractors, resulting in loss to the Government.

When pointed out in August 2025, the management of TMAs stated that reply would be submitted after consulting the record. However, no progress was intimated till finalization of this report.

PAOs concerned were requested in August & September 2025 with subsequent reminders dated 25.09.2025 and 21.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends immediate recovery of outstanding dues from the defaulting contractors otherwise the contract may be cancelled.

AIR Para No.1,2,1,4,3,1 (2024-25)

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

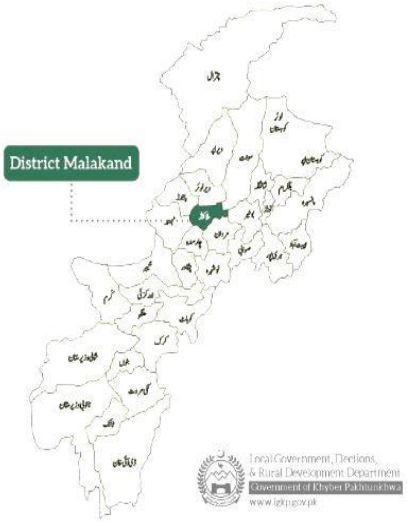
Languages: Pashto

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

i. Classified Summary of Audit Observations

Audit observations amounting to Rs 38.719 million were raised as a result of this Audit. This amount includes recoverable of Rs. 11.937 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
A	Reported cases of fraud, embezzlement and misappropriation	1.889
B	Irregularities	-
	HR/ Employee related irregularities	10.048
	Procurement related irregularities	14.281
C	Others, including cases of accidents, negligence etc.	12.501
Total		**38.719**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

S.No.	Audit Year	ZAC/DAC Meeting
1.	2002-03 to 2024-25	Not Convened

23.1 AUDIT PARAS

A. Reported cases of fraud, embezzlement and misappropriation

23.1.1 Misappropriation on account of driving license fee - Rs 1.889 million

According to para 26 of GFR Volume I, it is the duty of the Departmental Controlling Officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

During audit of the accounts of Deputy Commissioner, Malakand for the financial year 2024–25, it was observed that an amount of Rs. 15,902,200 was collected from applicants on account of issuance and renewal of driving licenses. However, according to the reconciliation statement, only Rs. 14,012,545 was deposited into the government treasury while the remaining amount of Rs.1,889,655 was not deposited that indicate misappropriation.

The lapse occurred due to non-adherence to government rules which resulted in misappropriation of public funds.

When pointed out in July 2025, the management replied that matter will be investigated and detailed report will be shared with Audit. The reply is not tenable as the amount collected on account of driving liense fee was required to be deposited immediately i.e next day into the government treasury.

PAO (DC Malakand) was requested in July 2025 with subsequent reminders dated 30.09.2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry in the case and fixing of responsibility against the persons involved besides immediate recovery of the amount and its deposit into the government treasury.

AIR Para No. 01(2024-25)

B. Irregularities

HR/ Employee related irregularities

23.1.2 Unauthorized payment of honoraria - Rs 10.048 million

According to Khyber Pakhtunkhwa, Finance Department letter No. E&A/FD/1-49/2014 dated 24th February 2014, addressed to all Administrative Secretaries for grant of honoraria on case to case basis with full justification and not in block to the Department and the amount of honoraria shall be restricted to maximum of one-month salary (Basic Pay) in general. In exceptional cases, the maximum limit may be raised to two month's salary (Basic Pay) with prior concurrence of Finance Department followed by moving a summary to Chief Minister for his approval.

During audit of the accounts of Deputy Commissioner, Malakand for the financial year 2024, it was observed that the Deputy Commissioner Malakand granted honoraria of Rs 10,048,010 to the staff more than two times during the financial year without prior approval of the finance department as per above mentioned standing orders. **Detail at Annexure-23.2**.

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

When pointed out in July 2025, the management replied that record will be consulted and detailed report will be shared with audit. However, no progress was intimated till finalization of this report.

PAO (DC Malakand) was requested in July 2025 with subsequent reminder dated 30.09.2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends that recovery of the amount paid as honoraria beyond the prescribed limit may be made besides strengthening of internal controls to avoid recurrence of such lapse in future.

AIR Para No. 05(2024-25)

Procurement related irregularities

23.1.3 Irregular expenditure on account of purchase of schools bags - Rs.14.281 million

According to rule 18 C (V) (d) of the Khyber Pakhtunkhwa Public Procurement Regularity Authority 2014, there may be more than one variation orders as long as the total value of all the variation orders remains within 15 percent of the original contract.

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 grants.

According to Directorate of Elementary & Secondary Education Khyber Pakhtunkhwa Letter No. 565-621 Dated: 30.04.2025 addressed to all DEOs (M&F), to float tender notice for the procurement of school bags for boys in primary schools at District level.

During audit of the accounts of District Education Officers (Male & Female), District Malakand for the financial year 2024-25, it was observed that Rs. 14,281,994 were spent on purchase of school bags. Detail is given below**:**

S. No	Name of Office	School bags required as per Tender	Supply order for purchase of school bags	Difference	Rate (Rs)	Amount (Rs)
1	DEO M Malakand	6,336	27,019	20683	469	9,700,327
2	DEO F Malakand	2,993	12,762	9769	469	4,581,667
Total		**9,329**	**39,781**	**30452**		**14,281,994**

Following irregularities were noticed;

i. Approved tender was limited to the procurement of 9,329 bags, however, 39,781 bags were procured, resulting in excess expenditure of Rs. 14,281,988 for additional 30,452 bags.
ii. School bags were neither taken on stock register nor any proof regarding issuance was available on record.

The lapse occurred due to weak administrative and financial controls, resulting in irregular expenditure.

When pointed out in August 2025, the management replied that funds were received as per actual release from the provincial government and demand of the education department. Reply was not cogent as funds were released to the department in excess of the required amount.

PAO (DC Malakand) was requested in August, 2025 with subsequent reminders during September & October, 2025 to convene DAC meetings, which could not be held till finalization of this report.

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

AIR Para No. 04&04(2024-25)

C. Others, including cases of accidents, negligence etc.

23.1.4 Over charging on account of arms license fee than approved rate – Rs.7.620 million

According to letter No SO(Arms)/HD/Arms policy/rates enhancement dated 21.09.2022 issued by the government of Khyber Pakhtunkhwa Home & Tribal Affairs Department, the rate of issuance of fresh pistols/ revolvers license is Rs 10,000 for province and Rs 15,000 for all Pakistan.

During audit of the accounts of Deputy Commissioner, Malakand for the financial year 2024–25, it was observed that an amount of Rs. 7,620,000 was overcharged on account of issuance of all Pakistan fresh pistols/ revolvers licenses. The office collected Rs. 20,000 per license instead of the approved rate of Rs. 15,000. This resulted in unauthorized over charging of Rs. 5,000 per license, totaling Rs. 7.620 million. Details are given below:

Total License all Pakistan on payment	Rate Required (Rs)	Rate Collected (Rs)	Difference (Rs)	Over Charging (Rs)
1524	15,000	20000	5,000	7,620,000

The lapse occurred due to non-adherence to government instructions which resulted in over charging of receipts and undue financial burden on the public.

When pointed out in July 2025, the management replied that matter will be taken with the higher ups for necessary actions. However, no progress was intimated till finalization of this report.

PAO (DC Malakand) was requested in July 2025 with subsequent reminder dated 30.09.2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends immediate refund of the excess amount to the applicants. Moreover, responsibility may be fixed for non-compliance with government instructions.

AIR Para No. 02(2024-25)

23.1.5 Irregular expenditure on Repair of Transformers – Rs.4.881 million

According to S.No. 13 (vii) of Second Schedule of The Khyber Pakhtunkhwa District Government Rules of Business 2015, the functions and responsibility of AD LG&RDD is "rural development works including water supply, rural access roads, embankment and drainage works".

As per Chapter 2 clause 2.6 Note No. xiii of consumer service manual-January 2021 issued by NEPRA via Letter No. NEPRA/DG(CAD)/TCD-10/1883-35 date 13th January 2021, In case of Housing Society/ Scheme/ Colony/ Multistory Building/ Commercial Plaza/high Rise Building once DISCO (PESCO) takes over the distribution system for individual metering and billing, the responsibility of maintenance, repair, replacement of the said system or up gradation/reinforcement thereof shall rest with DISCO (PESCO).

According to the Local Government, Elections and Rural Development Department letter No. AO (Planning)/LCB/2-1/General file/2019 dated 02.05.2019 mandated that the location coordinates of each scheme be maintained in record to ensure verification and prevent duplication.

The Director General LG&RDD KP, through letter No. Director (LG)3-18/ADP/7555-57 dated 13.06.2024, directed that cost estimates be prepared on prevailing MRS rates with proper market rate analysis for non-scheduled items.

During audit of the accounts of Assistant Directors, Local Government & Rural Development Department, Malakand for the financial year 2024-25, it was observed that an expenditure of Rs 4,881,644 was incurred on repair of transformers. Detail is given below**:**

S.No	Description	Cost of non-schedule items (Rs)
1	Transformers repair PK-23	1,669,020
2	Transformers repair PK-24	3,212,624
Total		**4,881,644**

Audit observed the following irregularities:

i. Repair of transformers was carried out by AD LG&RDD in different constituencies, whereas it was the responsibility of PESCO. The repair of transformers was required to be outsourced through PESCO pre-qualified/approved workshop which was not done**.**

ii. Technical sanction was accorded by the Civil Engineer for which he was not competent. The sanction was required to be obtained from the Electrical engineer having experience/specialty in the relevant field.
iii. The inspection report by PESCO, along with transformer details—such as make, serial number, purchase order number, date and year of manufacturing, location, capacity, and nature of fault—was not maintained as required.
iv. The repaired transformers were not checked by the Committee including representative of PESCO, & Tehsil member concerned and representative of the owner of workshop.
v. Demand from the community and Site/ specific location where repair was carried out was also not available on record.
vi. Payments were made for non-scheduled items without conducting market rate analysis, rendering the expenditure irregular.

The lapse occurred due to weak internal controls and non-adherence to government instructions which resulted in irregular expenditure.

When pointed out in September 2025, the management replied that Technical Sanction and market rate analysis would be made and progress would be shown to audit. No progress was shown to audit till finalization of this report.

PAOs concerned were requested in September 2025 with subsequent reminders to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry in the matter besides fixing responsibility against the person(s) at fault.

AIR Para No. 07 /2024-25

23.2 Tehsil Municipal Administrations, Malakand

i. Classified Summary of Audit Observations

Audit observations amounting to Rs 17.035 million were raised as a result of this audit. This amount also includes recoverable of Rs. 17.035 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
A	Others, including cases of accidents, negligence etc.	17.035
Total		**17.035**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

23.2 AUDIT PARAS

A. Others, including cases of accidents, negligence etc.

23.2.1 Non-recovery of outstanding amount from revenue contractors– Rs.17.035 million

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, the contractor will deposit monthly installment till 5th of each month, if he failed to do so, contract may be cancelled.

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, if the contractor/firm violate 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.

According to Khyber Pakhtunkhwa Local Govt. Act, 2013 clause 45 (collection and recovery of taxes, etc.) sub-clause (1), 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 TMA Dargai, District Malakand for the Financial Year 2024-25, it was observed that an amount of Rs.17,035,985 was outstanding against revenue contractors on account of monthly receipts as on 30.06.2025, which was not recovered. Moreover, neither the contracts were cancelled nor contractors were recommended for blacklisting by the management. Detail is given below:

S No	Name of Contracts	Name of Contractors	Outstanding Amount (Rs)
1	Cattle fare Dargai	Muslim Khan	1,410,150
2	Truck adda dargai	Muslim Khan	200,800
3	Cattle fare skhakot	Abtab ur Rahman	332,640
4	Cattle fare Dargai	Wajid Ali	15,092,395
Total			**17,035,985**

The lapse occurred due to negligence of the management in monitoring and making recovery from contractors, resulting in loss to the Government.

When pointed out in July & August 2025, the management stated that notices will be issued to the contractors for recovery. However, no progress was intimated till finalization of this report.

PAOs (TMO Dargai) was requested in September 2025 with subsequent reminders dated 25.09.2025 and 21.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends immediate recovery of outstanding dues from the defaulting contractors otherwise the contract may be cancelled.

AIR No. 02&03/2024-25

CHAPTER-24

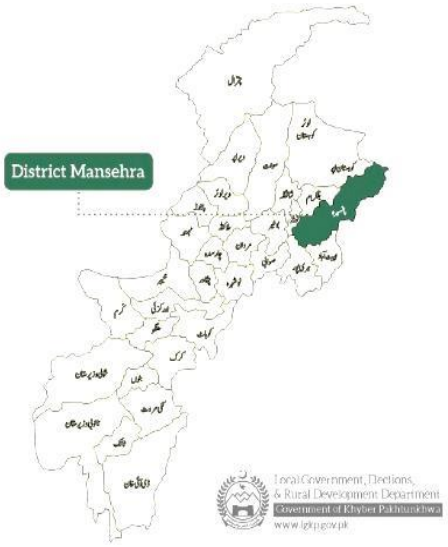
DISTRICT MANSEHRA



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

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 13.210 million were raised as a result of this audit. This amount also includes recovery of Rs. 5.836 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
A	Irregularities	-
	HR/Employees related irregularities	1.495
	Procurement related irregularities	7.374
B	Others, including cases of accidents, negligence etc.	4.341
Total		**13.210**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

S.No.	Audit Year	ZAC/DAC Meeting
1.	2002-03 to 2024-25	Not Convened

24.1 AUDIT PARAS

A. Irregularities

HR/Employees related irregularities

24.1.1 Non-deduction of conveyance and teaching allowance during leave period –Rs 1.495 million

According to Government of Khyber Pakhtunkhwa Finance Department (Regulation Wing) letter No FD(SOSR-II)/8-18/2016 dated 07-01-2016, Conveyance allowance will not be admissible during earned leave, study leave (training purpose) & extra ordinary leave.

According to Government of N.W.F.P, Finance Department letter No. F-D(S-R-II)S-2/70 dated 17.07.1977, conveyance allowances shall not be admissible to the government employees during leave period.

According to para (iv) of Government of Khyber Pakhtunkhwa Finance Department (Regulation Wing), Notification No. FD (SO-SR-II) 2-5/2021-22/Teaching Allow: dated 07-07-2021, Teaching Allowance will not be admissible to Officers/Officials, who are on earned leave, extra ordinary leave and study leave except casual leave.

During audit of the accounts of District Education Office (Male) Mansehra for the financial year 2024-25, it was observed that the local office did not deduct Rs 1,495,461on account of conveyance and teaching allowance from the employees during the leave period. Detail at **Annexure-24.2.**

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

When pointed out in August 2025, the management stated that the recovery will be made from the concerned staff and report would be produced to audit. No progress was intimated till finalization of this report.

PAO (DC Mansehra) was requested in August 2025 to convene DAC meeting with subsequent reminders dated 03.10.2025 and 20.10.2025 which could not be held till finalization of this report.

Audit recommends recovery of the amount and deposit into government treasury.

AIR Para No. 03 (2024-25)

Procurement related irregularities

24.1.2 Irregular expenditure on Repair of Transformers – Rs. 7.374 million

According to S.No. 13 (vii) of Second Schedule of The Khyber Pakhtunkhwa District Government Rules of Business 2015, the functions and responsibility of AD LG&RDD is "rural development works including water supply, rural access roads, embankment and drainage works".

As per Chapter 2 clause 2.6 Note No. xiii of consumer service manual-January 2021 issued by NEPRA via Letter No. NEPRA/DG(CAD)/TCD-10/1883-35 date 13th January 2021, In case of Housing Society/ Scheme/ Colony/ Multi-storey Building/ Commercial Plaza/high Rise Building once DISCO (PESCO) takes over the distribution system for individual metering and billing, the responsibility of maintenance, repair, replacement of the said system or up gradation/reinforcement thereof shall rest with DISCO (PESCO).

According to the Local Government, Elections and Rural Development Department letter No. AO (Planning)/LCB/2-1/General file/2019 dated 02.05.2019 mandated that the location coordinates of each scheme be maintained in record to ensure verification and prevent duplication.

The Director General LG&RDD KP, through letter No. Director (LG)3-18/ADP/7555-57 dated 13.06.2024, directed that cost estimates be prepared on prevailing MRS rates with proper market rate analysis for non-scheduled items.

According to S.No 13.1 of Government of Khyber Pakhtunkhwa Planning and Development Guidelines (2015) for Devolved Tiers of Local Governments under LGA 2013 "For every work proposed to be carried out, except petty works and repairs a properly detailed estimate must be prepared for the sanction of the competent authority. This sanction is known as the "Technical Sanction" to the estimate. Such sanction shall only be accorded by the officials in accordance with the powers delegated to them. Technical Sanction shall be issued within one month after approval of PC-I. The Technical Sanction cost in no case shall exceed the administrative approval cost otherwise the project shall be re-submitted for revision".

During audit of the accounts of Assistant Director, Local Government & Rural Development Department, Mansehra, for the financial year 2024-25, it was observed that an expenditure of Rs 7,374,400 was incurred on repair of transformers. Audit observed the following irregularities:

i. Repair of transformers was carried out by AD LG&RDD in different constituencies, whereas it was the responsibility of PESCO. The repair of transformers was required to be outsourced through PESCO pre-qualified/approved workshop which was not done**. Detail at Annexure-24.3**.
ii. Technical sanction was not obtained, which was required to be obtained from the Electrical engineer having experience/specialty in the relevant field.
iii. The inspection report by PESCO, along with transformer details, such as make, serial number, purchase order number, date and year of manufacturing, location, capacity, and nature of fault, was not maintained as required.
iv. The repaired transformers were not checked by the Committee including representative of PESCO, & Tehsil member concerned and representative of the owner of workshop.
v. Demand from the community and Site/ specific location where repair was carried out was also not available on record.
vi. Payments of Rs. 637,926 were made for non-scheduled items without conducting market rate analysis, rendering the expenditure irregular. **Detail at Annexure-24.3**.

The lapse occurred due to weak internal controls and non-adherence to government instructions which resulted in irregular expenditure.

When pointed out in December 2025, the management replied that Technical Sanction and market rate analysis would be made and progress would be shown to audit. No progress was shown to audit till finalization of this report.

PAO (DC Mansehra) was requested to convene DAC meeting in January 2026, DAC was not convened till finalization of this report.

Audit recommends inquiry in the matter and fixing responsibility against the person(s) at fault.

AIR Para No. 01 (2024-25)

B. Others, including cases of accidents, negligence etc.

24.1.3 Non-collection / non-deposit of rent of Government properties – Rs.4.341 million

According to Rule 45 (i) and (ii) of the District or City District Government Budget Rules 2016 "Failure to pay any tax and other money claimable under this Act shall be an offence and all arrears of taxes, rents and other moneys claimable by a local government under this Act shall be recovery as arrears of land revenue".

During audit of the accounts of Deputy Commissioner, Mansehra for the Financial Year 2024-25, it was observed that the management failed to collect or deposit an amount of Rs 4,340,596 on account of rent of shops, Cabins and other Government properties. **Detail at Annexure-24.4.**

The lapse occurred due to negligence and weak financial management, which resulted in loss to government.

When pointed out in July 2025, the management stated that recovery of the outstanding amount of rent of shops and cabins is under process, which would be intimated to audit. No progress was intimated to audit till finalization of this report.

PAO (DC Mansehra) was requested in August 2025 with subsequent reminders dated 03.10.2025 and 20.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends recovery of the outstanding rent as per the lease agreement/rules besides inquiry for fixing responsibility.

AIR Para No. 04 (2024-25)

24.2 Tehsil Municipal Administrations, Mansehra

i. Classified Summary of Audit Observations

Audit observation amounting to Rs. 115.814 million was raised as a result of this audit. The amount of Rs. 115.814 million is recoverable as pointed out by audit. Summary of the audit observation classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
A	Others, including cases of accidents, negligence etc.	115.814
Total		**115.814**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

24.2 AUDIT PARAS

A. Others, including cases of accidents, negligence etc.

24.2.1 Non-recovery of outstanding amount from revenue contractors – Rs.115.814 million

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, if the contractor/firm violate 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 TMAs Mansehra, Balakot and Baffa for the Financial Year 2024-25, it was observed that an amount of Rs.115,814,030 was outstanding against various revenue contractors on 30.06.2025, which was not recovered. Furthermore, neither the contracts were cancelled nor contractors were recommended for blacklisting by the management. **Detail at Annexure-24.5 (a,b&c).**

The lapse occurred due to negligence of the management in monitoring and making recovery from contractors, resulting in loss to the Government.

When pointed out in July & August 2025, the management of TMAs Mansehra & Baffa stated that efforts are underway to recover the outstanding dues. Whereas management of TMA Balakot stated that rates were revised during currency of the contract and RMO being arbitrator directed implementation of revised schedule after completion of contract period. No progress was intimated by TMAs Mansehra and Baffa till finalization of this report. While reply of TMA Balakot was not cogent as rates were notified with effect from 01-07-2024 and the contractors were bound to make recovery at revised rates.

PAOs concerned were requested in August 2025 with subsequent reminders dated 03.10.205 and 21.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends immediate recovery of outstanding dues from the defaulting contractors otherwise the contract may be cancelled.

