



**PERFORMANCE AUDIT REPORT
ON
TAISER TOWN HOUSING SCHEME-45
MALIR DEVELOPMENT AUTHORITY
KARACHI
AUDIT YEAR 2017-18**

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 audit of “Taiser Town Housing Scheme-45”, under Malir Development Authority was carried out accordingly.

The Directorate General Audit, Local Councils, Sindh conducted the performance audit of the project “Taiser Town Housing Scheme-45”, under Malir Development Authority in September and October 2017 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. Audit Report indicates specific actions that, if taken, will help the management realize the objectives of the project.

The Audit 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.

Islamabad
Dated:

(Javaid Jehangir)
Auditor-General of Pakistan

TABLE OF CONTENTS

EXECUTIVE SUMMARY	ii
1. INTRODUCTION	1
2. AUDIT OBJECTIVES.....	4
3 SCOPE AND METHODOLOGY	4
4 AUDIT FINDINGS AND RECOMMENDATIONS	5
4.1 Organization and Management	5
4.2 Financial Management.....	12
4.3 Procurement & Contract Management	16
4.4 Construction and Works.....	18
4.5 Environment.....	19
4.6 Sustainability.....	20
4.7 Overall Assessment.....	21
5 CONCLUSION.....	21
ACKNOWLEDGEMENT	22
ANNEXURES.....	23

ABBREVIATIONS AND ACRONYMS

CDWP	Central Development Working Party
DG	Director General
DDWC	District Development Working Committee
DDWP	Departmental Development Working Party
ECNEC	Executive Committee of National Economic Council
GFR	General Financial Rules
GoS	Government of Sindh
KDA	Karachi Development Authority
MDA	Malir Development Authority
PC	Planning Commission
PDWP	Provincial Development Working Party
PMU	Project Monitoring Unit
Rs.	Rupees
Sft	Square Feet
SPPRA	Sindh Public Procurement Regularity Authority
Sq.yds	Square yards

EXECUTIVE SUMMARY

The Director General Audit, Local Councils Sindh conducted Performance Audit of Taiser Town Housing Scheme-45, Karachi in September to October, 2017. The main objectives of the performance audit were to see whether the project was performing its function with due regard to economy, efficiency and effectiveness. Besides, it was also examined that the Taiser Town Scheme-45 is observing proper standards, rules and regulations of standard Housing Scheme. The audit was conducted in accordance with INTOSAI Auditing Standards.

Taiser Town Housing Scheme was initiated under “Tameer-e-Karachi Programme” of City District Government Karachi on directions of the then President of Pakistan in March 1, 2002. The main objectives of the project were to meet the shelter demand of low, lower-middle and upper-middle income groups and create economic base in the north-east of Karachi. The Scheme was planned by Engineering Consultants International Limited. The Scheme encompasses all the land uses, amenities and facilities that any small city or a large town should possess, with especial focus on wide roads and alleys dividing various planned residential, commercial and amenities blocks and sectors; a huge battery of reservoirs for water supply, treatment plants for treating the waste effluent, with especial consideration for waste water recycling and water harvesting, and spaces for power supply grid stations, with emphasis on parks and play grounds providing a healthy environment for the residents. It is a self-financed scheme and will be undertaken on no profit no loss basis. The project was aimed at economic growth through its shopping malls, banks, companies and other commercial establishments.

Key Audit Findings:

The main audit findings are non-achievement of target of allotment of residential plots, non-completion of scheme due to defective planning, non-cancellation of allotment of plots and un-authorized execution of project without obtaining approval from competent forum. There were instances of non-removal of encroachment from different sectors & non-preparation of feasibility report. Wasteful expenditure was incurred on construction work of Sewerage System. Penalty was not imposed on contractors for delayed work. There were instances of non-recovery of occupancy value from allottees/defaulters, non-recovery of outstanding utility charges of plots, un-authorized purchase of vehicle, non-execution of development works required in PC-I, excess

expenditure on various works, non-provision of basic utilities and commencement of project without obtaining Initial Environmental Examination.

Audit Recommendations:

The audit recommends fixing of responsibility for non-achievement of target of allotment of residential plots. The whole scheme should be review and one sector be completed by providing all the facilities of utilities as a model to attract allottee for paying their dues. Fixing of responsibility on management for non-cancellation of allotment of plots, exercising powers beyond delegated financial limit, non-removal of encroachment and for non-preparation of feasibility report. The matter may be probed by the Principal Accounting Officer for use of sub-standard material & destruction of sewerage system. The management should made serious efforts to recover the outstanding amount from defaulters. Un-authorized expenditure may by regularize from competent authority. Responsibility may be fixed on management for non-execution of development work according to PC-I, expenditure without revision of Administrative Approval & for non-provision of basic facilities. The post facto approval for excess expenditure may be obtained from competent forum. The management should take serious efforts to recover the outstanding utility charges of plots. Environment Impact Assessment report if any may be produced to audit.

