



**AUDIT REPORT
ON
THE ACCOUNTS OF
CDA, CAA, NHA, PAK. PWD,
ESTATE OFFICE, FGEHF, NCL,
HEC, WWF/BOARDS AND
PD&R (SPECIAL PROJECT CELL)**

**GOVERNMENT OF PAKISTAN
AUDIT YEAR 2016-17**

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

ABC	Audit Bureau Circulation
ACI	Airport Council International
ACWC	Asphaltic Concrete Wearing Course
ADA	Airport Development Agency
ADB	Asian Development Bank
ADP	Annual Development Programme
ADPi	Aeroports deParis Ingenierie
AGPR	Accountant General Pakistan Revenues
AGR	Annual Ground Rent
AIMS	Airport Information Management System
AMP	Annual Maintenance Plan
ANO	Air Navigation Order
APM	Airport Manager
APNS	All Pakistan Newspapers Society
ASF	Airport Security Force
ATC	Air traffic control
BOD	Bio Chemical Oxygen Demand
BOQ	Bill of Quantities
BOT	Build, Operate and Transfer
BTS	Base Transceiver Station
CAA	Civil Aviation Authority
CCD	Central Civil Division
CDA	Capital Development Authority
CDR	Call Deposit Receipt
CDWP	Central Development Working Party
Cft	Cubic Foot
CGA	Controller General of Accounts
CoC	Condition of Contract
CPEC	China-Pakistan Economic Corridor
CPWA	Central Public Works Accounts
CPWD	Central Public Works Department
CRRA	Committee for Reconstruction and Rehabilitation of Afghanistan
CSR	Composite Schedule of Rates

cu.m	Cubic Meter
D.G.	Director General
DAC	Departmental Accounts Committee
DBA	Directorate of Budget and Accounts
DCO	District Coordination Officer
DDO	Drawing and Disbursing Officer
DDWP	Departmental Development Working Party
DMA	Directorate of Municipal Administration
DP	Draft Para
DST	Double Surface Treatment
DWP	Department Working Party
E&M	Electrical and Mechanical
ECNEC	Executive Committee of the National Economic Council
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
EO	Estate Office
EOI	Expression of Interest
EOT	Extension of Time
EPA	Environmental Protection Agency
EPC	Engineering, Procurement and Construction
FA	Financial Advisor
FAP	Foreign Aided Project
FAR	Floor Area Ratio
FBR	Federal Board of Revenue
FDSS	Field Design Support Services
FERP	Flood Emergency Reconstruction Project
FGEHF	Federal Government Employees Housing Foundation
FIA	Federal Investigation Agency
FIDIC	Federation Internationale Des Ingenieurs-Conseils (International Federation of Consulting Engineers)
FTN	Free Tax Number
FWO	Frontier Works Organization
FY	Financial Year
GB	Gilgit-Baltistan
GFR	General Financial Rules
GI	Galvanized Iron

GPF	General Provident Fund
GWL	General Waiting List
HEC	Higher Education Commission
HQ	Headquarters
HSD	High Speed Diesel
HVAC	Heating, Ventilating and Air-conditioning
IB	Instructions to Bidders
ICB	International Competitive Bidding
ICT	Islamabad Capital Territory
IPC	Interim Payment Certificate
IPMC	Integrated Program Management Consultant
ITS	Intelligent Transport System
JCR	Japan Credit Rating
JIAP	Jinnah International Airport
JV	Joint Venture
KIBOR	Karachi Interbank Offered Rate
KKH	Karakoram Highway
KLM	Karachi Lahore Motorway
KP	Khyber Pakhtunkhwa
LAC	Land Acquisition Collector
LARP	Land Acquisition & Rehabilitation Plan
LBG	Louis Berger Group
LC	Letter of Credit
LM	Linear meter
M.Ton	Metric Ton
MB	Measurement Book
MDGs	Millennium Development Goals
MES	Military Engineering Service
MFDAC	Memorandum for Departmental Accounts Committee
MoC	Ministry of Communications
MoU	Memorandum of Understanding
MPCHS	Multi Professional Cooperative Housing Scheme
MPD	Management Planning Documents
MPO	Machinery Pool Organization
MT	Motor Transport
NAM	New Accounting Model

NCL	National Construction Limited
NESCOM	National Engineering and Scientific Commission
NESPAK	National Engineering Services of Pakistan
NGIA	New Gwadar International Airport
NHA	National Highway Authority
NHC	National Highway Council
NHEB	National Highway Executive Board
NHIP	National Highway Improvement Programme
NIC	National Insurance Corporation
NIIAP	New Islamabad International Airport Project
NIT	Notice Inviting Tender
NLC	National Logistics Corporation
NOC	No Objection Certificate
NTB	National Training Bureau
O&M	Operation and Management
PAC	Public Accounts Committee
PACRA	Pakistan Credit Rating Agency
PAO	Principal Accounting Officer
PAR	Performance Audit Report
PBB	Passenger Boarding Bridges
PCC	Plain Cement Concrete
PC-I	Planning Commission (Proforma-I)
PD&R	Planning, Development and Reform
PDP	Proposed Draft Para
PEC	Pakistan Engineering Council
PHA	Pakistan Housing Authority
PHAF	Pakistan Housing Authority Foundation
PIAC	Pakistan International Airline Corporation
PID	Press Information Department
PITAD	Pakistan Institute of Trade and Development
PLA	Personal Ledger Account
PM	Periodic Maintenance
PM&DC	Pakistan Medical and Dental Council
PMC	Planning and Monitoring Cell
PMU	Project Management Unit
POL	Petroleum, Oil and Lubricants

PPRA	Public Procurement Regulatory Authority
PPWD	Pakistan Public Works Department
PSDP	Public Sector Development Programme
PSO	Pakistan State Oil
PWD	Public Works Department
PWP	Peoples Works Programme
PWWB	Punjab Workers Welfare Board
RCC	Re-inforced Cement Concrete
RD	Reduced Distance
RFP	Request for Proposal
Rft	Running Foot
RM	Routine Maintenance
RMA	Road Maintenance Account
ROW	Right of Way
SAR	Special Audit Report
SH	Sub-Head
SOP	Standard Operating Procedure
SRO	Statutory Regulatory Order
SSTE	Single Stage Two Envelop
STP	Sewerage Treatment Plant
SWWB	Sindh Workers Welfare Board
TDAP	Trade Development Authority Pakistan
TSE	Technically Sanctioned Estimate
TSS	Total Suspended Solids
TST	Triple Surface Treatment
WWB	Workers Welfare Board
WWF	Workers Welfare Fund

Preface

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

The report is based on audit of the accounts of CDA, CAA, NHA, Pak. PWD, EO, FGEHF, NCL, HEC, WWF/Bs and PD&R (Special Project Cell) for the financial year 2015-16 and also contains some audit observations for the financial year 2014-15. The Directorate General Audit Works (Federal), Islamabad conducted audit during 2016-17 on a test check basis with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs 1 million or more. Relatively less significant issues are listed in the Annexure-1 of the Audit Report. The audit observations listed in Annexure-1 shall be pursued with the Principal Accounting Officers at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observations will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

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

Most of the observations included in this Audit Report have been finalized after due consideration of written responses of the audited entities and discussions in DAC meetings.

The Audit Report is submitted to the President of Pakistan in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan 1973, for causing it to be laid before the Parliament.

Sd/-

Islamabad
Dated: 23rd February, 2017

(Rana Assad Amin)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit Works (Federal), Islamabad, carried out audit of the Federal Government entities engaged in construction works, namely, Capital Development Authority, Civil Aviation Authority, National Highway Authority, Pakistan Public Works Department, Estate Office, Federal Government Employees Housing Foundation, National Construction Limited, Pakistan Housing Authority Foundation, Higher Education Commission (PSDP/Infrastructure development works executed by federally chartered universities/institutions), Workers Welfare Fund/Boards and Ministry of Planning, Development and Reform (Special Project Cell/Afghan Projects). These entities function under the administrative control of various Principal Accounting Officers and consume major portion of the funds provided under the Public Sector Development Programme.

The Directorate General Audit Works (Federal), Islamabad, has existing human resource of 141 including officers and staff. The annual budget of the Directorate General for the current financial year is Rs 137.910 million. The Directorate General is mandated to conduct Financial Attest Audit, Compliance with Authority Audit and Performance Audit of civil works including mega projects of Federal Government. As part of its Audit Plan (2016-17), for the Compliance with Authority Audit, the Directorate General Audit Works (Federal) conducted audit of 84 formations, out of the 263 under its audit jurisdiction during Phase-I of the Audit Plan, by deputing fifteen (15) Field Audit Teams with an input of 2,898 man-days. Moreover, regularity audit of eleven (11) formations relating to CDA, NHA and PD&R were conducted in Phase-II of Audit Plan of 2015-16 and audit observations have been included in this Audit Report. One (01) Performance Audit and eleven (11) Special Audits are also under process, reports of which would be published separately.

The objectives of audit were to:

- i. ascertain whether or not the moneys shown as expenditure in the accounts were authorized for the purpose for which they were spent;
- ii. observe whether the expenditure incurred is in conformity with the laws, rules and regulations framed to regulate the procedure for expending public money;
- iii. ascertain whether every item of expenditure is incurred with the approval of the competent authority in the Government for expending the public money;
- iv. examine propriety of transactions to ascertain whether due vigilance has been exercised in respect of expenditure incurred from public moneys;
- v. review, analyze and comment on impact and implications of various government policies relating to the audited entities;
- vi. review, analyze and comment on budget, accounts, financial statements, balance sheet, etc. and
- vii. verify that rules and procedures were followed in assessment and collection of revenues.

i. Scope of Audit

Out of total works expenditure of the Federal Government for the financial year 2015-16, auditable expenditure under the jurisdiction of Directorate General Audit Works (Federal), Islamabad was Rs 205,810.49 million covering 263 formations under seven (07) PAOs. Of this, the Directorate General Audit Works (Federal) audited an expenditure of Rs 121,435.94 million which in terms of percentage is 59% of auditable expenditure. In addition, as part of its Audit Plan (2016-17), the Directorate General Audit Works (Federal) conducted a financial attest audit of the accounts of Pakistan Public Works Department (Government of Pakistan) and

thirteen (13) Foreign Aided Projects executed by NHA (twelve) and CAA (one). The Financial Attest Audit Report of Pak. PWD has been published separately. The Financial Attest Audit Reports of Foreign Aided Projects have been sent to the stakeholders/development partners through Economic Affairs Division. The significant issues of financial governance and project management relating to Foreign Aided Projects are also included in this Audit Report.

The audit coverage also includes the revenue collection amounting to Rs 111,165.965 million against estimates of Rs 148,148.82 million by the audited entities.

ii. Recoveries at the instance of audit

The Directorate General Audit Works (Federal), Islamabad pointed out ‘overpayments’ and ‘recoverables’ amounting to Rs 18,329.98 million. The management accepted the stance of Audit to the extent of Rs 3,975.17 million. Recovery amounting to Rs 158.20 million was made by the audited entities and verified by Audit till the finalization of this Audit Report.

In addition to the above stated recoveries, a sum of Rs 2,557.23 million was recovered by audited entities in relation to audit observations pertaining to previous years. Total recovery of Rs 2,715.43 million was verified by Audit during 2016-17 till the finalization of this Audit Report. The sum included Rs 402.94 million pertaining to overpayments and Rs 2,312.49 million on account of revenue receipt expedited.

iii. Holding of Departmental Accounts Committee meetings

Para 5 (f) of System of Financial Control and Budgeting, 2006 issued by Finance Division, Government of Pakistan provides that the Principal Accounting Officer/Additional Secretary or equivalent shall regularly hold meetings of DAC as Chairperson,

with Financial/Deputy Financial Adviser and Director General (Audit) as Members and Chief Finance and Accounts Officer as Member/Secretary to watch the processing of Audit & Inspection Reports and decide upon appropriate measures so as to aid and accelerate the process of finalization of Audit Report.

The Principal Accounting Officers are regularly requested to convene DAC meeting to discuss Audit Reports. During the period from 1st July, 2016 till the finalization of this Audit Report, twenty-nine (29) DAC meetings were convened by various PAOs. Most of the paras included in this Audit Report have been discussed in DAC meetings. However, PAOs of certain departments/authorities have not convened DAC meetings to discuss audit paras included in this Audit Report despite requests made by Audit.

iv. Audit Methodology

Desk audit was carried out to understand systems, procedures and control environment of audited entities. Permanent files of the audited entities were updated and utilized for understanding the institutional framework. Detailed planning, documentation of findings and quality assurance was conducted. The desk audit also included in-house meetings of Field Audit Teams for experience sharing and reviewing potential risk areas. A Risk Area Digest earmarking potential risk areas was prepared for guidance of the Field Audit Teams. Audit methodology included:

- i. Updating the understanding of the business processes with respect to control mechanism.
- ii. Identification of key controls on the basis of prior years' audit experience/special directions from the Auditor General's office.
- iii. Prioritizing risk areas by determining significance and risks associated with the identified key controls.

- iv. Design/update audit programmes for testing the identified risk conditions.
- v. Selection of audit formations on the basis of:
 - a. Materiality/significance
 - b. Risk assessment
- vi. Selecting samples as per sampling criteria/high value items/key items.
- vii. Execution of audit programmes.
- viii. Identification of weaknesses in internal controls and development of audit observations and recommendations relating to non-compliance of rules, regulations and prescribed procedures.
- ix. Evaluating results.
- x. Reporting.
- xi. Follow-up.

v. Audit Impact

There has been a positive change in the responsiveness of audited entities towards audit due to continuous functioning of Public Accounts Committee in the recent years. The viewpoint of Audit on financial/technical issues has been acknowledged by DAC/PAC and administrative departments which is a healthy sign for the financial and regulatory discipline in the audited entities. Following are instances of major audit impact:

- i. On pointation of Audit, CDA complied with the provision of Section 43 of CDA Ordinance, 1960 and got approved Budget Estimates for 2015-16 from Cabinet Division vide u.o No. 4/13/2013-CDA-III dated 26th October, 2015.