AIR Para No. 2 & 7 TMA Mansehra (2024-25)
AIR Para No. 08 TMA Balakot (2024-25)
AIR Para No. 03 TMA Baffa (2024-25)

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

i. Classified Summary of Audit Observations

Audit observations amounting to Rs 6.743 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
A	Irregularities	-
	Procurement related irregularities	1.697
B	Others, including cases of accidents, negligence etc.	5.046
	Total	**6.743**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

S.No.	Audit Year	ZAC/DAC Meeting
1.	2002-03 to 2024-25	Not Convened

25.1 AUDIT PARAS

A. Irregularities

Procurement related irregularities

25.1.1 Irregular purchase of medicines – Rs 1.697 million

According to Health Department Letter No. 5044-5244/MCC dated 23.09.2021 and Clause 6 of the specimen of contract agreement provided with the afore referred letter, "The procuring entity shall arrange to obtain sample/s from each batch of the supplied drugs/medicines through notified Drug Inspector/s concerned and send to the concerned Drug Testing Laboratory for Test/Analysis as provided in the Drugs Act 1976".

According to Serial-H of DG Health services KPK letter No.1805-1909/DD/ (Preq/reg/Drugs) dated 11-09-2018, the purchasing entity shall submit mandatory quarterly reports regarding clinical efficacy and or/other parameters of the relevant items in this list as used at their end.

According to Director General, Live Stock & Dairy Development Department KP letter No. 350-383 dated 06-12-2013 random samples must be sent for lab analysis before procession to relevant bill of cost to ensure the quality of medicines.

During audit of the accounts of District Director Livestock Mardan for the Financial Year 2023-24, it was observed that an expenditure amounting to Rs.1,697,370 was incurred on procurement of medicines. Detail is given below: -

S.No	Firm	Medicine	Amount (Rs)
1	Krypton Pharma	Ave-fin liquid	399,125
		Ave-col liquid	296,400
		Ave-dex liquid	303,000
2	Intervac Pvt Ltd	Inj: intermectin Plus	698,845
Total			**1,697,370**

Audit noticed the following irregularities: -

1. Payments were made to the suppliers/ firms without clearance of samples of medicines from Government Drug Testing Laboratory (DTL).
2. Quarterly report regarding clinical efficiency of brand of medicine was not submitted to Medicine Coordination Cell (MCC), which posed potential risk to the Government interest and general public as well.

3. The delivery challans were not found with vouchers.
4. Indents/demands were not obtained from Civil Veterinary Hospitals (CVHs) / Civil Veterinary Dispensaries (CVDs) in case of livestock to authenticate the nature and need of the medicines issued.
5. The medicines were distributed during the year 2023-24 to various institutions/ centers but the local office failed to provide distribution and Departmental Receipt Form (DRF) of each institution dully signed by concerned in-charge.
6. Furthermore, the main stock register revealed that the medicines/ other store were shown issued to various sub-ordinate institution/ hospitals. However, indents of sub-ordinate units were not produced to audit. Thus, audit could not authenticate the original issue of medicines/ store, hence possibility of misappropriation could not be ruled out.

The lapse occurred due to weak internal controls, resulting in irregular expenditure on purchase of medicines.

When pointed out in February 2025, the management replied that DTL reports would be provided to audit. However, DTL reports were not provided to audit till finalization of this report.

PAO (DC Mardan) was requested on 13.11.2024, 29.05.2025 & 22.08.2025, to hold DAC meeting which could not be convened till finalization of this report.

Audit recommends ensuring test of medicines through DTL and obtaining efficacy reports & provision of documents for verification besides fixing responsibility.

AIR Para No. 03(2023-24) Phase-I

B. Others, including cases of accidents, negligence etc.

25.1.2 Non-collection of rent of government properties–Rs 1.524 million

According to Rule 45 (i) and (ii) of the District or City District Government Budget Rules 2016 "Failure to pay any tax and other money claimable under this Act shall be an offence 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 Deputy Commissioner, Mardan for the financial year 2024-25, it was observed that the management failed to collect an amount of Rs 1,524,000 on account of rent of Government properties. Detail is given below:-

(Amount in Rupees)

S.No	Description	Rent per month	Allotees	Months	Total amount
1	Double room rent	8,000	4	12	384,000
2	Single room rent	5,000	19	12	1,140,000
Total					**1,524,000**

The lapse occurred due to negligence and weak financial management, which resulted in loss to government.

When pointed out in July 2025, the management stated that rent will be recovered and progress will be shown to audit. No progress was intimated to audit till finalization of this report.

PAO (Deputy Commissioner) was requested in July 2025 with subsequent reminder dated 30.09.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends recovery of the outstanding rent as per the lease agreement/rules besides inquiry for fixing responsibility.

AIR Para No.07(2024-25)

25.1.3 Loss to government due to non-deposit of receipts into government treasury –Rs.3.522 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 District Officer Sports Mardan for the financial year 2023-24, it was observed that receipts amounting to Rs 3,522,064 were generated by the local office from various sports activities and rental income. The amount was paid to Sports Complex Peshawar instead of deposit into government treasury.

The lapse occurred due to weak internal controls, which resulted into loss to Government exchequer.

When pointed out in February 2025, the management replied that the receipts were transferred on the instructions of Directorate General Sports Khyber Pakhtunkhwa. Reply was not satisfactory as funds were transferred in violation of rules.

PAO (DC Mardan) was requested on 13.11.2024, 29.05.2025 & 22.08.2025, to convene DAC meeting which could not be held till finalization of this report.

Audit recommends deposit of amount into government treasury.

AIR Para No. 04(2023-24) Phase-II

25.2 Tehsil Municipal Administrations, Mardan

i. Classified Summary of Audit Observations

Audit observations amounting to Rs 30.863 million were raised as a result of this audit. This amount also includes recoverable of Rs 25.247 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
A	Others, including cases of accidents, negligence etc.	30.863
Total		**30.863**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

A. Others, including cases of accidents, negligence etc.

25.2.1 Non-recovery of outstanding dues from revenue contractors – Rs.25.247 million

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, the contractor will deposit monthly installment till 5th of each month, if he failed to do so, contract may be cancelled.

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, if the contractor/firm violate 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 TMA Mardan & TMA Takhtbhai for the financial year 2024-25, it was observed that an amount of Rs 25,247,881 was outstanding against various contractors on account of monthly receipts as on 30.06.2025, which was not recovered. Moreover, neither the contracts were cancelled nor contractors were recommended for blacklisting by the management. **Detail at Annexure-25.2**.

The lapse occurred due to negligence of the management in monitoring and making recovery from contractors, resulting in loss to the Government.

When pointed out in July 2025, the management stated that notices will be issued for recovery and progress will be shown to audit. However, no progress was reported till finalization of this report.

PAOs concerned were requested in August 2025 with subsequent reminder dated 09.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends immediate recovery of outstanding dues from the defaulting contractors otherwise the contract may be cancelled.

AIR Para.No.03, 13 & 09 (2024-25)

25.2.2 Irregular expenditure on account of hiring of daily wages staff — Rs.5.616 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."

According to S.No. 6 of the Government of Khyber Pakhtunkhwa Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures, dated 03.07.2024, "contingent paid staff shall be engaged during the course of financial year 2024-25 only after approval of the Finance Department".

During audit of the accounts of Tehsil Municipal Administration Katlang, Mardan for the financial year 2024-25, it was observed that 13 number of daily wages/contingent paid staff was hired by the local office and an expenditure of Rs.5,616,000 was incurred on account of payment of wages as per detail below: -

Wages paid (Rs)	Total own source income (Rs)	10% of own source income (Rs)	Excess payment (Rs)
5,616,000	25,942,646	2,594,265	3,021,735

Audit observed the following irregularities: -

i. The own source income of the TMA was Rs 25,942,646 and payment of Rs 5,616,000 was made on hiring of daily wages staff, which excess the prescribed limit of ten (10) percent of own source income by Rs 3,021,735.
ii. Appointments were made without obtaining prior approval from the Finance Department Government of KP.
iii. No selection criterion was followed for appointment of these staff.
iv. Need of appointment of the contingent paid staff was not ascertained.

The lapse occurred due to non-compliance of rules, which resulted in irregular expenditure.

When pointed out in August 2025, the management stated that detailed reply would be furnished after scrutiny of record. However, no reply was furnished to audit till finalization of this report.

PAO (TMO Katlang) was requested in September 2025 with subsequent reminder dated 30.09.2025 to convene DAC meeting, which could not be held till finalization of this report

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault, besides strengthening of internal controls to avoid such lapses in future.

AIR Para.No.03(2024-25)

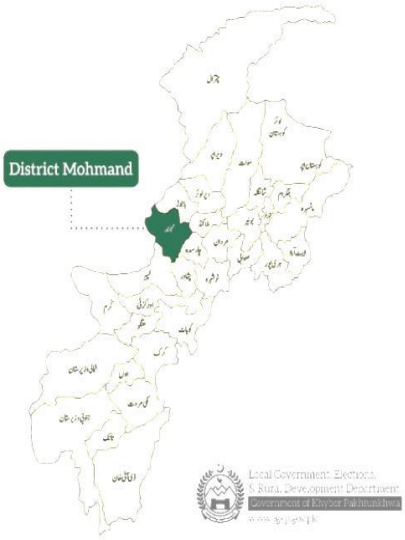
CHAPTER-26

DISTRICT MOHMAND



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

i. Classified Summary of Audit observations

Audit observations amounting to Rs 426.927 million were raised as result of this audit. This amount also includes recoveries of Rs. 13.112 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
A	Irregularities	-
	HR/Employees related irregularities	11.158
	Procurement related irregularities	3.142
	Management of Accounts with Commercial Bank	312.494
B	Others, including cases of accidents, negligence etc.	99.927
Total		**426.721**

ii. 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. Details of DAC/TAC meetings are given below:

S#	Audit Year	DAC/TAC Meetings
1	2020-21 to 2024-25	Not Convened

26.1 AUDIT PARAS

A. Irregularities

HR/Employees related irregularities

26.1.1 Irregular expenditure on account of hiring of daily wages staff– Rs.11.158 million

According to Para (e) of the Government of Khyber Pakhtunkhwa, Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures dated 03.07.2024, the contingent paid staff shall be engaged during the course of Financial Year 2024-25 only after the approval of the Finance Department, Khyber Pakhtunkhwa.

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 Deputy Commissioner, Mohmand for the financial year 2024-25, it was observed that a large number of daily wage/ contingent paid staff was hired by the local offices and an expenditure of Rs.11,158,000 was incurred on account of payment of wages.

Audit observed the following irregularities;

- Appointments were made without obtaining prior approval from the Finance Department Government of KP.
- Detail i.e. place of duty and attendance of the contingent paid staff was not provided.
- The funds were withdrawn through DDO and payment was made in cash instead of making direct payment through vendor's account.

The lapse occurred due to non-compliance with the instructions of the Finance Department, resulting in irregular payment.

When pointed out in July 2025, 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 (DC Mohmand) was requested in July 2025 with subsequent reminders dated 15.09.2025 and 06.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing of responsibility against persons at fault besides termination of the staff hired without approval of the competent forum.

Note: The issue was also reported earlier in the Audit Reports for the Audit Year 2021-22,2022-23 and 2023-24 and 2024-25 having financial impact of Rs 93.803 million, Rs.11.478 million, Rs 6.717 million and Rs. 10.058 million respectively. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 12/2024-25

Procurement related irregularities

26.1.2 Irregular expenditure without adopting open competitive bidding - Rs.3.142 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 Rule 75 (8) a, b & c, Part-XII of the Government 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 with reference to the total amount of orders. All material received should be examined, counted, measured or weighted, quality and quantity be checked and entered into a stock register.

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, Mohmand for the Financial Year 2024-25, it was observed that expenditure of Rs. 3.142.298 was incurred under the object head plant and machinery as per detail at **Annexure-26.2** without adopting the open competitive bidding, thus compromising transparency and ignoring value for money. Audit observed;

1. In most cases, the procurement was carried out by splitting the total expenditure into multiple transactions upto Rs. 400,000 each, within the same month and from the same vendors to avoid open competitive bidding.
2. Inspection committee was not constituted.
3. The items were not recorded in the stock register.
4. Items were purchased in different months without any demand from the main & sub-sections.
5. Physical verification certificates of purchase committee ascertaining the quantity and quality of items was not available on record.

The lapse occurred due to willful negligence of the government rules, resulting into irregular and un-economical expenditure.

When pointed out in July 2025, the management replied that detailed reply would be furnished after consulting the original record, however, no reply was furnished till finalization of the report.

PAO (DC Mohmand) was requested in July 2025 with subsequent reminders dated 15.09.2025 and 06.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter and action against person (s) responsible for making irregular/ uneconomical expenditure and provision of relevant record to audit for verification.

AIR Para No. 13/2024-25

Management of Accounts with Commercial Banks

26.1.3 Irregular retention of public funds in designated bank accounts– Rs.293.694 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.

According to Rule 290 of Treasury Rules, "no money should be withdrawn from Treasury unless required for immediate disbursement. It is not permissible to withdraw 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 2024-25, it was observed that funds amounting to Rs.293,694,422 were retained in designated bank accounts opened in various commercial banks. The management neither explained specific purpose of such accounts nor provided the source of funds lying in these bank accounts. Details of the bank accounts are as under:

Bank Name	Branch	Account No	Closing Balance (Rs.)
BOK	Ghallanai	015303430007	202,956,688
BOK	Ghallanai	015303431000	55,935,089
NBP	Ghallanai	3312012467	34,802,645
		Total	**293,694,422**

The irregularity occurred due to weak internal controls and inefficiency of the management, resulting in retention of public funds.

When pointed out in July 2025, the management stated that the matter would be scrutinized and action would be taken accordingly. However, no progress was intimated till finalization of this report.

PAO (DC Mohmand) was requested in July 2025 with subsequent reminders dated 15.09.2025 and 06.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault besides immediate surrender or utilization of the unspent amount as per relevant guidelines/ instructions.

Note: The issue was also reported earlier in the Audit Reports for Audit Year 2022-23, 2023-24 and 2024-25 having financial impact of Rs 338.626 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 02/2024-25

26.1.4 Irregular payments from designated bank accounts in cash-Rs.18.800 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".

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, Mohmand for financial year 2024-25, it was observed that funds of Rs. 18,800,000 were withdrawn from the designated bank account maintained in BOK Ghalani bearing No. 015303431000 with title "DC Mohmand Trible" and payment was made in cash instead of payment through crossed cheques as per detail at **Annexure-26.3**. Moreover, Actual Payee Receipts (APRs) in support of the payments and purpose of payments was also not available on record to verify these payments.

The lapse occurred due to weak internal controls, resulting into irregular withdrawal of funds and payment in cash.

When pointed out in July 2025, the management replied that the relevant record would be scrutinized and detailed reply would be submitted later on. No progress was intimated till finalization of this report.

PAO (DC Mohmand) was requested in July 2025 with subsequent reminders dated 15.09.2025, 06.10.2025 and 13.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends provision of relevant record to Audit for verification and strengthening of internal controls to avoid such lapse in future.

AIR Paras No. 02&02/2024-25

B. Others, including cases of accidents, negligence etc.

26.1.5 Irregular withdrawal and non-disbursement of Muajib / Lungi allowance-Rs.9.870 million

According to Rule 290 of Treasury Rules, "no money should be withdrawn from Treasury unless required for immediate disbursement. It is not permissible to withdraw money from treasury in anticipation of demand or to prevent lapse of budget grant".

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 Deputy Commissioner, Mohmand for the Financial Year 2024-25, it was observed that an amount of Rs.9,870,326 was withdrawn from treasury through DDO in lump sum on account of lungi/Muajib allowance, quarterly expenditure and PA Salami under the object head "A01299" Allowances to Tribes. The fund was further withdrawn from designated bank account in cash instead of making payment through crossed cheques to the concerned. The quarterly expenditure and salami fund had not been spent completely till the date of audit i.e. July 2025. Moreover, out of the Muajib and Lungi Allowance Rs. 6,539,891, an amount of Rs. 1,275,535 was withdrawn for the persons who had already passed away, therefore, the chances of misappropriation could not be ruled out.

S#	Particulars	Amount (Rs)
1	Muajib/Lungi	6,540,241
2	Quarterly expenditure	3,000,000
3	PA Salami	330,085
Total		**9,870,326**

The lapse occurred due to non-adherence with the government rules which resulted into deviation from the prescribed rules and procedure that increased the risk of misappropriation.

When pointed out in July 2025, 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 (DC Mohmand) was requested in July 2025 with subsequent reminders dated 15.09.2025 and 06.10.2025 to convene DAC meeting, which could not be held 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. 11/2024-25

26.1.6 Irregular expenditure from NMDs fund-Rs. 64.790 million

According to Para 11 of GFR, each head of a department 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 Para 77 of Federal Treasury Rules, every officer receiving money on behalf of the Government should maintain a cash book in Form T. R-4. All monetary transactions should be entered in the cash book as soon as they occur and attested by the head of the office in token of check.

During audit of the accounts of Deputy Commissioner, Mohmand for the Financial Year 2024-25, it was observed that an expenditure of Rs 64,790,490 was incurred under the object head A-03989 "Expenditure for Newly Merged District". Audit observed the following irregularities:

1. Budget control register was not maintained.
2. Contingent bill/voucher of each transaction/payment was not prepared.
3. Payment register of maliks/elders and individual were also not showing complete information regarding payments.
4. Actual Payee's Receipts were not available on record.
5. Payments were made in cash instead of payment through crossed cheques.

Due to improper maintenance of record, the expenditure could not be authenticated.

The lapse occurred due to weak internal controls and negligence of the management which resulted in irregular expenditure.

When pointed out in July 2025, 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 (DC Mohmand) was requested in July 2025 with subsequent reminders dated 15.09.2025 and 06.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault besides ensuring payments as per procedure and provision of all the relevant record for verification.

AIR Para No.16/2024-25

26.1.7 Doubtful payment on account of compensation for forest land - Rs.13.112 million

Rule 283 (I) of the Central Treasury Rules Volume I provides that acquaintance roll in form TR 28 be maintained in support of payments.

During audit of accounts of the Deputy Commissioner, Mohmand for the Financial Year 2024-25, it was observed that an amount of Rs. 14,112,400 was transferred to the Assistant Commissioner, Lower Mohmand on account of compensation for forest land falling in additional area acquired for security fencing of Mohmand Dam. Audit observed the following irregularities:

1. Out of the total funds transferred, the Assistant Commissioner concerned paid Rs.13,112,400 to a single individual vide cheque No. 30867073 dated 13.09.2024, instead of disbursing the payment among all the actual landowners and concerned stakeholders.
2. No verified list of beneficiaries, ownership documents, or mode of assessment and apportionment of compensation were available on record.
3. No disbursement record, such as payment vouchers, acknowledgments, CNICs of recipients, or receipts, was maintained or provided to audit for verification.

The lapse occurred due to weak financial management and negligence which resulted in irregular payment of compensation fund.

When pointed out in July 2025, the management replied that detailed reply would be furnished after consulting the original record, however, no reply was furnished till finalization of this report.

PAO (DC Mohmand) was requested in July 2025 with subsequent reminders dated 15.09.2025 and 06.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends fixing of responsibility against the person(s) at fault besides provision of complete disbursement record for verification.

AIR Para No. 14/2024-25

26.1.8 Unauthorized expenditure without Technical Sanction – Rs.11.005 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 the Assistant Director, Local Government and Rural Development Department, District Mohmand for the financial year 2024-25, it was observed that Rs 11,005,474 was spent on execution of following three developmental schemes. However, technical sanctions of the said schemes were not obtained from the competent authority. Detail is as under:

S.No.	Name of scheme	Contractor	Appr./Cost (Rs)	Expenditure (Rs)
1.	Const: of PCC Road Sro Kunra Colony Ekkaghund	M/S Anwar Khan & Sons	8,000,000	4,000,000
2.	"Pavt. Of streets, drains, at Musakhel Suran	TGC	2,000,000	1,899,776
3.	Const: of Link Road at Mia Pati and Qandaro Shaheed etc	AMS Engineering Services	10,000,000	5,105,698
Total			**20,000,000**	**11,005,474**

The lapse occurred due to weak internal control, which resulted in unauthorized expenditure.

When pointed out in December 2025, the management replied that TS would be obtained from the competent authority and progress would be shown to audit in due course of time. Obtaining technical sanction was required before the commencement of work which was not done.

PAO (DC Mohmand) was requested in January 2026 with subsequent reminders to convene DAC meetings, which could not be held till finalization of this report.

Audit recommends that no work can be started without obtaining technical sanction from the competent authority; hence inquiry may be conducted for fixing responsibility.

AIR Para No. 01 (2024-25)

26.1.9 Irregular expenditure on Repair of Transformers – Rs.1.150 million

According to S.No. 13 (vii) of Second Schedule of The Khyber Pakhtunkhwa District Government Rules of Business 2015, the functions and responsibility of AD LG&RDD is "rural development works including water supply, rural access roads, embankment and drainage works".