1. INTRODUCTION

1.1 General Introduction

The main objectives of the project were to meet the shelter demand of low, lower-middle and upper-middle income groups and create economic base in the north-east of Karachi. Taiser Town Housing Scheme-45 is situated in the north eastern part of Karachi, which is constituted over Deh Mokhi, Deh Nangan, Deh Bijar-ji-Buthi and Deh Taiser and is spread over an area measuring 20,570 acres. Approximately Population of 2.5 million people of middle and low income have to reside in this scheme after its full developed.

The Scheme was planned by Engineering Consultants International Limited (ECIL), the Consultants of International repute, with experience of the works in 19 different countries of the world, adopting the concepts of town planning followed in the modern world yet following the planning regulations of Karachi Building and Town Planning Regulations.

The Scheme encompasses all the land uses, amenities and facilities that any small city or a large town should possess, with especial focus on wide roads and alleys dividing various planned residential, commercial and amenities blocks and sectors; a huge battery of reservoirs for water supply, treatment plants for treating the waste effluent, with especial consideration for waste water recycling and water harvesting, and spaces for power supply grid stations, with emphases on parks and play grounds providing a healthy environment for the residents.

The time required for completion of project was 84 months. It is a self-financed scheme and will be undertaken on no profit no loss basis. During construction period of the project, about three million skilled and non-skilled construction workers will find job. After completion, more than 30,000 job seekers will be absorbed in health, education, trade & commerce, services sector, utility sector, communication etc. project development only.

The project was aimed at economic growth through its shopping malls, banks, companies and other commercial establishments. It will also contribute sufficiently to the advancement of hi-tech industries through its 9125 cottage industrial plots, small industries and standard educational institutions. The project will have internal sewerage treatment facility like oxidation ponds over an area of 151.2 acres and treatment plant over 20.13 acres of land. Land measuring 23 acres has been earmarked for compost plant.

1.2 Planning Concept

- 1.2.1 It was predominantly a low-income housing scheme with 50% area for 80 & 120 sq. yds
- 1.2.2 Allocation of ample space for future expansion of authorized villages with all basic services and amenities
- 1.2.3 Emphasis on environment-friendly development
- 1.2.4 Consolidation of balanced private land in same Deh
- 1.2.5 Adjustment of approved layout plans of Private Developers/Builders and Co-operative Housing Societies within the overall plan of the Scheme
- 1.2.6 Retention of existing private sector resorts and provision for new recreation facilities
- 1.2.7 Corridor plan with vertical housing, commercial, food square and other community amenities

1.3 Proposed Land Uses

- 1.3.1 Facilities and services proposed to be located in the Taiser Town area shall comprise:
 - 1.3.1.1 Residential Sector
 - 1.3.1.2 Vertical Building (Mixed use including amenities & facilities)
- 1.3.2 Commercial facilities and Amenities include:
 - 1.3.2.1 Parks & Playgrounds (around 10% of the scheme)
 - 1.3.2.2 Schools and Colleges
 - 1.3.2.3 Mosques/Imambargah/other Religious Buildings
 - 1.3.2.4 Library
 - 1.3.2.5 Cyber Ville and IT Park
 - 1.3.2.6 Treatment Plant at Lyari-Mokhi Confluence
 - 1.3.2.7 Oxidation Ponds
 - 1.3.2.8 Recreation Resort around Nilofer Hill with Water
 - 1.3.2.09 Reservoir at the top

- 1.3.2.10 Teaching Hospitals/Polyclinics
- 1.3.2.11 Public Buildings, Offices of Utility Departments
- 1.3.2.12 Local Commercial Areas
- 1.3.2.13 Wedding Complex Halls/Lawn
- 1.3.2.14 Telephone Exchanges
- 1.3.2.15 Community Centers
- 1.3.2.16 Local Post & E-mail Offices
- 1.3.2.17 Garbage Collection Points
- 1.3.2.18 Commercial-cum-Amenities Centers
- 1.3.2.19 Fire Brigade Stations, Police Stations, Utility Offices
- 1.3.2.20 Parking Areas
- 1.3.2.21 Hawker's Market/Food Courts
- 1.3.2.22 Eid Gah
- 1.3.2.23 Public Toilets (on every 1000 residential units)
- 1.3.2.24 Auditorium & Bus Terminal, Small Industry, Local Post & E-mail Offices

1.4 Main objectives of the project

- 1.4.1 According to the PC-I, goals and objectives of project were as under:
 - 1.4.1.1 To provide developed residential plots for low, lower-middle and upper-middle income groups
 - 1.4.1.2 To establish a full-fledged housing scheme (a mini city) with all amenities, facilities and infrastructure
 - 1.4.1.3 To create more jobs
 - 1.4.1.4 To support the efforts of minimizing the severe shortage in housing

1.5 Achievement of Objectives

None of the objectives were achieved so far. Neither the revenue was recovered from allottee, nor development work executed within stipulated time period.

1.6 Completion Period

As per PC-I, project was supposed to be completed within Seven years i.e. December 2005 to December 2012. However, it is yet to be finalized.