- ii. DAC directed NHA to devise and circulate an SOP regarding treatment/accountal of Cash Deposit Receipts (CDRs) of the contractors to safeguard public interest. (DP. 165)
- iii. On pointation of Audit, DAC noted that toll management in NHA entails high risk of pilferage of revenue and directed NHA that loopholes in toll management may be identified and systematic corrections be made besides issuance of instructions for timely recovery as per terms and conditions and Standard Operating Procedure. (DP. 149)
- iv. On pointation of Audit that expenditure on safety of contractor's foreign staff was incurred unauthorizedly from Authority's account, whereas it was responsibility of the contractor, NHA informed the DAC that an SOP has been devised by Federal Government to streamline the issue of provision of security to the foreign contractor's staff. (DP. 30)
- v. On pointation of Audit that mandatory test checks in MB are not being exercised by Deputy Director concerned, DAC directed NHA that instructions be issued to ensure application of test check of work done recorded in MB by officer concerned. (DP. 80)
- vi. On pointation of Audit, it was agreed in DAC meeting that conflict of interest situation will be avoided as per FIDIC Policy Statement and "The Engineer" should be independent and not ex-employee of NHA or the consultant. (DP.39)
- vii. DAC directed CDA to devise a proper Standard Operating Procedure (SOP) for monitoring of housing societies to whom NOC is issued by CDA. (PP 2.4.31/2013-14)
- viii. DAC directed CDA to devise an SOP for monitoring of construction activities to discourage building violations. (PP 2.4.32.3/2013-14)

ix. Planning Commission decided to conduct internal audit of Afghan Projects vide its letter dated 18th January, 2017 in compliance of DAC's directive dated 11th January, 2017. (DP. 4)

vi. Comments on Internal Controls and Internal Audit Department

The management of audited entities is generally not sensitized to the imperative of strengthening internal control environment within the organizations. The present report has identified a range of irregularities, which have been recurring over the years. The recurrence of these irregularities indicates the systemic issues were cropping up either due to inadequate oversight mechanism or ineffective implementation of internal controls. The pre-auditing, expected to apply internal control checks during processing of claims for payment, was weak mainly due to the influence of management.

Although CDA, CAA, NHA and Pak. PWD have an internal audit setup, but the financial irregularities observed during the present audit reflect that this function was not exercised effectively. The efficient functioning of internal audit would have helped the management in effective implementation of internal controls and strengthening the internal control environment in audited entities.

Audit underscores the need for addressing the systemic issues, which are instrumental in occurrence of every irregularity, through a detailed review of the financial management practices.

In case of other audited entities (PD&R, FGEHF, PHAF, NCL), which do not have internal audit function, Audit emphasizes the need for establishing an internal audit regime in these organizations, directly reporting to the Principal Accounting Officers.

Comments on internal controls, highlighting irregularities are given at Annexure-2.

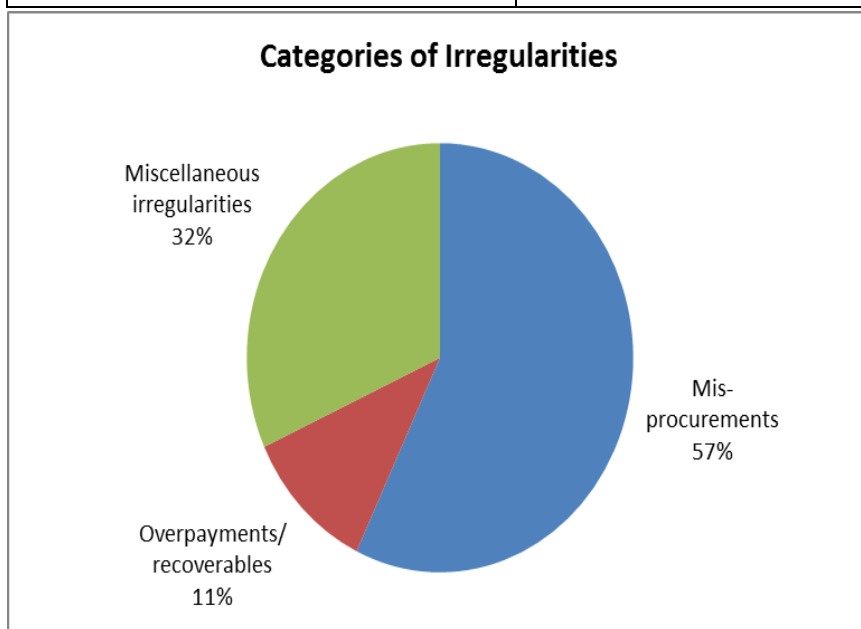
vii. Key audit findings of the report

Audit Report contains irregularities which have been clustered as under just to present a graphical view:

- i. Non-adherence to Public Procurement Rules and Planning Commission's guidelines while procuring works, services, goods, licences, lease, etc.
- ii. Recoverable dues and overpayments to the contractors due to non-adherence to provisions of contract agreement, contract specifications and clauses, etc.
- iii. Miscellaneous irregularities, including unauthorized expenditure, etc.

Monetary value of audit observations against these categories is shown in the table and chart below:

Categories of Irregularities	Amount (Rs in million)
Mis-procurements	94,479.62
Overpayments/Recoverables	18,329.98
Miscellaneous irregularities	52,644.21
Total	165,453.81



Major audit findings included in this Audit Report are:

- i. Land use plan of a farming scheme in Zone-4 Islamabad measuring 2,660.13 kanals of land was approved by CDA without obtaining ownership documents in the name of society and fulfillment of other requirements. ¹
- ii. CDA allowed change of use of allotted plot in violation of CDA Master Plan and terms and conditions of original allotment resulting into loss of Rs 3,339.512 million. ²
- iii. Revenue of Rs 11,418.860 million on account of lease money, building control/transfer fee, fine, licence fee, toll collection, rent, etc. was not realized/recovered by CDA, CAA, NHA, Pak PWD, Estate Office, FGEHF and WWB. ³
- iv. Overpayments of Rs 1,310.882 million were made by CDA, CAA, NHA, Pak. PWD, HEC and WWBs due to price escalation/de-escalation and incorrect interpretation/application of price adjustment clause of the respective contract agreements. A sum of Rs 663.643 million was made by NHA to a contractor on account of price adjustment irregularly due to non-calculation of due amount on the basis of respective monthly current rates of specified material. ⁴
- v. Overpayments of Rs 5,600.244 million were made by CDA, CAA, NHA, Pak PWD, FGEHF, HEC, WWBs and PD&R due to higher rates, excessive measurements, separate

¹ Para 2.4.4

² Para 2.4.5

³ Paras 2.4.34, 2.4.50, 2.4.54, 2.4.58, 2.4.63, 2.4.65, 2.4.69, 2.4.71, 2.4.73, 2.4.75, 2.4.79, 2.4.81, 2.4.83, 2.4.84, 2.4.86, 2.4.88, 2.4.99, 2.4.108, 2.4.109, 3.4.18, 3.4.32, 3.4.37, 4.4.62, 4.4.93, 5.4.37, 5.4.48, 5.4.77, 5.4.82, 5.4.78, 5.4.79, 5.4.80, 5.4.83, 6.4.25, 9.4.40

⁴ Paras 2.4.77, 3.4.24, 4.4.67, 4.4.68, 4.4.69, 4.4.88, 4.4.99, 4.4.125, 5.4.31, 5.4.41, 8.4.12, 9.4.34, 9.4.36

- payment of in-built component, non-adherence to specifications, non-adjustment/recoveries, etc.⁵
- vi. Procurement of works/services valuing Rs 58,426.741 million was made by CDA, CAA, NHA, Pak PWD, FGEHF and WWBs without calling open tenders/in violation of Public Procurement Rules.⁶
 - vii. Works were awarded beyond the permissible limit of 15% valuing Rs 36,052.880 million was made by CDA, NHA, Pak. PWD and WWBs without revision of PC-I in violation of Project Management Guidelines.⁷
 - viii. Payments of Rs 5,183.019 million were made by CDA, Pak. PWD, HEC and WWBs against the ‘work done’ without recording mandatory and certified measurements in the respective Measurement Books.⁸
 - ix. Pay & allowances and other employee related benefits amounting to Rs 488.932 million were paid by CDA, CAA, Pak PWD, FGEHF & WWBs without approval of Finance Division.⁹

A list, indicating number of audit observations, made during the Audit Year 2016-17, which are considered to be materially less significant for reporting to the PAC, is at Annexure-1 (MFDAC).

⁵ Paras 2.4.74, 2.4.82, 2.4.89, 2.4.90, 2.4.91, 2.4.97, 3.4.31, 3.4.25, 3.4.39, 3.4.41, 4.4.61, 4.4.73, 4.4.74, 4.4.79, 4.4.81, 4.4.85, 4.4.86, 4.4.89, 4.4.91, 4.4.92, 4.4.100, 4.4.101, 4.4.104, 4.4.112, 4.4.115, 4.4.116, 4.4.117, 4.4.121, 4.4.127, 4.4.130, 4.4.131, 4.4.132, 4.4.133, 4.4.135, 4.4.136, 4.4.137, 4.4.138, 4.4.141, 4.4.142, 4.4.144, 4.4.146, 4.4.147, 4.4.147, 4.4.149, 4.4.151, 4.4.153, 4.4.154, 4.4.155, 4.4.158, 4.4.160, 4.4.162, 5.4.1, 5.4.21, 5.4.30, 5.4.39, 5.4.40, 5.4.46, 5.4.47, 5.4.49, 5.4.53, 5.4.56, 5.4.61, 5.4.64, 5.4.76, 6.4.21, 6.4.24, 8.4.8, 9.4.9, 9.4.14, 9.4.43, 9.4.48, 10.4.3

⁶ Paras 2.4.11, 2.4.16, 2.4.20, 2.4.22, 2.4.23, 2.4.33, 3.4.2, 3.4.3, 3.4.4, 3.4.7, 3.4.12, 4.4.5, 4.4.9, 4.4.13, 4.4.18, 4.4.33, 4.4.35, 4.4.47, 5.4.2, 5.4.11, 5.4.62, 5.4.66, 6.4.4, 9.4.2, 9.4.8, 9.4.11, 9.4.12

⁷ Paras 2.4.30, 4.4.4, 4.4.6, 4.4.71, 5.4.5, 9.4.4

⁸ Paras 2.4.6, 5.4.4, 8.4.2, 9.4.3

⁹ Paras 2.4.24, 3.4.21, 5.4.25, 6.4.8, 9.4.10, 9.4.13, 9.4.35, 9.4.45

viii. Recommendations

- i. Internal controls be strengthened to ensure that irregularities, as reported in this Audit Report, are preempted and fair value for money is obtained from public spending.
- ii. Fact finding inquiries and disciplinary actions be initiated to fix responsibility in respect of cases involving overpayments, losses and irregular expenditure.
- iii. All receipts be realized in a timely manner and deposited in the treasury/relevant account.
- iv. Public Procurement Rules, 2004 be adhered to in letter and spirit while making procurement of goods, services and works.
- v. Coordinated measures be put in place to remove encroachments on state lands and structures.
- vi. Detailed internal controls should be developed for payment to the affectees on accounts of acquisition of land.
- vii. The Planning Commission's guidelines for approval and funding of projects (project management life cycle) be followed in letter and spirit.
- viii. The contractual obligations be monitored by the management at every stage of contract execution.
- ix. Advances to the contractors be granted strictly in line with contractual provisions and recovered accordingly.
- x. Public money be kept in authorized accounts only and unspent balances be transferred to government.
- xi. Reconciliation of expenditure/revenue be carried out regularly.
- xii. Timely convening of DAC meetings and compliance of the directives of DAC and PAC be ensured.
- xiii. Internal controls be periodically reviewed and made capable

of forestalling chances of pilferage and defalcation.

- xiv. The Internal Audit Wings in the audited entities be instituted/
strengthened to act as facilitator in this regard.

SUMMARY TABLES AND CHARTS

SUMMARY TABLES AND CHARTS

Table 1: Audit Work Statistics

(Rs in million)

S. No.	Description	No.	Budget (Expenditure & Receipts)
1.	Total Entities (Ministries/PAOs) in Audit Jurisdiction	07	433,343.10*
2.	Total formations in audit jurisdiction	263	433,343.10*
3.	Total Entities(Ministries/PAOs) Audited	07	427,316.29
4.	Total Formations Audited	95	291,084.08**
5.	Audit Inspection Reports	95	291,084.08
6.	Special Audit Reports	11	-
7.	Performance Audit Reports	01	14,070.56
8.	Other Reports		
	a. Financial Attest of Pak. PWD accounts	01	9,447.96
	b. Foreign Aided Projects	13	26,794.67

* This figure includes budget estimates of respective audited entities (Rs 285,194.28 million) and their estimated revenue receipts (Rs 148,148.82 million) for the year 2015-16. Actual expenditure was Rs 205,810.49 million whereas actual receipts were Rs 111,165.96 million.

**This figure represents total budget allocation (Rs 194,050.91 million) and estimated receipts (Rs 97,033.17 million) of the formations audited. The actual expenditure of the formations audited was Rs 121,435.94 million and actual receipts were Rs 90,303.79 million.

Table 2: Audit Observations classified by Categories

(Rs in million)

S. No.	Description	Monetary Value of Audit Observations
1.	Unsound asset management	25.23
2.	Weak financial management	748.59
3.	Weak internal controls relating to financial management	164,679.99
Total		165,453.81

Table 3: Outcome Statistics**(Rs in million)**

S. No.	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total current year	Total last year
1.	Outlays Audited	5,125.75	123,473.81	97,033.18	65,451.34	291,084.08	287,791.38
2.	Monetary Value of Audit Observations	4,613.01	121,118.43	13,107.77	26,614.60	165,453.81	138,245.80
3.	Recoveries pointed out at the instance of Audit	0.99	6,591.57	11,702.54	34.88	18,329.98	22,245.92
4.	Recoveries Accepted/ Established at the instance of Audit	-	833.98	3,141.19	-	3,975.17	10,015.76
5.	Recoveries Realized at the instance of Audit	-	377.30	2,312.49	25.64	2,715.43	2,202.12

Note: Recovery realized includes total recovery verified from July 2016 to January 2017.

Table 4: Irregularities pointed out**(Rs in million)**

S. No.	Description	Monetary Value of Audit Observations
1.	Violation of rules and regulations and violation of principles of propriety in public operations	110,817.92
2.	Reported cases of fraud, embezzlement, theft and misuse of public resources	1.91
3.	Accounting Errors (accounting policy departure from NAM, misclassification, over or understatement of account balances)	748.59
4.	Quantification of weaknesses of internal control systems	49,912.13
5.	Recoveries and overpayments, representing cases of established overpayment or misappropriation of public monies	3,975.17
6.	Non-production of record	-

Note: Amount appearing at S. No. 2 is also categorized as “Recovery established” against S. No. 5. Therefore, amount at S. No. 2 has not been carried to the total amount in order to avoid multiple reckoning.