As per Chapter 2 clause 2.6 Note No. xiii of consumer service manual-January 2021 issued by NEPRA via Letter No. NEPRA/DG(CAD)/TCD-10/1883-35 date 13th January 2021, In case of Housing Society/ Scheme/ Colony/ Multistory Building/ Commercial Plaza/high Rise Building once DISCO (PESCO) takes over the distribution system for individual metering and billing, the responsibility of maintenance, repair, replacement of the said system or up gradation/reinforcement thereof shall rest with DISCO (PESCO).\

According to S.No. 13.1 of the Government of Khyber Pakhtunkhwa Planning & Development Guidelines (2015) for devolved tiers of Local Governments under LGA, 2013, all works—except petty works and repairs—require a properly detailed estimate and Technical Sanction from the competent authority. Such sanction must be issued by authorized officials within one month of PC-I approval and shall not exceed the administrative approval cost; otherwise, the project must be revised and resubmitted.

According to the Local Government, Elections and Rural Development Department letter No. AO (Planning)/LCB/2-1/General file/2019 dated 02.05.2019 mandated that the location coordinates of each scheme be maintained in record to ensure verification and prevent duplication.

The Director General LG&RDD KP, through letter No. Director (LG) 3-18/ADP/7555-57 dated 13.06.2024, directed that cost estimates be prepared on prevailing MRS rates with proper market rate analysis for non-scheduled items.

During audit of the accounts of Assistant Director, Local Government & Rural Development Department, Mohmand for the financial year 2024-25, it was observed that an expenditure of Rs 1,150,000 was incurred on repair of transformers. Audit observed the following irregularities:

i. Repair of transformers was carried out by AD LG&RDD in different constituencies, whereas it was the responsibility of PESCO. The repair of transformers was required to be outsourced through PESCO pre-qualified/approved workshop which was not done**.**
ii. Technical sanction was accorded by the Civil Engineer for which he was not competent. The sanction was required to be obtained from the Electrical engineer having experience/specialty in the relevant field.
iii. The repaired transformers were not checked by the Committee including representative of PESCO, & Tehsil member concerned and representative of the owner of workshop.
iv. The inspection report by PESCO, along with transformer details—such as make, serial number, purchase order number, date and year of manufacturing, location, capacity, and nature of fault—was not maintained as required.
v. Demand from the community and Site/ specific location where repair was carried out was also not available on record.

The lapse occurred due to weak internal controls and non-adherence to government instructions which resulted in irregular expenditure.

When pointed out in December 2025, the management stated that detailed reply would be submitted after consulting the relevant record in due course of time. However, no progress was shown to audit till finalization of this report.

PAO (DC Mohmand) was requested in January 2026 with subsequent reminders to convene DAC meetings, which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing responsibility against the person(s) at fault.

AIR Para No. 09 (2024-25)

26.2 Tehsil Municipal Administrations, Mohmand

i. Classified Summary of Audit Observations

Audit observations amounting to Rs 47.441 million were raised as result of this audit. This amount also includes recoveries of Rs. 23.071 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
A	Irregularities	-
	HR/Employees related irregularities	13.514
	Management of Accounts with Commercial Bank	10.856
B	Others, including cases of accidents, negligence etc.	23.071
Total		47.441

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not convened

26.2 AUDIT PARAS

A. Irregularities

HR/Employees related irregularities

26.2.1 Irregular expenditure on account of hiring of daily wage staff – Rs.13.514 million

According to S.No. 6 of the Government of Khyber Pakhtunkhwa Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures, dated 03.07.2024, "contingent paid staff shall be engaged during the course of financial year 2024-25 only after approval of the Finance Department".

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/ vendor concerned) instead of payment through DDOs/cash basis.

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, Upper Mohmand, Lower Mohmand & Baizai (district Mohmand) for the financial year 2024-25, it was observed that a large number of daily wage/contingent paid staff was hired by the local offices and an expenditure of Rs.13,514,090 was incurred on account of payment of wages. Detail is given below:

(Rs. in million)

S.No.	TMA	Own Sources Receipts	10% of Own Sources Receipts	Expenditure on hiring of daily wage staff	Excess
1	Lower Mohmand	3.462	0.346	5.279	4.933
2	Upper Mohmand	4.622	0.462	2.504	2.042
3	Baizai	1.906	0.191	5.729	5.538
	Total		**0.999**	**13.514**	**12.513**

Audit observed the following irregularities:

i. Excess payment of Rs. 12.513 million was made by TMAs on hiring of daily wage staff of the prescribed limit of ten (10) percent of own sources income. Appointments were made without obtaining prior approval from the Finance Department, Government of KP.
ii. No selection criterion was followed for appointment of the staff.
iii. Need of appointment of the contingent paid staff was not ascertained.
iv. The amount was paid in cash, while muster roll/ actual payee's receipts were not available on record.

The lapse occurred due to non-compliance of rules, which resulted in irregular expenditure.

When pointed out in August 2025, the managements stated that the staff was hired on need basis. However, no cogent reason for violation of instructions was provided.

PAOs (TMOs) were requested in August 2025 with a subsequent reminder dated 13.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing of responsibility against persons at fault besides termination of the staff hired without approval of the competent forum.

Note: The issue was reported earlier also in the Audit Reports for the Audit Year 2022-23, 2023-24 and 2024-25 having financial impact of Rs. 21.343 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 4, 11& 8/2024-25

Management of Accounts with Commercial Banks

26.2.2 Irregular cash payments from designated bank accounts – Rs.10.856 million

According to Para 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/ vendor concerned) instead of payment through DDOs.

During audit of the accounts of Tehsil Municipal Administrations, Baizai, Lower and Upper Mohmand, for the Financial Year 2024-25, it was observed that an amount of Rs 10,856,035 was withdrawn from designated bank accounts and payments were 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 expenditure could not be verified. Abstract is given below and details at **Annexure 26.4**

S.No.	TMA	Cash payments (Rs.)
1	Lower Mohmand	1,172,000
2	Upper Mohmand	5,820,275
3	Baizai	3,863,760
	Total	**10,856,035**

The lapse occurred due to weak internal controls, resulting in un-verified cash withdrawal from designated bank accounts.

When pointed out in August 2025, the managements stated that most of the vendors had no bank accounts, therefore, open cheques were issued. The point is noted for future compliance and no open cheque would be issued. Reply was not convincing as cash payment is a violation of the rules/instructions.

PAOs (TMOs) were requested in August 2025, with a subsequent reminder dated 13.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault and strengthening of internal controls to avoid such lapses in future besides provision of relevant record in support of payments to audit for verification.

AIR Para No.03, 10 &06/2024-25

B. Others, including cases of accidents, negligence etc.

26.2.3 Non-recovery of outstanding amount from revenue contractor - Rs.23.071 million

According to Clause-09 of the signed Agreement between TMA and the contractor, if the contractor sustained any loss due to any reason or could not collect the fee because of Natural disaster, strikes or law and order situation, the TMA upper Mohmand will not be held responsible, rather the contractor will be bound to deposit his monthly installments to Treasury of the TMA regularly and timely. The contractor would not claim any loss, compensation or remission in this regard. Similarly, clause-11 of ibid agreement says that in case of default of the contractor, the losses will be recovered from his 02 local guarantors or from their personal properties, under Land Revenue Act.

Furthermore, as per Clause-14 of ibid agreement, if the contractor violated any clause of the agreement, the TMA will forfeit all the amounts deposited by the contractor and will cancel the contract and re-auction the fee or collect it departmentally at the risk and cost of the contract.

During audit of the accounts of TMO Upper Mohmand for the Financial Year 2024-25, it was observed that the contract of collection of "Municipal Service Fee" (Marble load Truck) was auctioned and awarded to a contractor at a bid of Rs. 22,574,112 with 10% tax, which come to Rs 24,831,523. The amount was required to be paid by the contractor in 11 monthly installments of Rs. 2,257,411 p/m. However, the contractor defaulted after 03 months while for the remaining period (09 months), collection of Rs. 1,760,260 was made by the department itself, thus leaving Rs. 23,071,263 un-recovered (Rs24,831,523-Rs1,760,260).

The lapse occurred due to negligence of the management in monitoring and making recovery from contractor, resulting in loss to the Government.

When pointed out in August 2025, the management stated that record would be checked and necessary action would be taken for the recovery and audit would be informed in due course of time. However, no progress was intimated till finalization of this report.

PAO (TMO) was requested in August 2025, with a subsequent reminder dated 13.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends immediate recovery of outstanding dues from the defaulting contractor otherwise the contract may be cancelled.

AIR No. 01(2024-25)

CHAPTER-27

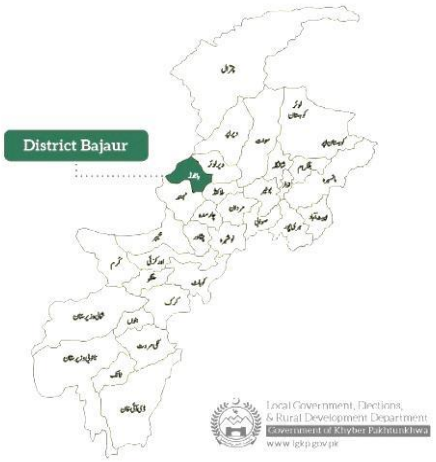
DISTRICT NORTH WAZIRISTAN



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

i. Classified Summary of Audit observations

During the audit year 2024-25, observations amounting to Rs. 131.363 million were raised. Summary of the audit observations classified as under:

(Rs.in million)

Sr. No.	Classification	Amount
A	Irregularities	-
	HR/Employees related irregularities	85.79
	Procurement related irregularities	16.833
	Management with Commercial Bank	19.976
B	Others, including cases of accidents, negligence etc.	8.764
Total		**131.363**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not convened

27.1 AUDIT PARAS

A. Irregularities

HR/Employees related Irregularities

27.1.1 Illegal appointment of teachers-Rs. 85.79 million

According to Section 3 of the Khyber Pakhtunkhwa Employees (Removal from Service) Act 2025, the employees unlawfully appointed shall be deemed to have never been appointed, and their appointment is hereby declared to be void ab-initio. The employees mean the employees appointed w.e.f. 22-01-2023 to 29-02-2024.

During audit of the accounts of the District Education Officer (Male) North Waziristan for the financial year 2024-25, it was observed that 358 teachers were appointed during the period of caretaker government (22-01-2023 to 29-02-2024). The Provincial Government terminated the services of employees through the above said act. However, the services of the hired employees were retained despite the promulgation of this act. **Detail at Annexure-27.2.**

The lapse occurred due to violation of Government Act which resulted into loss to government.

When pointed out in August 2025, the management stated that detailed reply would be submitted later on. However, no reply was furnished till finalization of this report.

PAO (DC North Waziristan) was requested in August 2025, with subsequent reminders dated 25.09.2025 and 21.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing responsibility against the person(s) at fault besides removal of the employees from service.

AIR Para No. 02 (2024-25)

Procurement related Irregularities

27.1.2 Irregular execution of Developmental Schemes – Rs 16.833 million

According to gaud line no. 8.6 of KPK P&D Guide lines 2015, the executing agency shall prepare the project document on PC-I/PC-II proforma and should consist of all necessary information like; work breakup, sub-units of the work and work packages. It shall provide details of structures to be raised, specifications, materials to be used, standards to be met and tests to be performed.

According to guideline No 17.4 of KPK P&D Guideline 2015, Monitoring of projects shall be made by community, elected representatives, District P&D Department as internal monitoring and Provincial Planning Department through Divisional Directorate of Monitoring and Evaluation as external monitoring. 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 Para 209 (d) of CPWA, As all payments for work or supplies are based on the quantities recorded in the measurement book, it is incumbent upon the person taking the measurements to record the quantities clearly and accurately. He will also work out and enter in the measurement book the figures for the "contents or area "column. If the measurements are taken in connection with a running contract account on which work has been previously measured.

During audit of the accounts of Assistant Director, LG & RDD North Waziristan for the financial year 2024-25, it was observed that an expenditure of Rs. 16,833,000 was incurred on execution of various developmental schemes of PCC Streets out of provincial ADP as per detail at **Detail at Annexure-27.3**. However Audit observed the following irregularities:

1. Detailed cost estimates / PC-I was not available in record to verify the actual quantity of work to be executed at site.
2. The measurement books were not maintained to authenticate the actual work done on site.

3. Proper handing/taking with any Government Department/ Community was not made for operation and maintenance.
4. Geo tagged pictures of works before and after was not available of the schemes for authentication.
5. Material test were not obtained from C&W material testing laboratory.

The lapse occurred due to weak internal controls, which resulted in to violation of Government rules.

When reported in December, 2025, the management stated that detailed reply would be submitted after consultation of record. No reply was submitted till finalization of this report.

PAO (DC North Waziristan) was requested in December, 2025 to convene DAC Meeting, which could not be held till finalization of this report.

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

AIR Para 04/2024-25

Management of Accounts with commercial banks

27.1.3 Non-utilization/retention of developmental funds - Rs. 19.976 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 grants.

During audit of the accounts of Assistant Director LG & RDD, North Waziristan for the Financial Year 2024-25, it was observed that an amount of Rs.19,976,190 was withdrawn from treasury vide Cheque No. 1983413 dated 24.06.2024 and deposited into the designated bank account No. (BOK 3004529633). The funds were released on account of "Repair & Maintenance of Transformer" however, the amount was neither utilized nor surrendered upto 30.06.2025.

The lapse occurred due to inefficiency of the management of the concerned office, which resulted in non utilization of developmental funds.

When reported in December, 2025, the management stated that detailed reply would be submitted after consultation of record. No reply was submitted till finalization of this report.

PAO (DC North Waziristan) was requested in December 2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends immediate utilization or deposit into government treasury of funds besides action against the person(s) at fault.

AIR Para No. 02/2023-24

B. Others, including cases of accidents, negligence etc.

27.1.4 Irregular withdrawal of funds through DDOs and cash payments from designated bank accounts -Rs 8.764 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 cheque payments."

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 offices of Deputy Commissioners, North Waziristan 2024-25, it was observed that an amount of Rs 8,764,040 was withdrawn from government treasury through DDOs and further paid in cash from designated bank accounts. In most of the cases, Actual Payee's Receipts (APRs) were not available on record to authenticate the payments. Detail as below**.**

Cost Centre	Vendor No.	Name of the payee	Check number	Payment date	Amount paid (Rs.)
MW6002	30481723	DC North Waziristan	950295	08.08.2024	3,578,000
MW6002	30481723	DC North Waziristan	1164261	28.11.2024	680,040
MW6002	30481723	DC North Waziristan	1164272	03.12.2024	2,500,000
MW6002	30481723	DC North Waziristan	1164280	05.12.2024	2,006,000
Total					**8,764,040**

The lapse occurred due to negligence and violation of the rules by the management and District Accounts Offices, resulting into irregular withdrawal of funds from treasury through DDOs.

When pointed out in August 2025, the management replied that the detailed reply would be furnished after scrutiny of record. The replies were not satisfactory as Government rules were violated.

PAOs (DC North Waziristan) was requested in September 2025 with subsequent reminders dated October 2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility besides strengthening of internal controls to avoid such lapses in future. Further APRs of the disbursed amount may be provided to audit for verification.

AIR Para No. 03 (2024-25)

27.2 Tehsil Municipal Administrations, North Waziristan

i. Classified Summary of Audit observations

During the audit year 2024-25, observations amounting to Rs. 40.421 million were raised. Summary of the audit observations classified as under:

Classified Summary of Audit Observations

Sr. No.	Classification	Amount (Rs.in million)
A	Others, including cases of accidents, negligence etc.	40.421
Total		**40.421**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not convened

27.2 AUDIT PARAS

A. Others, including cases of accidents, negligence etc.

27.2.1 Non-recovery of outstanding amount from revenue contractor – Rs.26.127 million, and non recovery of income tax –Rs. 9.146 million

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, the contractor will deposit monthly installment till 5th of each month, if he failed to do so, contract may be cancelled.

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, if the contractor/firm violate 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.

According to Section 236A of the income tax ordinance 2001 there will be income tax @ 10% and 20% of the bid amount on auction of any contract/right of collection.

According to Khyber Pakhtunkhwa Local Govt. Act, 2013 clause 45 (collection and recovery of taxes, etc.) sub-clause (1), 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 TMA Miran Shah for the Financial Year 2024-25, it was observed that an amount of Rs.26,127,756 was outstanding against revenue contractor on 30.06.2025, and income tax amounting to Rs 9,146,263 was not recovered from the contractors. Moreover, neither the contracts were cancelled nor contractors were recommended for blacklisting by the management.

The lapse occurred due to negligence of the management in monitoring and making recovery from contractors, resulting in loss to the Government.

When pointed out in August 2025, the management replied that the amount would be recovered and deposited into treasury. However, no progress was intimated till finalization of this report.

PAOs (TMO Mirianshah) were requested in August 2025 with subsequent reminders dated 25.09.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends immediate recovery of outstanding dues from the defaulting contractor otherwise the contract may be cancelled.

AIR Para No. 02&03/2024-25

27.2.2 Non-collection / non-deposit of rent of Government properties – Rs.5.148 million

According to Rule 45 (i) and (ii) of the District or City District Government Budget Rules 2016 "Failure to pay any tax and other money claimable under this Act shall be an offence 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 TMA Miranhah for the Financial Year 2024-25, it was observed that the management failed to collect or deposit an amount of Rs 5,148,329 on account of rent of shops, Cabins and other Government properties. Detailed as below:

Sr. No.	Name of Market	Total No. of Shops	Outstanding Rent(Rs.)
1	Civil colony Market	34	2,130,375
2	Pakistan Market	90	3,017,954
Total			**5,148,329**

The lapse occurred due to negligence and weak financial management, which resulted in loss to government.

When pointed out in July & August 2025, the management stated that recovery of the outstanding amount of rent of shops and cabins is under process, which would be intimated to audit. No progress was intimated to audit till finalization of this report.

PAOs concerned were requested in August & September 2025 with subsequent reminders to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends depositing the collected amount and recovery of the outstanding rent as per the lease agreement/rules besides inquiry for fixing responsibility.

AIR Para No. 01/2024-25

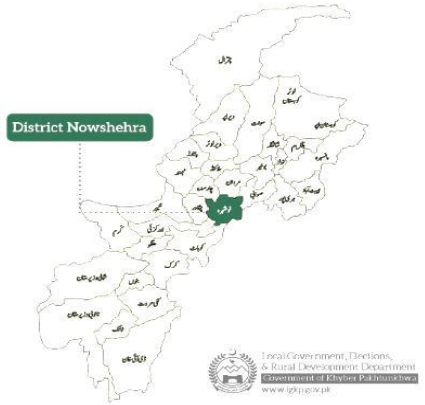
CHAPTER-28

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

i. Classified Summary of Audit observations

Audit observations amounting to Rs 83.507 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
A	Irregularities	-
	Procurement related irregularities	42.479
B	Others, including cases of accidents, negligence etc.	41.028
Total		**83.507**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

S.No.	Audit Year	ZAC/DAC Meeting
1.	2002-03 to 2024-25	Not Convened

28.1 AUDIT PARAS

A. Irregularities

Procurement related irregularities

28.1.1 Irregular expenditure without adopting open competitive bidding and non-maintenance of stock register -Rs. 42.479 million

According to Rule-06 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 Rule 75 (8) a, b & c, Part-XII of the Government 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 with reference to the total amount of orders. All material received should be examined, counted, measured or weighted, quality and quantity be checked and entered into a stock register.

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 and AD LG&RDD Nowshera for the Financial Year 2024-25, it was observed that expenditure of Rs.32,130,872 and Rs. 10,349,072 respectively were incurred under various object heads without following the open competitive bidding, thus compromising transparency and ignoring value for money. Detail is given at **Annexure-28.2 (a&b).**

Audit observed the following:

i. The procurement was carried out by splitting the total expenditure into multiple transactions of Rs. 499,500 each, within the same month and from the same vendors to avoid open competitive bidding.
ii. Purchase was made on the basis of three quotations instead of adopting open competitive bidding to achieve economical rates.
iii. Various items procured were not recorded in Stock Register.
iv. Physical verification certificate of purchase committee ascertaining the quantity and quality of items was not available on record.

The lapse occurred due to willful negligence, which resulted in uneconomical expenditure and loss to the government.

When pointed out in July 2025, the management stated that detailed reply would be furnished shortly after consulting the record. However, no reply was submitted or action taken till finalization of this report.

PAO (DC Nowshera) was requested in July 2025 with subsequent reminders dated 15.09.2025, 06.10.2025 and 13.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter and action against person (s) responsible for making irregular/ uneconomical expenditure and provision of relevant record to audit for verification.

AIR Para No. 09&2/2024-25

B. Others, including cases of accidents, negligence etc.

28.1.2 Irregular withdrawal of funds through DDOs and cash payments - Rs.16.028 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".

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 account of Deputy Commissioner and District Education Officer (Male) Nowshera for the Financial Year 2024-25, it was observed that an amount of Rs. 16,028,016 was withdrawn from the government treasury through DDOs. Detail is given at **Annexure-28.3**. Audit observed the following;

i. The funds were withdrawn through DDO and disbursed in cash.
ii. In some cases, detail of the vendors, purpose of the payments and Actual Payee Receipts in support of the cash payments were not available on record.