2. AUDIT OBJECTIVES

- 2.1 The major objectives of the Performance Audit were:
 - 2.1.1 To check whether the rates of plots were reasonable and affordable by public
 - 2.1.2 To check whether the development expenditure incurred was estimated properly
 - 2.1.3 To check whether the project has helped to establish a full-fledged housing scheme (a mini city) with all amenities, facilities and infrastructure in the suburbs of Karachi
 - 2.1.4 To check whether the project has helped to create more jobs
 - 2.1.5 To check whether the project has helped to support the efforts of minimizing the severe shortage in housing
 - 2.1.6 To check whether the recoveries against booking of Plots were made effectively
 - 2.1.7 To check the impact/ reasons of cost overrun and time overrun
 - 2.1.8 To check whether the quantity and quality of work done is in accordance with design
 - 2.1.9 To check Internal Controls of the Project
 - 2.1.10 To check whether the payment to the contractors was made according to provision contained in the contract agreement
 - 2.1.11 To check whether Generally Accepted Accounting Principles were applied
 - 2.1.12 To check whether the Government rules, regulations and codes were followed

3 SCOPE AND METHODOLOGY

- 3.1.1 The main audit scope was:
 - 3.1.1 To determine the goals/achievements of the project and to focus on risk areas like encroachment on the land of Taiser Town Housing Scheme-45, Karachi
- 3.2 The main audit methodology was:
 - 3.2.1 The record/files relating to Director General/ Secretary, Taiser Town Housing Scheme-45 Karachi, under the control of MDA located at Gulshan-e-Iqbal, Block-7 Karachi, were scrutinized in detail
 - 3.2.2 The audit team visited the office of Director General, Taiser Town Housing Scheme-45 Karachi, under the control of MDA for interviewing key personnel i.e.

- Director General, Secretary, Director Finance, Director P&DC, Director Housing and also conducted field visits
- 3.2.3 The audit team physically visited the project and observed some deficiencies regarding construction and operations of the Project
- 3.2.4 The audit team also visited similar nature of Housing Scheme New Malir Housing Project, MDA Scheme-I, Karachi.

4 AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Organization and Management

4.1.1 Non-achievement of target of allotment/balloting of residential plots

As per clause 11(a) of PC-I under heading “Residential Sector”, the management have to allot following mentioned plots to low and middle-income people on subsidize rates. The break-up of residential plots provided in Project Development are as below:

Serial No.	Type/Category of Plot	Area of plot	Total No. of Plots
01	“L”	80 Sq. yds.	33,017
02	“R”	120 Sq. yds.	30,179
03	“A”	240 Sq. yds.	4,491
Total			67,687

Audit observed that the management allotted 59,607 plots of different categories in 2005, in contradiction of provision in PC-I for allotment of 70,293 plots. Resultantly management allotted 10,320 (67,687-57,367) plots in less number and failed to achieve the target of balloting/allotment of 67,687 residential plots, in violation of provision in PC-I. Detail is as under:

Serial No.	Type/Category of Plot	Area of plot	Total No. of Plots Planned in PC-I	Total No. of Plots Allotted	Difference/ Less allotment of Plots
01	“L”	80 Sq. yds.	33,017	28,445	4,572
02	“R”	120 Sq. yds.	30,179	25,024	5,155
03	“A”	240 Sq. yds.	4,491	3,898	593
Total			67,687	57,367	10,320

Audit was of view that management failed to implement the provision made in PC-I regarding allotment of total number of plots at the time of balloting, which constitutes in-efficiency of management to allot the plots through balloting effectively.

Deviation from provision made in PC-I, constitutes weak internal control.

The irregularities were pointed out to the Authority/Department during the month of April, 2018, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends that responsibility fixed on person(s) at fault and status of remaining 10,686 un-balloted residential plots may be produced to audit with solid justification.

4.1.2 Non-completion of scheme due to defective planning

As per Clause-3 of PC-I, “Time required for completion of project is 84 months.

Audit observed that the said scheme was launched in 2005 and through balloting MDA allotted 59,607 plots of different categories to General public, Government employees and cottage industry in 96 sectors and started the development work in all sectors of phase-1 at the same time instead of developing one by one sector.

Audit was of view that due to poor planning of management to launch and develop all the sectors at the same time, none of sectors is able to persuade the allottee to construct his house and reside in absence of basic facilities of electricity, gas and water. That’s the reason majority of allottee are not interested in paying their dues due to non-availability of utilities and law & order situation in the area.

Due to in-efficiency of management regarding planning of scheme, the effectiveness of scheme is a big question, which constitutes weak financial and internal control.

The irregularities were pointed out to the Authority/Department during the month of April, 2018, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends that whole scheme should be review and one sector be completed by providing all the facilities of utilities as a model to attract allottee for paying their dues. Audit also recommends that MDA should launch scheme for selling of own constructed houses on reasonable prices to make Taiser town scheme attractive for residence by providing all facilities including law and order situation.

4.1.3 Non-cancellation of allotment of plots

As per Para 10 of GFR Volume-I, “Every government officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money and public money should not be utilized for the benefits of a particular person or community”.