Table 5: Cost-Benefit**(Rs in million)**

S. No.	Description	Current Year	Last Year
1.	Outlays audited	291,084.08	287,791.38
2.	Expenditure on Audit	137.91	151.80
3.	Recoveries realized at the instance of Audit	2,715.43	2,202.12
	Cost-Benefit Ratio	1:19.69	1:14.51

Note: Current year’s figures are upto January, 2017 while previous year’s figures are for whole year from 1st July, 2015 to 30th June, 2016.

CHAPTER 1

PUBLIC FINANCIAL MANAGEMENT ISSUES (PAKISTAN PUBLIC WORKS DEPARTMENT)

Pakistan Public Works Department (Pak. PWD) maintains its accounts as a self-accounting entity. Directorate General Audit Works (Federal), Islamabad conducted Financial Attest Audit of the Pak. PWD accounts as per Section 7 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. The results of Financial Attest Audit were reported to the Department through Management Report. Audit para regarding irregularities in budget utilization and accounting procedures is as follows:

1.1 AUDIT PARA

1.1.1 Irregular utilization of funds of Rs 912.008 million and unauthorized transfer of lapsable development funds to non-lapsable PLA-IV - Rs 748.586 million

The Finance Division (Budget Wing), Government of Pakistan vide letter No. F-3(20) BR/II/94-B-Vol-I/313 dated 15th April, 1997 allowed operation of following Personal Ledger Accounts (PLAs) in Pak PWD with zero balances operative from 1st July, 1997:

PLA-I	Annual Development Programme	Lapsable
PLA-II	Maintenance only	Lapsable
PLA-III	Deposit Works	Non-lapsable
PLA-IV	Other Deposits such as Contractor's Securities, GP Funds receipts, etc.	Non-lapsable

1.1.1.1 During audit it was noted that funds amounting to Rs 1,025.298 million were released by the Government which were received in CCD Pak. PWD, Abbottabad through Director Budget & Accounts against various development schemes of Public Sector

Development Programme (PSDP) (Rs 621.248 million) and Millennium Development Goals (MDGs) (Rs 404.050 million). As per rules, these schemes were to be executed by the Divisional Office by procurement of contracts through competitive bidding and payment to be made to the contractors on account of actual work done at site. It was observed during review of the cash book, vouchers and measurement books that payments of an amount of Rs 912.008 million were made and expenditure was booked against these schemes in the month of June 2016.

Audit further observed that the amounts withheld, O&M Charges, Security Deposit and Income Tax deductions for Rs 691.99 million were transferred to PLA-IV. This indicated that out of Rs 912.008 million an amount of Rs 691.99 million was withheld only to show the utilization of funds in order to avoid the lapse of funds. The remaining amount of Rs 220.018 million was paid to the contractors on account of work done but not measured. This state of affair was evident that entire expenditure of Rs 912.008 million was shown utilized and booked without work done at site. This resulted in irregular utilization of funds by making fabricated booking of expenditure of Rs 912.008 million and unauthorized transfer of development funds of Rs 691.99 million to PLA-IV to avoid lapse.

Audit pointed out the irregular utilization and unauthorized transfer of funds in August 2016. The department replied that more than 80% of funds were released from mid of May to June of the financial year 2015-16 and were utilized accordingly. Further, due to Shortage of staff and non-provision of performance guarantee, third party insurance and test check by Executive Engineer amounts were withheld.

The reply was not tenable because funds were shown utilized in the last week of the June 2016 only to avoid lapse of funds. Amount of Rs 912.008 million was booked against afore-narrated five head of accounts. As regards the payment made on account of work done but not measured, it was observed that tenders were opened in last week of June 2016 and letters of commencement were also issued in same days, which means the work of entire contract cost was executed within one to three

days. This also showed the defective/doubtful certification of work by sub-divisional officers.

As per provision of rules advance payments on account of work done are made to facilitate the contractor, but it in many cases only nominal amounts were paid to the contractor and huge amounts were shown withheld and transferred to PLA-IV. This indicated that actual work was not done at site and it was an attempt to utilize the funds.

1.1.1.2 Audit noted that Executive Engineers of nine (9) Divisions of Pak. PWD, in sixteen (16) cases, approved contractors' claims for work done, booked the expenditure against the work done but withheld Rs 56.596 million at the time of payment in June 2016. The withheld amount withdrawn from lapsable PLA-I, was unlawfully transferred to PLA- IV. The rules neither allow withholding of approved payments of the contractors nor transfer to the work done payments to PLA-IV which was a non-lapsable account. In many cases the whole amount of the executed work, as duly recorded in Measurement Books was withheld and transferred to PLA-IV.

Audit maintains that works were not actually executed and were recorded fictitiously in MB to approve the claims of contractors for withdrawal of funds from lapsable account i.e. PLA-I to avoid lapse of funds.

Audit pointed out the matter during September - October 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends that internal controls be strengthened to avoid recurrence of such irregularity, responsibility be fixed and action be taken against person(s) responsible.

(DP. 01, 129)

CHAPTER 2

CAPITAL DEVELOPMENT AUTHORITY (CAPITAL ADMINISTRATION AND DEVELOPMENT DIVISION)

2.1 Introduction

Capital Development Authority (CDA), established under the CDA Ordinance promulgated on 27th June, 1960, is governed through an Executive Board, constituted by the Federal Government, under Section 6 of CDA Ordinance, 1960. Secretary, Capital Administration and Development Division is the Principal Accounting Officer of CDA. The major objectives/services entrusted to CDA include:

- Development of new Sectors
- Municipal Services
- Allotment and transfer of plots
- Maintenance of Sectors
- Provision of health and medical services in Islamabad and Federal Capital Territory
- Traffic engineering and signals control
- Rescue Service 1122 in Islamabad

Financial Advisor/Member (Finance), CDA is in-charge of the Finance/Accounts Wing and is responsible for preparation of budget and allocation/distribution of funds to different Divisions/Formations.

Major resources of receipts of CDA include:

- Revenue generated from sale of plots, municipal receipts, sanitation receipts, environmental/horticulture receipts, property tax, toll tax, water charges, conservancy charges, interest/markup, commercial receipts (rent from shopping centres, bus stands), etc.,
- Grant-in-aid from Federal Government for development purpose through Public Sector Development Programme,

- Grant-in-aid from Federal Government for maintenance of specified government buildings (Maintenance Grant).

2.2 Comments on Budget and Accounts (Variance Analysis)

Comments on 'Receipt and Expenditure Account' for the financial year 2015-16, are as under:

(A) Expenditure:

Budget allocation and expenditure for the financial year 2015-16 is shown in the table below:

(Rs in million)

Type of Funds	Budget Allocation	Actual Receipt of funds	Actual Expenditure	Variation* Excess/ (Saving)	Excess/ (Saving) in %
(A) Non-Development					
Maintenance Grant	2,197.00	2,058.58	2,503.23	444.66	21.60
Revenue Account	14,407.05	3,039.39	12,572.33	9,532.94	313.65
Sub-Total (A)	16,604.05	5,097.97	15,075.56	9,977.60	335.25
(B) Development					
PSDP	427.04	502.62	502.26	(0.360)	-
Self-Financing	20,664.23	12,377.85	3,059.58	(9,318.27)	(75.28)
Sub-Total (B)	21,091.27	12,880.47	3,561.84	(9,318.63)	(75.28)
Total (A) + (B)	37,695.32	17,978.44	18,637.40	658.96	3.67
(C) Non-Budget					
Other debts and deposits	-	3,144.47	2,343.23	(801.24)	(25.48)
Remittance	-	(398.17)	-	(398.17)	(100)
Sub-Total (C)	-	2,746.30	2,343.23	(403.07)	(125.48)
Grand Total (A)+(B)+(C)	37,695.32	20,724.74	20,980.63	255.89	1.23

* Variation figures represent difference of actual receipt of funds and actual expenditure.

- Funds of Rs 14,407.05 million were allocated in Revenue Account (expenditure on establishment and maintenance from CDA's self-

generated revenues) against which Rs 3,039.394 million (21.09%) were received during 2015-16. Expenditure of Rs 12,572.329 million was incurred with an excess of Rs 9,532.94 million (313.65%) over the actual revenue.

- ii. Funds of Rs 427.04 million were allocated in the Public Sector Development Programme for the year 2015-16 against which funds of Rs 502.622 million were released and expenditure of Rs 502.262 million was incurred. There was excess release of funds for Rs 75.582 million and the funds placed at the disposal of the Authority were utilized fully.
- iii. An allocation of Rs 20,664.23 million was earmarked for the development activities under the head 'Self-Financing' against which, actual funds of Rs 12,377.849 million (60%) were realized but an expenditure of Rs 3,059.577 million was incurred. This indicated that CDA could only achieve 14.81% of planned targets/objectives of development activities.
- iv. From the above, it is evident that the development funds were not fully utilized during 2015-16 and there was a saving of 75%. On the other hand, there was an excess of 313.65% in non-development budget. This indicated that non-development expenditure was on rise and development activities were not being given priority. Expenditure on non-developmental activities was incurred at the cost of development expenditure.
- v. Cash Development Loan (CDL) of Rs 5,000 million was provided by the Federal Government against which the Authority incurred expenditure of Rs 2,503.243 million. This shows that the Authority could achieve only 50% of planned targets for which cash development loan was provided.

(B) Receipts:

Receipts of CDA from its own resources are as follows:

(Rs in million)

Description	2014-15	2015-16
Self-Financing Sector		
Estimated Receipts	35,735.62	28,245.95
Actual Receipts	11,040.46	12,377.849
Shortfall	24,695.16	15,868.101
Shortfall in %age	69.11	56.178
Other Receipts		
Estimated Receipts	6,287.40	6,826.840
Actual Receipts	2,921.43	3,039.394
Shortfall	3,365.97	3,787.446
Shortfall in %age	53.54	55.478
Total Receipts		
Estimated Receipts	42,023.02	35,072.72
Actual Receipts	13,961.89	15,417.243
Shortfall	28,061.13	19,655.547
Shortfall in %age	66.78	56.04

- i. As per CDA accounts for the year 2015-16, the estimated receipts under self-financing were Rs 28,245.95 million against which Rs 12,377.84 million were actually realized (43.82% of the estimates) and estimated 'other receipts' were Rs 6,826.840 million while Rs 3,039.394 million only were realized (44.52% of the estimates). This showed a shortfall of Rs 3,787.446 million (55.478%) in collection of 'other receipts'. The shortfall in collection of estimated targets of receipts increased to 75.478% as compared to shortfall of 53.54% during 2014-15.

- ii. There was a shortfall of Rs 19,655.547 million (56.04%) against overall estimated receipts of Rs 35,072.72 million as the Authority could generate a revenue of only Rs 15,417.243 million during 2015-16. This indicated that either the estimates of receipts were overambitious/unrealistic or the Authority could not exploit the available resources to derive due benefits. CDA should improve and rationalize mechanism of estimation and realization of revenues.
- iii. As per Finance Wing CDA, Budget Allocation 2015-16 (Self-Financing Account) letter No.CDA/FW(B)-42(27)/2015-16/98 dated 29th October, 2015, a sum of Rs 360.00 million was allocated for repayment of Loan No. PK-P-25, obtained for Metropolitan Water Supply (P-III) 3rd conduction Main Line from Simly Dam to Islamabad. Audit noted that Deputy Director Zone-A, Water & Sewerage (Development) Directorate CDA Islamabad prepared Daily Payment Sheet (DP Sheet) for Rs 252.00 million and submitted to Finance Wing CDA for repayment of the above said loan in March 2016. Audit observed that Finance Wing CDA returned the DP Sheet due to shortage of funds. The repayment of loan was mandatory but was not paid despite allocation of funds for Rs 360.00 million in the approved budget for the year 2015-16.
- (DP. 150)
- iv. Audit noted that CDA Board approved Development Budget for financial year 2014-15 for Rs 30,143.29 million, which was 66% of the total budget. Audit observed that key milestones envisaged in the original budget estimates for 2014-15 were not materialized. CDA incurred Development Expenditure of Rs 3,883.73 million which was 12.85% of the original Development Budget estimates of Rs 30,244.16 million. Incurrence of expenditure only 12.85% of the Development Budget reveals that Financial Managers of CDA did not conduct exercise to review their budgetary/financial resources keeping in view the quantum of receipts and expenditure after the end of 2nd and 3rd quarter to rationalize Revenue Expenditure. This resulted into unrealistic provision of

development budget without actual resources of Rs 30,143.29 million.

(DP. 53)

Comments on 'Receipt and Expenditure Account' of CDA for the year 2015-16 are as under:

2.2.1 Accounts not maintained in accordance with Section 44(1) of CDA Ordinance, 1960

As per Section 42(1) of the CDA Ordinance, 1960, the accounts of the Authority shall be audited by not less than two auditors holding certificates under section 144 of the Companies Act, 1913 (VII of 1913), who shall be appointed by the Federal Government, in consultation with the Auditor General of Pakistan on such remuneration, to be paid by the Authority, as the Federal Government may fix, and the Auditor General shall have the power to give directions to the auditors in regard to the extent and method of their audit subject to the provisions of the Companies Act, and to prescribe the forms of accounts to be maintained by the Authority consistent with the requirements of this Ordinance. Every auditor appointed under sub-section (1) shall be given a copy of annual balance sheet of the Authority, and shall examine it together with the accounts and vouchers relating thereto.

The Accounts of CDA do not conform to the requirements of CDA Ordinance, 1960 and balance sheet is not being prepared and got audited.

CDA explained that Controller General of Accounts had been requested for vetting the format of Public Sector Balance Sheet and compliance would be reported to Audit.

(DP. 17/2015-16)

2.2.2 Negative balance appearing in Accounts since FY 2005-06 against Khanpur Dam (Capital Account item) - Rs 102.05 million

Opening balance of Rs 102.05 million is appearing in the accounts for the financial year 2014-15 under Capital Account (CDA Funds). This amount kept on appearing in the opening balance since financial year 2005-06 and is being carried forward every year. The amount is recoverable from Rawalpindi Cantonment Board as share of expenditure on Khanpur Dam.

2.2.3 Heavy closing balances with DDOs - Rs 415.317 million

According to CDA Procedure Manual, money realized, whether in cash or through cheque, should be deposited by DDOs immediately in the bank account of the Authority. There was a balance of Rs 415.317 million with DDOs as on 30th June, 2016. CDA should take measures to get the amount deposited into the main account.

CDA replied that all DDOs had been requested to provide reasons for heavy closing balances. The consolidated reply would be shared with Audit on receipt of response from DDOs concerned.