The lapse occurred due to violation of the government instructions by the departments, resulting into irregular withdrawal of funds from treasury through DDOs.

When pointed out in July and September 2025, the management did not furnish any reply till finalization of this report.

PAO (DC Nowshera) was requested in July and September 2025 with subsequent reminders dated 15.09.2025, 06.10.2025 and 13.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends stoppage of withdrawal of funds through DDOs immediately and making payments through vendor accounts besides action against the person(s) responsible.

Note: The issue was also reported earlier in the Audit Reports for the Audit Year 2023-24 and 2024-25 vide Paras number 2.4.2.11 and 28.1.3.2.3 having financial impact of Rs 13.767 million and Rs. 20.783 million respectively. Recurrence of same irregularity is a matter of serious concern.

AIR Paras No.02,08/2024-25

28.1.3 Irregular expenditure on account of repair of transformers – Rs.25.00 million

According to S.No. 13 (vii) of Second Schedule of The Khyber Pakhtunkhwa District Government Rules of Business 2015, the functions and responsibility of AD LG&RDD is "rural development works including water supply, rural access roads, embankment and drainage works".

As per Chapter 2 clause 2.6 Note No. xiii of consumer service manual-January 2021 issued by NEPRA via Letter No. NEPRA/DG(CAD)/TCD-10/1883-35 date 13th January 2021, In case of Housing Society/ Scheme/ Colony/ Multistory Building/ Commercial Plaza/high Rise Building once DISCO (PESCO) takes over the distribution system for individual metering and billing, the responsibility of maintenance, repair, replacement of the said system or up gradation/reinforcement thereof shall rest with DISCO (PESCO).

According to S.No. 13.1 of the Government of Khyber Pakhtunkhwa Planning & Development Guidelines (2015) for devolved tiers of Local Governments under LGA, 2013, all works—except petty works and repairs—require a properly detailed estimate and Technical Sanction from the competent authority. Such sanction must be issued by authorized officials within one month of PC-I approval and shall not exceed the administrative approval cost; otherwise, the project must be revised and resubmitted.

According to the Local Government, Elections and Rural Development Department letter No. AO (Planning)/LCB/2-1/General file/2019 dated 02.05.2019 mandated that the location coordinates of each scheme be maintained in record to ensure verification and prevent duplication.

The Director General LG&RDD KP, through letter No. Director (LG)3-18/ADP/7555-57 dated 13.06.2024, directed that cost estimates be prepared on prevailing MRS rates with proper market rate analysis for non-scheduled items.

During audit of the accounts of Assistant Director LG&RDD, Nowshera for the Financial Year 2024-25, it was observed that an expenditure of Rs 25.00 million was incurred on repair of transformers in different VCs in the district. Audit observed the following irregularities:

i. Repair of transformers was carried out by AD LG&RDD in different constituencies, whereas it was the responsibility of PESCO. The repair of transformers was required to be outsourced through PESCO pre-qualified/approved workshop which was not done**.**
ii. Technical sanction was accorded by the Civil Engineer for which he was not competent. The sanction was required to be obtained from the Electrical engineer having experience/specialty in the relevant field.
iii. The inspection report by PESCO, along with transformer details—such as make, serial number, purchase order number, date and year of manufacturing, location, capacity, and nature of fault—was not maintained as required.
iv. The repaired transformers were not checked by the Committee including representative of PESCO, & Tehsil member concerned and representative of the owner of workshop.
v. Demand from the community and Site/ specific location where repair was carried out was also not available on record.

The lapse occurred due to weak internal controls and non-adherence to government instructions which resulted in irregular expenditure.

When pointed out in September 2025, the management stated that reply would be submitted after scrutiny of record. However, no reply was furnished till finalization of this report.

PAO (Deputy Commissioner Nowshera) was requested in September 2025 with a subsequent reminder dated 13.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing responsibility against the person(s) at fault.

AIR Para 8/2024-25

28.2 Tehsil Municipal Administrations, Nowshera

i. Classified Summary of Audit Observations

Audit observations amounting to Rs 69.832 million were raised as a result of this audit. This amount also includes recoverable of Rs 37.741 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
A	Irregularities	-
	HR/Employees related irregularities	19.045
	Management of Accounts with Commercial Bank	15.406
B	Others, including cases of accidents, negligence etc.	35.380
Total		**69.832**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

28.2 AUDIT PARAS

A. Irregularities

HR/Employees related Irregularities

28.2.1 Irregular expenditure on account of hiring of daily wage staff – Rs.19.045 million

According to Para e of the Government of Khyber Pakhtunkhwa, Finance Department letter NO. BO-I/FD/5-8/2024-25/Austerity Measures dated 03.07.2024, the contingent paid staff shall be engaged during the course of Financial Year 2024-25 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/ vendor concerned) instead of payment through DDOs/ cash basis.

During audit of the accounts of Tehsil Municipal Administrations Pabbi and Jehangira (District Nowshera) for the Financial Year 2024-25, it was observed that a large number of daily wage/contingent paid staff was hired by the local offices and an expenditure of Rs. 19,044,835 was incurred on account of their wages as per detail given below:

Name of TMA	Amount (Rs)
TMA Jehangira	17,324,920
TMA Pabbi	1,719,915
Total	**19,044,835**

Audit observed the following irregularities:

i. Appointments were made without obtaining prior approval from the Finance Department Government of KP.
ii. Furthermore, it was observed that the management withdrew funds through the Drawing and Disbursing Officer, instead of making direct payments.
iii. No selection criterion was followed for appointment of the staff.
iv. Need of appointment of the contingent paid staff was not ascertained.

The lapse occurred due to non-compliance of rules, which resulted in irregular expenditure

When pointed out in August 2025, the management did not furnish any reply till finalization of this report.

PAOs (TMOs) concerned were requested in August 2025 with a subsequent reminder dated 13.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing of responsibility against persons at fault besides termination of the staff hired without approval of the competent forum.

Note: The issue was also reported earlier in the Audit Report 2023-24 & 2024-25 vide Para No. 3.4.2.9 & 28.2.3.2.2 having financial impact of Rs 16.631 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 11 & 03/2024-25

Management of Accounts with Commercial Banks

28.2.2 Irregular cash payments from designated bank account – Rs.15.406 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 cheques to employees/vendor concerned.

According to Finance Department Letter No: BO(W&M)/6-5/2019-20 dated 19/02/2020 which 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, Jehangira in District Nowshera for the Financial Year 2024-25, it was observed that an amount of Rs 15,406,302 was withdrawn from designated bank account maintained at BOK Nowshera Branch bearing account No. 2007537355 and payments were made in cash instead of issuing crossed cheques to the vendors. Moreover, actual payee receipts and detail of disbursement was also not available

on record, therefore, veracity of the expenditure could not be verified. Detail is given at **Annexure-28.4.**

The lapse occurred due to non-compliance with government rules and instructions, resulting in un-authentic cash payments from designated bank account.

When pointed out in August 2025, management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply was received till finalization of this report.

PAO (TMO) was requested in August 2025 with a subsequent reminder dated 13.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault and strengthening of internal controls to avoid such lapses in future besides provision of relevant record in support of payments to audit for verification.

Note: The issue was also reported earlier in the Audit Reports 2023-24& 2024-25 vide Para No. 3.4.1.4 and Para No. 28.2.3.2.2 having financial impact of Rs.14.176 million. Recurrence of same irregularity is a matter of serious concern.

AIR Paras No. 6/2024-25

C. Others, including cases of accidents, negligence etc.

28.2.3 Non-recovery of outstanding amount from revenue contractors– Rs.35.381 million

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, if the contractor/firm violate 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.

According to Section 236A of the income tax ordinance 2001, there will be income tax @ 10% and 20% of the bid amount on auction of any contract/right of collection.

According to Khyber Pakhtunkhwa Local Govt. Act, 2013 clause 45 (collection and recovery of taxes, etc.) sub-clause (1), 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 (district Nowshera) for the Financial Year 2024-25, it was observed that contracts of receipts were awarded to various contractors. However, an amount of Rs. 30,230,052 was not recovered from them as per detail at **Annexure-28.5 (a,b,c&d)**. In addition to this, income tax amounting to Rs. 5,151,826 was also not recovered from the contractors till the date of audit i.e August, 2025. Furthermore, neither their contracts were cancelled nor contractors were recommended for blacklisting by the management. Detail is given below:

Name of TMA	Particular	Outstanding Contractual Amount (Rs)	Income Tax (Rs)	Total Outstanding (Rs)
TMA Nowshera	Sign Board	-	1,380,000	1,380,000
TMA Nowshera	Various contracts	4,768,360	-	4,768,360
TMA Jehangira	Various contracts	-	2,425,640	2,425,640
TMA Jehangira	Various contracts	17,900,000	-	17,900,000
TMA Pabbi	Various contracts	-	1,346,186	1,346,186
TMA Pabbi	Various contracts	7,561,692	-	7,561,692
	Total	**30,230,052**	**5,151,826**	**35,381,878**

The lapse occurred due to negligence and weak administrative controls resulting in loss to the Government.

When pointed out in August 2025, the management stated that detailed reply would be submitted after consulting the original record. However, no reply was submitted or action taken till finalization of this report.

PAOs (TMOs) concerned were requested in August 2025 with a subsequent reminder dated 13.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends immediate recovery of outstanding dues from the defaulting contractors otherwise the contract may be cancelled.

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 & 28.02.3.2.1. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 02,03,01,05,06,/2024-25

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

i. Classified Summary of Audit Observations

Audit observations amounting to Rs 5.946 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
A	Others, including cases of accidents, negligence etc.	5.946
	Total	**5.946**

ii. 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 2024-25	Not convened

29.1 AUDIT PARAS

A. Others, including cases of accidents, negligence etc.

29.1.1 Non-defrayment of 7% income tax-Rs.5.946 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.

Assistant Director LG&RDD Orakzai executed developmental projects of Rs.44,009,401 in previously tax exempted area of FATA (now merged District Orakzai) under ADP No. 2098, ADP No 210579 and ADP No. 4080 during the financial year 2024-25. 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 3,323,180 was recovered from the contractors on account of withholding tax. **Detail at Annexure-29.2.**

The lapse occurred due to non-compliance of rules which resulted in loss to government.

When pointed out in December, 2025 Management stated that the requirements have almost been completed and will be produced to audit. However no evidence in support of the reply was produced to audit.

PAO (DC Orakzai) was requested in December 2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends recovery of the income tax from the contractors under intimation to audit.

AIR No 7 (2024-25)

29.2 Tehsil Municipal Administrations, Orakzai

i. Classified Summary of Audit Observations

Audit observations amounting to Rs 8.876 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
A	Irregularities	-
	HR/Employees related irregularities	5.712
	Management of Accounts with Commercial Banks	3.164
Total		**8.876**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not convened

29.2 AUDIT PARAS

A. Irregularities

HR/Employees related irregularities

29.2.1 Irregular expenditure on account of hiring of daily wages staff – Rs.5.712 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."

According to S.No. 6 of the Government of Khyber Pakhtunkhwa Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures, dated 03.07.2024, "contingent paid staff shall be engaged during the course of financial year 2024-25 only after approval of the Finance Department".

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."

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/ vendor concerned) instead of payment through DDOs/cash basis.

During audit of the accounts of Tehsil Municipal Administration Upper Orakzai for the financial year 2024-25, it was observed that daily wages/contingent paid staff was hired by the local office and an expenditure of Rs. 5,712,000 was incurred on account of payment of wages.

Audit observed the following irregularities:

i. Payment of Rs 5,712,000 was made by TMA on hiring of staff exceeding the prescribed limit of ten (10) percent of own source income of TMA as required under the above rule. The detail is given below:

Expenditure on Daily wage employees (Rs)	Total own source income	10% of own source income	Excess payment (Rs)
5,712,000	0	0	5,712,000

ii. Appointments were made without obtaining prior approval from the Finance Department Government of KP.

iii. No selection criterion was followed for appointment of these staff.

iv. Need of appointment of the contingent paid staff was not ascertained.

v. Payment of Rs.13,716,595 was made by TMA on hiring of staff exceeding the prescribed limit of ten (10) percent of own source income of TMA as required under the above rule.

vi. The amount was paid in cash, while muster roll/ actual payee's receipts were not available on record.

The lapse occurred due to non-compliance of rules, which resulted in irregular expenditure.

When pointed out in July & August 2025, the management replied that daily wages staff was hired due to non-availability of permanent staff to carry out the sanitation and official work in the best public interest. Moreover, detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAO concerned was requested in August & September, 2025 with subsequent reminders in October, 2025 to convene DAC meetings, which could not be held till finalization of this report.

Audit recommends that the matter may be probed expenditure and inquiry may be conducted for fixing responsibility against the person(s) at fault.

AIR Para No. 01/2024-25

Management of Accounts with Commercial Banks

29.2.2 Irregular cash payments from designated bank account –Rs.3.164 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 cheque payments."

During Audit of the accounts of Tehsil Municipal Administration Upper Orakzai in Local Governments of Khyber Pakhtunkhwa for the Financial Year 2024-25, it was observed that an amount of Rs.3,164343 was withdrawn from designated bank accounts and paid in cash instead of issuing crossed cheques to the vendors. Moreover, Actual Payee's Receipts (APRs) were not available on record to authenticate the payments. **Detail at Annexure-29.3.**

The lapse occurred due to negligence and violation of the rules by the management, resulting into irregular withdrawal of funds from bank accounts.

When pointed out in July, August & September 2025, the management of the TMA Upper Orakzai stated that detailed reply would be submitted later on whereas the management of some TMAs replied that most of the vendors have no bank accounts, therefore, open cheques were given or paid in cash. Replies of the management were not satisfactory as Government rules were violated.

PAO (TMO Upper Orakzai) requested in July, August & September 2025, with subsequent reminders in September & October to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry in the matter and action against the person(s) at fault besides stoppage of cash withdrawal and strengthening internal controls to ensure compliance with relevant rules/instructions.

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

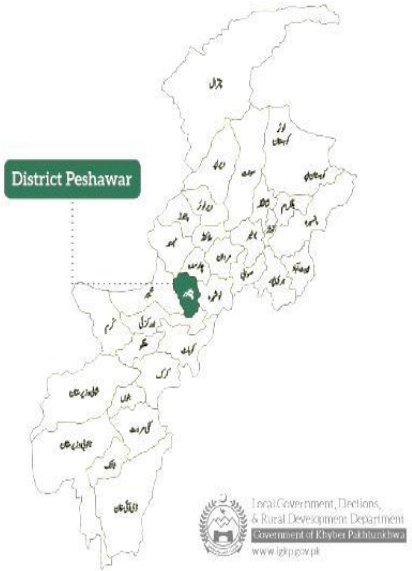
Languages: Pashto, Hindko

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

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 550.491 million were raised as a result of this audit. This amount also includes recoverable of Rs. 9.868 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
A	Irregularities	-
	Procurement related irregularities	113.709
	Management of Accounts with Commercial Bank	20.966
B	Others, including cases of accidents, negligence etc.	415.816
Total		**550.491**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

S.No.	Audit Year	ZAC/DAC Meeting
1.	2002-03 to 2024-25	Not Convened

30.1 AUDIT PARAS

A. Irregularities

Procurement related irregularities

30.1.1 Irregular expenditure without adopting open competitive bidding and non-maintenance of stock register -Rs. 113.709 million

According to Rule-06 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 Rule 75 (8) a, b & c, Part-XII of the Government 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 with reference to the total amount of orders. All material received should be examined, counted, measured or weighted, quality and quantity be checked and entered into a stock register.

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, Peshawar for the Financial Year 2024-25, it was observed that expenditure of Rs.113,708,655 was incurred under various object heads without following the open competitive bidding, thus compromising transparency and ignoring value for money as per detail at **Annexure-30-2**. Audit observed;

1. The procurement was carried out by splitting the total expenditure into multiple transactions to avoid open competitive bidding.

2. The items were not recorded in the stock register.
3. Inspection committee was not constituted.
4. Physical verification certificate of purchase committee ascertaining the quantity and quality of items was not available on record.

The lapse occurred due to violation of the government rules, resulting into irregular and un-economical expenditure.

When pointed out in July 2025, the management replied that detailed reply will be furnished after consulting the original record, however, no reply was furnished till finalization of the report.

PAO (DC Peshawar) was requested in July 2025 with subsequent reminders to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter and action against person (s) responsible for making irregular/ uneconomical expenditure.

AIR Para No. 15/2024-25

Management of Accounts with Commercial Banks

30.1.2 Irregular withdrawal of funds from designated bank accounts in cash-Rs.20.966 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".

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, Peshawar for financial year 2024-25, it was observed that an amount of Rs. 20,966,154 was withdrawn from the designated bank accounts by various sub-office of the local office in cash instead of payment through cross cheques. Moreover, detail of the payee, purpose of the payments and Actual Payee Receipts (APRs) in support of

the payments were not available on record to verify these payments. Detail at **Annexure-30.3.**

The lapse occurred due to negligence and violation of the rules by the management, resulting into irregular withdrawal of funds from bank accounts.

When pointed out in July 2025, the 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 2025 with subsequent reminders to convene DAC meeting which could not be held till finalization of this report.

Audit recommends provision of relevant record to Audit for verification and strengthening of internal controls to avoid such lapses in future.

(AIR Para No. 21 /2024-25)

B. Others, including cases of accidents, negligence etc.

30.1.3 Loss on account of 15 % Compulsory Acquisition Charges – Rs.7.468 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, Peshawar for the Financial Year 2024-25, it was observed that Rs. 7,468,016 were collected as 15% compulsory acquisition charges for further payment to various land owners on acquisition of land by Different departments/ authorities. 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	Award	Cost of land	15% CAC (Rs)
1.	Gate towards Ring Road Mouza Landi Yarghajoi adjacent to Small Industrial Estate	2,683,475	402,521
2.	Land for Estab. Of Directorate of Tourist Services Complex at Mouza Sardar Ghari	44,620,822	6,693,123
3.	Widening of Road for the proposed new ASF Camp Mouza Noudeh Payan	2,482,479	372,372
Total		**49,786,776**	**7,468,016**

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

When pointed out in July 2025, the 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 Peshawar) was requested in July 2025 with subsequent reminders to convene DAC meeting, which could not be held 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. 20/2024-25

30.1.4 Irregular withdrawal of funds through DDO-Rs. 5.966 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 issuance of payment through direct bank transfer and cheques".

During audit of the accounts of the Deputy Commissioner, Peshawar for the financial year 2024-25, it was observed that an amount of Rs. 5,965,932 was withdrawn from the government treasury through DDO and deposited in the designated bank account. Payment was made in cash instead of direct payments to the concerned vendors/ employees through cross cheques. Moreover, details of the payee and Actual Payee Receipts (APRs) in support of the payments were not available on record to verify these payments. Detail at **Annexure-30.4**.

The lapse occurred due to violation of the government instructions by the departments, resulting into irregular withdrawal of funds from treasury through DDOs.

When pointed out in July 2025, the 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 Peshawar) was requested in July 2025 with subsequent reminders to convene DAC meeting which could not be held till finalization of this report.

Audit recommends stoppage of withdrawal of funds through DDOs immediately and making payments through vendor accounts in future.

AIR Paras No.06/2024-25

30.1.5 Un-athentic release of contractor's securities-Rs. 269.982 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 Assistant Director LG & RDD, Peshawar for the Financial Year 2024-25, it was observed that an amount of Rs. 269,982,122 was released on account of 2% CDR and additional security to various contractors as per bank statement maintained for the purpose in BOK Charsadda Road Branch bearing account No. 3005128462**.** However, Commencement of work, deduction of security amount, name of work, Satisfactory Completion Certificates, deduction record of the amount concerned and security register showing balances at the credit of the contractors concerned were not available on record. In the absence of above-mentioned record audit could not authenticate and verify the payments.

The lapse occurred due to weak internal and administrative controls which resulted in unverified release of securities.

When pointed out in September 2025, the 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 Peshawar) was requested in October 2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends fact finding inquiry in the matter besides provision of verified reconciliation statement from AG KP to authenticate the transactions.

AIR Para No. 05/2024-25

30.1.6 Irregular expenditure on Repair of Transformers – Rs.130.00 million

According to S.No. 13 (vii) of Second Schedule of The Khyber Pakhtunkhwa District Government Rules of Business 2015, the functions and responsibility of AD LG&RDD is "rural development works including water supply, rural access roads, embankment and drainage works".

As per Chapter 2 clause 2.6 Note No. xiii of consumer service manual-January 2021 issued by NEPRA via Letter No. NEPRA/DG(CAD)/TCD-10/1883-35 date 13th January 2021, In case of Housing Society/ Scheme/ Colony/ Multistory Building/ Commercial Plaza/high Rise Building once DISCO (PESCO) takes over the distribution system for individual metering and billing, the responsibility of maintenance, repair, replacement of the said system or up gradation/reinforcement thereof shall rest with DISCO (PESCO).

According to the Local Government, Elections and Rural Development Department letter No. AO (Planning)/LCB/2-1/General file/2019 dated 02.05.2019 mandated that the location coordinates of each scheme be maintained in record to ensure verification and prevent duplication.

