



**SPECIAL STUDY REPORT
ON
GULISTAN-E-SARMAST HOUSING SCHEME,
HYDERABAD DEVELOPMENT AUTHORITY**

AUDIT YEAR 2016-17

AUDITOR-GENERAL OF PAKISTAN

PREFACE

The Auditor-General conducts audit subject to Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973 read with sections 8 and 12 of the Auditor- General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001 and Section 116 of Sindh Local Government Act 2013. The Special Study on Gulistan-e-Sarmast Housing Scheme under Hyderabad Development Authority was carried out accordingly.

The Directorate General Audit, Local Councils, Sindh conducted a Special Study on Gulistan-e-Sarmast Housing Scheme, under Hyderabad Development Authority in January & February, 2017 for the period from 2009-10 to 2015-16 with a view to reporting significant findings to stakeholders. Audit examined the economy, efficiency, and effectiveness of the project. In addition, audit also assessed, on test check basis whether the management complied with applicable laws, rules and regulations in managing the project. Special Study Report indicates specific actions that, if taken, will help the management realize the objectives of the project.

The Special Study Report is submitted to the Governor of Sindh in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan 1973, read with Section 116 of the Sindh Local Government Act 2013, for causing it to be laid before the Provincial Assembly of Sindh.

Dated ,2018
Islamabad

(Javaid Jehangir)
Auditor-General of Pakistan

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ABBREVIATIONS AND ACRONYMS

CDWP	Central Development Working Party
DAC	Departmental Accounts Committee
DDWC	District Development Working Committee
DDWP	Departmental Development Working Party
DG	Director General
ECNEC	Executive Committee for National Economic Council
FBR	Federal Board of Revenue
GoS	Government of Sindh
GFR	General Financial Rules
HDA	Hyderabad Development Authority
HP	Housing & Planning
INTOSAI	International Organization of Supreme Audit Institutions
IEE	Initial Environmental Examination
MD	Managing Director
PAO	Principal Accounting Officer
PC	Planning Commission
PMU	Project Monitoring Unit
PDWP	Provincial Development Working Party
P&DC	Planning & Development Control
Rs	Rupees
SPPRA	Sindh Public Procurement Regularity Authority
Sq.yds	Square yards
Sft	Square Feet
WASA	Water and Sewerage Authority

EXECUTIVE SUMMARY

The Directorate General Audit, Local Councils Sindh, conducted Special Study on Gulistan-e-Sarmast Housing Scheme, from January to February, 2017 for the period from 2009-10 to 2015-16. The main objectives of the Special Study were to examine whether: 1) the selected area for housing scheme was favorable and plots were affordable for low and middle income group, 2) the development expenditure was estimated properly, 3) the infrastructure was designed according to PC-I, 4) the project has helped to create more jobs, 5) the recoveries against booking of plots were made effectively keeping in view the intended objectives, 6) the impact of cost and time overrun, and 7) to check the internal controls at project. The Special Study was conducted in accordance with INTOSAI Auditing Standards.

Hyderabad is the 8th largest city of Pakistan and 2nd largest city in Sindh Province. Keeping in view the increasing birth rate and migration from other cities of Sindh Province as well as Pakistan, there was a need for a new housing scheme to fulfill the residential requirements for the people. As per Hyderabad Master Plan 2007-2027, the shortage of housing units in Hyderabad Urban areas would increase to around 127,000 housing units. There are a number of private housing schemes which have been launched in the city. However, with the increasing demand of affordable housing units, the shortage cannot be met. The Master Plan clearly identifies this scheme as an important housing scheme to cater to the housing demand of lower and lower-middle income group.

The Audit observed that the entire project went substantial failures primarily due to time and cost-overrun. There were instances of serious nature with respect to financial management and that of inefficiency. Despite lapse of more than eight years, the project was not completed. The basic amenities have not been acquired. Feasibility Reports were not prepared and there was un-authorized execution of schemes. There were instances of non-availability of items as per PC-I, non-cancellation of plots, non-auction of commercial plots/cancelled plots/farm houses and amenities. The works were executed without revision/calling fresh tender. Recoveries from defaulters were not made. There were instances of violation of SPPRA rules. There was lack of internal controls.

The audit mainly recommends that deviation from PC-I, non-calling of auction of commercial plots/farm houses & amenities and violation of SPPRA rules may be justified. Outstanding recoveries should be made. Fixing of responsibility for non-cancellation of defaulted plots, advance payment to Managing Director Water & Sewerage Authority, excess payment to marketing consultants, un-authorized expenditure on pension/commutation, transfer of funds, non-reconciliation of revenue, fraudulent expenditure and wastage of funds. The audit recommends that corrective measures should be taken to deliver services to general public.

1. INTRODUCTION

Hyderabad is the 8th largest city of Pakistan and 2nd largest city in Sindh Province. Keeping in view the increasing birth rate and migration from other cities of Sindh Province as well as Pakistan, there was a need for new housing scheme to fulfill the residential requirements for the people.