Audit observed that the management failed to cancel the defaulter’s plots with balance amount of Rs 2,656.605 million. Detail is as under:

(Amount in rupees)

S.No	Sq. Yrds	Category of Plots	Quota	Plot occupancy value	Total No. of plots Allotted	Total occupancy value Receivable	Occupancy value Received	Occupancy value Balance
1	80	L	Gen. Public	40,000	24762	990,480,000	846,078,797	144,401,203
2	80	L	Govt. Emp.	40,000	3095	123,800,000	102,807,860	20,992,140
3	80	L	Govt. Emp.	80,000	588	47,040,000	32,721,100	14,318,900
4	120	R	Gen. Public	120,000	19587	2,350,440,000	2,076,055,637	274,384,363
5	120	R	Govt. Emp.	120,000	4221	506,520,000	434,405,258	72,114,742
6	120	R	Cottage. Ind.	480,000	1216	583,680,000	121,470,000	462,210,000
7	240	A	Gen. Public	528,000	3144	1,660,032,000	1,187,497,172	472,534,828
8	240	A	Govt. Emp.	528,000	754	398,112,000	263,340,600	134,771,400
9	400	B	Gen. Public	1,200,000	1818	2,181,600,000	1,338,053,364	843,546,636
10	400	B	Govt. Emp.	1,200,000	422	506,400,000	289,069,152	217,330,848
Grand Total					59607	9,348,104,000	6,691,498,940	2,656,605,060

Audit was of the view that management failed to cancel the plots of defaulters, which reflects the absence of systematic control and financial discipline.

Deviation from prescribed procedure constituted weak internal control.

The irregularities were pointed out to the Authority/Department during the month of April, 2018, 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) at fault for non-recovery of outstanding dues from defaulters; the same may be recovered, under intimation to audit.

4.1.4 Un-authorized execution of project – Rs 43,766.864 million

As per sec 2.22 of SPPRA Procurement Regulation (Works), “PC-I/PC-II of schemes/projects prepared by the administrative department is required to be placed before the Provincial Development Working Party/committee according to the cost/competency of the forum as enumerate below:

S.No.	Competent Forum	Cost of Scheme up to
1	District Development Working Committee (DDWC)	Rs. 20 million
2	Departmental Development Working Party (DDWP)	Rs. 40 million
3	Provincial Development Working Party (PDWP)	Rs. Five billion
4	Central Development Working Party (CDWP)	Rs. One billion
5	Executive Committee of the National Economic Council (ECNEC). After clearance from CDWP	Above Rs. One billion

Audit observed that the PC-I of the project amounting to Rs 43,766.864 million was not approved by the competent forum i.e. Provincial Development Working Party (PDWP), in violation of above regulation.

Audit was of the view that PC-I without approval of Provincial Development Working Party, constituted weak financial management.

Deviation from prescribed procedure constituted weak internal control.

The irregularities were pointed out to the Authority/Department during the month of April, 2018, 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 exercising powers beyond delegated financial limit.

4.1.5 Non-removal of encroachment

As per list of Encroachment/ Illegal Goths established at Govt. MDA Land, “In compliance to the order of member A/L regarding survey and submission of Encroachment/Unauthorized Goths established at MDA/Govt. Land in the area of the Scheme-45, Taiser Town”.

As per Rule-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”.

Audit observed that 4,345.17 acres of land from 31 sectors was encroached by different land grabbers by establishing different villages and illegal graveyards. Detail is provided at Annexure-I.

Audit was of view that the management failed to vacate the encroached sectors/areas which constituted weak administrative controls and loss of revenue to the public money.

Deviation from prescribed procedure constituted weak internal control.

The irregularities were pointed out to the Authority/Department during the month of April, 2018, 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) at fault, besides, encroached sectors/areas be vacated immediately, under intimation to audit.

4.1.6 Non-preparation of feasibility report

As per Rule 2.21 & 2.22 of Sindh Public Procurement Rules, Guideline/Regulations for procurements, states that “Procuring Agency/Committee shall not invite bids for developments works, unless approval of PC-I / PC-II from Competent Forum has been obtained, further, competent authority for approval of cost up to one billion in Central Development Working Party (CDWP)”.

Further, as per Rule 3.4 of planning commission’s manual for development projects, “PC ii to PC iv are required to be prepared in large development projects.

Audit observed that the management failed to prepare feasibility report (PC-II) of the project.

Audit was of the view that feasibility report is mandatory for commencement of any project and in absence of this report, nobody says project is feasible or not.

Deviation from prescribed procedure resulted into non-observance of economy, efficiency and effectiveness in the project.

The irregularities were pointed out to the Authority/Department during the month of April, 2018, 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 on account of non-preparation of Feasibility Report (PC-II).

4.1.7 Non-appointment of Internal Auditor

As per Sub Rule (1) of Rule 3 of the Sindh Local Government (Internal Audit) Rules, 2004 the Nazim of each District or City District Government and Town Administration, as the case may be, may appoint any person as Internal Auditor having such qualifications, in such manner and on such terms and conditions as may be determined by Government on the recommendation of council concern;

Audit observed that the management failed to appoint the internal auditor for conducting inspection of the project.

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

Deviation from prescribed rule resulted into weak internal controls.