During audit of the accounts of Assistant Director, Local Government & Rural Development Department, Peshawar for the financial year 2024-25, it was observed that an expenditure of Rs 130,000,000 was incurred on repair of transformers. Audit observed the following irregularities:

i. Repair of transformers was carried out by AD LG&RDD in different constituencies, whereas it was the responsibility of PESCO. The repair of transformers was required to be outsourced through PESCO pre-qualified/approved workshop which was not done**.**
ii. Technical sanction was accorded by the Civil Engineer for which he was not competent. The sanction was required to be obtained from the Electrical engineer having experience/specialty in the relevant field.
iii. The inspection report by PESCO, along with transformer details—such as make, serial number, purchase order number, date and year of manufacturing, location, capacity, and nature of fault—was not maintained as required.
iv. The repaired transformers were not checked by the Committee including representative of PESCO, & Tehsil member concerned and representative of the owner of workshop.
v. Demand from the community and Site/ specific location where repair was carried out was also not available on record.

The lapse occurred due to weak internal controls and non-adherence to government instructions which resulted in irregular expenditure.

When pointed out in September 2025, the management replied that

detailed reply would be submitted after scrutiny of relevant record. However, no reply was received till finalization of this report.

PAO (DC Peshawar) was requested in October 2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing responsibility against the person(s) at fault.

AIR Para No. 02/2024-25

30.1.7 Loss to Government due to theft of Solar Systems – Rs 2.400 million

According to Clause-41 of Khyber Pakhtunkhwa Local Government Act, 2013 (Amended 2022), every official or servant of a Local Government 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.

During audit of the accounts of District Education Officer (Male), Peshawar for the Financial Year 2024-25, it was observed that eight (08) solar systems and electric items valuing Rs 2,400,000 installed in various schools were stolen. Neither responsibility was fixed against the person(s) responsible nor the solar systems or their cost were recovered till the date of audit i.e. December 2025 despite conducting inquiry in the matter. FIRs in only a few cases were lodged and in case of others no serious efforts were made. **Details are given at annexure-30.5**.

The lapse occurred due to weak internal controls which resulted in loss to the Government.

When pointed out in December 2025, 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 (DC Peshawar) was requested in January 2026 with subsequent reminders to convene DAC meetings, which could not be held till finalization of this report.

Audit recommends to conduct detailed inquiry in the matter for fixing responsibility against the person(s) at fault, lodging of FIR besides recovery of the cost of stolen solar systems.

AIR Para No.03/2024-25

30.2 Tehsil Municipal Administrations, Peshawar

i. Classified Summary of Audit observations

Audit observations amounting to Rs. 201.323 million were raised as a result of this audit. This amount also includes recoveries of Rs. 63.905 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
A	Irregularities	-
	HR/Employees related irregularities	45.121
	Management of Accounts with Commercial Banks	3.525
B	Others, including cases of accidents, negligence etc.	152.677
Total		**201.323**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

30.2 AUDIT PARAS

A. Irregularities

HR/Employees related irregularities

30.2.1 Irregular expenditure on account of hiring of daily wage staff – Rs.45.121 million

According to S.No. 6 of the Government of Khyber Pakhtunkhwa Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures, dated 03.07.2024, "contingent paid staff shall be engaged during the course of financial year 2024-25 only after approval of the Finance Department".

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/ vendor concerned) instead of payment through DDOs/cash basis.

During audit of the accounts of DG Capital Metropolitan Government, Peshawar, Tehsil Municipal Administrations Badbher and Pishtakhara in District Peshawar for the financial year 2024-25, it was observed that a large number of daily wage/ contingent paid staff was hired by the local offices and an expenditure of Rs.45,120,858 was incurred on account of payment of wages. Detail is given below:

Name of TMA	Expenditure (Rs in million)
CMGP	39.740
TMA Badbher	1.728
TMA Pishtakhara	3.653
Total	**45.121**

Audit observed the following irregularities:

i. Appointments were made without obtaining prior approval from the Finance Department, Government of KP.
ii. No selection criterion was followed for appointment of the staff.
iii. Need of appointment of the contingent paid staff was not ascertained.
iv. The amount was paid in cash, while muster roll/ actual payee's receipts were not available on record.

The lapse occurred due to non-compliance of rules, which resulted in irregular expenditure.

When pointed out in August & December 2025, the management stated that detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAOs concerned were requested in August& December 2025 with subsequent reminders to convene DAC meetings, which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing of responsibility against persons at fault besides termination of the staff hired without approval of the competent forum.

AIR Paras No. 02,10&6 (2024-25)

Management of Accounts with Commercial Banks

30.2.2 Irregular cash payments from designated bank account - Rs 3.525 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 cheques to employees/vendor concerned.

According to Finance Department Letter No: BO(W&M)/6-5/2019-20 dated 19/02/2020 which 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, Pishtakhara & Badbher in district Peshawar, for the Financial Year 2024-25, it was observed that an amount of Rs 3,525,407 was withdrawn from designated bank accounts and payments were 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 expenditure could not be verified. Detail is given below:

Name of TMA	Amount (Rs)	Further Detail
TMA Badhber	1,021,649	**Annexure-30.6(a)**
TMA Pishtakhara	2,503,758	**Annexure-30.6(b)**
Total	**3,525,407**	

The lapse occurred due to weak internal controls, resulting in un-verified cash withdrawal from designated bank accounts.

When pointed out in August 2025, the 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 August 2025 with subsequent reminders to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against the person(s) at fault and strengthening of internal controls to avoid such lapses in future besides provision of relevant record in support of payments to audit for verification.

AIR Paras No. 03-TMA Pishtakhara, 14-TMA Badbher (2024-25)

B. Others, including cases of accidents, negligence etc.

30.2.3 Non-recovery of outstanding amount from revenue contractors– Rs.10.505 million and non-recovery of income tax –Rs. 14.148 million

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, if the contractor/firm violate 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.

According to Section 236A of the income tax ordinance 2001, there will be income tax @ 10% and 20% of the bid amount on auction of any contract/right of collection.

According to Khyber Pakhtunkhwa Local Govt. Act, 2013 clause 45 (collection and recovery of taxes, etc.) sub-clause (1), 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, Shah Alam, Badbher, Mathra, Pishtakhara and CMGP in district Peshawar for the Financial Year 2024-25, it was observed that an amount of Rs.10,505,123 was outstanding against various revenue contractors as on 30.06.2025. In addition, income tax amounting to Rs 14,147,608 was also not recovered from the contractors. Furthermore, neither their contracts were cancelled nor contractors were recommended for blacklisting by the management. Detail is given below:

Name of Office	Particular	Outstanding contractual Amount (Rs)	Income Tax (Rs)	Total outstanding (Rs)
TMA Shah Alam	Various contracts	6,400,603	0	6,400,603
TMA Shah Alam	Various contracts	0	1,216,309	1,216,309
TMA Pishtakhara	Sign Board	0	825,778	825,778
TMA Mathra	Sign Board	744,985	635,990	1,380,975
TMA Badbher	Various contracts	726,835	0	726,835
CMGP	Advertisement Fee	2,136,432	1,853,593	**3,990,025**
CMGP	Marriage Hall Asia Park	496,268	138,227	**634,495**
CMGP	Contract of receipts from Kohat Bus Stand	-	9,477,711	9,477,711
Total		**10,505,123**	**14,147,608**	**24,652,731**

The lapse occurred due to negligence and weak administrative controls resulting in loss to the Government.

When pointed out in August and December 2025, the management stated that detailed reply would be submitted after consulting the original record. However, no reply was submitted or action taken till finalization of this report.

PAOs concerned were requested in August 2025and January 2026 with subsequent reminders to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends immediate recovery of outstanding dues from the defaulting contractors otherwise the contract may be cancelled.

AIR Para No. 01,05 (TMA Shah Alam), 01(TMA Pishtakhara), 01(TMA Badbher) 01(TMA Mathra) 01&05(CMGP)/2024-25

30.2.4 Irregular expenditure on Repair of Transformers – Rs.28.492 million

According to S.No. 13 (vii) of Second Schedule of The Khyber Pakhtunkhwa District Government Rules of Business 2015, the functions and responsibility of AD LG&RDD is "rural development works including water supply, rural access roads, embankment and drainage works".

As per Chapter 2 clause 2.6 Note No. xiii of consumer service manual-January 2021 issued by NEPRA via Letter No. NEPRA/DG(CAD)/TCD-10/1883-35 date 13th January 2021, In case of Housing Society/ Scheme/ Colony/ Multistory Building/ Commercial Plaza/high Rise Building once DISCO (PESCO) takes over the distribution system for individual metering and billing, the responsibility of maintenance, repair, replacement of the said system or up gradation/reinforcement thereof shall rest with DISCO (PESCO).

According to the Local Government, Elections and Rural Development Department letter No. AO (Planning)/LCB/2-1/General file/2019 dated 02.05.2019, the location coordinates of each scheme be maintained in record to ensure verification and prevent duplication.

During audit of the accounts of DG Capital Metropolitan Government Peshawar for the financial year 2024-25, it was observed that an expenditure of Rs 28,491,594 was incurred on repair of transformers at UC Palosi, Pawaka, Tehkal Payan-I&II, Regi etc. Audit observed the following irregularities:

i. Repair of transformers was carried out by CMGP, whereas it was the responsibility of PESCO. The repair of transformers was required to be outsourced through PESCO pre-qualified/approved workshop which was not done**.**
ii. Technical sanction was accorded by the Civil Engineer for which he was not competent. The sanction was required to be obtained from the Electrical engineer having experience/specialty in the relevant field.
iii. The inspection report by PESCO, along with transformer details—such as make, serial number, purchase order number, date and year of manufacturing, location, capacity, and nature of fault—was not maintained as required.
iv. The repaired transformers were not checked by the Committee including representative of PESCO, & Tehsil member concerned and representative of the owner of workshop.
v. Demand from the community and Site/ specific location where repair was carried out was also not available on record.

The lapse occurred due to weak internal controls and non-adherence to government instructions which resulted in irregular expenditure.

When pointed out in December 2025, the management replied that detailed reply would be submitted after scrutiny of relevant record. However, no reply was received till finalization of this report.

PAO (DG CMGP) was requested in January 2026to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing responsibility against the person(s) at fault.

AIR Para No. 06/2024-25

30.2.5 Non-collection of rent of shops–Rs. 32.554 million

According to Rule 45 (i) and (ii) of the District or City District Government Budget Rules 2016 “Failure to pay any tax and other money claimable under this Act shall be an offence 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 Director General, CMGP for the Financial Year 2024-25, it was observed that the local office failed to collect an amount of Rs 32,554,783 on account of rent of shops outstanding against the tenants. Detail at **Annexure-30.7**.

The lapse occurred due to negligence and weak financial management, which resulted in loss to government.

When pointed out in December 2025, the management stated that detailed reply would be furnished after scrutiny of record. However, no reply was furnished till finalization of this report.

PAO (DG CMGP) was requested in January 2026 with subsequent reminders to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends recovery of the outstanding rent besides inquiry for fixing responsibility.

AIR Para No. 08/2024-25

30.2.6 Irregular award of contract worth Rs 66.978 million

According to Government of Khyber Pakhtunkhwa LGE & RDD (LCB) Notification No.AOII/LCB/6-11/2022 dated 12.04.2022, the process for the auction of revenue contracts shall be started from 1st April, 2022 for a period of three (3) consecutive financial years i.e. 2022-23, 2023-24 and 2024-25 by all local councils in Khyber Pakhtunkhwa via open advertisement through Information Department.

During audit of the accounts of Director General, Capital Metropolitan Government, Peshawar for the Financial Year 2024-25, it was observed that the contract of receipts of Charsadda Bus Terminal was awarded to a contractor M/S Khaista Rehman at a bid cost of Rs 66,978,000 without adopting the process of open competitive bidding. No agreement was executed with the contractor, thus compromising transparency, healthy competition and interest of the government. Detail at **Annexure-30.8**.

The lapse occurred due to violation of KPPRA rules which resulted in irregular award of contract and loss to Government as well.

When pointed out in December 2025, the management stated that detailed reply would be submitted after scrutiny of record. However, no reply was submitted till finalization of this report.

PAO (DG CMGP) was requested in January 2026 with subsequent reminders to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against the person(s).

AIR Para No. 07/2024-25

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

i. Classified Summary of Audit observations

Audit observations amounting to Rs. 20.753 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
A	Irregularities	-
	Procurement related irregularities	18.520
Total		**18.520**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

S.No.	Audit Year	ZAC/DAC Meeting
1.	2002-03 to 2024-25	Not Convened

31.1 AUDIT PARAS

A. Irregularities

Procurement related Irregularities

31.1.1 Irregular expenditure on account of purchase of schools bags - Rs.18.520 million

According to rule 18 C(V)(d) of the Khyber Pakhtunkhwa Public Procurement Regularity Authority 2014, there may be more than one variation orders as long as the total value of all the variation orders remains within 15 percent of the original contract.

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 grants.

According to Directorate of Elementary & Secondary Education Khyber Pakhtunkhwa Letter No. 565-621 Dated: 30.04.2025 addressed to all DEOs (M&F), to float tender notice for the procurement of school bags for boys in primary schools at District level.

During audit of accounts of the District Education Officer (Male), Shangla for the financial year 2024-25, it was observed that an expenditure amounting to Rs. 18,520,000 was incurred on account of purchase of School Bags and payment was made to the Contractor "M/S. Raza Traders & Manufacturer, Chakdara" vide cheque # 1488004 dated 27.06.2025. Following irregularities were noticed;

i. Report of the inspection committee mentioning whether quantity of the items received was complete and quality of the received items was good as per approved specifications was not available on record.

ii. School bags were neither taken on stock register nor any proof regarding issuance was available on record.

The lapse occurred due to weak administrative and financial controls, resulting in irregular expenditure.

When pointed out in August 2025, the management replied that the needful will be done and progress will be shown in to audit in the DAC meeting.

DAC meeting was held on 23.12.2025 wherein the matter was discussed in detail. The management of the DEO (Male) Shangla produced inspection committee report, stock entries and supply completion report. However, detailed record of distribution among the students and report of District Purchase Committee was not provided. The DAC forum decided that the office concerned may provide complete relevant record to audit for detailed verification within one month and till such verification the para would stand. No record was provided till finalization of this report.

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

AIR Para No. 05/2024-25

31.2 Tehsil Municipal Administrations, Shangla

i. Classified Summary of Audit Observations.

Audit observations amounting to Rs. 16.228 million were raised as a result of this audit. This amount also includes recoverable of Rs 1.066 million as pointed out by audit Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
A	Reported cases of fraud, embezzlement and misappropriation	1.438
B	Irregularities	-
	HR/Employees related irregularities	8.910
	Management of Account with Commercial Banks	5.88
	Total	**16.228**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

31.2 AUDIT PARAS

A. Reported cases of fraud, embezzlement and misappropriation

31.2.1 Fraudulent payment without execution of works - Rs 1.438 million

According to Para 4.9.4.1 of APPM that the Sub-Engineer shall measure all work done by the contractor and ensure that it is as per contract with the contractor and in accordance with the schedule of rates and According to Para 4.9.4.7 of the APPM that the Sub-Divisional Officer shall check the bill against the Measurement Book and approve the bill. The officer shall ensure that the work has been performed.

According to Para-94 of CPWD Code that every officer or subordinate in charge of a work carried out under contract should furnish to the Divisional Officer at the beginning of each month a progress report of the measurements, and calculations of the quantities of work paid for during the previous month. It is the duty of the officer in charge to bring to notice any dilatoriness, bad work, or anything militating against the interest of Government, on the part of the contractor; and he will be responsible for any neglect in this respect.

During audit of the accounts of TMA Chakisar Shangla for the financial year 2024-25, it was observed that an amount of Rs 1,437,779 was paid to the contractors for execution of two developmental schemes. However, as evident from the record i.e. the public complaints, notices to the contractors and progress report for June 2025, the schemes were not executed as detailed below:

S#	Name of scheme	Name of contractor	MB and Page No.	Cheque No & date	Amount paid (Rs)	Remarks Evidence of Remarks in hard
1	Widening of PCC Ali Jan Kapari Road under PFC File No.6/30	M/s Sohrab Sons	MB No.5 page 10-12	A0340387 dt. 28.02.2022	605,633	No work started as per notice to contractor vide letter No.166-168 dt. 11.10.2024
2	Work No. 10 PFC/PCC Road Mangri	M/s Fawad Ali	MB No.6 page 51-52	A050020 dt. 25.06.2025	832,146	Work not yet started as per Progress Report for 06/2025.
Total payment					**1,437,779**	

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

When pointed out in August 2025, the management stated that the schemes were completed by the contractors, actual measurements were made in Measurement Book and payment was made as per work done after the adjustment of running bills. Reply was not cogent as during physical verification of the schemes in compliance with the directives of the Director General Audit, Local Government, Khyber Pakhtunkhwa, vide letter No. F-01/AR Section/Regularity Audit Report/2025-26/2476-79 dated 17-12-2025, the management admitted the irregularity in case of S.No.1 and reflected recovery of Rs. 653,633 from the contractor's security, 25% fixing charges, and bank securities/CDRs lying in the name of the contractor against various other developmental schemes as detailed below. However, the recovered amount was retained in designated bank account instead of depositing into government treasury.

S. No	Particular of scheme	Name of contractor	8% security	25% Fixing charges	Bank security	Total
1	PKG#09/74 WSS masjid at Katkor	M/S Sohrab sons	31,395	98,109	12,285	141,789
2	PKG#10/74 WSS Bandai, Derai, Tangai	-do-	31,395	98,109	85,000	214,504
3	PKG#13/30 WSS Muhammad NabiKoronaGumrash	-do-	35,804	100,196	-	136,000
4	PKG#14/74 WSS Manga	-do-	39,113	122,227	-	161,340
		Total	**137,707**	**418,641**	**97,285**	**653,633**

Moreover, during physical verification of scheme at S.No.2, deviations from the approved specifications were observed in the scheme. The thickness of stone soling was measured at only 5–6 inches instead of the approved 12 inches. Similarly, the thickness of PCC concrete was found to be approximately 4 inches, as against the approved design and estimate specifying a thickness of 6 inches, constituting a major violation of the sanctioned specifications which resulted in an overpayment of Rs 412,390 as detailed below:

Paid quantity	Actual quantity as per site	Difference	Rate (Rs)	Over Payment (Rs)
Item Name: P/L of stone Boulders				
2800 cft (280*10*1)	1400 cft (280*10*0.50)	1400cft or 39.64m3	2419.23	95,898
2000 cft (200*10*1)	1000 cft (200*10*0.50)	1000cft or 28.31m3	2419.23	68,488
350 cft	350 cft (70*10*0.50)	0	2419.23	0

(70*10*0.50)				
250 cft (50*10*0.50)	250 cft (50*10*0.50)	0	2419.23	0
			Sub-total	**164,386**
			Item Name: P.C.C. 1:2:4	
3000cft (600*10*0.5)	1980cft (600*10*0.33)	1020cft or 28.88m3	8587.41	**248,004**
			Grand total	**412,390**

It was further noted that no TMA signboard or official marking was provided on the concrete surface, which is mandatory under standard departmental procedures for identification and accountability of executed works. In view of the above observations, it is evident that the work has not been executed in accordance with the approved specifications, drawings, and departmental standards.

PAO (TMO Chakisar) was requested in August 2025 to convene DAC meeting with subsequent reminders dated 02.10.2025 and 09.10.2025, which could not be held till finalization of this report.

Audit recommends recovery as per physical verification remarks, and its deposit into government treasury besides fixing responsibility against the person(s) at fault.

AIR Para No. 12 (2024-25)

B. Irregularities

HR/Employees related irregularities

31.2.2 Irregular expenditure on account of hiring of daily wages staff – Rs.8.910 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."

According to S.No. 6 of the Government of Khyber Pakhtunkhwa Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures, dated 03.07.2024, "contingent paid staff shall be engaged during the course of financial year 2024-25 only after approval of the Finance Department".

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/ vendor concerned) instead of payment through DDOs/cash basis.

During audit of the accounts of Tehsil Municipal Administrations Puran, Chakisar and Martung District Shangla for the financial year 2024-25, it was observed that daily wages/contingent paid staff was hired by the local offices and an expenditure of Rs. 8,910,162 was incurred on account of payment of wages. Detail at **Annexure-31.2 (a&b).**

Audit observed the following irregularities:

i. Payment of Rs.8,910,162 was made by various TMAs on hiring of staff exceeding the prescribed limit of ten (10) percent of own source income by Rs 6,043,962.
ii. Appointments were made without obtaining prior approval from the Finance Department Government of KP.
iii. No selection criterion was followed for appointment of these staff.
iv. Need of appointment of the contingent paid staff was not ascertained.

v. The amount was paid in cash, while muster roll/ actual payee's receipts were not available on record.

The lapse occurred due to non-compliance of rules, which resulted in irregular expenditure.

When pointed out in July & August 2025, the management replied that daily wages staff was hired due to non-availability of permanent staff to carry out the sanitation and official work in the best public interest. Moreover, detailed reply would be submitted after scrutiny of relevant record. However, no reply was furnished till finalization of this report.

PAOs concerned were requested in August & September, 2025 with subsequent reminders in October, 2025 to convene DAC meetings, which could not be held till finalization of this report.