2.2.4 Non-preparation of Proforma Accounts

Para 389 (Chapter-VII) of CDA Procedure Manual Part-III provides that the Machinery Pool Organization (MPO) has been established for departmental purposes. Its accounts should therefore, be maintained in such a way as to enable the organization to prepare its Proforma Account annually. The accounts will facilitate review of financial results of the organization at the end of every year. Proforma Accounts of MPO and other semi-commercial formations like Central Engineering Laboratory and Convention Centre, Islamabad have not been prepared.

CDA replied that Directorate of MPO and Central Engineering Lab had been asked to submit proforma account. The compliance would be shared with Audit.

2.2.5 Expenditure in excess of receipt in the head “Grant-in-Aid Revenue”

CDA received a sum of Rs 2,058.577 million under head ‘Grant-in-Aid’ and incurred expenditure of Rs 2,503.234 million during the year 2015-16. In this way an expenditure of Rs 444.657 million incurred excess than actual receipts during the year increasing the overall excess expenditure to Rs 8,168.307 million upto 30th June, 2016.

2.2.6 Utilization of “Deposits” towards expenditure without authorization

Deposits of Rs 7,010.96 million were lying with CDA on 30th June, 2016 (security deposits of contractors - Rs 2,189.065 million, GPF of Employees - Rs 1,361.730 million, Pension Funds - Rs 766.254 million, Misc. deposits - Rs 35.182 million and deposits for execution of works - Rs 1,951.842 million) but the cash balance showed Rs 6,059.259 million in CDA Account. This indicated that deposits of Rs 951.701 million were utilized to meet its expenses without any authorization.

CDA explained that expenditure was incurred after necessary approval/sanction in accordance with Delegation of Powers under Board Orders Instructions (BOI), 2007. Security Deposits, Pension Deposits, GPF Deposits and Misc. Deposits were not taken as receipts so these could not be reconciled with cash balance. Further, all expenses had been incurred according to budget allocations duly approved by CDA Board.

2.2.7 Excess expenditure under head “Widow Fund”

The Authority incurred an expenditure of Rs 71.116 million under the head “Widow Fund” against receipts of Rs 49.018 million upto 30th

June, 2016. Thus expenditure of Rs 22.098 million was incurred in excess of receipts.

CDA replied that negative balance of Main Head VIII-D would be adjusted against positive balance of Main Head XII (Misc. Deposits) through Transfer Entry. The final Widow Fund balance would be positive.

2.2.8 Non-remittance of receipts into treasury realized on behalf of Federal Government

CDA realized a receipt of Rs 543.144 million on behalf of Federal Government / other departments upto 30th June, 2016 which was required to be remitted to government, whereas CDA incurred an expenditure of Rs 173.998 million and balance receipt of Rs 369.186 million was retained. Incurring of expenditure out of Federal Government receipts and non-remittance of receipts were violation of Treasury Rule-7.

2.3 Brief comments on the status of compliance with PAC's directives

Compliance position of PAC's directives on Audit Reports relating to CDA is as under:

Year	Total Paras	No. of Paras Discussed	Compliance made	Compliance awaited	Percentage of compliance
1988-89	07	07	04	03	57.14
1989-90	04	04	04	-	100
1990-91	21	21	21	-	100
	SAR-9	9	8	1	88.89
1991-92	17	17	12	05	70.59
1992-93	37	37	37	-	100
1993-94	57	57	07	50	12.28
1994-95	15	15	09	06	60
1995-96	28	28	01	27	3.57
1996-97	32	32	27	5	84.38
	SAR	05	05	-	100

Year	Total Paras	No. of Paras Discussed	Compliance made	Compliance awaited	Percentage of compliance
	PAR	01	-	01	-
1997-98	312	312	214	98	68.58
1998-99	79	79	63	16	79.75
	2 SAR	2 SAR	1 SAR	1 SAR	50.00
1999-00	86	86	57	29	66.28
	1 SAR	1 SAR	1 SAR	-	100
	2 PAR	2 PAR	2 PAR	2 PAR	-
2000-01	73	73	58	15	79.45
	184-SAR	184	108	76	58.69
2001-02	45	45	42	03	93.33
2002-03	14	14	10	04	71.43
2003-04	27	27	16	11	59.26
	22 SAR	22	19	03	86.36
	05 PAR	05	04	01	80.0
2004-05	29	29	18	11	62.06
2005-06	57	57	44	13	77.19
2006-07	39	39	19	20	48.72
2007-08	33	33	17	16	51.52
2009-10	54	54	19	35	35.18
2010-11	77	77	14	63	18.18
2011-12	59	59	4	55	6.79
2012-13	78	78	5	73	6.41
2013-14	53	32	07	46	13.21

Note: Audit Reports for 1985-86, 1987-88, SAR-2005-08, 2014-15 and 2015-16 have not been discussed by PAC till the finalization of this Audit Report. SAR stands for Special Audit Report and PAR for Performance Audit Report. Other figures represent Annual Regularity Audit Reports.

2.4 AUDIT PARAS

Non-Production of Record

2.4.1 Non-production of auditable record and missing personal files

In terms of Section 14 (2) of Auditor General's Ordinance, 2001, non-production of record tantamounts to hindrance in the auditorial functions of the Auditor General of Pakistan. The Section 14(2) states 'the officer in-charge of any office or department shall afford all facilities to provide record for audit inspection and comply with requests for information in complete form as possible and with all reasonable expedition.

Auditable record in respect of Human Resource Directorate-I and II, CDA, Islamabad was requisitioned on 24th March, 2015. Despite written and verbal requests, following record was not produced to Audit. Further, Personal Files of various Officers/Officials appointed during the period from the year 2010 to 2014 were either not maintained or missing from the official record.

- i. Sanctioned and working strength of CDA employees maintained in HRD CDA for all Cadres, Grades.
- ii. Up-gradations made in CDA cadre-wise/Directorate-wise from 2010 to-date.
- iii. Certified lists of up-gradations made in CDA furnished to Honourable Supreme Court of Pakistan.
- iv. Details of Degrees/Qualification documents got attested from various Universities/ Institutions since 2010 to-date.
- v. Recruitment details i.e. advertisements, assessment and observance of regional quota since 2010 to-date.

Non-production of auditable record was pointed out in March 2015. The matter was also reported to the Principal Accounting Officer in November 2015, but the Authority did not respond.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends that inquiry be conducted for fixing responsibility and action against the persons responsible.

(DP. 41/15-16)

Irregularity and Non-Compliance

2.4.2 Non-transfer of land for amenities to the CDA - Rs 7,087.20 million

Clause 7 (d) of the Modalities and Procedures framed under ICT (Zoning) Regulations, 1992 provides that the housing society will also transfer to the Authority, free of charge, the land reserved for open spaces/parks, graveyard, roads etc. in the housing scheme.

Audit observed that the Directorate of Housing Societies, Planning Wing, CDA approved Layout Plan (LOP) of National Police Foundation (NPF) and issued NOC without transferring 185 kanals land in favour of CDA vide deed No. 4482 dated 25th September, 2004 registered in Joint Sub-Registrar Islamabad by the NPF which does not exist physically (which was reserved for amenities as required under ICT Zoning Regulations, 1992).

Audit further observed that Planning Wing, CDA approved layout plan of Multi Professional Cooperative Housing Scheme (MPCHS) and issued NOC on 23rd August, 2005 without transferring land measuring 65.24 kanals reserved for amenities as per approved Layout Plan in favour of CDA. Actual land available was just 14 kanals.

This resulted into non-transfer of land valuing Rs 7,087.200 million (236.24 kanals x @ Rs 30.00 million per kanal). Audit holds that non-transfer of land in favour of CDA is not only violation of CDA byelaws but also paved path for non-conforming/unauthorized use of land reserved for amenities like parks, graveyard, hospital, etc.

Audit maintains that irregularity occurred due to weak internal controls.

Audit pointed out the irregularity in March 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends that inquiry be conducted for fixing responsibility and action against the persons responsible. Further, measures be taken to ensure that land reserved for amenities is used for specified purposes only.

(DP. 173)

2.4.3 Unauthorized investment in Commercial Banks through opening accounts without open competition - Rs 5,022.848 million

As per decision of the CDA Board, the Treasury Division CDA will take all its trading and investment activities under various limits and parameters as per approved Investment Policy, 2007. Any activity which is not covered in the policy will be brought to the CDA Board for stand-alone approval. The approved investment policy will be passed on to the Treasury Division by the CDA Investment Committee which will meet once in a month to review the functions of Treasury Division CDA. All investment activities at Treasury Division CDA will be reported through Daily Activity Report to Financial Advisor/Member and Director Audit & Accounts CDA for audit purposes.

Audit noted that Treasury Division, CDA, opened different types of bank accounts in 38 commercial banks at different rates of profit ranging from 3.85% to 7.50%. Statement of Bank Balances certified by the Head of Treasury CDA showed balances of Rs 5,022.848 million on 30th June, 2015.

Audit observed that investments were made in different banks at different rates of profit without getting higher rates of profit through open competition. Some investments in Habib Bank Ltd. and National Bank Ltd. were made at low rate of 5% which was not reviewed in the meetings of Investment Committee. Meeting of Investment Committee were not convened for last two years as confirmed by the Head of Treasury. Authority for opening of bank accounts was requisitioned by Audit but same was not provided. This resulted into unauthorized opening of bank accounts and investment of Rs 5,022.848 million in commercial banks without open competition.

Audit maintains that the irregularity was due to inadequate mechanism of enforcing relevant rules and regulations and the internal & financial control system.

Audit pointed out the irregularity in May 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends that bank accounts be maintained for best value of money and investments be made in accordance with approved policy.

(DP. 61)

2.4.4 Un-lawful approval of land use plan of Kashmir Farming Scheme in Zone-4 Islamabad for 2,660 kanals - Rs 3,990.00 million

As per clause 9 of the Modalities and Procedures framed for planning & development of Housing Schemes in ICT in the Land use plan approval, the sponsors of schemes are directed not to announce the scheme or sell the plots till NOC is issued by CDA on completion of formalities like transfer of land, mortgage of land and submission of Engineering Design.

Audit noted that Director Regional Planning, CDA approved conditional/provisional layout plan of Kashmir Farming Scheme in Zone-4 Islamabad for 2,660.13 kanals on 26th February, 2013 for 60 days.

Audit observed that land use plan of farming scheme was approved and issued without obtaining evidence of ownership in the name of society. As per land use plan, minimum 15% land was to be provided for green/open space, whereas in the said approved plan, green space was provided and approved for 9.42% only. Other parameters were also not followed.

Due to issuance of unlawful/illegal land use plan, the Society advertised agro farms liberally and allottees were trapped under the cover of approval of CDA.

This resulted into unlawful approval of land use plan involving 2,660 kanals @ 1,500,000 per kanal for Rs 3,990.00 million, without fulfillment of codal formalities.

Audit holds that the irregularity occurred due to weak internal controls.

Audit pointed out the irregularity in March 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends investigation into the matter and action against persons responsible. Further, measures be taken to ensure that layout plans are approved in line with given parameters for housing/farming societies.

(DP. 169)

2.4.5 Loss due to change in use of plot through post-allotment amendment - Rs 3,339.512 million

Statutory Notification S.R.O. 630(I) 2015 dated 9th June, 2015, issued by CDA provides rates per sq. ft. for change of use of the basement of commercial building in Islamabad for different uses.

Audit noted that old plot No.5 (new No.03), Club Road, Islamabad was allotted on lease to Mr. Travelodge (Pakistan) Ltd on 27th May, 1974 measuring 1,000 sq. yard @ Rs 20,000 per sq. yard for the purpose of establishment and running of single storey motel. Audit observed that later on the lessee requested for temporary construction of two (02) marquees measuring 72,076 sft covered area and approval was granted by CDA on 13th June, 2013 in violation of master plan and a non-conforming use in violation of allotment conditions. Audit holds that the allotment of the plot was required to be cancelled and put to auction for its proper use to earn revenue in shape of fresh allotment at current market rate. This resulted in loss of about Rs 3,339.512 million (72,076 sft / 9 x Rs 417,000 per sq. yard).

Audit pointed out the loss in August 2016. The Authority replied that plot No.5 was originally allotted on lease for construction of motel. The owner of the plot requested CDA to allow to install a Marquee on purely temporary basis due to lack of funds for construction of proper motel. The Authority accorded principle approval on purely temporary basis with the conditions. As the plot was originally allotted for motel

under the category of commercial and permission for installation of marquee for arranging functions was commercial activity.

The reply was not accepted because when the allotment was made for a specific purpose and subsequent change in use of plot was unauthorized and undue favour.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends action against persons responsible. Measures be adopted to ensure that no post-allotment amendments are made against Authority's interest.

(DP. 83)

2.4.6 Unauthentic payment without recording detailed measurements in Measurement Books - Rs 1,767.608 million

Para 208 of Central Public Works Account Code provides that payments for all work done and for all supplies are made on the basis of measurements recorded in Measurement Book (MB) form 23, in accordance with the Rule in Para 209. The MB should, therefore, be considered very important account record. As all payments for work or supplies are based on the quantities recorded in the MB, it is incumbent upon the person taking the measurements to record the quantities clearly and accurately. Rule 119 of CDA Procedure Manual Part-III also makes measurements of works in MBs mandatory.

Audit noted that a sum of Rs 1,767.608 million was paid to contractors against four works during the year 2015-16 by Directorate of Roads (South), (Road Division-III) and Market & Roads Maintenance Directorate, CDA.

Audit observed that only abstract of cost was prepared in the MBs without recording detailed measurements of each item of work done.

Audit maintains that veracity/authenticity of payment could not be verified due to non-maintenance of MBs. The CDA adopted an irregular method of work measurement/record keeping by dispensing with an approved and established method of record keeping for all Public Sector Infrastructure Works. The project authorities adopted an unreliable system of computer based proforma in place of forms approved by the Office of the Auditor General of Pakistan and Finance Division. An irregular deviation by the project authorities within CDA is also a compromise on mandatory oversight and internal controls of 100% work done certified by the Engineer in-charge and 10% test check by the supervisory officer. This resulted in unauthentic payment of Rs 1,767.608 million.

Audit pointed out the irregularity in July-August 2016. The Authority replied in one case that the record entries would be overall measured and recorded in relevant MBs in next bill and in other case replied that the conventional measurement book could not be used on mega projects being supervised by consultants. There were certain conditions or pre-requisite for recording MB, it would be an illegal act, if the conditions were not complied during recording measurements in MB. Therefore, MB could only be recorded when the work was supervised by the office staff of the Employer, and there was no involvement of consultants. Whereas, the project was got executed through consultants as per PEC bidding documents, the measurements and payments were also made as per provisions of the contract.