As per Hyderabad master Plan 2007-2027, the shortage of housing units in Hyderabad Urban areas would increase to around 127,000 housing units. There are a number of private housing schemes which have been launched in the city. However, with the increasing demand of affordable housing units, the shortage cannot be met. The Hyderabad Master Plan 2007-2027 clearly identifies this scheme as an important housing scheme to cater for the housing demand of lower and lower-middle income group.

1.1 Main objectives of the project

According to the PC-I, goals and objectives of project were as under:

- 1.1.1 To provide developed residential plots for low/medium income group
- 1.1.2 To establish a full-fledged housing scheme with all facilities, amenities and infrastructure in the suburbs of Hyderabad
- 1.1.3 To create more jobs
- 1.1.4 To support the efforts of minimizing the severe shortage in housing

1.2 Source of Financing

According to PC-I, the project was to be financed through its own resources by selling plots (residential and commercial) during the period of three years which as per estimates have to generate estimated revenue of Rs13,000 million.

1.3 Achievement of objectives

Most of the objectives of the project could not be achieved so far. Despite a lapse of more than eight years, no development work was observed at site.

1.4 Completion Period

As per PC1, project was supposed to be completed within three years i.e. December 2009 to December 2012. However, it is yet to be finalized.

2. SPECIAL STUDY OBJECTIVES

- 2.1 The major objectives of the study were:
 - 2.1.1 To assess Economy, Efficiency and Effectiveness (3Es) of the project as a whole with special focus on the judicious and meticulous use of public resources
 - 2.1.2 To check whether the selected area for housing scheme was favorable for such purpose
 - 2.1.3 To check whether the plots were affordable for low/medium income group
 - 2.1.4 To check whether the development expenditure was estimated properly
 - 2.1.5 To check whether the infrastructure was designed according to PC-I
 - 2.1.6 To check whether the project has helped to create more jobs
 - 2.1.7 To check whether the recoveries against booking of Plots were made effectively
 - 2.1.8 To check whether the intended output achieved within the estimated time and budget
 - 2.1.9 To check the impact/reasons of cost overrun and time overrun
 - 2.1.10 To check whether the internal controls at Project are operative

3 SCOPE AND METHODOLOGY

- 3.1 The main Special Study scope was:
 - 3.1.1 The review the record relating to Gulistan-e-Sarmast Housing Scheme
 - 3.1.2 To review the record maintained at Directorate General/Secretary, Gulistan-e-Sarmast
 - 3.1.3 The scope of special study was limited as record of construction of Medical College was not produced to audit (details vide Para 4.1.1)
- 3.2 The main Special Study methodology was:
 - 3.2.1 To review the performance of the project
 - 3.2.2 To review the project related record i.e PC-I, Revised PC-I, Case Files, Payment Vouchers, Completion Certificates, Field Monitoring Visit Reports, Minutes of Meetings, Measurement Books & Contract Agreements
 - 3.2.3 Conducting physical visits to ascertain organization & management, construction & works and asset management of the project
 - 3.2.4 The audit team visited Director General, Gulistan-e-Sarmast Housing Project, under the control of HDA, besides, personal interviews were conducted. Furthermore, documents of survey were analyzed by keeping in view the market rates awarded to contractor

4 SPECIAL STUDY FINDINGS & RECOMMENDATIONS

4.1 Organization & Management

4.1.1 Non-provision of record of construction of Medical College

As per Para-527 of PWD Manual, Volume-I & Sindh Local Councils (Accounts) Rules, 1983, Rule-109, stated that “No work shall begin unless proper detailed design and estimate have been sanctioned, allotment of funds made and order for its commencement issued by the competent authority”.

Further, according to Para-23 of General Financial Rules Volume – I, “every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part 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 the course of Special Study of the Director General Housing Project Gulistan-e-Sarmast, Hyderabad Development Authority, it was observed that the management allotted land to “Medical College”, but the relevant documents/record pertaining to allotment of Land and construction of Medical College was not produced to audit. Photographic evidence attached at Annexure-I.

Audit is of the view that the management failed to comply with the rules set forth by the Government, which reflects absence of financial discipline in the department.

The irregularities were pointed out to the Authority/Department during the month of February, 2017, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends fixing of responsibility against the person(s) for non-provision of record of Medical College, and the same may be produced for further verification.

4.1.2 Non-execution of items as per PC-I

As per Clause -6 of PC-I in **Description, justification, technical parameters and technology transfer aspect**, for **Water Supply** “The Project will have its own Water Filter Plant”, for **Sewerage** “The Project will have multiple Sewerage Treatment Plants in order to ensure incremental growth and in order to avoid deep excavation of trunk mains”, and for **Electrification** “A Grid Station shall also be constructed in the scheme for which provision of Land has already been kept”.

Further, according to Para-23 of General Financial Rules Volume – I, “every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part 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 the course of Special Study of the Director General Housing Project, Gulistan-e-Sarmast, Hyderabad Development Authority, it was observed that the management failed to execute the following items as per PC-I of the project:

- i. Water Filter Plant
- ii. Sewerage Treatment Plants
- iii. Grid Station

Audit is of the view that the management failed to provide basic facilities for the project which reflects absence of systematic control.

The irregularities were pointed out to the Authority/Department during the month of February, 2017, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends that the persons involved in negligence should be held responsible and execution of items as per PC-I be carried out.