The irregularities were pointed out to the Authority/Department during the month of April, 2018, 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) at fault for non-appointment of Internal Auditor, under intimation to audit.

4.1.8 Non-production of record

As per Article 170(2) of the constitution of the Islamic Republic of Pakistan, inserted vide Constitutional (Eighteenth Amendment) Act, 2010 w.e.f April, 20, 2010 "The audit of accounts of the Federal and the Provincial Govt. and the accounts of any authority or body established by or under the control of the Federal or Provincial Government shall be conducted by the Auditor General, who shall determine the nature and extent of such audit. Further, the constitutional provision was stressed by the Honorable Supreme Court of Pakistan vide its judgment in CMA No. 2376/2013 dated 07.05.2013, wherein it was observed that "where, the amount is charged on the

Consolidated Fund or release to the Public Accounts of the Federation or of the Province the same may be audited by the Auditor General of Pakistan without exception”. Moreover, Chief Secretary, Government of Sindh vide its orders No. D.O No. SO (C-II)/SGA&CD/1-73/2012, dated 25.10.2013 instructed to all councils and M.D (KW&SB) to provide record to audit without delay and non-production of record by officers to be taken seriously & disciplinary case is required to be initiated which may include suspension of officers.

The management failed to provide following auditable record.

- i. Details of total number of sectors balloted and non-balloted along with number of plots and area in acres.
- ii. Details of total number of plots auctioned and amount received against them along with auctioned process files.
- iii. Details of notices issued to defaulters and recovery made along with current status.
- iv. Bank Statements
- v. Property record/ files of scheme.
- vi. Details of total land received from Board of Revenue and amount paid against it by GOS.
- vii. Cashbook of scheme.

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

Non-observance of rules and procedures constitutes weak internal control.

The irregularities were pointed out to the Authority/Department during the month of April, 2018, 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’s inefficiency for non-provision of record in accordance with rules and regulations.

4.2 Financial Management

4.2.1 Wasteful expenditure on construction work of Sewerage System Rs 1,445.006 million

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, as per 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”.

Audit observed that the management incurred an expenditure of Rs 1,445.006 million on construction work of Sewerage System. However, during physical verification, the sewerage system was totally destroyed from various places. Moreover, poor quality material was used in the same work.

Audit was of the view that expenditure on construction work of sewerage system seems to be wasteful in the light of pictorial evidence. Pictorial evidence provided at Annexure-II.

Deviation from prescribed rule resulted into weak internal controls.

The irregularities were pointed out to the Authority/Department during the month of April, 2018, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

The matter may be probed by the Principal Accounting Officer for use of sub-standard material & destruction of sewerage system, results thereof may be intimated to audit.

4.2.2 Non-imposition of penalty – Rs 51.051 million

As per Clause -2 of the Contract Agreement, “Quantity of work is to be done within the particular time as specified and within the proportionate time, such as $\frac{1}{4}$ th of work in $\frac{1}{4}$ th of the time, and contractor will abide by the programme of detailed progress

laid down by the executive engineer. In the event of the contractor failing to comply with this condition he shall be liable to pay as compensation not exceeding 10% of the estimated cost of the work as shown in the tender”.

Audit observed that the management executed development work amounting to Rs 510.511 million, but failed to impose penalty on contractors @ 10% amounting to Rs 51.051 million due to non-completion of work within stipulated time frame. Detail provided at Annexure-III.

Audit was of the view that un-due favor was extended towards contractors, which constitutes weak financial management.

Deviation from prescribed rules resulted into weak internal control.

The irregularities were pointed out to the Authority/Department during the month of April, 2018, 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-imposing of penalty on contractor. Besides, the same may be affected, under intimation to audit.

4.2.3 Non-recovery of occupancy value from allottees/defaulters Rs 2,656.605 million

As per Rule 28 of General Financial Rules (Chapter 3, Revenue & Receipts), “No Amount due to Government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable the orders of the Competent Authority for their adjustment must be sought”. Further, as per Rule-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”.

Audit observed that the management failed to recover an amount of Rs 2,656.605 million from various defaulters/allottee against plots. Due to non-recovery of outstanding dues, Malir Development Authority is facing serious financial crisis and development works are still in progress. Detail is as under:

(Amount in rupees)

S.No	Sq. Yrds	Quota	Plot occupancy value	Total No. of plots Allotted	Total occupancy value Receivable	Occupancy value Received	Occupancy value Balance
1	80	Gen. Public	40,000	24762	990,480,000	846,078,797	144,401,203
2	80	Govt. Emp.	40,000	3095	123,800,000	102,807,860	20,992,140
3	80	Govt. Emp.	80,000	588	47,040,000	32,721,100	14,318,900
4	120	Gen. Public	120,000	19587	2,350,440,000	2,076,055,637	274,384,363
5	120	Govt. Emp.	120,000	4221	506,520,000	434,405,258	72,114,742
6	120	Cottage. Ind.	480,000	1216	583,680,000	121,470,000	462,210,000
7	240	Gen. Public	528,000	3144	1,660,032,000	1,187,497,172	472,534,828
8	240	Govt. Emp.	528,000	754	398,112,000	263,340,600	134,771,400
9	400	Gen. Public	1,200,000	1818	2,181,600,000	1,338,053,364	843,546,636
10	400	Govt. Emp.	1,200,000	422	506,400,000	289,069,152	217,330,848
Grand Total				59607	9,348,104,000	6,691,498,940	2,656,605,060

Audit was of the view that the management failed to take any serious efforts against the defaulters to recover the amount, which resulted weak financial management & internal control.