The reply was not accepted because as per rules mentioned above detailed measurements in MBs are mandatory.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 26 & 37)

2.4.7 Award of works without Administrative Approval/PC-I - Rs 1,451.279 million

As per Paras 53 and 54 of CPWD Code, there are four main stages in the project for a central work, namely, administrative approval, expenditure sanction, technical sanction, and the appropriation or re-appropriation of funds. For every work (excluding petty works and repairs) it is necessary to obtain, in the first instance, the concurrence of the competent authority of the administrative department requiring the work. The formal acceptance of the proposals by that authority is termed “administrative approval” of the work.

Audit noted that Market and Roads Maintenance Directorate CDA, Islamabad awarded following three works for Rehabilitation and Re-Carpeting of various roads in Sectors of Islamabad for Rs 1,451.279 million to different contractors:

S. No.	Name of Project /Acceptance	Agreement Amount (Rs in million)
1	Rehabilitation and Re-Carpeting of Various Roads in Sectors of F&G Series, Islamabad vide acceptance letter No.CDA/Dir. M&RM/2015/141, Islamabad dated 22, 2015 to M/s Zahir Khan & Brothers	845.232
2	Re-carpeting and Rehabilitation of Roads in Sector H-8, H-9, I-8, I-9, and I-10, Islamabad to M/s Karcon (Pvt) Ltd	377.652
3	Rehabilitation of I.J.P Road from Pindora Chowk to G.T Road Link, Islamabad to M/s Zarif Khan Hussain Zai and Brothers	228.395
Total		1,451.279

Audit observed that the rehabilitation/Carpeting of Roads work of capital nature and of high value was taken up without administrative approval/without preparing PC-I. This resulted in irregular award of work for Rs 1,451.279 million.

Audit pointed out the irregularity in August 2016. The Authority replied the works were for repair of existing roads/streets of developed sectors. No new road/work was taken up/executed. As per paras 51 & 52 of CPWD Code, PC-I was not required for repair works.

The reply was not accepted because rehabilitation of roads in different sectors of such a huge cost could not be termed as repair. These works were of capital nature/development work and their execution was to be processed as per rules. PC-I was to be prepared and administrative approval of CDA-DWP was required to be obtained as per project management guidelines issued by the Planning Commission, which was not done.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends observance of Planning Commission's Project Management Guidelines and Public Works Codes.

(DP. 36)

2.4.8 Unauthorized expenditure without budget approval/release and financial indiscipline - Rs 1,112.893 million

CDA Board in its meeting held on 27th June, 2014 while approving CDA budget estimates for the financial year 2014-15 directed vide item No.06 that in order to maintain financial discipline and to avoid busting of budgeting ceiling, all the expenditure will be incurred on quarterly basis with a ratio of 20:20:30:30 linking the policy of Federal Government.

Audit observed that Finance Wing, CDA did not follow the directions of CDA Board. Payments were made in the Land Directorate, CDA, during the months of August 2014 for Rs 68.893 million whereas CDA budget was finally approved by the Cabinet on 15th September, 2014. Expenditure was incurred in 3rd quarter for Rs 1,043.534 million without proportion or approved percentage of 30%. Incurrence of expenditure by the Drawing & Disbursing Officer Land Directorate, CDA

was in violation of the approved policy and without special permission by the competent authority was unauthorized. Funds were released in absence of approved budget for the financial year 2014-15. This resulted into unauthorized expenditure of Rs 1,112.893 million.

Audit maintains that the irregularity occurred due to inadequate mechanism of enforcing relevant rules and regulations and the internal control system.

Audit pointed out the irregularity in May 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends that measures be taken to ensure financial discipline besides action against persons responsible for violation of financial rules.

(DP. 52)

2.4.9 Non-imposition of penalties due to start of development works by housing societies without NOC, revision of layout plan and extension charges - Rs 895.852 million

As per CDA Board decision dated 17th January, 2012, the owners of the private housing scheme will complete the development work within stipulated period and in case of failure, extension in period will be granted with the fee of Rs 1,250, Rs 1,875 and Rs 2,500 per kanal for the 1st, 2nd and 3rd year respectively. Further, penalty for changes in approved layout plan without approval will be recovered @ Rs 2,000 per kanal and start of Development Work of scheme prior to obtaining NOC & without Engineering Design @ Rs 5,000 per kanal.

Audit noted from record of the Directorate of Housing Societies Planning Wing, CDA Islamabad that different private housing societies, as

detailed below, started the development work without obtaining NOC from CDA. Other housing societies did not comply with the term & conditions of the layout plan and pre-requisite of NOC like mortgage deed of saleable plots, transfer deed, Right of Way (ROW)/open area of land and engineering design, etc. within 90 days which were not submitted even repeated reminders by CDA. The sponsors were liable to pay penalties of Rs 895.852 million on account of delay in completion of development works and penalty for change in layout plan without approval from CDA. This resulted in non-recovery of Rs 895.852 million.

S. No.	Name of Housing Society	Penalty (Rs in million)
1	Services Cooperative Housing Society	701.640
2	Khudadad Heights Apartment Scheme	185.347
3	National Police Foundation	6.625
4	Federation of Employees Cooperative Housing Society	2.240
	Total	895.852

Audit maintains that non-recovery/non-imposition of penalties was due to weak internal controls.

Audit pointed out the irregularity in March 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends imposition of penalty for violation of regulations and CDA Board's decision.

(DP. 167)

2.4.10 Unauthorized expenditure on land acquisition - Rs 569.777 million

Para 454 of CDA Procedure Manual Part-III (Accounting Procedure) states that a suitable amount for making payments of compensation to the claimants is drawn on required basis against the sanctioned grant from the Directorate of Accounts CDA through Daily Payment (D.P) Sheets. Cheques for the said accounts as and when received from the Directorate of Accounts CDA are entered on receipt side of the Cash Book and deposited in the Bank. Payments on account of compensation subsequently made to the claimants through cheques are debited by the Bank against the accounts of the Directorate.

Audit noted that budget for the financial year 2014-15 of Land & Rehabilitation Directorate, CDA was approved for Rs 12,800.00 million vide Finance Wing CDA letter dated 15th September, 2014.

Audit observed that the Directorate did not draw suitable amount for making payment of land compensation on required basis against sanctioned grant from Directorate of Accounts CDA. Review of the accounts records revealed that cash book indicated a closing balance of Rs 569.777 million for the month of June 2014. The closing balance of financial year 2013-14 was brought forward in the next financial year 2014-15 as opening balance on 1st July, 2014 without lawful authority and re-appropriation re-budgeting/re-allocation. It was also observed that amounts of DP Sheets were not properly entered in the cash book. This resulted into unauthorized expenditure on land acquisition amounting to Rs 569.777 million.

Audit holds that the irregularity occurred due to weak financial controls.

Audit pointed out the irregularity in March 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends strengthening of internal controls, improving financial discipline and authentic documentation of expenditure.

(DP. 155)

2.4.11 Irregular payment and execution of work without tendering - Rs 518.366 million

Rule 20 of Public Procurement Rules, 2004 provides that, “the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works”. Further, Rule 12(2) provides that all procurement opportunities over two million rupees should be advertised on the Authority’s website, as well as in other print media or newspapers having wide circulation.

Audit noted that Director Roads (South), CDA, Islamabad awarded the work, “Development of Signal Free & Controlled Access Corridor of Islamabad Highway from Zero Point to Faizabad Interchange and Construction of Interchange at I-8 Intersection, Islamabad” to M/s M.A Aleem Khan & Sons (Pvt.) Ltd.

Audit observed that additional works valuing Rs 518.366 million including landscaping works of Rs 114.947 million, rigid pavement of Rs 22.224 million, electrical poles of Rs 6.021 million, pedestrian bridge, gantries of Rs 33.951 million, ancillary works of Rs 68.872 million, etc. were got executed from the contractor without calling fresh tenders.

Audit pointed out the irregularity in July 2016. The Authority replied that the project’s contract cost was Rs 1,577.895 million and was completed at Rs 1,570.0 million, i.e. within the approved cost.

The reply was not accepted because additional works were awarded for Rs 617.592 million against which payment of Rs 518.366

million was made. The works awarded as non-agreement items includes an item of work “chiseled stone cladding” costing Rs 37.505 million, gantries costing Rs 56.692 million, light poles costing Rs 6.045 and landscaping, grass, plants griffin-paint for Rs 114.960 million.

Award of additional works without calling fresh tenders at higher current market rate was irregular. Landscaping, grassing, plants, etc. for Rs 114.960 million was required to be taken up through Environment Directorate, CDA being specialized in executing such horticulture works. Moreover, item of grass drubbing and sprigging was provided in contract at a cost of Rs 6.320 million, whereas in the additional works the expenditure on planting Dhaka grass was Rs 80.045 million.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and regularization.

(DP. 24)

2.4.12 Non-preparation of annual comprehensive maintenance plan and irregular charge of capital expenditure from maintenance grant on major/special repairs - Rs 249.74 million

As per standard procedure/rules annual maintenance plan/estimates of the Government owned houses was required to be prepared and approved by the competent authority for execution in the financial year 2015-16.

Audit noted that Maintenance Directorate, CDA incurred an expenditure of Rs 249.74 million on account of special repairs, addition, alterations of higher category houses of influential allottees on their demand by preparing piecemeal estimates instead of preparing comprehensive estimation on the basis of annual survey on actual need basis as per yardstick to cover the maintenance works.

Audit observed that maintenance works were put to tender at the end of financial year in May/June 2016 which indicated that the work/maintenance activities priorities in the preceding financial year would be got done in next financial year and entire severity of the defects might be further increased and also created liability for next financial year.

As per standard time frame of the maintenance contracts were 3 to 4 months of a financial year, whereas a review of the record indicated that the work started in 2012-13 were being measured and paid after lapse of 2 to 3 years which meant that maintenance activities were not being carried out as per approved schedule/plan in haphazard way. As these houses of G-6 and F-6 were constructed in 1965-70 and exhausted their economic life and they require major capital investment to increase the economic life of the government assets, whereas the heavy expenditure were being incurred by overburdening the maintenance grant and depriving the genuine and needy accommodations of other categories.

Audit holds that non-preparation of annual comprehensive maintenance plan caused irregular charge of capital expenditure by incurring expenditure from maintenance grant on major/special repairs for Rs 249.74 million.

Audit pointed out irregular charge of capital expenditure in July 2016. The Authority replied that Maintenance Directorate was responsible to carry out the repair/maintenance work in the different sectors of Islamabad. The annual/utilization plan was prepared for the year 2015-2016 and got approved by the competent authority. Moreover, regarding the special repair of different houses besides the day to day maintenance works were carried out due to adverse conditions of the houses as the same were constructed four decade ago and the life of these houses also expired. The huge funds were required to uplift all these houses located in the different sectors. The expenditure charged to the maintenance grant as the Government of Pakistan had not provided/allocated funds under the Capital Grant. Finance Wing CDA would be requested to arrange the funds under the head Capital Grant to uplift the condition of house in different sectors.

The reply was not accepted because major/special repairs were got executed mostly in the higher class houses without preparation of any annual maintenance plan in pursuance of maintenance manuals. And heavy expenditure was incurred on these outlived houses which had exhausted their lives.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends proper Standard Operating Procedure be devised to evaluate necessity of the repairs and rationalize the expenditure.
(DP. 90)

2.4.13 Undue benefit to the Developer of the Society due to less provision of land for parks and defective approval of Layout Plan for much uneven land - Rs 210.00 million

The Layout Plan of Housing Scheme for Federal Government Employees through FGEHF developed by M/s Green Tree Pvt. Ltd was conditionally approved for lesser area i.e. 8% instead of mandatory 15% for parks/green area by the Director Regional Planning CDA on 4th June, 2017.

Audit noted that mandatory open space for 230 kanals in the Housing Scheme was provided 8% instead of 15% contrary to provision of CDA Zoning Regulations, 1992.

Audit observed that there was a level difference of 50 to 60 feet of plot areas of approved residential scheme which involves huge cut and fill at site, which may resulted in rise in development cost. In Housing Schemes, 3,244 plots of different sizes were provided. Due to defective/ill planning and undue favour in approval of conditional layout plan on ground position of plots was less than 2000. Due to huge cut and fill, the consultants of project i.e. M/s NESPAK recommended for revised

planning. As a relaxation of Green/parks area from 15% to 8% undue benefit was given to the owner at the cost of the Government Employees for 240 kanals @ 900,000 per kanal Rs 216.00 million. Due to ill planning and defective layout plan, development Scheme has been abnormally delayed as number of plots and site was not developed as per approved layout plan.

This resulted into defective planning/ill-conceived layout plan and undue benefit to the developer at the cost of interests of the Government Employees for Rs 216.00 million

Audit holds that the irregularity occurred due to weak internal and technical controls.

Audit pointed out the irregularity in March 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends that action be taken against persons responsible for extending undue benefit to the developer of housing society besides rectifications of the layout plan.

(DP. 171&172)

2.4.14 Non-submission of Surety Bond by the sponsor - Rs 200.00 million and non-recovery of delayed payment charges - Rs 70.056 million

According to term and condition No. xii of Layout Plan of Multi-storey high rise buildings, the sponsor of the scheme shall submit the Surety Bond worth of Rs 100 million only for the completion of projects within 36 month period along with implementation plan of project at the time of approval of building plan of the scheme.

Audit noted that Directorate of Housing Societies Planning Wing, CDA Islamabad issued “No Objection Certificate (NOC)/Layout Plans” for construction of Capital Residencia, & Meridian Heights Multi-storey Apartments in Sector E-11, Islamabad on a land measuring 15 kanals and 19 marlas, 20 kanals and 9 marlas in the existing exempted area of old village Golra on 29th January, 2008 & 30th January, 2008 respectively. According to term and conditions, sponsors were bound to submit the Surety Bond worth of Rs 100 million each for the completion of projects within stipulated time period along with implementation plan of project at the time of approval of building plan of the scheme. But sponsors did not submit the surety bond to the CDA. The Authority failed to safeguard its financial interest due to non-obtaining of surety bond and imposition of fines upon the sponsors for violating CDA bye-laws and to get the development work of schemes completed in stipulated period as well as to watch the interest of innocent people who invested their savings on the surety and authorization by the CDA.

Non-adherence to terms & conditions of NOC/Layout Plan and ICT Zoning Regulations, 1992 resulted in to non-submission of surety bond of Rs 200.000 million and non-recovery of delayed payment charges of Rs 70.056 million (@ 12% per annum of arrears of land revenue worth Rs 116.760 million) from Capital Residencia.

Audit holds that the irregularity occurred due to weak financial and planning controls.

Audit pointed out the irregularity in March 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early obtaining of surety bond and recovery of delayed payment charges.