Audit recommends that the matter may be probed expenditure and inquiry may be conducted for fixing responsibility against the person(s) at fault.

AIR Para No. 01,01&01/2024-25

Management of Account with Commercial Banks

31.2.3 Irregular cash payment– Rs.4.180 million

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 TMA Puran and Martung, District Shangla for the financial year 2024-25, it was observed that an amount of Rs.4,180,327 was withdrawn from designated bank accounts and payments were made in cash instead of issuing crossed cheques to the vendors. Moreover, Actual Payee's Receipts and detail of disbursement was also not available on record, therefore, veracity of the expenditure could not be verified. Detail is given below:

S.No.	Name of TMA	Bank Account No	Particulars	Amount (Rs)	Further details
1	TMA Puran Shangla	No.2007624029 No.2007624018 BOK Besham	Cash withdrawal	2,709,633	**Annex-31.3**
2	TMA Martung Shangla	No.2007623944 BOK Besham	-do-	1,470,694	**Annex-31.4**
Total				**4,180,327**	

The lapse occurred due to negligence of the management, resulting in irregular cash payment.

When pointed out in August 2025, the management stated that there was no bank facility in Martung area. Cash payments were made for petty purchases from the local shopkeepers who have no bank accounts. Reply was not convincing as instructions of Finance Department, KP were violated.

PAOs (TMO Puran & Martung) were requested in August 2025 to convene DAC meeting with subsequent reminders dated 02.10.2025 and 09.10.2025, which could not be held till finalization of this report.

Audit recommends strengthening of internal controls to avoid such lapse in future besides appropriate action against the person(s) at fault.

AIR Para No. 05,04(2024-25)

31.2.4 Irregular transfer of fund from security account to designated bank account– Rs.1.700 million

According to Government of Khyber Pakhtunkhwa Finance Department letter No.2/3(F/L)FD/2022 dated 3rd June 2022, Para 2(i& ii), no funds shall be transferred from Assignment Account/PLA for deposit into chest or any bank account maintained by the entity concerned and that no fund should be kept in any bank account by any DDO unless expressly authorized by the Finance Department.

During audit of the accounts of TMA Martung, Shangla for the financial year 2024-25, it was observed that an amount of Rs 1,700,000 was transferred from Security Bank Account to Designated Bank Account (opened for operating expenses) which was unauthorized as transfer of funds from Contractor's Security Account was not admissible. Detail is given below:

Name of TMA	Account No/Title	Date	Amount (Rs)
Martung	44628997-BOK Besham/Security Account	26.06.2025	1,700,000

The lapse occurred due to weak financial and internal controls, which resulted in unauthorized transfer of funds.

When pointed out in August 2025, the management stated that there was shortage of budget and the funds were transferred on loan basis. Reply was not

convincing as security fund was the liability of TMA and should not be utilized for other purposes.

PAO (TMO Martung) was requested in September 2025 to convene DAC meeting with subsequent reminders dated 02.10.2025 and 09.10.2025, which could not be held till finalization of this report.

Audit recommends fixing of responsibility against the persons at fault besides recoupment of funds.

AIR Para No. 06 (2024-25)

CHAPTER-32

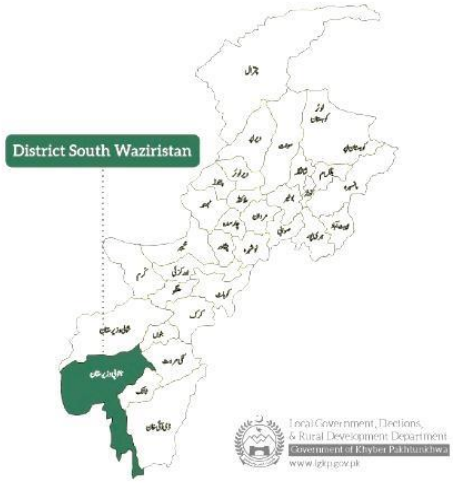
DISTRICT SOUTH WAZIRISTAN LOWER



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: 6,619 Sq KM
Population: 679,185
Languages: Pashto
Tehsils: 8
Number of Village Councils: 82
Number of Neighborhood Councils: 15
Source: Population Census 2023 & Development Statistics of Khyber Pakhtunkhwa 2024



32.1 Local Government, South Waziristan Lower

i. Classified Summary of Audit Observations

During the audit year 2024-25, observations amounting to Rs.42.224 million were raised. Summary of the audit observations classified as under:

(Rs. in million)

S.No	Classification	Amount
A	**Irregularities**	**-**
	Management of Accounts with Commercial Banks irregularities	42.224
Total		**42.224**

ii. Status of compliance with District Accounts Committee directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of District Accounts Committee (DAC) meetings are given below:

Sr. No.	Audit Year	ZAC meeting
1.	2020-21 to 2024-25	Not convened

32.1 AUDIT PARAS

A. Irregularities

Management of Accounts with Commercial Banks

32.1.1 Irregular withdrawal of funds through DDOs and cash payments from designated bank accounts -Rs 42.224 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 cheque payments."

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 office of Deputy Commissioners, South Waziristan (Lower) for the financial years 2024-25, it was observed that an amount of Rs 42,224,066 was withdrawn from government treasury through DDOs and further paid in cash from designated bank accounts. In most of the cases, Actual Payee's Receipts (APRs) were not available on record to authenticate the payments. Detail at **Annexure-32.2.**

The lapse occurred due to negligence and violation of the rules by the management and District Accounts Offices, resulting into irregular withdrawal of funds from treasury through DDOs.

When pointed out in July, August 2025, the management replied that the funds were withdrawn from treasury to avoid lapse of budget and payment was made through DDO only to those vendors who had no bank accounts or for payment of utility bills. The reply was not satisfactory as Government rules were violated.

PAO (DC SW Lower) was requested in August & September 2025 with subsequent reminders in September & October 2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility besides strengthening of internal controls to avoid such lapses in future. Further APRs of the disbursed amount may be provided to audit for verification.

AIR Para No/04 (2024-25)

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

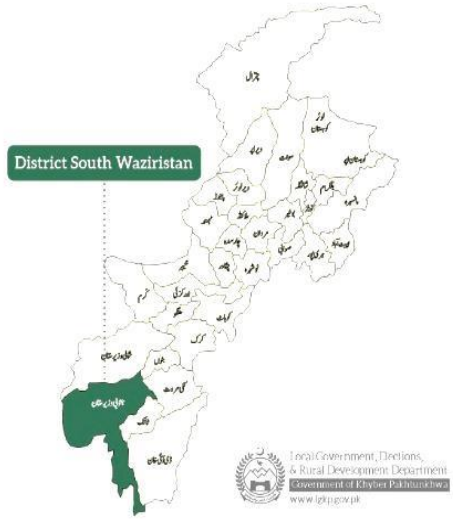
Population: 488,438

Languages: Pashto

Tehsils: 6

No. of Village Councils: 57

No. of Neighborhood Councils: 0



33.1 Local Government, South Waziristan Upper

i. Classified Summary of Audit Observations

During the audit year 2025-26, Audit observations amounting to Rs.25.620 million were raised in this report during current audit of Local Government. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr.No.	Classification	Amount
A	Irregularities	-
	HR/Employees related irregularities	7.058
B	Others, including cases of accidents, negligence etc.	18.562
	Total	**25.620**

ii. 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. Status of DAC/TAC meetings is given below:

S #	Audit Year	DAC/TAC meetings
1	2018-19 to 2024-25	Not convened

33.1 AUDIT PARAS

A. Irregularities

HR/Employees related irregularities

33.1.1 Unverified Payment on account of arrears of pay & allowances- Rs.7.058 million

As per Para 4.6.5.5 of APPM, any change in employee's allowances and deduction shall be notified by DDO through change statement to the DAO/ AG/AGPR.

During audit of the accounts of District Education Officer (Male), South Waziristan (Upper) for the Financial Year 2024-25, it was observed that an amount of Rs.7,058,135 was paid on account of arrears of pay & allowances.

Following irregularities were noticed: -

i. Arrears/adjustment on account of pay & allowances amounting to Rs.7,058,135 was made to various employees but complete record showing detail of arrears, service books, period, investigation sanction and reason for non-payment of allowances was not available on record due to which payment could not be verified.
ii. Officials at S.No.10 & 11 were paid amounts of Rs.325,256 & Rs.1,109,878 respectively as arrears while ID position shows status of employees as pensioner which needs justification.
iii. Official at S.No. 25 was paid arrears amounting to Rs.922,940 while said employee was appointed on 26.01.2023 which needs justification. Detail at **Annexure-33.2.**

The lapse occurred due to weak internal controls, resulting in un-verified payment.

When pointed out in August 2025, the management stated that the detailed reply will be given after consultation. However, no reply was received till finalization of this report.

PAO (Deputy Commissioner South Waziristan Upper) was requested in August 2025, with subsequent reminders dated 25.09.2025 and 20.10.2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends provision of complete record for verification, besides inquiry in the matter for fixing of responsibility and action against the person(s) at fault.

AIR Para No. 01 (2024-25)

B. Others, including cases of accidents, negligence etc.

33.1.2 Irregullar release of funds to PTC accounts of closed schools - Rs.1.025 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 Officer (Female), South Waziristan (Upper) for the Financial Year 2024-25, it was observed that funds of Rs.1,025,000 were transferred to 05 No of Govt Girls Primary Schools on account of PTC funds for provision of basic facilities in schools, while the concerned schools were declared closed / non-functional by District Monitoring Officer, South Waziristan due to non-availability of staff/students. Transfer of funds to closed schools was held un-justified as detailed below:-

S.No	EMIS code	Name of School	Status	PTC Bank A/C No	Amount-Rs
1	65444	GGPS SARAROGHA	Closed	BOK-002006222628	150,000
2	64899	GGPS SHER NAWAZ KOT	Closed	UBL-0261265352812	200,000
3	64899	GGPS SHER KOT	Closed	UBL-0262645676	225,000
4	65112	GGPS DAND RAGHZAI	Closed	UBL-01090026712318	225,000
5	64899	GGPS SHER NAWAZ KOT	Closed	UBL-0261265352812	225,000
Total					**1,025,000**

The lapse occurred due to weak internal controls, resulting in un-justified transfer of funds.

When pointed out in August 2025, the management stated that the detailed reply will be given after consultation of record. However, no reply was received till finalization of this report.

PAO (Deputy Commissioner South Waziristan Upper) was requested in August 2025, with subsequent reminders to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry in the matter for fixing of responsibility and action against the person(s) at fault.

Audit recommends appropriate action against the person(s) responsible.

AIR Para No. 02 (2024-25)

33.1.3 Irregular expenditure on account of development schemes-Rs.17.537 million

As per terms and conditions given in Administrative Approval issued by the Deputy Commissioner South Waziristan Upper vide No.1534-43/Dev: DDC/SW Upper dated 04.11.2024: -

i. Executing agency shall be responsible for the quality, quantity, rates, design and exact location 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.

Para 209 of CPWA requires that detailed measurement should be recorded in Measurement Book (MB) by the Engineer in Charge.

Para 2.22 of B&R code the papers to be submitted with project for work will consist of a report, a specification and detailed statement of measurements, quantities and rate, with an abstract showing the total estimated cost of each item.

During audit of the accounts of Assistant Director Local Government South Waziristan (Upper) for the Financial Year 2024-25, it was observed that expenditure of Rs. 17,537,267 was incurred on account of construction of PCC Streets in various locations as detailed below:-

S.No	Name of Scheme	Expenditure (Rs.)
1	Construction of Street Junaid abad area Ladha	5,520,000
2	Construction of Street Amir abad area Ladha	5,652,000
3	Construction of Street Shah Hassan Koroan Ladha	6,365,267
Total		**17,537,267**

Audit observed following irregularities:

i. Exact location of schemes was neither mentioned in Administrative Approval of the schemes nor GPS coordinates were available in record.
ii. Measurement book was not produced to verify the quantity of work executed at site.
iii. No pictorial evidences of site before and after execution of work were available in record
iv. Compaction test of soil was also not conducted from material testing laboratory.

The lapse occurred due to weak internal controls which resulted in irregular expenditure.

When pointed out in September 2025, management stated that MBs and GPS Coordinates of schemes will be produced to audit in due course of time. Reply of the department was not satisfactory as no progress was intimated till finalization of this report.

PAO (Deputy Commissioner South Waziristan Upper) was requested in October 2025, with subsequent reminders to convene DAC meeting which could not be held 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 No.09 (2024-25)

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

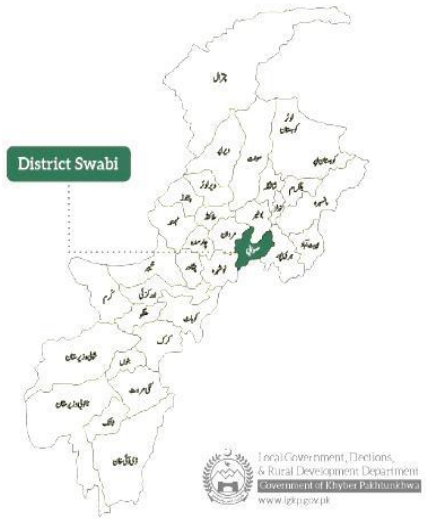
Languages: Pashto

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

i. Classified Summary of Audit Observations

Audit observations amounting to Rs 23.771 million were raised in this report during the current audit of Local Government Swabi. This amount also includes recoveries of Rs 5.435 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
A	Reported cases of fraud, embezzlement and misappropriation	18.336
B	Others, including cases of accidents, negligence etc.	5.435
Total		**23.771**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

S.No.	Audit Year	ZAC/DAC Meeting
1.	2002-03 to 2024-25	Not Convened

34.1 AUDIT PARAS

A. Reported cases of fraud, embezzlement and misappropriation

34.1.1 Loss to Government due to misappropriation of food charges- Rs.18.336 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 Officer Social Welfare Swabi for the financial year 2024-25, it was observed that expenditure of Rs 18,997,520 was incurred on account of supply of food items to Sarkari Panagah Swabi. However, during scrutiny of record, it was noticed that the supply was made for Rs 660,636 for 23 days only i.e from 18th September 2024 to 10th October 2024 after which it was stopped. The amount for Rs 18,336,884 (18,997,520 - 660,636) was misappropriated by the dealing hands due to fraudulent withdrawal. Detail is given below:

S No	Month	Amount(Rs)
1	09-2024	1,921,263
2	09-2024	1,283,779
3	09-2024	1,492,218
4	10-2024	1,568,110
5	10-2024	353,322
6	10-2024	2,206,903
7	03-2025	4,065,385
8	03-2025	4,133,119
9	03-2025	1,952,250
10	Bill not provided	21,171
Total		**18,997,520**

The lapse occurred due to weak financial controls, which resulted in loss to the government.

When pointed out in December 2025, the management stated that the audit para would be intimated to the concerned District Officer for justification and progress would be shown to audit. However, no progress was intimated till finalization of this report

PAO (DC Swabi) was requested in January 2026 to convene DAC meeting which could not be held till finalization of this report.

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

AIR Para No. 07(2024-25)

B. Others, including cases of accidents, negligence etc.

34.1.2 Non recovery of electricity charges of bachelor hostel –Rs.3.903 million

According Para 32(4) of the Government of the Khyber Pakhtunkhwa Administration Department Notification No. EO (Admn) 3-M Allotment Rules, 2018 Peshawar, dated the 08.03.2018, utility bills of the residential accommodation shall be paid by the allottee directly to the relevant service providers for the period commencing from the date of vacation by the previous allottee.

During audit of the accounts of Deputy Commissioner Swabi for the financial year 2024-25, it was observed that the management failed to collect Rs 3,903,140 on account of electricity charges from the allottees of bachelor hostel.

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

When pointed out in July 2025, the management stated that the electricity charges will be recovered from the concerned and progress will be shown to audit. No progress was shown in the matter till finalization of this report.

PAO (DC Swabi) was requested in July 2025 with subsequent reminder dated 30.09.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends to expedite the recovery of electricity charges from the allottees of bachelor hostel.

AIR Para No. 07 (2024-25)

34.1.3 Non-collection of rent of Government properties –Rs 1.532 million

According to Rule 45 (i) and (ii) of the District or City District Government Budget Rules 2016 “Failure to pay any tax and other money claimable under this Act shall be an offence 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 Deputy Commissioner Swabi for the financial year 2024-25, it was observed that the management failed to collect an amount of Rs 1,531,632 on account of rent of Government property (bachelor hostel).

The lapse occurred due to negligence and weak financial management, which resulted in loss to government.

When pointed out in July 2025, the management stated that the rent will recovered from the concerned and progress will be shown to audit. No progress was intimated to audit till finalization of this report.

PAO (DC Swabi) was requested in July 2025 with subsequent reminder dated 30.09.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends recovery of the outstanding rent as per the rules.

AIR Para No. 08 (2024-25)

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

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 132.896 million were raised as a result of this audit. This amount includes recoveries of Rs. 8.776 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
A	Irregularities	-
	HR/Employees related irregularities	4.565
	Management of Account with Commercial Banks	3.900
B	Value for money and service delivery issues	7.393
C	Others, including cases of accidents, negligence etc.	117.038
Total		**132.896**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

S.No.	Audit Year	ZAC/DAC Meeting
1.	2002-03 to 2024-25	Not Convened

35.1 AUDIT PARAS

A. Irregularities

HR/Employees related irregularities

35.1.1 Irregular expenditure on account of hiring of daily wages staff – Rs.4.565 million

According to S.No. 6 of the Government of Khyber Pakhtunkhwa Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures, dated 03.07.2024, "contingent paid staff shall be engaged during the course of financial year 2024-25 only after approval of the Finance Department".

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/ vendor concerned) instead of payment through DDOs/cash basis.

During audit of the accounts of Deputy Commissioner, Swat for the financial year 2024-25, it was observed that daily wages/contingent paid staff was hired by the local office and an expenditure of Rs. 4,565,910 was incurred on account of payment of wages.

Audit observed the following irregularities:

i. Appointments were made without obtaining prior approval from the Finance Department Government of KP.
ii. No selection criterion was followed for appointment of these staff.
iii. Need of appointment of the contingent paid staff was not ascertained.

The lapse occurred due to non-compliance of rules, which resulted in irregular expenditure.

When pointed out in July 2025, management replied that Finance Department's approval would be provided. No progress was intimated till finalization of this report.

PAO (DC Swat) was requested in August 2025 with subsequent reminders dated 29-09-2025 & 02-10-2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends that an inquiry may be conducted for fixing responsibility against the person(s) at fault.

AIR Para No. 07/2024-25

Management of Account with Commercial Banks

35.1.2 Unverified withdrawal of fund from designated bank account– Rs.3.900 million

According to rules 9 (2) (f) & (k) of The District or City District Government (Budget) Rules, 2016, drawing and disbursing officer is responsible for "maintenance of all relevant records both accounting and operational up to date and in an orderly manner as prescribed by relevant rules and ensuring that adequate provisions exist for systematic internal checks to prevent and detect errors and irregularities in the financial proceedings".

During audit of the accounts of the Assistant Director LG&RDD, Swat for the financial year 2024–25, it was observed that an amount of Rs 3,900,000 was withdrawn from designated bank. However, supporting documents/ vouchers/sanctions were not available on record to verify the same. Moreover, neither the cheques book showing the details of payees was available nor cash book was maintained to authenticate the said transactions. The amount was reflected as withdrawn from the bank statement as detailed below. Hence, chances of misappropriation of the fund cannot be ruled out.

S. No	Cheque No.	Date	Bank Account / No	Amount (Rs)
1	61241082	14-03-2025	BOK Mingora/ 3005290898	1,500,000
2	61241090	06-05-2025		2,400,000
			Total	**3,900,000**

The lapse occurred due to negligence of management, which resulted in unverified withdrawal of fund.

When pointed out in December 2025, the management replied that amount of Rs.2,400,000 was withdrawn for CDR and additional security payment purpose whereas, Rs.1,500,000 was spent for photocopying purpose and further stated that the relevant evidences would be produced after scrutiny of the record. However, no response was received till finalization of this report.

PAO (DC Swat) was requested in January 2026 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends fact finding inquiry in the matter for fixing responsibility and action against the person(s) at fault.

AIR Para No. 16 & 19 (2024-25)

B. Value for money and service delivery issues

35.1.3 Non-deposit of registration fee into government treasury– Rs.6.232 million

According to direction 5.2.2.1 of APPM that all monies received as revenue of the Government, must be banked in the name of the Government without delay and included in the Consolidated Fund of the respective Federal or Provincial Government.

During audit of the accounts of Deputy Commissioner, Swat for the financial year 2024-25, it was observed that registration fee @1% of the cost of land amounting to Rs 6,232,169 was collected from Pakhtunkhwa Energy Development Organization (PEDO) on account of acquisition of land worth Rs.63,216,945 for construction of Gabral Kalam Hydropower Project. However, the amount was retained in the revenue deposit head instead of deposit it into Government treasury.

The lapse occurred due to negligence and weak financial controls, which resulted in loss to government.

When pointed out in July 2025, the management stated that Assistant Commissioner Bahrain would be directed to deposit registration fee into government treasury. No progress was intimated till finalization of this report.