4.1.3 Non-Achievement of Targeted Receipts – Rs7,447.105 million

Section 60 (1) of SLGO 1979, states that, “A council may levy in the prescribed manner any of the taxes, fees, rates, tolls, and fees mentioned in Schedule IV”.

Further, Rule 41 (a) of SFR Vol-I, states that, “The departmental controlling officer should see that all sums due to Government are regularly received and checked against demands and that they are paid into treasury claiming credit for so much paid into the treasury and compare with the figures in the statement supplied by the comptroller”.

Moreover, according to Para 05 of Letter No.SOA/LG/1/(102)/2010 Dated: 24th May, 2012 Government of Sindh, Local Government Department’s “The rent/rates and other recoveries may be reviewed / revised to improve the resources of Local Councils”

During the course of Special Study of the Director General Housing Project Gulistan-e-Sarmast, Hyderabad Development Authority, it was observed that the management fixed the revenue target amounting to Rs13,068.800 million, but collected only Rs5,621.695 million by leaving shortfall amounting to Rs7,447.105million. Detail provided as under:

Description	Targeted Receipts	Actual Receipts	Less Recovery
Plots (as per Bank)	13,068,800,000	5,502,362,876	7,447,104,527
Cost of Land (Bahria)		95,832,000	
Plots (Employee Quota)		47,624,037	
Total		56,4581,8913	
Refund to allottees		24,123,440	
Balance		5,621,695,473	

Audit is of the view that less realization of estimated receipts resulted into deprivation of authority from genuine public revenue and weak financial management.

The irregularities were pointed out to the Authority/Department during the month of February, 2017, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends that all out efforts may be taken to achieve the targeted revenue. Besides, outstanding revenue may be realized, under intimation to audit.

4.1.4 In-efficiency of management to call in auction of Commercial Plots, Farm Houses and Amenities

According to Para-23 of General Financial Rules Volume – I, “every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part 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 the course of Special Study of the Director General Housing Project, Gulistan-e-Sarmast, Hyderabad Development Authority, it was observed that the management failed to call auctions of Commercial Plots, Farm Houses and Amenities, which comprised 16.60% of land of the Project.

S.No	Category	Land used in %
1	Commercial	5.00 %
2	Farm Houses	1.60 %
3	Amenities	10.00 %
Total		16.60 %

Audit is of the view that the management failed to auction the plots, which reflects the absence of systematic control & financial discipline.

The irregularities were pointed out to the Authority/Department during the month of February, 2017, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends fixing of responsibility on management for non-calling of auction of Commercial Plots, Farm Houses and Amenities.

4.1.5 Non-advertisement of un-sold plots

As per Serial 14 (iii) of PC-I, “ the study of Project area has revealed that enough parking demand is available in vicinity of Project and which could easily be attracted towards the proposed parking facility through liaison with traffic police/KMC”.

Further, According to Para-23 of General Financial Rules Volume – I, “every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part 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 the course of Special Study of the Director General Housing Project, Gulistan-e-Sarmast, Hyderabad Development Authority, it was observed that the management failed to advertise 2068 residential plots which are remain un-sold. Detail provided as under:

Category & Size of Plot (Sq. Yd.)		Total Plots	Sold out Plots	Remaining Plots
D	100	4406	3886	520
C	120	24740	23873	867
B	240	2358	2301	57
A	400	2051	1427	624
Total		33555	31487	2068

Audit is of the view that due to non-advertisement of un-sold plots resulted into loss of revenue.

The irregularities were pointed out to the Authority/Department during the month of February, 2017, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends fixing of responsibility on management for non-advertisement of un-sold plots.

4.1.6 Non-cancellation of plots

As per Para-527 of PWD Manual, Volume-I & Sindh Local Councils (Accounts) Rules, 1983, Rule-109, stated that “No work shall begin unless proper detailed design and estimate have been sanctioned, allotment of funds made and order for its commencement issued by the competent authority”

Further, according to Finance Department, GoS letter no. FD/CW&M-I) (26) 91-92(P.T.II) dated 24-6-1993 “all charges incurred must be paid at once and under no circumstances may be allowed to stand over to be paid from the grant of subsequent year”.

During the course of Special Study of the Director General Housing Project, Gulistan-e-Sarmast, Hyderabad Development Authority, it was observed that the management failed to cancel the plots of defaulter allottees. Detail provided at Annexure-II.

Audit is of the view that the management failed to comply with the rules set forth by the Government, which reflects absence of financial discipline in the department.

The irregularities were pointed out to the Authority/Department during the month of February, 2017, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends fixing of responsibility on management for non-cancellation of defaulted plots.

4.1.7 Non-provision of Feasibility Report

Further, As per Para-527 of PWD Manual, Volume-I & Sindh Local Councils (Accounts) Rules, 1983, Rule-109, stated that “No work shall begin unless proper detailed design and estimate have been sanctioned, allotment of funds made and order for its commencement issued by the competent authority”

Further, According to rule 3.4 of Planning Commission Manual for Development Projects, “PC-II to PC-IV is required to be prepared in large development projects”.