(DP. 178)

2.4.15 Unauthorized relaxation in fee collection of Fascia sign boards through post-tender changes - Rs 180.000 million

Rule 19(iv) of GFR (Vol-I) provides that the terms of a contract once entered into should not be materially varied without the previous consent of the authority competent to enter into the contract as so varied No payments to contractors by way of compensation or otherwise outside the strict terms of the contract or in excess of the contract rates may be authorized without the previous approval of the Ministry of Finance.

Audit noted that Director Municipal Administration, CDA made an agreement on 31st January, 2014 on behalf of CDA with a contractor regarding fee collection on accounts of Fascia sign boards installed in commercial areas within the municipal limits of CDA for the period of two years @ Rs 90.00 million per year, payable on quarterly basis in advance w.e.f 31st January, 2014.

Audit observed that the contractor did not deposit due installments in advance as per agreed schedule and applied to chairman CDA for revision of trade licence fee. Review of the case file has shown that Chairman Secretariat CDA, issued minutes of meeting dated 19th December, 2014 vide circular No. CDA/DS-2(2)/2013/66 dated 21st January, 2015. Through this circular fee collecting contractor was stopped to collect licence fee from the local and small traders. It was also decided that CDA will collect licence fee from Local and small traders through its officials only. Audit observed that relaxation in fee collection rates without the previous consent of the Finance Division, Government of Pakistan through controlling Ministry by the CDA was unauthorized and a post tender change. Revision/reduction in licence fee was unauthorized/undue favour to the fee collecting contractor at the cost of CDA revenue. This resulted into unauthorized relaxation in fee collection of Fascia sign boards through post tender changes involving a sum of Rs 180.00 million.

Audit maintains that the loss occurred due to non-adherence to the rules/regulations, existence of opportunity for violation of law and material weaknesses in internal controls.

Audit pointed out the loss in April 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends action against persons responsible besides making the loss good.

(DP. 68)

2.4.16 Irregular/Unjustified expenditure by awarding advertisement works to selected advertisers - Rs 141.430 million

Procedure for advertisements laid down in Ministry of Information and Broadcasting U.O No-14(23) / 80 P-I dated 09th July, 1983 provides that display advertisements are released through advertising agencies accredited to all Pakistan Newspapers Society (APNS) and enlisted with PID. For preparation of Display Advertising Campaign, advertising agencies are to be selected through open competition confined to Accredited Advertising Agencies. Selection will be made by a panel.

Audit noted that Director Public Relation CDA, assigned advertisement work of CDA to two specific companies i.e. M/s Midas and M.Com during the financial year 2014-15 and allowed / made payments to these favourite groups as detailed below:

M/s Midas	Rs 41.235 million
M/s M.Com	Rs 83.230 million

Out of total expenditure Rs 141.143 million on account of advertisements for the financial year 2014-15, the above firms were paid

Rs 124.465 million i.e. 88.18% of the total expenditure. The share of advertisements of M/s M. Com. Rs 83.230 million was 59% of the total expenditure. Rest of the two advertiser selected on the basis of pre-qualification i.e. M/s Circle Agency with expenditure Rs 3.721 million i.e. 2.63 % and expenditure on fourth group M/s New Impact was 1.770 million i.e. 1.25% of total expenditure.

Audit observed that advertisements works were awarded to only two groups as 88% expenditure was incurred on these two groups while rest of two groups were given portion of work was hardly 5% of the total scope of work. This was neither competition nor rationale distribution. All types of advertisement i.e. Print Media and Electronic Media pertaining to Estate Management, Engineering Wing, Environment Wing, Admin, Services Wing & Public Relation were assigned / awarded to one media advertiser i.e. M.Com. Award of all advertisement of almost areas to one group by depriving other groups, which were prequalified and selected for advertisement, was unfair.

Audit maintains that the irregularity occurred due to inadequate mechanism of enforcing relevant rules and regulations and the internal control system.

Audit pointed out the irregularity in April, 2016. The Authority replied that, M/s. New Impact Neon Signs was an outdoor advertiser not a prequalified advertising agency on the panel of the Authority, therefore, release of print and electronic Media advertisement through outdoor advertiser was out of question. Furthermore, M/s. The Circle Agency (Pvt.) Limited was appointed on ad-hoc basis as a stop gap arrangement in almost end of fiscal year 2014-15. Therefore, publicity work was awarded to the two advertising agencies which were on the panel of the authority at that time i.e. M/s. Midas International (Pvt.) limited and M/s. M. Communication (Pvt.) limited in accordance with the distribution of publicity work.

The reply was not accepted because publicity work was awarded to two selected advertisers without open competition. Distribution of

advertisement amongst two groups up to 88% was not a rationale distribution.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends action against persons responsible for violation and rules and irrational distribution of advertisements.

(DP. 46&47)

2.4.17 Unauthorized expenditure and creation of liabilities - Rs 133.853 million

According to Para 53 of CPWD Code, there are four main stages in the project for a central work, namely, Administrative Approval, Expenditure Sanction, Technical Sanction and the Appropriation or re-Appropriation of funds. Para 57 of the CPWD Code denotes that “Appropriation or re-Appropriation represents the allotment of a particular sum of money to meet expenditure on a specified object: it is operative only for the financial year for which it is made”. As per Rule 12 of GFR (Volume-I), a controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided. In order to maintain a proper control he should arrange to be kept informed not only of what has actually been spent from an appropriation but also what commitments and liabilities were and will be incurred against it.

Audit noted that the Director, Coordination, Parliament House, CDA Islamabad awarded various works and purchased store material in excess of the expenditure sanction accorded by the competent authority. Matured liabilities of Rs 133.853 million were shown at the end of the financial year 2015-16.

Audit observed that after award of works and issuance of work/supply orders, due payments were not released to the Contractors/suppliers due to non-availability of funds. The works were awarded and got executed without availability of funds and liabilities were created and transferred to the next financial year. This resulted in unauthorized creation and transfer of liabilities of Rs 133.853 million to the financial year 2016-17.

Audit maintains that the irregularity resulted due to non-adherence to the rules on the subject, weak internal and financial controls.

Audit pointed out irregularity in August 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 120)

2.4.18 Non-recovery of fine of Rs 3.294 million for unauthorized/illegal construction of multi-storey apartments without approval - Rs 120.00 million

According to Section 46-A of Chapter-VII of CDA Ordinance, 1960, “whoever willfully causes damage or allows damage to be caused to any property which vests in the Authority or unlawfully converts it to his own use or to that any other person shall be punishable with imprisonment for a term which may extended to one year or with fine, or with both.”

Para 2.2.3 of Islamabad Residential Sectors Zoning (Building Control) Regulation-2005 provides that any construction started/carried out without prior approval of the Authority shall be liable to be removed (partly or wholly) at the risk and cost of the owner(s)/allottee/occupant(s)

and/or imposition of penalty @ Rs 50 per sft as prescribed in the annexure-B(5)(iii).

Audit noted from the record of Directorate of Housing Societies Planning Wing, CDA Islamabad that housing project/apartments in the name of “Fortune Empire” on 12.11 kanals worth Rs 120.00 million (12.11 kanals @ Rs 10.0 million) in Sector E-11, Islamabad was being carried out by MAK, DHEDHI, Ventures (Pvt) Ltd without approval of the CDA. The said illegal/unauthorized working site is located beyond the E-11 blue area strip of E-11, where no construction can be carried out without prior approval of Authority but construction of multi storey apartment project was started.

Audit observed that fine for starting construction without approval of plan by CDA was not imposed and recovered. This resulted in non-imposition and recovery of fine for Rs 3.294 million (12.11 kanals x 20 x 272 @ Rs 50 per sft)

Audit holds that the unauthorized construction of multi-storey apartments worth Rs 120.00 million and non-recovery of fine of Rs 3.294 million was due to weak internal controls and monitoring.

Audit pointed out the irregularity in March 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends recovery besides appropriate action to for unauthorized construction.

(DP. 177)

2.4.19 Irregular execution and payment of additional works - Rs 116.965 million

Rule 20 of Public Procurement Rules, 2004 provides that, ‘the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works’. Further, Rule 12(2) provides that all procurement opportunities over two million rupees should be advertised on the Authority’s website, as well as in other print media or newspapers having wide circulation.

Directorate of Market and Roads Maintenance CDA Islamabad, awarded a work, “Rehabilitation and Re-Carpeting of Various Roads in Sectors of F&G Series, Islamabad” to M/s Zahir Khan & Brothers.

Audit observed that an additional work was awarded/paid to the contractor without calling fresh tenders. The additional works were carried out at the locations i.e. G-5, Constitution Avenue etc. which were not provided in the technically sanctioned estimate of the work. This resulted into irregular execution and payment of additional works of Rs 116.965 million.

Audit holds that award of additional works for Rs 116.965 million without tendering deprived the Authority of the advantage of achieving competitive rates and deprived other prospective bidders of a fair opportunity to compete for public procurement.

Audit pointed out irregularity in August 2016. The Authority replied that additional work was carried out in streets/galies and Constitution Avenue on the directions of Prime Minister of Pakistan received through Chairman, CDA and due to changes proposed by C.E Lab. The principle approval of the work has been obtained from the competent authority/Chairman CDA before executing the work. Further, the additional work was awarded within the 15% of contract cost (within permissible limit) under variation clause of contract agreement.

The reply was not accepted because savings due to non-execution of work on Service Road West F, G/11 were utilized to remain within 15%. Asphalt concrete work for excess of Rs 221.527 million was approved which was 21.58% of approved cost of Rs 1,026.391 million.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and action against persons responsible for violation of rules.

(DP. 35)

2.4.20 Unfair bidding/bid rigging in award of licence of Bridge Panels - Rs 84.870 million

Rule 20 of PPRA provides that save as otherwise provided hereinafter, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

During Audit for the financial year 2014-15 it was found that Director Municipal Administration CDA allowed selected firms to participate in the bidding process of award of licences of Bridge Panel and indoor wall panels through bidding held on 20th November, 2015.

Audit observed that 14 sites were selected for open auction. Details of locations and bids received against each location showed that four bids offered by the bidders whom tokens were issued by the office of Director Municipal Administration CDA. Bids were shown rejected without recorded reasons against each and for three locations. From the perusal of the record it was also found that process of bidding was neither fair nor competitive as some locations were distributed between the parties with mutual understanding as in case of Shaheed-e-Millat (3 underpasses) Fazal-e-Haq Road and a 7th Avenue Khushal Khan Road under pass where no competition was found made as reported by the Director Security CDA that

there was a mutual understanding in between bidders. This resulted into unfair bidding which can be termed as bid rigging in auction of Bridge Panels for Rs 84.870 million.

The violation in auction process of Bridge Panels was due to weak internal and management controls.

Audit pointed out the irregularity in April 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 63)

2.4.21 Non-obtaining of bank guarantees, performance securities, performance guarantees & works/labour insurance - Rs 79.941 million

PEC documents for smaller contracts/projects with estimated cost not more than Rs 25 million was approved by ECNEC in its meeting held on 12th November, 2007. The document was notified by Planning Commission, Government of Pakistan vide No.8(60)WR/PC/2008 dated 12th February, 2008 as mandatory for all Engineering Organization and Department at Federal & Provincial level and District Government to use this document for procurement of work for smaller contracts/projects. The document was harmonized with PPRA Rules.

Audit noted that Deputy Director, Works-I, Directorate of Works, CDA awarded the works of Up-gradation/Renovation of School to the various contractors during 2015-16.

Audit observed that all works of Up-gradation/Renovation of Schools of Islamabad valuing Rs 79.941 million, old/abandoned form

CPWD-07, 08 was used instead of standard bidding documents approved by ECNEC and notified by Planning Commission, Government of Pakistan. Due to non-adoption of standard Pakistan Engineering Council (PEC) documents, safety of work was not observed and contractors were given undue benefits due to non-obtaining of Performance Securities, Bank Guarantees, Work and Labour Insurances etc. This resulted into non-obtaining of Bank/Performance Guarantees through adoption of standard bidding documents for contracts valuing Rs 79.941 million.

Audit maintains that CDA, by incurring the unauthorized and irregular expenditure committed an irregularity. This violation of rules occurred owing to a weak oversight mechanism for exercising the internal controls.

Audit pointed out the irregularity in July 2016. The Authority replied that the CDA have not yet adopted the PEC document for smaller contracts. NIT document was prepared on the basis of CPWD -07, 08 and was approved as per practice invoked in CDA. The contentions of the Audit is noted, the same shall be taken up and intimated in subsequent works.

The reply was not accepted because Pakistan Engineering Council (PEC) approved documents for smaller contracts are equally applicable on CDA and those are applicable since 2007-08. No exemption was given to CDA to follow form 07, 08. Non-obtaining of performance Securities/Guarantee through adoption of PEC documents was in violation of Planning Commission/ECNEC dated 1st February, 2008.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends that PEC regulations be implemented in letter and spirit and required securities be obtained in all kind of development works.

(DP. 124)

2.4.22 Mis-procurement of consultancy contract due to engagement of consultancy services without pre-qualification - Rs 78.219 million

Rule 16 (3) of PPR, 2004 provides that only suppliers or contractors, who have been prequalified shall be entitled to participate further in the procurement proceedings. Rule-50 further provides that any unauthorized breach of Public Procurement Rules shall amount to mis-procurement.

During scrutiny of the accounts record of Architecture Directorate CDA, it was observed that the two consultancy contracts for Detailed Architectural, Engineering, Master Planning, External Development, Interior Design, Contractor Supervision Services were awarded to M/s Anwar Ali & Associates vide contract agreements dated 15th March, 2007 for Rs 78.129 million.

Audit noted that fourteen (14) consultancy firms were initially pre-qualified out of 20 firms, with the approval of Chairman CDA for the performance of said services. Thereafter, the pre-qualified firms were asked to submit their technical and financial proposals upto 15th June, 2006. Subsequently, the name of the firm i.e. M/s Anwar Ali & Associates was also included in the prequalified firms with the approval of Member P&E CDA, only on the plea that Mr. Anwar Ali Architect remained partner of M/s ACE (one of the 14 qualified firms) and due to his experience M/s ACE qualified the eligibility criteria and both contracts for consultancy were awarded to the same non-prequalified firm. Whereas, instead of including the non-prequalified firm in the list of 14 qualified firms from back door the consultancy services were required to be re-advertised through wide publicity and consultancy services should be procured as per PPRA rules. Unauthorized breach of the PPRA rules caused mis-procurement of consultancy services.