Deviation from prescribed rules resulted into weak internal control.

The irregularities were pointed out to the Authority/Department during the month of April, 2018, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends that the management should made serious efforts to recover the amount in question from defaulters and progress of the same may be intimated to audit.

4.2.4 Non-recovery of outstanding utility charges of plots Rs 2,633.292 million

As per Rule 28 of General Financial Rules (Chapter 3, Revenue & Receipts), “No Amount due to Government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable the orders of the Competent Authority for their adjustment must be sought. Further, as per Rule-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”

Audit observed that the management allotted 59,607 plots of different categories in 2005 to General public, Government Employees and Cottage Industry, but failed to recover outstanding dues of Rs 2,633.292 million from various defaulters on account of utility charges. Detail is as under:

(Amount in rupees)

S.No	Sq. Yrds.	Quota	Plot occupancy value	Total No. of plots Allotted	Total utility charges Receivable	Utility charges Received	Utility charges Balance
1	80	Gen. Public	40,000	24762	742,860,000	124,611,404	618,248,596
2	80	Govt. Emp.	40,000	3095	92,850,000	12,466,029	80,383,971
3	80	Govt. Emp.	80,000	588	17,640,000	1,936,300	15,703,700
4	120	Gen. Public	120,000	19587	1,175,220,000	176,365,140	998,854,860
5	120	Govt. Emp.	120,000	4221	253,260,000	33,579,700	219,680,300
6	120	Cottage. Ind.	480,000	1216	-	-	0
7	240	Gen. Public	528,000	3144	328,233,600	44,740,858	283,492,742
8	240	Govt. Emp.	528,000	754	78,717,600	9,226,548	69,491,052
9	400	Gen. Public	1,200,000	1818	316,332,000	34,285,922	282,046,078
10	400	Govt. Emp.	1,200,000	422	73,428,000	8,036,800	65,391,200
Grand Total				59,607	3,078,541,200	445,248,701	2,633,292,499

Audit was of the view that the management failed to take any serious action against the defaulters to recover the amount lying outstanding.

Due to non-recovery of outstanding dues, Malir Development Authority is facing serious financial crisis and development works are still in progress due to non-availability of funds, which shows inefficiency of management to recover the dues.

The irregularities were pointed out to the Authority/Department during the month of April, 2018, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends that the management should made serious efforts to recover the amount in question from defaulters and progress of the same may be intimated to audit.

4.2.5 Un-authorized purchase of vehicle without provision in PC-I Rs 4.818 million

As per PC-I, there is no provision for purchase of vehicle.

Audit observed that the management incurred an expenditure of Rs 4.818 million on purchase of Toyota HIACE Commuter Dual A/C 3.OL” without provision in PC-I.

Audit was of the view that expenditure without provision in PC-I resulted into unauthorized expenditure, which constituted weak financial management.

Deviation from prescribed procedure constituted weak internal control.

The irregularities were pointed out to the Authority/Department during the month of April, 2018, 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, the same may be regularized from competent authority, under intimation to audit.

4.3 Procurement & Contract Management

4.3.1 Non-execution of development works required under 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”.

Audit observed during physical verification the management failed execute the development works according to PC-I and failed to provide following basic facilities to public:

- i. Car Parking Lots
- ii. Mass Transit Spine
- iii. Health Care & Poly Clinics
- iv. Community Centers
- v. Post & Telegraph Offices
- vi. Fire Brigade Stations
- vii. Telephone Exchange
- viii. Police Stations
- ix. Washing Ponds
- x. Bus Terminal

- xi. Oxidation Ponds for waste-water treatment
- xii. Garbage collection points
- xiii. Housing for Janitorial Staff
- xiv. Public Toilets etc.

Audit was of the view that the management failed to provide basic facilities to public, which constitutes weak management and internal control in the department.

Deviation from prescribed procedure constituted weak internal control.

The irregularities were pointed out to the Authority/Department during the month of April, 2018, 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-execution of development work according to PC-I.

4.3.2 Excess expenditure on various works – Rs 13.869 million

As per Para 508 of PWD Manual Volume-I. “When the expenditure on a work exceeds or is found likely to exceed the amount administratively approved for it by more than 10%, revised administrative approval to it should be obtained from the authority competent to approve the cost so enhanced”.

Audit observed that the management made an excess payment of Rs 13.869 million by extending un-due favor to contractor(s), which was upto 11.58 % to 28.95 % over and above the original estimates. Moreover, required Revised Administrative Approval from competent authority was not obtained.

Audit was of the view that the management failed to observe the Government rules and procedures, which reflects absence of systematic control and financial discipline. Detail provided at Annexure-IV.