During the course of Special Study of the Director General Housing Project, Gulistan-e-Sarmast, Hyderabad Development Authority, it was observed that various schemes of the project were executed without provision of Feasibility Reports.

Audit is of the view that non-provision of the Feasibility Report (PC-II) resulted into un-authorized work which constituted weak financial management.

The irregularities were pointed out to the Authority/Department during the month of February, 2017, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends fixing of responsibility on management for non-provision of Feasibility Report.

4.2 Financial Management

4.2.1 Un-authorized expenditure without provision in PC-I –Rs1,603.281 million

Further, According to Para-23 of General Financial Rules Volume – I, “every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part 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 the course of Special Study of the Director General Housing Project Gulistan-e-Sarmast, Hyderabad Development Authority, it was observed that the management incurred an expenditure of Rs1,603.281 million on account of establishment charges/service charges (Salaries & Others) up to 17% of the total value of plots without provision in PC-I, which is un-authorized.

Audit is of the view that the management failed to comply with the rules set forth by the Government, which reflects absence of financial discipline in the department.

The irregularities were pointed out to the Authority/Department during the month of February, 2017, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends fixing of responsibility against the person(s) for un-authorized expenditure without provision in PC-I.

4.2.2 Un-justified payment of advances to M.D WASA – Rs238.500 million

According to Para-23 of General Financial Rules Volume – I, “every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part 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 the course of Special Study of the Director General Housing Project Gulistan-e-Sarmast, Hyderabad Development Authority, it was observed that the management released funds of Rs 238.500 million to MD WASA on account of advances form the project funds, but no any adjustments were made against such advances.

Audit is of the view that the management failed to comply with the rules set forth by the Government, which reflects absence of financial discipline in the department.

The irregularities were pointed out to the Authority/Department during the month of February, 2017, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends fixing of responsibility on the management for advance payment to MD WASA, besides, adjustment of the Government revenue without any further delay.

4.2.3 Excess payment to marketing consultant – Rs12.874 million

According to contract agreement, “the marketing Consultant will be paid of 6.5% of total value.”

During the course of Special Study of the Director General Housing Project Gulistan-e-Sarmast, Hyderabad Development Authority, it was observed that the management made excess payments of Rs 12.874 million to Marketing Consultant on account of Consultancy Charges. Detail provided as under:

Description	Payable	Paid	Excess
Consultancy Charges 6.5 %	365,410,206	378,284,494	12,874,288

Audit is of the view that the management failed to comply with the rules set forth by the Government, which reflects absence of financial discipline in the department.

The irregularities were pointed out to the Authority/Department during the month of February, 2017, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends fixing of responsibility against the person(s) for excess payment to marketing consultant.

4.2.4 Un-authorized expenditure on account of Pension/Commutation – Rs10 million

According to Para-23 of General Financial Rules Volume – I, “every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part 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 the course of Special Study of the Director General Housing Project Gulistan-e-Sarmast, Hyderabad Development Authority, it was observed that the management incurred an expenditure of Rs10 million on account of Pension/Commutation to HDA staff without provision in PC-I.

Audit is of the view that the management failed to comply with the rules set forth by the Government, which reflects absence of financial discipline in the department.

The irregularities were pointed out to the Authority/Department during the month of February, 2017, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends fixing of responsibility on management for un-authorized expenditure on Pension/Commutation.

4.2.5 Un-authorized transfer of funds – Rs74.000 million

According to Para-23 of General Financial Rules Volume – I, “every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part 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 the course of Special Study of the Director General Housing Project Gulistan-e-Sarmast, Hyderabad Development Authority, it was observed that the management transferred an amount of Rs74.000 million from Project Funds, but no adjustment or detail of transfer of funds were provided, in violation of above rules.

Audit is of the view that the management failed to comply with the rules set forth by the Government, which reflects absence of financial discipline in the department.

The irregularities were pointed out to the Authority/Department during the month of February, 2017, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends that the justification may be provided for un-authorized transfer of funds.

4.2.6 Non-reconciliation of Sales Tax – Rs16.039 million

As per Section 100 of the Sindh Budget Manual, “The consolidated accounts of the controlling officer have as pointed out in the paragraph 98, to be reconciled monthly with the accounts of comptroller. The object of this procedure is to ensure the accuracy of departmental accounts, and such accuracy is necessary in order to make departmental control really effective and to prevent classification or other errors in accounts.”

Further, the office of Accountant General Sindh, Karachi through his letter no. DAG Works 2006 dated: 29-04-2006 explain that “There is general trend to avoid reconciliation

which is required to be sent with the monthly accounts as Form 26/51. As you know that is one of the internal control mechanisms to detect fraud or invalid transactions.”

During the course of Special Study of the Director General Housing Project Gulistan-e-Sarmast, Hyderabad Development Authority, it was observed that the management paid an amount of Rs16.039 million to Federal Board of Revenue (FBR) on account of sales tax returns, but it failed to reconcile the same from concerned authority, in violation of above rules.

Audit is of the view that non-reconciliation of the tax payments constituted weak financial management.

The irregularities were pointed out to the Authority/Department during the month of February, 2017, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends fixing of responsibility on account of non-reconciliation, besides statement duly reconciled with the concerned authorities may be produced to audit for verification.