Audit maintained that mis-procurement of consultancy services occurred due to mis-management, non-adherence to the procurement rules,

averting decision of the Chairman by the Member CDA and ineffective implementation of administrative and internal controls.

Audit pointed out the irregularity in May 2015. The Authority replied that 14 Architectural firms were prequalified on the basis of design experience of their Principal Architect. Mr. Anwar Ali was the main Architect of the prequalified firm namely M/s ACE ARTS. Later on, Architect Anwar Ali informed CDA on 7th April, 2006 that he had left M/s ACE ARTS and established his own firm M/s Anwar Ali Associates. He further requested to include his firm in the prequalified firms on the basis of his qualification and experience of designing such types of buildings. Accordingly the then Member P&D, CDA accorded approval. The procurement was in line with the essence of PPRA Rules. Further, in a second step a technical committee was formed to select the designs received from the prequalified Architects which independently selected the designs.

The reply was not accepted because inclusion of the name of M/s Anwar Ali & Associates in the list of qualified firms on later stage and without completing pre-qualification formality was unjustified and against the spirit of PPRA rules.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends investigation for fixing responsibility and action against the responsible(s).

(DP. 22/15-16)

2.4.23 Mis-procurement of contracts - Rs 48.403 million

Rule 4 of Public Procurement Rules, 2004 provides that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement

process is efficient and economical. Rule 50 states that any unauthorized breach of these rules shall amount to mis-procurement.

Audit noted that Director (P&D) Capital Hospital CDA awarded eleven (11) contracts during the financial year 2014-15 on account of procurement of Medical Machinery & Equipment on FOR basis comprised on two envelopes of “Financial Proposals” and “Technical Proposals”.

Audit observed that in all eleven cases technical proposals of four to five bidders were received and evaluated by the committee of selected members. Only one bidder was declared responsive and remaining all bids were not approved being non-responsive. Not a single bid on FOR basis was technically competitive. Audit was of the view that technical evaluation of bids should have been carried out by the qualified Bio-Electronics/Mechanical Engineer, whereas evaluation of bids was done by a non-technical committee. This resulted into mis-procurement of contracts/award of work worth Rs 48.403 million without fair competition.

Audit pointed out the matter in March 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends that technical committee be properly constituted for transparent procurement, proper value for money and effective service delivery.

(DP. 160)

2.4.24 Unjustified payment of Session and Diet Allowance - Rs 32.121 million

According to National Assembly Secretariat Memorandum No. F.20 (2)/74-Estt. dated 16th May, 1975, “additional pay/additional special

pay” to the officers of and above the status of Deputy Secretary & above and “Session Allowance” to other employees below the rank of Deputy Secretary in the National Assembly Secretariat only at the rate of 50% of their basic pay was to be granted (including special pay if any) for the duration of each session of the Assembly for the hard and arduous nature of work and long working hours required to be put during sessions.

Audit noted that three directorates of CDA (Parliament Lodges, Emergency & Disaster Management Directorate and Environment Directorate) made payment of Session Allowance as well as Diet Allowance to its employees although they were not working in the National Assembly Secretariat or in Parliament House. This resulted into unjustified payment of Session Allowance & Diet Allowance during the year 2015-16 for Rs 54.787 million.

Audit pointed out unjustified payment in July-September 2016. The Authority replied CDA Board vide its decision dated 1st March, 2006 had approved the grant of Diet & Session allowance to the CDA employees working at Parliament House like the employees of National Assembly and Senate Secretariat.

The reply was not accepted because these allowances were admissible only to those who were working in National Assembly Secretariat and not admissible to the employee of any other department(s) except National Assembly Secretariat.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses recovery of inadmissible payment.

(DP. 8, 4, 111)

2.4.25 Unauthorized expenditure on staff excessive than the sanctioned strength - Rs 23.224 million

As per Para 2.03 of CPWD Code, 'the engagement of work charged establishment shall be subject to the rules laid down by the Government. The work charged staff shall not be engaged on any work unless provided for in the estimate as a separate sub-head of the estimate for that work'. Muster Roll Employees and Daily Labour as their name denotes are meant for casual labour to be engaged as per requirement.

Para 5(b) of System of Financial Control & Budgeting, 2006 provides that Principal Accounting Officer shall ensure that the funds allotted to a Ministry/Division, etc. are spent for the purpose for which these are allotted. He shall also ensure that the expenditure falls within the ambit of a Grant or an Appropriation duly authenticated. The expenditure in excess of the amount of Grant or Appropriation as well as the expenditure not falling within the scope or intention of any Grant or Appropriation, unless regularized by a Supplementary Grant or a Technical Supplementary Grant, shall be treated unauthorized.

Audit noted that Director, Parks, CDA Islamabad incurred expenditure of Rs 23.224 million on account of salary of 162 employees excessive than the sanctioned strength of employees during the financial year 2015-16.

Audit maintains that payment against excessive sanctioned strength was unauthorized which was due to weak internal controls.

Audit pointed out the matter in November 2016. The Authority replied that Parks Directorate booked expenditure of salary to the Regular staff against the overall strength of Environment Wing, CDA after approval of competent authority.

The reply was not accepted because the expenditure was incurred without availability of sanctioned posts.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends that deployment of staff be rationalized and financial discipline be maintained in the organization.

(DP. 148)

2.4.26 Irregular auction at lesser/imbalance rates without following any evaluation criteria - Rs 20.490 million

Rule 29 of PPRA Rules, 2004 provides that procuring agencies shall formulate an appropriate evaluation criterion listing all the relevant information against which a bid was to be evaluated. Such evaluation criteria shall form an integral part of the bidding documents. Failure to provide for an unambiguous evaluation criteria in the bidding documents shall amount to mis-procurement.

Audit noted that Director Municipal Administration CDA conducted auction for Bridge Panels /underpasses at thirteen (13) locations on 12th November, 2015

Audit observed that bids were shown received for ten (10) sites only and bids for six sites were accepted while remaining four bids were rejected without assigning reasons. In the recommendation column only accepted/rejected was recorded without proper evaluation of bids as per base rates comprised on DMA notified rates for different categories of Highway/Avenues. Imbalance rates were accepted for some locations. For example location of 7th Avenue Underpass at Fazal-e-Haq Road having size rate Rs 2,778 per sft was accepted whereas for adjacent location 7th Avenue, Khushal Khan Road, rate of Rs 4,630 per sft was accepted. Reasons for rejection of four bids were not recorded and three bids were shown withdrawn. This resulted into irregular tendering and loss to Authority for acceptance of rates without observing approved criteria for acceptance/rejection of rates for Rs 20.490 million.

Audit maintains that the loss was sustained due to non-adherence to the rules/regulations and weaknesses in internal controls.

Audit pointed out the loss in April 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends appropriate measures for transparent award of licences for bridge panels and other publicity means to avoid revenue losses.

(DP. 64)

2.4.27 Incurring of expenditure on account of special repairs without separate special allocation of funds - Rs 12.75 million

Rule 5 of Accommodation Allocation Rules 2002 provides specifications of Government owned houses in each category.

Audit noted that Maintenance Directorate, CDA got executed various special works of the government owned houses, rooms, bath rooms, security fence, fiber glass canopies, pet houses, wooden flooring, aluminum windows/doors, by charging the expenditure to the maintenance grant.

Audit held that for these special repairs and facilities a separate special allocation of funds was required to be arranged through Capital Grant rather than charging to the maintenance grant.

Non-adherence to rule caused incurring of expenditure on account of special repairs without separate special allocation of funds amounting to Rs 12.75 million.

Audit pointed out irregularity in July 2016. The Authority replied that the special repair/maintenance of the houses was being carried out under the head maintenance grant. The point of Audit to arrange the funds under the head Capital grant rather than charging to the Maintenance Grant in due course of time was not possible for the Authority as no funds were provided by the Government under the head Capital Grant. However, the Finance Wing, CDA would be requested to initiate the case for demanding of funds under the head Capital Grant from the Govt.

The reply was not accepted because addition/alteration beyond the approved specifications of the category houses was unjustified and required special separate allocation or recovery from the concerned allottees.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends that internal controls be strengthened to ensure that repairs are executed within the approved specifications and scales.

(DP. 93)

2.4.28 Violations of approved layout plan & non-recovery - Rs 12.347 million

As per CDA Board decision dated 17th January, 2012, the owners of the private housing scheme will complete the development work within stipulated period and in case of failure, extension in period will be granted with the fee of Rs 1,250, Rs 1,875 and Rs 2,500 per kanal for the 1st, 2nd and 3rd year respectively. Further, penalty for changes in approved layout plan without approval will be recovered @ Rs 2,000 per kanal and start of Development Work of scheme prior to obtaining NOC & without Engineering Design @ Rs 5000 per kanal.

Clause-5 of Modalities and Procedures framed under ICT (Zoning) Regulations 1992 provides that planning standards may vary

from scheme to scheme depending upon the residential density desired to be achieved by the sponsors of the schemes. But the land use percentages must remain within limits.

Audit noted that the Housing Societies Directorate, (Planning Wing) CDA approved layout plan of Accounts Group Officer Cooperative Housing Society (AGOCHS) Phase - I & II in Zone-V. The management of AGOCHS did not observe the terms and condition of approved layout plan.

- i. Non-Mortgage of saleable area
- ii. Non-transfer of land of amenities
- iii. Non-submission of engineering design
- iv. Start of development work without NOC

It was also noted that the management of AGOCHS-I & II changed layout plan at its own by converting residential plots in to commercial plots and the area approved for amenities was also changed into commercial plots without revision of layout plan by the CDA.

Audit observed that sponsors of Housing Society illegally used land measuring plan beyond approved layout plans, NOC, Design in violation of ICT (Zoning) Regulations 1992 but no action was taken by CDA for these violations. This resulted into an irregular/illegal conversion of lands of roads, open spaces, public buildings etc to commercial plots and non-recovery of Rs 12.347 million.

Audit holds that the irregularity occurred due to weak planning & internal controls.

Audit pointed out the irregularity in March 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends that action be taken to ensure observance of approved layout plan of the society, relevant regulations and early recovery of dues.

(DP. 179)

2.4.29 Irregular payment on account of previous years liability and non- adjustment of outstanding dues - Rs 11.371 million

Rule 1(iv) of Procedure Manual Part-II CDA Financial Procedure provides that public money should not be utilized for the benefit of a particular person or section of the community unless the expenditure is in pursuance of a recognized policy or custom.

Audit noted that ex-post facto expenditure sanction for Rs 11.371 million was issued in favour of M/s Pakistan Television Corporation (PTV) through Public Relations Directorate CDA, on account of Park Enclave Campaign vide sanction No. 3949 dated 11th June, 2015. Sanction of expenditure was issued with the condition that adjustment would then be made accordingly with PTV against their outstanding dues of property tax with Revenue Directorate, CDA.

Audit observed that payment on account of Media Campaign of Park Enclave for the financial year 2011-12 for Rs 11.371 million was released and made to M/s PTV by the Public Relation Directorate CDA in June 2015 without adjustment/recovery of outstanding bills of property tax of Rs 52.731 million pertaining to M/s PTV. Budget for clearing liability was not specifically provided and released.

Audit pointed out the irregularity in April 2016. The Authority replied that payment was made to M/s Pakistan Television after endorsement and recommendations of Revenue Directorate, CDA, which was the relevant directorate to collect or make adjustment on account of property tax.

The reply was not accepted because payment was made without approval of specific budget for liquidation of previous year's liability and without adjustment of CDA dues. As such Authority's interest was not safeguarded.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends that measures be taken to improve the financial discipline and recovery of dues.

(DP. 49)

2.4.30 Award of work without TS Estimate - Rs 11.565 million

Para 80 of CDA Procedure Manual (Part-III)-Accounting Procedure provides that it is a fundamental rule that no work shall be commenced or a liability incurred in connection with it until admin approval has been obtained, properly detailed design and estimate has been sanctioned, expenditure sanction has been accorded and allotment of funds made.

Audit noted that the Additional Director, Emergency & Disaster Management, CDA, Islamabad, awarded five works valuing Rs 11.565 million during the year 2015-16 without obtaining Technical Sanction to Estimates. Calling of tenders and award of works without technical sanction was contrary to codal provisions. This resulted in irregular award of works valuing Rs 11.565 million.

Audit pointed out the irregularity in September 2016. The Authority replied that technical sanction was not required in non-engineering works.

The reply was not accepted because technical sanction is a guarantee that proposal is technically/financially sound. Works involving

repair of machinery, procurement of equipment, etc., were technical/engineering works for which sanction of estimate was essentially required.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 18)

2.4.31 Loss due to award of work at higher rates - Rs 5.458 million

Rule-I of CDA Procedure Manual Part-II, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public funds as a person of ordinary prudence would exercise in respect of expenditure of his own money. The expenditure should not be prima facie more than the occasion demands.

T.S Estimate of the work based on non-scheduled items was sanctioned without any premium.

Audit noted that Director, Parliament Lodges and Hostels, CDA, called and opened tenders for three works during 2015-16 and accepted lowest rate of 53%, 77% & 70% above on estimated cost based on prevailing market prices. These works were awarded just within 02 months of accord of technical sanction to estimate, so acceptance of higher rates of premium on market rates was unjustified and caused loss to Authority. This resulted in loss of Rs 5.458 million.

Audit pointed out the loss in August 2016. The Authority replied that market rates were based on the analysis prepared & approved since long. Accordingly, the contractors quoted the premium on these rates keeping in view the increase of rates prevailing in the market. Furthermore, difficult working conditions in the red zone of Islamabad due to current security situation were also one of the reasons for slightly higher premium.

The reply was not accepted because the proposal was considered to be technically and financially sound and approved on the basis of TSE basis on the rates than prevailing.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends action against persons responsible besides making the loss good from persons at fault.

(DP. 11)

2.4.32 Non-taking over of equipment on completion of contracts - Rs 5.417 million

Detailed estimate of works for Privatization/provision of cleaning services i.e. cleaning, sweeping, collection & transportation of solid waste/garbage from various sectors of Islamabad, includes cost of 485 Hand Carts @ Rs 8,250 each (Rs 7,500 + 10% CP) and one Walkie Talkie sets @ Rs 33,000 (Rs 30,000 + 10%).

Audit noted that the Director, Sanitation Directorate, CDA, Islamabad, made payment to the contractors on monthly basis including cost of Hand Carts & Walkie Talkie sets for the period from 01st July, 2015 to 30th June, 2016. Audit observed that these Hand Carts & Walkie Talkie sets were not taken over from the contractors on expiry of contract though these were property of CDA as cost thereof was paid by CDA. This resulted in non-taking over of equipment on completion of contracts costing Rs 5.417 million.