PAO (DC Swat) was requested in August 2025 with subsequent reminders dated 29-09-2025 & 02-10-2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends to provide justification for delay in deposit of the registration fees and its immediate deposit into government treasury.

AIR Para No. 23 /2024-25

35.1.4 Non deposit of tender form fee into Government treasury – Rs.1.161 million

According to letter No. SO(B)/1-102/CMD/CS/PBC/2020-21/C&W dated the Peshawar 12-04-2021 of the Government Khyber Pakhtunkhwa Communication and Works Department that the bidding entry fee @0.03% of tender cost may be deducted as earnest money which will be non-refundable.

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 Assistant Director LG & RDD, Swat for the financial year 2024-25, it was observed that an amount of Rs 1,161,000 was collected on account of Tender Form fee @ 0.03% of tender cost (Rs 3,000 / Tender Form) from the contractors for awarding various developmental schemes. Audit held that the amount was required to be deposited into Government treasury which was not done till the date of audit (December 2025). Detail is given below:

S. No.	No. of Tender Forms	Rate of Tender Form (Rs)	Total (Rs)
1	387	3,000	1,161,000
Total			**1,161,000**

The lapse occurred due to negligence of management, which resulted in loss to Government.

When pointed out in December 2025, the management replied that the amount would be deposited into Government treasury. No progress was intimated till finalization of this report.

PAO (DC Swat) was requested in January 2026 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends that the amount may be deposited into Government treasury.

AIR Para No. 02(2024-25)

C. Others, including cases of accidents, negligence etc.

35.1.5 Irregular withdrawal of funds through DDOs and cash payments from designated bank accounts -Rs 26.270 million

According to Government of KP 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 cheque payments."

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 offices of Deputy Commissioner, District Education Officers (Male & Female), District Director Livestock and District Officer Fisheries, Swat for the financial year 2023-24 & 2024-25, it was observed that an amount of Rs 26,270,898 was withdrawn from government treasury through DDOs and further paid in cash from designated bank accounts. In most of the cases, Actual Payee's Receipts (APRs) were not available on record to authenticate the payments. Detail is given below:

S. No.	Name of Department	Amount (Rs)	Further detail at
1	DC Swat	16,078,408	**Annexure – 35.2(a)**
2	DEO Male Swat	4,730,138	**Annexure – 35.2(b)**
3	DEO Female Swat	1,166,640	**Annexure – 35.2 (c)**
4	DD Livestock Swat	1,349,971	**Annexure – 35.2 (d)**
5	DO Fisheries Swat	2,945,832	**Annexure – 35.2 (e)**
Total		**26,270,989**	

The lapse occurred due to negligence and violation of the rules by the management and District Accounts Office, resulting into irregular withdrawal of funds from treasury through DDOs.

When pointed out in February and July 2025, the management replied that detailed reply would be furnished after consulting the relevant record. Replies of the management were not satisfactory as Government rules were violated.

PAO (DC Swat) was requested in September 2025 with subsequent reminders to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends inquiry into the matter for fixing responsibility besides strengthening of internal controls to avoid such lapses in future. Further APRs of the disbursed amount may be provided to audit for verification.

AIR Para No. 05, 02, & 02/2024-25
AIR Para No. 04 & 01/2023-24 Phase-II

35.1.6 Unauthorized payment of Pay and Allowances during leave without pay/ absence period and non-deduction of HRA & 5% maintenance charges– Rs- 1.383 million

According to Finance Department letter No. SO)(FR)/FD/5-14 dated 16.12.2014, government employees who remain absent from duty without authorization or fail to perform their assigned duties, 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 the period of absence and non-performance of duty.

According to Government of Khyber Pakhtunkhwa Finance Department Notification No. SO(ESTT/FD/2-14/2017/Misc/ dated 4-7-2018 Government officers/ officials residing in the government accommodations are not deducting 5% repair and maintenance charges while number of employees are also receiving House Rent Allowance. It is imperative to ensure stoppage of House Rent allowance and deduction of 5% repair and maintenance charges from the officers / officials allotted government residential accommodation.

During audit of the accounts of District Director Livestock, Swat for the financial year 2023-24, it was observed that an amount of Rs.1,095,269 to Two (02) employees was paid during the period of leave without pay/absence which was unauthorized. Detail at **Annexure-35.3.**

Moreover, House Rent Allowance and 5% maintenance charges for Rs. 288,336 was not deducted from Twelve (12) employees who were allotted Government accommodations at various Civil Veterinary Hospitals in District Swat. Detail at **Annexure-35.4**.

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

When pointed out in February 2025, the management replied that recovery would be made. Reply was not tenable as evidence of recovery was not shown to audit.

PAO (DC Swat) was requested in February 2025 with subsequent reminders dated 29.05.2025 & 22.08.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends recovery of pay and allowances and 5% maintenance charges.

AIR Para No. 02 (2023-24) *Phase-II*

35.1.7 Irregular expenditure on Repair of Transformers –Rs 55.855 million

According to S.No. 13 (vii) of Second Schedule of The Khyber Pakhtunkhwa District Government Rules of Business 2015, the functions and responsibility of AD LG&RDD is "rural development works including water supply, rural access roads, embankment and drainage works".

As per Chapter 2 clause 2.6 Note No. xiii of consumer service manual-January 2021 issued by NEPRA via Letter No. NEPRA/DG(CAD)/TCD-10/1883-35 date 13th January 2021, In case of Housing Society/ Scheme/ Colony/ Multistory Building/ Commercial Plaza/high Rise Building once DISCO (PESCO) takes over the distribution system for individual metering and billing, the responsibility of maintenance, repair, replacement of the said system or up gradation/reinforcement thereof shall rest with DISCO (PESCO).

According to the Local Government, Elections and Rural Development Department letter No. AO (Planning)/LCB/2-1/General file/2019 dated 02.05.2019 mandated that the location coordinates of each scheme be maintained in record to ensure verification and prevent duplication.

According to Khyber Pakhtunkhwa Public Procurement Regularity Authority Letter No. KPPRA/M&E/Suggestion / 4-16/2014-15/537 dated 22-5-2015, the departments may rationalize the cost estimates after careful market analysis for non-scheduled items by bringing them down for justification and matching to the market rates.

The Director General LG&RDD KP, through letter No. Director (LG)3-18/ADP/7555-57 dated 13.06.2024, directed that cost estimates be prepared on prevailing MRS rates with proper market rate analysis for non-scheduled items.

During audit of the accounts of Assistant Director LG & RDD, Swat for the financial year 2024-25, it was observed that an expenditure of Rs 51,800,000 and Rs 4,054,760 was incurred on repair of transformers. **Detail at Annexure-35.5.** Audit observed the following irregularities:

i. Repair of transformers was carried out by AD LG & RDD in different constituencies, whereas it was the responsibility of PESCO. The repair of transformers was required to be outsourced through PESCO pre-qualified/approved workshop which was not done.
ii. Technical Sanction was accorded by the Civil Engineer for which he was not competent. The sanction was required to be obtained from the Electrical Engineer having experience/specialty in the relevant field.
iii. The inspection report by PESCO, along with transformer details, such as make, serial number, purchase order number, date and year of manufacturing, location, capacity, and nature of fault,was not maintained as required.
iv. The repaired transformers were not checked by the committee including representative of PESCO & Tehsil Member concerned and representative of the owner of workshop.
v. Demand from the community and site/specific location where repair was carried out was also not available on record.
vi. It was also observed that an amount of Rs 4,054,760 was spent for execution of non-scheduled items of different developmental schemes without rate analysis. Detail at **Annexure-35.6.**

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

When pointed out in December 2025, management replied that detailed reply would be furnished later on. No reply was furnished till finalization of this report.

PAO (DC Swat) was requested in January 2026 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry in the matter and fixing responsibility against the person(s) at fault.

AIR Para No. 04 & 20 (2024-25)

35.1.8 Loss due to manipulation in Tender Form – Rs1.030 million

According to Rule 39 of the Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules, 2014 (as amended till 2022), "All bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the bidding documents."

According to the Explanation under Rule 44 (2) (iv) in the Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules, 2014 (as amended till 2022), "“fraudulent practice” means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;"

During audit of the accounts of the Assistant Director LG & RDD, Swat for the financial year 2024–25, it was observed that a scheme “Construction of Janazgah at VC Tall, Tehsil Kabal, Swat” with estimated cost of Rs 10,400,000 was awarded to M/S Charbagh Construction @ 0.10% below. The rate offered by the contractor was 10% below which was manipulated by making it 0.10% below**,** resulting in a loss of Rs 1,029,600 to the Government. Detail is given below:

Name of contractor	Rate offered	Rate after manipulation	Difference	Estimated cost (Rs)	Loss (Rs)
Charbagh Construction	10% below	0.10% below	9.90%	10,400,000	1,029,600

The lapse occurred due to willful negligence of the management and weak internal controls, which resulted in loss to Government.

When pointed out in December 2025, the management replied that detailed reply would be furnished after scrutiny of the record. No reply was furnished till finalization of this report.

PAO (DC Swat) was requested in January 2026 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry in the matter for fixing responsibility against person at fault, besides recovery of the excess payment.

AIR Para No. 13(2024-25)

35.1.9 Irregular award to a single bidder – Rs 16.00 million and excess payment than bid cost – Rs 8.500 million

According to Rule 18 Clause C(V) of KPPRA Rules 2014, a procuring entity may , ensure a variation order to a contractor to include works which were outside the original scope of works to ensure interests of Government and for reasons of economy, compatibility and efficiency provided that the variation order is not more than 15 % of original contract.

According to Rule 14 (A) of KPPRA Rules 2014, the single bid in works and non-consulting services may be considered if it meets the evaluation criteria expressed in advertisement or bid solicitation documents and is not in conflict with the Act, these rules, regulations or policy of Government, for the time being in force. The single bid shall be in conformity with best evaluated bid. The procuring entity shall make a decision with due diligence and in the light of section 3 of the Act", all public procurement shall be conducted in such a manner as provided in this Act, rules and regulations made under this Act and shall promote the principles of transparency, economy, value for money, accountability and swift grievance handling.

During audit of the accounts of Water & Sanitation Services Company, Swat for the financial year 2024-25, it was observed that the local office awarded contract "Hiring of manpower, Vehicles /Machinery, & Manpower for Solid Waste Management and Waste Water Management in WSSC Swat" to a contractor M/S Azi Khel & Company with E/Cost Rs.16,000,000 as per following details.

S#	Name of work	Estimated Cost(Rs)	Bid Cost (Rs)	Payment(Rs)	Excess (Rs)
1	Hiring of vehicles, Machinery and manpower for solid waste management	16,000,000	19,407,480	24,500,000	8,500,000

Audit observed the following irregularities:

1. The expenditure of Rs 24,500,000 was incurred against the estimated cost of Rs.16,000,000 which resulted in excess expenditure of Rs 8,500,000

over and above the estimated cost. Work order was issued to the contractor with the ceiling amount of Rs.16,000,000 and agreement was accordingly executed with the contractor on the same ceiling amount as evident from the agreement and work order No. 4928/ procurement/ WSSC Swat dated 5th June 2024. The excess expenditure was more than 15% i.e. 53.125% of the cost, which resulted in irregular expenditure.

2. Moreover, the contract was awarded to single bidder who offered rate Rs 19,407,480 on the estimated cost of Rs 16,000,000 which was also in excess of Rs 3,407,480 above (21.296%) without competition in violation of rules as principles of transparency, economy and value for money were not considered.

The lapse occurred due to violation of rules, which resulted in loss to government.

When pointed out in December 2025, the management stated that detailed reply would be furnished after scrutiny of relevant record. No reply was furnished till finalization of this report.

PAO (Secretary LGE&RDD) was requested in January 2026 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends fixing responsibility for award of contract to single bidder without transparent and fair competition besides recovery of loss sustained by the Government.

AIR Para No.16&17 (2024-25)

35.1.10 Unauthorized developmental expenditure without Technical Sanction – Rs.8.00 million

Para 56 of CPWA code and Para 178 of GFR Vol-I provides that, no works can be started/executed without administrative approval and Technical Sanction.

During audit of the accounts of Assistant Director LG & RDD Swat for the financial year 2024-25, it was observed that an expenditure of Rs 8,000,000 was incurred on developmental schemes without obtaining technical sanctions from the competent authority. Detail is given below:

Name of scheme	Name of Contractor	Estimated cost (Rs)	Expenditure (Rs)
Repair of Transformer in PK-7 Swat	M/S Shah & Sons Government Contractor	10,000,000	8,000,000

The lapse occurred due to weak internal controls, which resulted in unauthorized expenditure.

When pointed out in December 2025, the management stated that Technical Sanction would be produced to audit in due course of time. However, no response was received till finalization of this report.

PAO (DC Swat) was requested in January 2026 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry for fixing responsibility for not obtaining Technical Sanctions from the competent authority.

AIR Para No. 08 (2024-25)

35.2 Tehsil Municipal Administrations, Swat

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 130.378 million were raised as a result of this audit. This amount includes recoveries of Rs. 21.298 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)

Sr. No.	Classification	Amount
A	Irregularities	-
	HR/Employees related irregularities	77.330
	Procurement related irregularities	23.651
	Management of Accounts with commercial bank	4.521
B	Value for money and service delivery issues	21.298
C	Others, including cases of accidents, negligence etc.	3.578
Total		**130.378**

ii. 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 2024-25	Not convened

35.2 AUDIT PARAS

A. Irregularities

HR/Employees related irregularities

35.2.1 Irregular expenditure on account of hiring of daily wages staff – Rs.77.330 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."

According to S.No. 6 of the Government of Khyber Pakhtunkhwa Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures, dated 03.07.2024, "contingent paid staff shall be engaged during the course of financial year 2024-25 only after approval of the Finance Department".

During audit of the accounts of Tehsil Municipal Administration Khwaza Khela, Matta, Charbagh, Bahrain, Babozai and Barikot for the financial year 2024-25, it was observed that a large number of daily wages/contingent paid staff was hired by the local offices and an expenditure of Rs. 77,330,981 was incurred on account of payment of wages. Detail at **Annexure-35.7.**

Audit observed the following irregularities:

i. Payment of Rs.77,330,981 was made by various TMAs on hiring of staff exceeding the prescribed limit of ten (10) percent of own source income of TMAs by Rs 28,785,440.
ii. Appointments were made without obtaining prior approval from the Finance Department Government of KP.
iii. No selection criterion was followed for appointment of these staff.
iv. Need of appointment of the contingent paid staff was not ascertained.

The lapse occurred due to non-compliance with rules, which resulted in irregular expenditure.

When pointed out in July & August 2025, TMOs replied that daily wage staff was hired on need basis. Reply was not convincing as the daily wage staff was hired without observing codal formalities.

PAOs concerned were requested in August & September, 2025 with subsequent reminders in September & October, 2025 to convene DAC meetings, which could not be held till finalization of this report.

Audit recommends that an inquiry may be conducted for fixing responsibility against the person(s) at fault.

AIR Para No. 04,04,04,03,16 & 02/2024-25

Procurement related irregularities

35.2.2 Irregular expenditure without adopting open competitive bidding – Rs.23.651 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 offices of Tehsil Municipal Officers Babozai and Barikot for the financial year 2024-25, it was observed that an expenditure amounting to Rs.23,651,234 was incurred on account of purchases of solar light batteries, LED lights, supply of street light materials, IT equipments and stationery etc. without adopting the open competitive bidding, thus compromising transparency and ignoring value for money. Audit observed the following:

1. Purchases were made by splitting of the amounts to avoid open competitive bidding. Purchases were made on simple quotation basis.

2. Inspection committees were not constituted.
3. The items were not recorded in the stock registers.
4. Items were purchased without any demand from the main & sub-sections.
5. Physical verification certificates of purchase committees ascertaining the quantity and quality of items were not available on record. Detail is given below:

S. No.	Name of department	Detail of purchase items	Amount (Rs)	Further detail at
1	TMA Babozai	Supply of solar light batteries	2,426,995	**Annex-35.8(a)**
2	-do-	Parts of Suzuki swift and Toyota Hilux	11,653,366	**Annex-35.8(b)**
3	-do-	Supply of street light materials	1,810,058	**Annex-35.8(c)**
4	TMA Barikot	Stationery, Purchases of dust bin and IT equipments etc.	7,760,815	**Annex-35.8(d)**
		Total	**23,651,234**	

The lapse occurred due to willful negligence by the management concerned, resulting into irregular and un-economical expenditure.

When pointed out in July 2025, the management replied that the purchases were made for smooth running of electricity/solar lights, and the works were of emergency type. Reply was not convincing as procurement rules were violated.

PAOs (TMOs) were requested in September 2025 with subsequent reminders dated 02-10-2025 & 09-10-2025 to convene DAC meetings which could not be held till finalization of this report.

Audit recommends inquiry in the matter and action against person(s) responsible for making irregular and uneconomical expenditure.

AIR Para No. 03,05,07 &13/2024-25

Management of Accounts with Commercial Bank

35.2.3 Irregular cash payments from designated bank account –Rs.4.521 million

According to Government of KP 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 cheque payments."

During audit of the accounts of Tehsil Municipal Administration Barikot for the Financial Year 2024-25, it was observed that an amount of Rs.4,521,435 was withdrawn from designated bank account and paid in cash instead of issuing crossed cheques to the vendors. Moreover, Actual Payee's Receipts (APRs) were not available on record to authenticate the payments. Detail at **Annexure-35.9**.

The lapse occurred due to negligence and violation of the rules by the management, resulting into irregular withdrawal of funds from bank accounts.

When pointed out in July 2025, the management replied that detailed reply would be submitted later on. Reply of the management was not satisfactory as Government rules were violated.

PAO (TMO) was requested in September 2025 with subsequent reminders dated 02-10-2025 & 09-10-2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry in the matter and action against the person(s) at fault besides stoppage of cash withdrawal and strengthening internal controls to ensure compliance with relevant rules/instructions.

AIR Para No.04/2024-25

B. Value for money and service delivery issues

35.2.4 Non-collection / non-deposit of rent of Government properties – Rs.21.298 million

According to Khyber Pakhtunkhwa Local Government Act Rule 45 (i) and (ii) of the District or City District Government Budget Rules 2016 "Failure to pay any tax and other money claimable under this Act shall be an offence 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 Administrations Babuzai and Charbagh, for the Financial Year 2024-25, it was observed that the management failed to collect or deposit an amount of Rs 21,298,603 on account of rent of shops, Cabins and other Government properties. Detail is given below:

Amount in Rs)

S. No.	Name of department	Total amount	Amount recovered	Amount outstanding	Further detail at
1	TMA Babozai	28,315,997	8,726,394	19,589,603	**Annex-35.10**
2	TMA Charbagh	3,959,000	2,250,000	1,709,000	-
Total				**21,298,603**	

The lapse occurred due to negligence and weak financial management, which resulted in loss to government.

When pointed out in July 2025, the management replied that the cases were subjuidiced. No progress was intimated to audit till finalization of this report.

PAOs concerned were requested in September 2025 with subsequent reminders to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends depositing the collected amount and recovery of the outstanding rent as per the lease agreement/rules besides inquiry for fixing responsibility.

AIR Para No. 01 &09/2024-25

C. Others, including cases of accidents, negligence etc.

35.2.5 Irregular payments from pension bank account -Rs.3.578 million.

According to Local Council Board letter No. AO/LCB/PLA/1-18/Lalb:2019-20 dated 22.03.2020, directed all the TMAs to close all the unnecessary bank accounts except four (04) Nos accounts in the bank of Khyber detail given below:

i. Tehsil Funds Account (Pension)
ii. Tehsil Trust Account (Security)
iii. Tehsil Special Deposits Accounts (Deposit work/Developmental)
iv. Tehsil General Account

According to TMA Budget Rules 2016, Rule 4, (a) Every TMA shall maintain a Public Account; (b) Monies collected under Public Account shall not be available for annual appropriation; (c) The withdrawals from the Public Account shall be for the purpose for which funds were deposited; (d) Repayment of funds from Public Account heads must be credited to the same head.

During audit of the accounts of Tehsil Municipal Administration, Khwaza Khela, for the financial year 2024-25, it was observed that an expenditure of Rs.3,578,000 was made from Pension account No. 300620001 BOK in violation of government instructions as the account was meant for the purpose of pension payments only. Detail is given under:

S. No.	Particulars	Amount (Rs)
1	Monthly Daily Wages	1,764,000
2	Monthly Daily Wages	864,000
3	3% LCB Share	950,000
Total		**3,578,000**

The lapse occurred due to weak internal controls and financial mismanagement, which resulted in irregular payments.

When pointed out in July 2025, the management replied that the amount would be redeemed as and when the funds are available. No progress was shown to audit till finalization of this report.

PAO (TMO Khwaza Khela) was requested in September 2025 with subsequent reminders dated 02-10-2025 & 09-10-2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends to deposit the amount in pension account immediately, besides appropriate action against the person(s) at fault.