4.2.7 Non-reconciliation of collected Revenue from Project – Rs5,917.764 million

According to clause 5.2 of GFR (Ch:V) that,” The fundamental principle of the public finance is that all monetary transactions to which a Government servant may be a party in his public capacity should be brought to account without delay. The money received as due to the Government or for deposit in the custody of the Government should be credited to the public account by depositing it in the bank or treasury.

Further, clause 5.3 of GFR (Ch:V) that, “As regards the revenues and other receipts of the Government, it is the primary duty of the officers concerned to see that dues of Government are correctly and promptly assessed, quickly realized and immediately deposited into the Government treasury.

During the course of Special Study of the Director General Housing Project Gulistan-e-Sarmast, Hyderabad Development Authority, it was observed that the management collected an amount of Rs5,917.764 million under various heads, but failed to reconcile the revenue from Account Department of the Project. Moreover, no details and documentary evidence were shown to audit, in violation of the above rule. Detail provided as under:

Total Receipts	Grand Total of Receipts
Receipt as per Bank	5,502,362,876
Receipt from Employee Quota	47,624,037
Cost of Land (Baharia Town University)	95,832,000
Profit	14,967,779
CDR received from P&DC in July-2016	256,977,140
Total	5,917,763,832

Audit is of the view that the management failed to observe the Government rules and procedures, which reflects the absence of financial discipline in the department.

The irregularities were pointed out to the Authority/Department during the month of February, 2017, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends fixing of responsibility for non-reconciliation of collected revenue.

4.3 Procurement and Contract Management

4.3.1 Non-hoisting of bid evaluation reports – Rs2,429.268 million

According to Rule 45 SPPRA 2010, states that, “Procuring agencies shall announce the results of bid evaluation in the form of a report giving reasons for acceptance or rejection of bids. The report shall be hoisted on website of the Authority and that of the procuring agency if its website exists and intimated to all the bidders at least seven (07) days prior to the award of contract”.

Further, Rule 10 of Sindh Public Procurement Rules 2010 states that “The procuring agency shall, immediately upon award of contract, make the evaluation report of the bid, and the contract agreement to public through hoisting on the Authority’s website as well as on procuring agency’s website, if the procuring agency has such a website.”

During the course of Special Study of the Director General Housing Project Gulistan-e-Sarmast, Hyderabad Development Authority, it was observed that the management awarded/executed various development schemes amounting to Rs2,429.268 million through open tender process, but failed to hoist bid evaluation reports on the SPPRA website, in violation of above rules. Detail provided at Annexure-III.

Audit is of the view that violation of SPPRA rules resulted into non-transparency in the award of contracts and weak financial management.

The irregularities were pointed out to the Authority/Department during the month of February, 2017, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends fixing of responsibility for non-hoisting of bid evaluation reports on authority’s website, under intimation to audit.

4.4 Construction and Works

4.4.1 Fraudulent expenditure on various development works–Rs452.916 million

According to Section 17, Contract Act, 1872: "Fraud" means and includes acts committed by a party to a contract, or with his connivance, or by his agent, with intent to deceive another party thereto of his agent or to induce him to enter into the contract”.

Further, As per Para-527 of PWD Manual, Volume-I & Sindh Local Councils (Accounts) Rules, 1983, Rule-109, stated that “No work shall begin unless proper detailed design and estimate have been sanctioned, allotment of funds made and order for its commencement issued by the competent authority”

During the course of Special Study of the Director General Housing Project, Gulistan-e-Sarmast, Hyderabad Development Authority, it was observed that an expenditure of Rs452.916 million was incurred on various development works, but during physical verification, the following development works were not executed:

Rupees in Million		
S #	Nature of Work	Amount
1	Construction of Water Supply	293.746
2	Construction of Sewerage System	44.051
3	Construction of Storm Water Drain	5.212
4	Demarcations	7.654
5	Construction of Police Station	1.092
6	Construction site office	3.885
7	Electrification	13.838
8	Plantation	1.959
9	Construction of Foot paths	9.150
10	Beautification	2.003
11	Gas connections charges	70.326
Total		452.916

Audit is of the view that the management failed to comply with the rules set forth by the Government, which reflects the absence of systematic control & financial discipline.

The irregularities were pointed out to the Authority/Department during the month of February, 2017, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends inquiry into the matter for fixing of responsibility on person(s) at fault, under intimation to audit.

4.4.2 Un-authorized execution of works without revision/calling fresh Tender – Rs234.581 million

SPPRA Rules 2004 (42) (C) (IV), state that, “Repeat Orders means procurement of the same commodity from the same source without competition and includes enhancement of contracts; provided that: - (i) the cost of additional quantities of item(s) shall not exceed 15% of the original contract amount”.-

Further, Rule-17(1) of SPPRA Rules 2010, states that, “Procurements over one hundred thousand rupees and up to one million rupees shall be advertised by timely notifications on the Authority’s website and in print media in the manner and format prescribed in these rules”.