Deviation from prescribed rules resulted into weak internal control.

The irregularities were pointed out to the Authority/Department during the month of April, 2018, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends post facto approval from competent forum may be obtained and copy of there to may be provided to audit.

4.4 Construction and Works

4.4.1 Non-provision of basic utilities – Rs 445.248 million

As per clause 11(a) &11(b) of PC-I, the management of Taiser Town Housing Scheme will provide the basic facilities of water supply, Sui Gas, Sewage treatment; KESC will construct grid stations and power supply network in the project.

Audit observed that the management allotted 59,607 plots of different categories in 2005, but failed to provide basic facilities including utilities, despite receiving utility charges amounting to Rs 445.248 million from various allottees. However, Scheme is non-functional, due to which allottees are not taking interest to deposit the outstanding dues. Detail is as under:

(Amount in rupees)

S.No	Sq. Yrds.	Quota	Plot occupancy value	Total No. of plots Allotted	Total utility charges Receivable	Utility charges Received	Utility charges Balance
1	80	Gen. Public	40,000	24,762	742,860,000	124,611,404	618,248,596
2	80	Govt. Emp.	40,000	3,095	92,850,000	12,466,029	80,383,971
3	80	Govt. Emp.	80,000	588	17,640,000	1,936,300	15,703,700
4	120	Gen. Public	120,000	19,587	1,175,220,000	176,365,140	998,854,860
5	120	Govt. Emp.	120,000	4,221	253,260,000	33,579,700	219,680,300
6	120	Cottage. Ind.	480,000	1,216	-	-	-
7	240	Gen. Public	528,000	3,144	328,233,600	44,740,858	283,492,742
8	240	Govt. Emp.	528,000	754	78,717,600	9,226,548	69,491,052
9	400	Gen. Public	1,200,000	1,818	316,332,000	34,285,922	282,046,078
10	400	Govt. Emp.	1,200,000	422	73,428,000	8,036,800	65,391,200
Grand Total				59,607	3,078,541,200	445,248,701	2,633,292,499

Audit was of the view that management failed to provide basic facilities to the allottees thereby decreasing the effectiveness of the project.

Deviation from prescribed procedure constituted weak internal control.

The irregularities were pointed out to the Authority/Department during the month of April, 2018, 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) at fault, besides serious efforts be taken to provide utilities to the allottees.

4.5 Environment

4.5.1 Commencement of a project without Environment Impact Assessment Rs 11,103.797 million

As per 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, as per 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

Audit observed that the management started the work of the project without consulting with concerned environmental Protection Agencies, Environmental Impact Assessment and approval in respect thereof, in violation of above rules.

Audit was of the view that the project was executed without assessing Environmental Impact of the project which is a basic necessity for commencement of any project.

Deviation from prescribed procedure constituted weak internal control.

The irregularities were pointed out to the Authority/Department during the month of April, 2018, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends that Environment Impact Assessment report if any may be produced to audit. In absence of such report commencement of scheme is in question and serious violation of rules framed by Government.

4.5.2 Non-implementation of Environmental Control Measures

As per Clause-33 of PC-I, the management of Taiser Town Housing Scheme will implement the following environmental control measures:

- a) **Flood Control:** To construct check dam in the upper reaches of the River Lyari, a feasibility study has to be conducted.

- b) **Air Pollution Control Measures:** Proposed plantation will take care of air pollution. Proper enforcement of Environmental law and emission standards will mitigate the effect of this pollution hazard. No additional funds will be needed.
- c) **Treatment of Sewage:** The cost of sewerage network and oxidation ponds has been included in the development cost of PC-I. No additional funds will be required.

Audit noticed that the management failed to implement environmental control measures for flood control. No feasibility study has been conducted yet as mentioned above. No plantation has been made to take care of air pollution. No treatment plant for sewage has been constructed so far, in contradiction of PC-I clause.

Audit was of view that management of failed to implement the above environmental control measures which are necessary for healthy environment and shows inefficiency of MDA to handle the project effectively.

Deviation from prescribed procedure constituted weak internal control.

The irregularities were pointed out to the Authority/Department during the month of April, 2018, but no reply has been furnished to this office till finalization of this report even our repeated written reminders.

Audit recommends that the reasons for non-implementation of Environmental Control Measures be justified.

4.6 Sustainability

In the absence of sufficient development funds and other basic facilities; lack of managerial control; improper Monitoring & Evaluation system, there is likelihood that the human, institutional and financial resources would not be available to achieve project's results. As a result, the project is going to be non-sustainable with the passage of time.