AIR Para No. 07/2024-25

35.3 Water and Sanitation Services Company, Swat

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 18.865 million were raised as a result of this audit. The whole amount of Rs. 18.865 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
A	Value for money and service delivery issues	18.865
Total		18.865

ii. Comments on the Status of Compliance with Public Accounts Committee (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

35.3 AUDIT PARAS

A Value for money and service delivery issues

35.3.1 Non recovery on account of conservancy charges -Rs. 4.599 million

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

During audit of the accounts of Water & Sanitation Services Company, Swat for the financial year 2024-25, it was observed that an amount of Rs.4,599,926 was not recovered on account of conservancy charges from customers / beneficiaries in different areas of Swat which resulted in loss to Company. Detail is given below:

S. No.	Particular	Total Billing/ Debits (Rs)	Total Recovery/ Credit (Rs)	Balance Amount upto June 2025 (Rs)
1	Conservancy charges	16,873,033	12,273,107	4,599,926
	Total	**16,873,033**	**12,273,107**	**4,599,926**

The lapse occurred due to weak financial controls, which resulted in loss to the company.

When pointed out in December 2025, the management replied that detailed reply would be furnished after scrutiny of relevant record. No reply was furnished till finalization of this report.

PAO (Secretary LGE&RDD) was requested in January 2026 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends immediate recovery of outstanding balance of conservancy charges.

AIR Para No. 02/2024-25

35.3.2 Inadmissible payment of allowances - Rs 14.266 million

According to HR Manual of WSSC Swat, the company has no policy for payment of Utility Allowance to their employees.

According to Para 7 of the HR Manual of Water and Sanitation Services Swat, WSSC has specified employee grades who are entitled to fuel allowance as given in table below:

WSSP Position	Grades	POL (in liters)
CEO	M-1	400
Deputy CEO /COO	M-2	300
GMs/ Senior GMs	M-3	300
Zonal Managers/Deputy GM	M-4	300
Managers	M-5	200

According to HR Manual WSSC Swat, S. No. 8, WSSC has specified employee grades who are entitled to company vehicles. The grade wise entitlement to vehicles or Monetization as approved by the Board of Director is given in table below;

S. No.	WSSC Positions	Grades	Vehicle Entitlement	Monetization (Amount in Rs)
01	CEO	M-1	1800 CC Altis or as agreed in the offer letter	95000/ per month
02	Deputy CEO /COO	M-2	1300CC, GLI	77000 as per MP-II per month
03	GMs/ Senior GMs	M-3	1300CC, GLI	65,000 as per MP-III per month
04	Zonal Managers/Deputy GM	M-4	1300CC, XLI	35,000 per month
05	Managers	M-5	1000 CC Cultus VXR	15,000 per month

During audit of the accounts of Water & Sanitation Services Company, Swat for the financial year 2024-25, it was observed that certain allowances amounting to Rs. 14,266,000 were paid to the employees of different cadres in WSSC Swat. Detail is given below:

i. An amount of Rs 10,474,631 was paid on account Utility Allowance to various employees. The said allowance was held unauthorized as there was no provision in HR Manual for payment of such allowance. Detail at **Annexure-35.11.**

ii. An amount of Rs 1,745,310 was paid on account of Fuel Allowance to employees below the rank of mangers for which they were not entitled as per HR Manual. Detail at **Annexure-35.12.**

iii. An amount of Rs 2,047,500 was paid as Fuel Allowance to various officers. As per monetization policy and HR Manual referred to above, Fuel Allowance was not admissible to the officers/managers who availed the facility of car monetization. Detail at **Annexure-35.13:**

The lapse occurred due to weak financial controls and willful negligence of the management, which resulted in loss to the company.

When pointed out in December 2025, the management replied that detailed reply would be furnished after scrutiny of relevant record. No progress was intimated till finalization of this report.

PAO (Secretary LGE&RDD) was requested in January 2026 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends recovery of inadmissible allowances from the concerned employees and deposit into the company bank account, besides stoppage of further payment of such allowances.

AIR Para No. 05, 14&25/2024-25

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

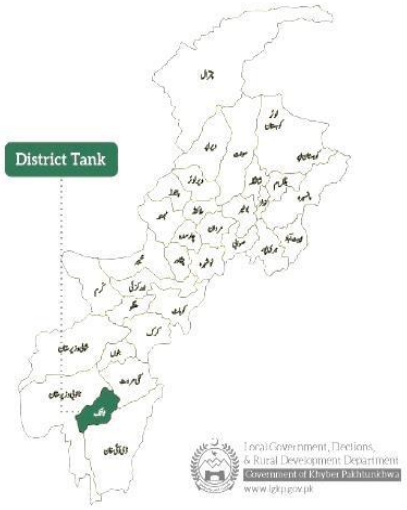
Languages: Saraiki and Pashto.

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

i. Classified Summary of Audit Observations

During the audit year 2025-26, Audit observations amounting to Rs.184.661 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
A	Irregularities	-
	Management of Accounts with Commercial Bank	31.064
B	Others, including cases of accidents, negligence etc.	153.597
Total		**184.661**

ii. Comments on the Status of Compliance with Zilla Accounts Committees (ZAC)/ District Accounts Committees (DAC) Directives

The Audit Reports pertaining to following years have been submitted to the Governor of Khyber Pakhtunkhwa. Detail of ZAC/DAC meetings are given below:

S.No.	Audit Year	ZAC/DAC Meeting
1.	2002-03 to 2024-25	Not Convened

36.1 AUDIT PARAS

A. Irregularities

Management of Accounts with Commercial Bank

36.1.1 Irregular withdrawal of funds through DDOs and cash payments from designated bank accounts -Rs 5.00 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 cheque payments."

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 office of Deputy Commissioners Tank for the financial year 2024-25, it was observed that an amount of Rs 5,000,000 was withdrawn from government treasury through DDOs and further paid in cash from designated bank account. In most of the cases, Actual Payee's Receipts (APRs) were not available on record to authenticate the payments.

The lapse occurred due to negligence and violation of the rules by the management and District Accounts Offices, resulting into irregular withdrawal of funds from treasury through DDOs.

When pointed out in July, August & September 2025, the management of the office replied that the funds were withdrawn from treasury to avoid lapse of budget while management of office stated that detailed reply would be furnished after scrutiny of record. The management of office stated that either the payment was made through DDO only to those vendors who had no bank accounts or for payment of utility bills. The replies were not satisfactory as Government rules were violated.

DAC meeting was held on 23.10.2025 wherein the forum decided that detailed verification of record may carried out and till such verification the para would stand. No progress was made till finalization of this report.

Audit recommends that relevant record as per decision of the DAC forum may be provided to audit for verification besides strengthening of internal controls to avoid recurrence of such lapses in future.

AIR Para-04 (FY-2024-25)

36.1.2 Irregular cash payments from designated bank account –Rs.26.064 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 cheque payments."

During Audit of the accounts of Tehsil Municipal Administration Tank in Local Governments of Khyber Pakhtunkhwa for the Financial Year 2024-25, it was observed that an amount of Rs.26,064,622 was withdrawn from designated bank accounts and paid in cash instead of issuing crossed cheques to the vendors. Moreover, Actual Payee's Receipts (APRs) were not available on record to authenticate the payments. Detail at **Annexure-36.2**

The lapse occurred due to negligence and violation of the rules by the management, resulting into irregular withdrawal of funds from bank accounts.

When pointed out in July, August & September 2025, the management of the TMA stated that detailed reply will be submitted later on whereas the management of TMA replied that most of the vendors have no bank accounts, therefore, open cheques were given or paid in cash. Replies of the management were not satisfactory as Government rules were violated.

PAO (TMO Tank) was requested in July, August & September 2025, with subsequent reminders in September & October to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry in the matter and action against the person(s) at fault besides stoppage of cash withdrawal and strengthening internal controls to ensure compliance with relevant rules/instructions.

AIR Para-03 (FY-2024-25)

B. Others, including cases of accidents, negligence etc.

36.1.3 Irregular expenditure on Repair of Transformers – Rs.10.00 million

According to S.No. 13 (vii) of Second Schedule of The Khyber Pakhtunkhwa District Government Rules of Business 2015, the functions and responsibility of AD LG&RDD is "rural development works including water supply, rural access roads, embankment and drainage works".

As per Chapter 2 clause 2.6 Note No. xiii of consumer service manual-January 2021 issued by NEPRA via Letter No. NEPRA/DG(CAD)/TCD-10/1883-35 date 13th January 2021, In case of Housing Society/ Scheme/ Colony/ Multistory Building/ Commercial Plaza/high Rise Building once DISCO (PESCO) takes over the distribution system for individual metering and billing, the responsibility of maintenance, repair, replacement of the said system or up gradation/reinforcement thereof shall rest with DISCO (PESCO).

According to the Local Government, Elections and Rural Development Department letter No. AO (Planning)/LCB/2-1/General file/2019 dated 02.05.2019 mandated that the location coordinates of each scheme be maintained in record to ensure verification and prevent duplication.

The Director General LG&RDD KP, through letter No. Director (LG)3-18/ADP/7555-57 dated 13.06.2024, directed that cost estimates be prepared on prevailing MRS rates with proper market rate analysis for non-scheduled items.

During audit of the accounts of Assistant Directors, Local Government & Rural Development Department Tank, for the financial year 2024-25, it was observed that an amount of Rs 10.000 million was drawn from treasury in which an expenditure of Rs. 2.00 million was incurred on repair of transformers. Audit observed the following irregularities:

i. Repair of transformers was carried out by AD LG&RDD in different constituencies, whereas it was the responsibility of PESCO. The repair of transformers was required to be outsourced through PESCO pre-qualified/approved workshop which was not done**.**
ii. Technical sanction was not obtained from the competent authority before executing of schemes.

iii. The inspection report by PESCO, along with transformer details, such as make, serial number, purchase order number, date and year of manufacturing, location, capacity, and nature of fault, was not maintained as required.

iv. The repaired transformers were not checked by the Committee including representative of PESCO, & Tehsil member concerned and representative of the owner of workshop.

v. Demand from the community and Site/ specific location where repair was carried out was also not available on record.

vi. Payments of Rs. 1.553 million were made for non-scheduled items without conducting market rate analysis, rendering the expenditure irregular.

The lapse occurred due to weak internal controls and non-adherence to government instructions which resulted in irregular expenditure.

When pointed out in December 2025, the management replied that Technical Sanction and market rate analysis would be made and progress would be shown to audit. No progress was shown to audit till finalization of this report.

PAOs concerned were requested in January 2025 with subsequent reminders to convene DAC meeting which could not be conveyed till finalization of this report.

Audit recommends inquiry in the matter and fixing responsibility against the person(s) at fault.

AIR Para-13(FY2024-25)

36.1.4 Irregular execution of development scheme-Rs.143.597 million

According to para-3,6,7,8&12 of Deputy Commissioner Tank administrative approval letter No. 3723,3724/DA-TSD/DDC-II/2024-25 dated 18/11/2024.

1. The schemes will be executed strictly according to the PC-I of the scheme and instructions mentioned in the P&D Guidelines.

2. It shall be responsibility of the executing agency to ensure that there is no duplication and over lapse of the schemes and the public interest has been taken into account without gender discrimination.
3. Executing Department (Local Government and Rural Development Department, Tank) is strictly advised to complete all codal formalities and ensure full transparency in the award of work in all the cases, moreover, photographs & visuals/ videos of the existing condition of all the sites shall be maintained for the record purpose before and after completion of work.
4. The payment shall be made on work done basis after carrying out necessary scrutiny by executing agency.
5. The executing agency shall be responsible for the quality quantity rates, design & exact location through GPS coordinates.

Para 209 of CPWA requires that detailed measurement should be recorded in Measurement Book (MB) by the Engineer in Charge.

During audit of the accounts of Assistant Directors, Local Government & Rural Development Department, Tank, it was observed that an expenditure of Rs.143,597,093 was incurred during financial year 2024-25 on execution of various development schemes under ADP No.938/240319(2024-27) "District Development Initiatives & Rehabilitation of flood damages infrastructure in various district of Khyber Pakhtunkhwa". Audit observed the following irregularities. Detail given in **Annex-36.3.**

i. TS and approved PC-I of the schemes were not available on record.
ii. Non-duplication certificate of the schemes duly verified by the Competent Authority was not available.
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 on record which created doubt in the actual construction of the scheme at the site.
iv. Before and after geo-tagged photographs/ pictorial evidence as a proof of execution & completion of the schemes at the sites were not available on record.
v. GPS Coordinates of executed schemes were also not available which creates doubt about authenticity of the scheme.

vi. MB of the scheme was not produced to Audit to ascertain that the schemes were actually executed and measured on MBs accordingly.
vii. Scheme completion certificate from the local community was also not found on record.
viii. Reports of the District Monitoring Committee were also not available on record.

The irregularity occurred due to weak internal control system which resulted into loss to Government and deprivation of the local community from the basic facility.

When pointed out in December 2025, the management replied that after scrutiny of the relevant record, proper reply will be given. No reply was given till finalization of this report.

PAO (DC Tank) was requested in December 2025 with subsequent reminders in January 2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends inquiry to find out the factual position about execution besides provision of relevant record to audit for verification.

AIR Para-07 (FY-2024-25)

36.2 Tehsil Municipal Administrations, Tank

i. Classified Summary of Audit Observations

During the audit year 2025-26, Audit observations amounting to Rs.19.407 million were raised as result of this audit. This amount also includes recoverable of Rs. 19.407 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
A	Others, including cases of accidents, negligence etc.	19.407
Total		**19.407**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

36.2 AUDIT PARAS

A. Others, including cases of accidents, negligence etc.

36.2.1 Non-recovery of outstanding amount from revenue contractors- Rs.5.238 million

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, the contractor will deposit monthly installment till 5th of each month, if he failed to do so, contract may be cancelled.

According to para-6 of policy guidelines of contracts issued vide Local Council Board, Khyber Pakhtunkhwa letter No.AOII/LCB/6-11/2022 dated 12.04.2022, if the contractor/firm violate 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.

According to Section 236A of the income tax ordinance 2001 there will be income tax @ 10% and 20% of the bid amount on auction of any contract/right of collection.

According to Khyber Pakhtunkhwa Local Govt. Act, 2013 clause 45 (collection and recovery of taxes, etc.) sub-clause (1), 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 TMA Tank for the Financial Year 2024-25, it was observed that an amount of Rs. 5,238,353 was outstanding against various revenue contractors on 30.06.2025, which was not recovered. Moreover, neither the contracts were cancelled nor contractors were recommended for blacklisting by the management.

The lapse occurred due to negligence of the management in monitoring and making recovery from contractors, resulting in loss to the Government.

When pointed out in July & August 2025, the management of TMA Tank stated that reply would be submitted after consulting the record. Efforts are underway to achieve the desired results whereas TMA Tank stated that the

amount would be recovered and deposited into treasury. However, no progress was intimated till finalization of this report.

PAO concerned was requested in August & September 2025 with subsequent reminders dated 25.09.2025 and 21.10.2025 to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends immediate recovery of outstanding dues from the defaulting contractors otherwise the contract may be cancelled.

AIR Para-02 (FY-2024-25)

36.2.2 Non-collection / non-deposit of rent of Government properties – Rs.14.169 million

According to Rule 45 (i) and (ii) of the District or City District Government Budget Rules 2016 "Failure to pay any tax and other money claimable under this Act shall be an offence 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 TMA Tank for the Financial Year 2024-25, it was observed that the management failed to collect or deposit an amount of Rs. 14,168,803 on account of rent of shops, Cabins and other Government properties. Detail at **Annexure-36.4**

The lapse occurred due to negligence and weak financial management, which resulted in loss to government.

When pointed out in July & August 2025, the management stated that recovery of the outstanding amount of rent of shops and cabins is under process, which would be intimated to audit. No progress was intimated to audit till finalization of this report.

PAOs concerned were requested in August & September 2025 with subsequent reminders to convene DAC meeting, which could not be held till finalization of this report.

Audit recommends depositing the collected amount and recovery of the outstanding rent as per the lease agreement/rules besides inquiry for fixing responsibility.

AIR Para-05 (FY-2024-25)

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

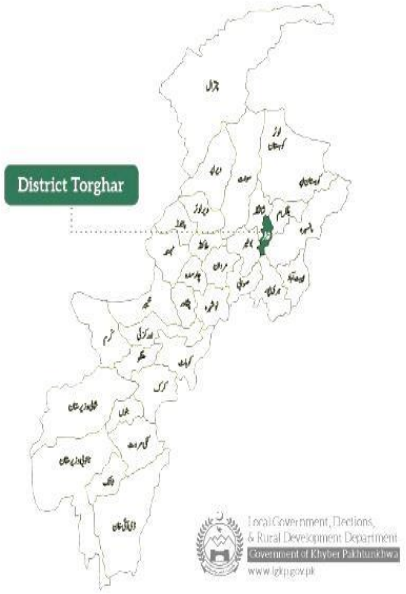
Languages: Pashto, Kohistani, Urdu

Tehsils: 3

No. of Village Councils: 39

No. of Neighbourhood Councils: 1

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



37.1 Tehsil Municipal Administrations, Torghar

i. Classified Summary of Audit Observations

Audit observations amounting to Rs. 13.873 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
A	Irregularities	
	HR/Employees related Irregularities	7.854
	Management of Accounts with Commercial Banks	6.019
Total		**13.873**

ii. Comments on the Status of Compliance with Tehsil Accounts Committees (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 2024-25	Not Convened

37.1 AUDIT PARAS

A. Irregularities

HR/Employees related irregularities

37.1.1 Irregular expenditure on account of hiring of daily wages staff – Rs. 7.854 million

According to S.No. 6 of the Government of Khyber Pakhtunkhwa Finance Department letter No. BO-I/FD/5-8/2024-25/Austerity Measures, dated 03.07.2024, "contingent paid staff shall be engaged during the course of financial year 2024-25 only after approval of the Finance Department".

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."

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/ vendor concerned) instead of payment through DDOs/cash basis.

During audit of the accounts of Tehsil Municipal Administrations, Judbha and Hassanzai (Torghar) for the financial year 2024-25, it was observed that daily wages/contingent paid staff was hired by the local offices and an expenditure of Rs. 8,128,000 was incurred on account of payment of wages. Detail at **Annexure-37.2.**

Audit observed the following irregularities:

i. Payment of Rs. 7,854,295 was made by TMAs on hiring of staff exceeding the prescribed limit of ten (10) percent of own source income of TMAs as required under the above rule.
ii. Appointments were made without obtaining prior approval from the Finance Department Government of KP.
iii. No selection criterion was followed for appointment of these staff.
iv. Need of appointment of the contingent paid staff was not ascertained.

v. The amount was paid in cash, while muster roll/ actual payee's receipts were not available on record.

The lapse occurred due to non-compliance of rules, which resulted in irregular expenditure.

When pointed out in July 2025, the management replied that daily wages staff was hired due to non-availability of permanent staff to carry out the sanitation and official work in the best public interest. Reply was not convincing as government rules were violated.

PAOs concerned were requested in August, 2025 with subsequent reminders in October, 2025 to convene DAC meetings, which could not be held till finalization of this report.

Audit recommends that the matter may be probed and inquiry may be conducted for fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2024-25 vide Para number 37.2.3.1having financial impact of Rs 7.296 million. Recurrence of same irregularity is a matter of serious concern.

AIR Para No. 06 (TMA Judbha) (2024-25)
AIR Para No. 06 (TMA Hassanzai) (2024-25)

Management of Accounts with Commercial Banks

37.1.2 Irregular payments from pension, securities and developmental bank accounts -Rs. 6.019 million

According to Local Council Board letter No. AO/LCB/PLA/1-18/Lalb:2019-20 dated 22.03.2020, directed all the TMAs to close all the unnecessary bank accounts except four (04) Nos accounts in the bank of Khyber detail given below:

i. Tehsil Funds Account (Pension)
ii. Tehsil Trust Account (Security)
iii. Tehsil Special Deposits Accounts (Deposit work/Developmental)
iv. Tehsil General Account

According to TMA Budget Rules 2016, Rule 4, (a) Every TMA shall maintain a Public Account; (b) Monies collected under Public Account shall not be available for annual appropriation; (c) The withdrawals from the Public

Account shall be for the purpose for which funds were deposited; (d) Repayment of funds from Public Account heads must be credited to the same head.

During audit of the accounts of Tehsil Municipal Administrations, Judbha and Hassanzai (Torghar) for the financial year 2024-25, it was observed that an expenditure of Rs. 6,018,735 was made from security, pension and developmental accounts in violation of government instructions as the accounts were meant for the purpose of security, pension and developmental payments only. Detail at **Annexure-37.3 (a&b).**

The lapse occurred due to weak internal controls and financial mismanagement, which resulted in irregular payments.

When pointed out in July 2025, the management of TMAs replied that amounts were transferred to general account for disbursement of salaries and operating expenditure. All amounts will be re-deposited in account as and when grants/own source revenue are received. Reply was not convincing as withdrawal from security, pension and developmental accounts towards other purpose was not allowed. Progress regarding recoupment was also not intimated to audit till finalization of this report.

PAOs (TMOs Judbha & Hassanzai) were requested in August 2025 with subsequent reminders dated 03.10.2025 and 20.10.2025 to convene DAC meeting which could not be held till finalization of this report.

Audit recommends to deposit the amount in pension, securities and developmental accounts immediately, besides appropriate action against the person(s) at fault.

AIR Para No. 03 (TMA Judbha) (2024-25)
AIR Para No. 02 (TMA Hassanzai) (2024-25)