During the course of Special Study of the Director General Housing Project Gulistan-e-Sarmast, Hyderabad Development Authority, it was observed that the management awarded various development schemes amounting to Rs108.5 million, which were revised up to Rs234.581 million without revision/re-tendering of the contract, in violation of above rules. Detail provided at Annexure-IV.

Audit is of the view that excess execution beyond permissible limit without revision/calling fresh tenders, resulted into un-authorized expenditure and weak financial management.

The irregularities were pointed out to the Authority/Department during the month of February, 2017, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends fixing of responsibility on person(s) for un-authorized execution of without revision/re-calling fresh tender.

4.5 Asset Management

4.5.1 Wasteful expenditure on provision of works/Assets – Rs4,894.272 million

According to Para-23 of General Financial Rules Volume – I, “every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part 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 the course of Special Study of the Director General Housing Project Gulistan-e-Sarmast, Hyderabad Development Authority, it was observed that the management incurred an expenditure of Rs4,894.272 million on construction of various development schemes. However, during physical verification, it was observed that the whole project is in worst condition. Moreover, roads were destroyed, drainage system was not available, no utility services, no footpaths & plantation is found available, due to which public money seems lapsed wasteful. Details provided at Annexure-V.

Audit is of the view that due to dilapidated condition of project, melafide intentions of management cannot be ruled out. The whole expenditure incurred on project seems wasteful which resulted into financial loss of public money.

The irregularities were pointed out to the Authority/Department during the month of February, 2017, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends fixing of responsibility against the management for wastage of public funds & non-delivery of services to public.

4.6 Monitoring and Evaluation

4.6.1 Improper monitoring & evaluation system

According to Para-23 of General Financial Rules Volume – I, “every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part 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 the course of Special Study of the Director General Housing Project Gulistan-e-Sarmast, Hyderabad Development Authority, it was observed that the management failed to implement proper monitoring & evaluation system for project. However, due to improper monitoring & evaluation, the project founds in worst condition.

Audit is of the view that the management failed to comply with the rules set forth by the Government, which reflects absence of financial discipline in the department.

The irregularities were pointed out to the Authority/Department during the month of February, 2017, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends fixing of responsibility against the person(s) for non-implementation of Monitoring & Evaluation for project.

4.6.2 Internal Audit and Inspection not conducted by the Controlling Officer

According to Para – 13 of General Financial Rules Volume – I, “Controlling Officer is required to carry out the internal audit and inspection of his office and those of Subordinate disbursing officers, if any, at least once in every financial year to detect the error and irregularities to safeguard against waste and loss of Public money and store, but also that the prescribed checks are effectively applied. The results of these inspections should be incorporated in the form of an Inspection Report, copy of which should be endorsed to audit. The head of the department should, after his scrutiny of the report, communicate to audit a copy of his remarks thereon and any orders issued in that connection”.

During the course of Special Study of the Director General Housing Project Gulistan-e-Sarmast, Hyderabad Development Authority, it was observed that the management failed to conduct internal audit & inspection, since the start of the project.

Audit is of the view that the management failed to observe the Government rules and procedures, which reflects the absence of systematic control and financial discipline.

The irregularities were pointed out to the Authority/Department during the month of February, 2017, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends fixing of responsibility against the person(s) at fault for non-conducting of internal Audit and Inspection.

4.7 Environment

4.7.1 Commencement of a project without obtaining Initial Environmental Examination (IEE) – Rs13,068.80 million

According to Sub Section (1) of Section 12 of the Pakistan Environmental Protection Act, (PEPA) 1997 “No proponent of a project shall commence construction or operation unless he has filed with the Government Agency designated by Federal Environmental Protection Agency or Provincial Environmental Protection Agencies, as the case may be, or,

where the project is likely to cause an adverse environmental effects an environmental impact assessment, and has obtained from the Government Agency approval in respect thereof”.

Further, according to Regulation No.3 of the Pakistan Environmental Protection Agency (Review of IEE and EIA) Regulations, 2000 “A proponent of a project falling in any category specified in Schedule – I shall file an (IEE) with the Federal Agency, and the provisions of section 12 shall apply to such project”.

During the course of Special Study of the Director General Housing Project Gulistan-e-Sarmast, Hyderabad Development Authority, it was observed that the management started work of the project without carrying out Initial Environment Examination (IEE) from Environmental Protection Agency (EPA).

Audit is of the view that the project was executed without assessing environmental impact of the project.

The irregularities were pointed out to the Authority/Department during the month of February, 2017, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends that corrective measures should be taken for non-obtaining of IEE.

5. CONCLUSION

The project can deliver better results if it is run economically, efficiently and effectively. All that is required is the managerial commitment as well as efficiency.

ACKNOWLEDGEMENT

We wish to express appreciation to the Management and staff of office of the Director General Housing Project, Gulistan-e-Sarmast, Hyderabad Development Authority for the assistance and cooperation extended to the auditors during this assignment.