4.7 Overall Assessment

Taiser Town Housing Scheme-45, MDA, Karachi, has turned out to be an all-out fiasco from every respect:

- 4.7.1 **Relevance:** The project is relevant to Government policies but could not succeed due to inefficiency and ineffectiveness of management.
- 4.7.2 **Efficacy:** The efficacy of the project seems highly questionable in the absence of concrete outcomes and unaccomplished objectives.
- 4.7.3 **Efficiency:** Substantial time overrun, failure to achieve revenue targets for self-financing of the project and absence of basic facilities in the scheme made the project inefficient.
- 4.7.4 **Economy:** Owing to the non-revision of PC-I as well as subsequent fresh tendering process for competitive rates of procurements was not achieved.
- 4.7.5 **Effectiveness:** The project suffered from ineffectiveness as it failed to provide basic facilities to the allottees.
- 4.7.6 **Compliance with rules:** Violations of SPPRA rules and PC-I in particular were observed.
- 4.7.7 **Risk rating of Project:** High

5 CONCLUSION

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

5.1 Lessons identified

- 5.1.1 Improper planning and inefficient management were keys to fiasco.
- 5.1.2 Efficient marketing and modern service delivery could have a positive impact on recovery.
- 5.1.3 The best planning can be foiled by the worst execution.
- 5.1.4 Behind every failed activity of the project there lies the curse of corruption.
- 5.1.5 Public assets are not looked after by management as their own resources.

ACKNOWLEDGEMENT

The DAGP express appreciation to the management and staff of Project Director Taiser Town Scheme-45, MDA, Karachi, for the assistance and cooperation extended to the auditors during this assignment.

**Non-removal of encroachment from different sectors of
Taiser Town Housing Scheme**

S #	Name of Sectors Encroached	Area in Acres
1	40, 41, 41-A	413.77
2	48	89.41
3	31, 31-A, 31-B	278.82
4	55	40.00
5	38, 38-A	374.00
6	34, 34-A	233.86
7	39	42.22
8	30, 30-A, 30-B	241.60
9	56, 56-A, 56-B	138.00
10	45-A	86.00
11	42-A, 49-A	44.00
12	47	111.87
13	42, 43, 44, 45, 46 & 49	857.83
14	KNBP	30.00
15	37, 37-A	197.00
16	35, 35-A, 35-B & 35-C	100.00
17	33-A, 33-B & 33-C	85.79
18	52	62.23
19	49-A & 49-B	127.00
20	12	30.00
21	25 & 25-A	121.27
22	23	60.00
23	10	45.00
24	85	50.00
25	91	25.00
26	87	80.00
27	7-B	104.70
28	7-C	52.00
29	5-A & 8-A	30.21
30	9, 9-A, 9-B & 9-C	143.59
31	11	50.00
Total 31 Sectors		4345.17 Acres



Annexure-III

Non-Imposition of Penalty

(Amount in rupees)

S.#	Cont. No.	Name of Work	Contractor	Agreement Cost	Date of Start of Work	Date of Compl. of Work	Status	Penalty
1	834	Construction of Surface Treated internal roads Sector No. 61-A including retaining wall	M/s Abdullah & Sons	16,603,965	10-03-11	09-12-11	WIP	1,660,397
2	837	Construction of 15' wide service on Road A-02 Part-IV	M/s Samad Khan Baber & Co.	19,336,823	10-05-11	09-05-12	WIP	1,933,682
3	850	Sewerage System in Sector 21 (Sub-Sector II)	M/s Mehran Const. Co.	13,046,173	15-04-11	14-04-12	WIP	1,304,617
4	851	Sewerage System in Sector 21 (Sub-Sector II)	M/s Naseeb Khan & Bro.	15,124,885	29-04-11	28-04-12	WIP	1,512,489
5	861	Const. of underground water tank in Sector-81	M/s Glamour Engineering	38,562,887	05-12-14	11-02-15	WIP	3,856,289
6	862	Const. & Carpeting of 100' wide Afghan Basti	M/s Asif Entep.	59,913,682	07-07-14	06-04-15	WIP	5,991,368
7	863	Const. & Carpeting of 100' wide Afghan Basti	M/s Samad Khan Baber & Co.	47,796,109	07-07-14	06-04-15	WIP	4,779,611
8	866	Const. of 140' wide road right (Southern side) of KNBP Road (Part-I)	M/s M.M. Traders	79,515,421	03-07-14	02-07-15	WIP	7,951,542
9	867	Const. of 140' wide road right (Southern side) of KNBP Road (Part-II)	M/s J.K & Co.	65,704,590	04-08-14	03-05-15	WIP	6,570,459

(Amount in rupees)

S.#	Cont. No.	Name of Work	Contractor	Agreement Cost	Date of Start of Work	Date of Compl. of Work	Status	Penalty
10	868	Const. of 140' wide road right (Southern side) of KNBP Road (Part-III)	M/s Shams & Zain	67,972,591	-	24-10-15	WIP	6,797,259
11	872	Const. of Pre-Cast Compound Wall from Deh Mokhi (Phase-I)	M/s Abdullah & Sons	60,989,415	04-08-14	03-05-15	WIP	6,098,942
12	877	Const. of 150' wide Shahr-e-Roomi in Gulshan-e-Maymar	M/s Preely Construction	17,945,232	28-08-14	27-02-15	WIP	1,794,523
13	878	Const. of 150' wide Shahr-e-Roomi in Gulshan-e-Maymar	M/s Shah Hussain A.S Construction	7,999,439	01-06-15	01-12-15	WIP	799,944
Total				510,511,212				51,051,122