Non-provision of record of construction of Medical College



Annexure-II

Detail of cancellation of plots

S.No	Description	Detail	Stages	No. of Defaulters	Amount
1	Applicant paid only Booking Amount	Annexure-1	Stage-1	209	44,235,400
			Stage-2	80	26,196,600
			Stage-3	373	13,5805,000
2	Applicant paid only Booking & Confirmation Amount	Annexure-2	Stage-1	294	63,362,800
			Stage-2	94	22,148,100
			Stage-3	312	105,374,000
3	Applicant paid only Booking , Confirmation & Allocation Amount	Annexure-3	Stage-1	836	185,648,100
			Stage-2	231	54,624,900
			Stage-3	285	101,137,000
Total				2714	738,531,900

Applicant paid only Booking Amount

Size of Plot	Stage-1								
	Booking Amount	Conformation	Allocation	Qrt Inst. (10 Nos)	Cost of Plot	Defaulters	Total	Paid only Booking	Balance
100	10000	14500	14500	89700	128700	35	4504500	350000	4,154,500
120	12000	17000	17000	113900	159900	141	22545900	1692000	20,853,900
240	40000	60000	60000	352500	532500	24	12780000	960000	11,820,000
400	65000	100000	100000	623000	888000	9	7992000	585000	7,407,000
100 Comm:	0	0	0	0	0	0	0	0	0
Total						209			44,235,400
Size of Plot	Stage-2								
	Booking Amount	Conformation	Allocation	Qrt Inst. (10 Nos)	Cost of Plot	Defaulters	Total	Paid only Booking	Balance
100	0	0	0	0	0	0	0	0	0
120	15000	20000	20000	123100	178100	61	10864100	915000	9,949,100
240	45000	70000	70000	406500	591500	3	1774500	135000	1,639,500
400	75000	115000	115000	683000	988000	16	15808000	1200000	14,608,000
100 Comm:	0	0	0	0	0	0	0	0	0
Total						80			26,196,600
Size of Plot	Stage-3								
	Booking Amount	Conformation	Allocation	Qrt Inst. (10 Nos)	Cost of Plot	Defaulters	Total	Paid only Booking	Balance
100	0	0	0	0	0	0	0	0	0
120	20000	30000	30000	154000	234000	262	61308000	5240000	56,068,000
240	50000	75000	75000	515000	715000	62	44330000	3100000	41,230,000
400	80000	100000	100000	864000	1144000	28	32032000	2240000	29,792,000
100 Comm:	40000	60000	60000	295000	455000	21	9555000	840000	8,715,000
Total						373			13,5805,000

Applicant paid only Booking & Confirmation Amount

Size of Plot	Stage-1								
	Booking Amount	Conformation	Allocation	Qrt Inst. (10 Nos)	Cost of Plot	Defaulters	Total	Paid only Booking & Conform:	Balance
100	10000	14500	14500	89700	128700	53	6821100	530000	6,291,100
120	12000	17000	17000	113900	159900	198	31660200	2376000	29,284,200
240	40000	60000	60000	352500	532500	23	12247500	920000	11,327,500
400	65000	100000	100000	623000	888000	20	17760000	1300000	16,460,000
100 Comm:	0	0	0	0	0	0	0	0	0
Total						294			63,362,800
Size of Plot	Stage-2								
	Booking Amount	Conformation	Allocation	Qrt Inst. (10 Nos)	Cost of Plot	Defaulters	Total	Paid only Booking & Conform:	Balance
100	0	0	0	0	0	0	0	0	0
120	15000	20000	20000	123100	178100	81	14426100	1215000	13,211,100
240	45000	70000	70000	406500	591500	8	4732000	360000	4,372,000
400	75000	115000	115000	683000	988000	5	4940000	375000	4,565,000
100 Comm:	0	0	0	0	0	0	0	0	0
Total						94			22,148,100
Size of Plot	Stage-3								
	Booking Amount	Conformation	Allocation	Qrt Inst. (10 Nos)	Cost of Plot	Defaulters	Total	Paid only Booking & Conform:	Balance
100	0	0	0	0	0	0	0	0	0
120	20000	30000	30000	154000	234000	235	54990000	4700000	50,290,000
240	50000	75000	75000	515000	715000	38	27170000	1900000	25,270,000
400	80000	100000	100000	864000	1144000	21	24024000	1680000	22,344,000
100 Comm:	40000	60000	60000	295000	455000	18	8190000	720000	7,470,000
Total						312			105,374,000

Applicant paid only Booking, Confirmation & Allocation Amount

Size of Plot	Stage-1							Paid only Booking, Confirmation & Allocation	Balance
	Booking Amount	Confirmation	Allocation	Qrt Inst. (10 Nos)	Cost of Plot	Defaulters	Total		
100	10000	14500	14500	89700	128700	172	22136400	1720000	20,416,400
120	12000	17000	17000	113900	159900	528	84427200	6336000	78,091,200
240	40000	60000	60000	352500	532500	75	39937500	3000000	36,937,500
400	65000	100000	100000	623000	888000	61	54168000	3965000	50,203,000
100 Comm:	0	0	0	0	0	0	0	0	0
Total						836			185,648,100
Size of Plot	Stage-2							Paid only Booking, Confirmation & Allocation	Balance
	Booking Amount	Confirmation	Allocation	Qrt Inst. (10 Nos)	Cost of Plot	Defaulters	Total		
100	0	0	0	0	0	0	0	0	0
120	15000	20000	20000	123100	178100	204	36332400	3060000	33,272,400
240	45000	70000	70000	406500	591500	9	5323500	405000	4,918,500
400	75000	115000	115000	683000	988000	18	17784000	1350000	16,434,000
100 Comm:	0	0	0	0	0	0	0	0	0
Total						231			54,624,900
Size of Plot	Stage-3							Paid only Booking, Confirmation & Allocation	Balance
	Booking Amount	Confirmation	Allocation	Qrt Inst. (10 Nos)	Cost of Plot	Defaulters	Total		
100	0	0	0	0	0	0	0	0	0
120	20000	30000	30000	154000	234000	211	49374000	4220000	45,154,000
240	50000	75000	75000	515000	715000	31	22165000	1550000	20,615,000
400	80000	100000	100000	864000	1144000	27	30888000	2160000	28,728,000
100 Comm:	40000	60000	60000	295000	455000	16	7280000	640000	6,640,000
Total						285			101,137,000

Non-hoisting of Bid Evaluation Report

S.No	Category of Work	No of Works	Tender Cost	Revised Cost	Expenditure	Status of Work
1	Roads of Gulistan-e-Sarmast Housing Scheme	34	678.371	551.919	678.600	Work Completed
2	Water Supply of Gulistan-e-Sarmast Housing Scheme	7	292.441	252.727	298.763	Work Completed
3	Sewerage System of Gulistan-e-Sarmast Housing Scheme	6	119.772	0	49.263	Work Completed
4	Electrification of Gulistan-e-Sarmast Housing Scheme	2	13.838	0	13.838	Work Completed
5	Building of Gulistan-e-Sarmast Housing Scheme	3	5.328	3.954	4.977	Work Completed
6	Plantation of Gulistan-e-Sarmast Housing Scheme	1	1.966	0	1.959	Work Completed
7	Roads of Gulistan-e-Sarmast Housing Scheme	31	769.440	0	353.620	Work in Progress
8	Water Supply of Gulistan-e-Sarmast Housing Scheme	11	485.358	0	370.767	Work in Progress
9	Sewerage System of Gulistan-e-Sarmast Housing Scheme	1	33.015	0	11.221	Work in Progress
10	Survey & Demarcation	1	9.789	0	7.654	Work in Progress
11	Electrification of Gulistan-e-Sarmast Housing Scheme	3	19.950	0	100.107	Work in Progress
Total		100	2429.268	808.6	1890.769	

Annexure-IV

Work executed without revision of Cost/Calling Tender

S.No	W.No	Description	Name of Contractor	Tender Cost	Revised Cost	Expdt.	Diff	Revised in %
1	8	Const. of Internal Road of block -XI/A (240 Sq. Tds: Plots) at Gulistan-e-Sarmast Housing Scheme	M/s Syed Engineering	8.708	17.051	12.023	8.343	96
2	9	Const. of Internal Road of block -XI/B (240 Sq. Tds: Plots) at Gulistan-e-Sarmast Housing Scheme	M/s Syed Engineering	7.519	20.88	12.814	13.361	178
3	14	Const. of 100'.0 wide road (dual carriage way) from Block - A towards 132 KVA HESCO	M/s AAN Business Group	9.662	43.97	43.653	34.308	355
4	16	Const. of Internal Road of block -I (240 Sq. Tds: Plots) at Gulistan-e-Sarmast Housing Scheme	M/s Azher& Co.	16.972	30.78	30.393	13.808	81
5	18	Const. of Internal Road of block -XVI (240 Sq. Tds: Plots) at Gulistan-e-Sarmast Housing Scheme	M/s Bashir Ahmed	18.675	36.567	25.579	17.892	96
6	19	Const. of Internal Road of i/c Water Supply System block -VIII (240 Sq. Tds: Plots) at Gulistan-e-Sarmast Housing Scheme	M/s Shahjahan& Brothers	33.294	43.664	30.348	10.37	31
7	22	Const. of Internal Road of block -XVII	M/s ShabirJamali	13.667	41.669	33.981	28.002	205
Total				108.5	234.581	188.79	126.08	

Wasteful expenditure on provision of work / assets

S #	Head of Expenditure	Amount
1	Cost of Land	484,000,000
2	Release to PD Housing	1,968,895,641
3	Loan to Development Works in Zonal Plan (Housing)	26,060,842
4	Service Charges 12% & 5% to DG HAD, Estt Charges	1,603,280,711
5	M/s. Real Marketing (Consultancy Charges)	378,284,494
6	Release for Gas Connection (Sarmast Zone)	70,325,669
7	Release to MD WASA	238,500,000
8	Pension/Commutation, P&DC, HP, HAD	10,000,000
9	P.D Beautification	2,002,936
10	Transfer of Funds	74,000,000
11	Loan to Estate Officer	9,400,000
12	Release Loan to M/s. Real Marketing, & MD WASA	7,500,000
13	Professional Fee	3,800,000
14	Salaes Tax Recovery by FBR	16,039,000
15	Advertisement	95,792
16	WHT - Non-cash Trans	625,956
17	Bank Charges	124,889
18	WHT	1,306,503
19	Miscellaneous	30,000
	Total Payments	4,894,272,433