Audit pointed out non-taking over of equipment in August-September 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early taking over of equipment.

(DP. 04)

2.4.33 Irregular procurement without open tenders - Rs 3.977 million

Rule 12(i) of Public Procurement Rules, 2004 provides that procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website in the manner and format specified by regulation issued by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.

Audit noted that the Additional Director, Emergency & Disaster Management, CDA awarded two contracts regarding repair/maintenance of fire vehicles and purchase of tyres/tubes amounting to Rs 3.977 million to contractors without calling open tenders in violation of rules. This resulted in irregular procurement for Rs 3.977 million.

Audit pointed out the irregularity in September 2016. The Authority replied that procurement was made directly from the authorized dealers with the approval of competent authority as per Financial Powers, 2007.

The reply was not accepted because tyre/tubes could not be classified as proprietary item for direct purchase from the authorized dealer/manufacture. Further, procurement of tyres was made at higher cost than the bid received in tendering which was also sorted to before deciding the direct purchase.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends that matter be investigated for fixing of responsibility for violation of rules and action be taken against the persons at fault.

(DP. 19)

2.4.34 Non-recovery of penalty/fine on account of non-adoption of CDA Building Standards for Fire Prevention and Life Safety - Rs 2.00 million

According to Para 9 of Islamabad Fire Prevention and Life Safety Regulations, 2010, “whoever contravenes any provision of this regulation, shall without prejudice to any other action taken against him under section-06, will be fined, which may extend to Rs 500,000 and where the offence is a continuing one, with a further fine, which may extend to three thousand rupees for every day during which such offences continues.

Audit noted that the Additional Director, Emergency & Disaster Management, CDA imposed fines to owners of various buildings situated in Islamabad who did not fulfill the requirements given in CDA Building Standards for Fire Prevention and Life Safety, 2010. Notices were issued from time to time to the owners of the buildings for adoption of CDA building standards but no response was received. Finally fine was imposed due to non-compliance by owners and they were to deposit the amount of fine within 15 days from date of issuance of the notice. Audit observed that owners of 10 building did not deposit the fine. This resulted in non-recovery of Rs 2.00 million.

Audit pointed out the non-recovery in September 2016. The Authority replied that owners were directed to deposit the amount of fine within 15 days and the matter was forwarded to CDA Magistrate for further necessary action towards recovery from the building owners.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends appropriate measures for recovery of dues/fine.
(DP. 16)

2.4.35 Non-provision of insurance of work - Rs 77.919 million and non-recovery of premium - Rs 1.558 million

As per Clause 43.1.2 of the agreement (All risk insurance), the Contractor shall insure the Works, equipment or part thereof and liabilities for death or injury to any person in the joint names of the Contractor and the Employer. The Contractor shall procure and submit the insurance cover within a period of 28 days from the date of receipt of Letter of Acceptance from the Employer from any of the Insurance Companies acceptable to the Employer operating in Pakistan with financial strength rating of AA approved by Pakistan Credit Rating Agency (PACRA) or JCR including National Insurance Corporation (NIC) of Pakistan. As per clause 43.7, if the Contractor fails to produce evidence of insurance cover as stated in the agreement, then the Employer may effect and keep in force such insurance, premiums paid by the Employer for this purpose shall be deducted from the Contract Price.

Audit noted that the Deputy Director, Maintenance (E&M) Parliament House, CDA Islamabad awarded the work “Replacement of old outdated chillers for air conditioning system at Parliament House” to M/s Freezole International Pvt. Ltd. at agreement cost of Rs 77.919 million on 12th February, 2016. The work was started on 28th February, 2016 and was to be completed in 120 days. The Contractor was paid Rs 20.00 million upto 1st running bill.

Audit observed that the Divisional Management did not obtain insurance policies as required under the contract provisions. The government work remained un-insured for a long period but neither the mandatory insurances of the works were obtained nor the amount of premium included in the bid rates was deducted from the contractor. This resulted in non-insurance of work, equipment and personnel and non-recovery of Rs 1.558 million (2% of Rs 77.919 million).

Audit maintains that insurance policies were not obtained due to non-adherence to the provisions of the agreement.

Audit pointed out irregularity in August 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early obtaining of insurance policies besides recovery of premium for uninsured period.

(DP. 119)

2.4.36 Unauthorized payment of Emergency Allowance to employees not working in Emergency and Disaster Management Directorate - Rs 1.297 million

According to CDA Finance Wing Office Order No.CDA/FW(G)-44(28)(Pay & allowances)/2016/1432 dated 12th February, 2016, CDA Board sanctioned in its meeting held on 8th November, 2007, Emergency Allowance/incentive equivalent to one month basic pay drawn as on 30th June, 2015 (at frozen level) as reward of discharging sensitive nature of duties. Condition VI of said office order describes that it will be granted to regular/regular 'P' and contract employees appointed against civilian pay scales working in the Emergency & Disaster Management Directorate, CDA.

Audit noted that the Additional Director, Emergency & Disaster Management, CDA, Islamabad, made payment of Emergency Allowance to its employees from February 2016 at the approved rate.

Audit observed that Emergency Allowance was also paid to 23 employees who were not working in E&DM Directorate. Audit held that employees, not actually performing duties in E&DM Directorate, were not

entitled for payment of Emergency Allowance as per decision of CDA Board. Emergency Allowance was paid to the said employees for the period from February 2016 to August 2016 contrary to decision of CDA Board. This resulted in un-authorized payment of Rs 1.297 million (Rs 185,310 per month x 7 months).

Audit pointed out the irregularity in September 2016. The Authority replied that 23 x officials of the Directorate were posted out of Directorate by the Competent Authority in the best interest of authority and all individuals were directed to report in E&DM Directorate with immediate effect.

The reply was not accepted because payment of emergency allowance without performing the job/duties, for which allowance was sanctioned, was unauthorized.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends recovery of unduly paid amount.

(DP. 20)

2.4.37 Irregular/unjustified appointment of Director (BPS-19) in violation of rules

Para 4.06 (2) of CDA Employees (Service) Regulation 1992 provides that initial appointment to the post in basic pay scales 18 & 19 shall be made by the appointing authority on the recommendations of the Departmental Selection Committee. The Departmental Selection Committee shall, as far as possible recommends from a panel of 3 names for each vacancy. Para 4.10 further provides that candidate for initial appointment must possess the educational qualifications and experience and must be within the age limit for the post as laid down in part-B of appendix 2 to these regulations.

Audit noted that an officer was appointed against the post of Director Housing Societies in BPS-19 in CDA vide offer letter No.CDA-3(1)(8)-Estab/75/Sec-I/3277 dated 16th June, 2007.

Appointment of the officer as Director BPS-19 was found irregular/unjustified on the following grounds:

- i. Post of Director BPS-19 was not advertised in the press.
- ii. In the Evaluation check list (10) ten Nos. were provided for “personality” against which 18 Nos. were awarded to the officer who was shown first on merit.
- iii. The post of Director Housing Society was newly created and notified on 16th June, 2007 through notification bearing No. CDA-I HRD-4 (9)/2007/Sec.VI/ this post was filled, through direct recruitment in violation of the rules/procedures which require advertisement of the post before direct recruitment.

Audit pointed out the irregularity in March 2015. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses for inquiry and action against the responsible(s).
(DP. 40/15-16)

2.4.38 Posting of Junior Technician (BPS-09) on deputation against post of Sanitary Inspector (BPS-16)

According to sanctioned strength of Sanitation Directorate, CDA, there are 17 posts of Sanitary Inspectors.

Audit noted that in Sanitation Directorate, CDA, Islamabad, eighteen (18) Sanitary Inspectors (BPS-16) were working against sanctioned strength of seventeen (17).

Audit observed that 01 Sanitary Inspector was in excess of sanctioned strength. Audit further observed that excess was due to the reason that an employee of BPS-09 from office of the District Officer Health, Jhang, was posted in Sanitation Directorate, CDA as Sanitary Inspector vide office order dated 30th June, 2015. The official joined duty in CDA on 28th January, 2015. Audit holds that posting of the said employee in CDA in excess of sanctioned strength without justification and in higher scale was irregular/unauthorized.

Audit pointed out the irregular posting in August-September 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 05)

2.4.39 Irregular approval of Building Plan of USA Embassy at Diplomatic Enclave

As per 11th Board Meeting dated 13th June, 2012 circulated vide No.1905 dated 27th June, 2012 agenda item No.4 (10145/1233/BM/12) the CDA Board decided to increase the Floor Area Ratio (FAR) by 1:2:4 and decided that number of stories would be G+7 for Diplomatic Enclave. However, before the implementation of the decision the case will be forwarded to Cabinet Division for seeking approval of Prime Minister of Pakistan. The Board also decided to hold on the NOC of US embassy for final decision by the Prime Minister.

During security of building plan file of USA Embassy Diplomatic Enclave Sector G-5, Islamabad, Building Control Directorate CDA approved the plan on 10th January, 2012 for the area of 1,734,212.23 Sft for eight floors at 16 different places/buildings in contradiction to the existing building bye-laws. Audit further noted that the case of revision of existing building byelaws for the particular buildings was placed before the 11th Board meeting 2012 and circulated on 27th June, 2012 in which it was decided the case of revision of building byelaws should be forwarded to the Prime Minister of Pakistan through Cabinet Division and the NOC issued should be put on hold till final decision by the Prime Minister. Meanwhile security agencies wrote a letter on 14th February, 2012 to Chairman CDA expressing their concern that massive construction of 08 storey building would overtake most of Ministries and other official buildings along with the Constitution Avenue. In all probability, roof-top of the said building would be utilized to install surveillance devices, which could conveniently be used to electronically monitor very important offices of the Government in the area. The Agency proposed that the NOC to the US Embassy may be put on hold and CDA rules should appropriately be amended in order to regulate height of non-government structures, in vicinity of the Constitution Avenue.

Audit further observed that despite of pending approval by the Prime Minister, construction work was started. Member Estate vide its office note dated 12th July, 2013 proposed action under E&D rules against the concerned officers for negligence. No action was on record to stop the construction which was in progress.

Audit maintains that irregularity occurred due to lack of oversight mechanism for implementation of internal controls.

Audit pointed out the irregularity in August 2016. The Authority replied that the Board decided to increase the FAR 1:2:4 and decided that number of stories would be Ground + 5 for Diplomatic Enclave. However, before the implementation of the decision the case would be forwarded to Cabinet Division for seeking approval of Prime Minister of Pakistan.

The reply was not accepted because the Board granted permission with the condition of approval of Prime Minister the construction activity was started without approval.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends that inquiry be conducted at appropriate level.
(DP. 75)

2.4.40 Lease of 76 acre land without open advertisement and assessment of rent in Lake View Park Islamabad

As per Islamabad Land Disposal Regulations, 2005 all commercial, business and recreational (Park) plots shall be sold or leased out through open auction.

During scrutiny of the accounts record of the Directorate Parks/Technical, CDA, Islamabad audit noted that CDA leased out 76 acre land to eleven firms in July-September 2007 at flat rate of Rs 120,000 per acre per annum.

Audit observed that CDA leased out 76 acres land for 15 and 30 years without open auction. Flat rate of Rs 120,000 per acre per annum was agreed without assessment of space rent.

Audit maintains that leasing/renting out 76 acre precious CDA land on very low rate was due to deficient revenue recognition policies and weak internal controls

Audit pointed out the matter in November 2016. The Authority replied that land was leased out to different firms at Phase-II Lake view park, Islamabad by PMO Directorate, CDA, and later stage the same was handed over to this Division in March 2014. It was impossible to lease 76 acre land without open advertisement as observed by Audit but ever

processed & followed rules and regulations of the authority through open advertisement in wide national leading press Urdu and English. Such record would be produced to Audit as & when demanded for verification.

The reply was not accepted because all the record relating to the said leases received by Parks Directorate from PMO was checked. As per record no press advertisement/auction notice was available.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and action against persons at fault.

(DP. 146)

2.4.41 Unjustified award of procurement contract for purchase of medicines through local purchase to a single medical store

Procurement contract for purchase/supply of medicines through local purchase slips through contract was awarded to four Medical Stores/Chemists in different Sectors of Islamabad for 03 years expired on 30th June, 2013.

During Audit inspection of case file No CDA/CH-1 (20) 1 Panel/2012-13 for appointment of Chemists on panel of the Capital Hospital for the period of 03 years. On account of advertisement M/s Bahria Pharmacy offered highest discount on retail price i.e. 7% amongst four bidders.

Audit found that contract was awarded to M/s Bahria Pharmacy @ 7% discount on retail price for 03 years duly approved by the Executive Director Capital Hospital on 12th July, 2013.

Audit observed that contract for local purchase for fourteen thousand serving employees and families comprised on one lac members

on the strength of Capital Hospital was awarded to a single medical store without proper prequalification to adjudge the capacity of a single chemist to serve all the local purchase slips. While accepting the offer, based on rebate in price, was considered economical rather considering the welfare of the patients to whom Medicines were not supplied properly by a single source which was in fact a monopoly of a sole chemist. If option of variety/diversification of Chemists and Panelists was provided, then it would have been in welfare of the patients. Medicines prescribed by the Doctors were not supplied on the plea of liabilities of payments. Patients were denied for supply of Medicines without imposition of penalty on the defaulter Chemist.

Audit pointed out the matter in March 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends that appropriate measures be taken to ensure transparency in procurement of medicines and improvement in service delivery.

(DP. 162)

2.4.42 Loss to Authority due to unjustified exemption from demolishing of 484 illegal kiosks, tea stalls, etc.

According to letter No.CDA/DMA/MF-15(1) Genal/ 2013 /1342 dated 1st November, 2013, the DMA cancelled all Licenses of Kiosk/tea stalls, etc. within and out of the Municipal Limits of Islamabad.

Audit noted that Directorate Municipal Administration CDA issued a letter mentioning therein to restore 484 Kiosks and Tea Stalls etc wherein 269 Kiosks and Tea Stalls were already demolished. It was

further added that all other illegal Kiosks and Tea Stalls etc within outside of Municipal Limits of Islamabad may be removed.

Audit observed that the exemption from demolishing was not justified. On the other hand restoration of 484 Kiosks and Tea Stalls etc has not been finalized since 2009. In this way the Authority was bearing a loss due to non-restoration of these Kiosks and Tea Stalls, etc. realization of fee/rent since 2009 from these Kiosks and Tea Stalls etc was pending.

Audit pointed out non-compliance in August 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early implementation of orders regarding removal of irregular kiosks, etc.

(DP. 213)

Performance

2.4.43 Loss to public exchequer and inconvenience to commuters due to delay in completion of the project - Rs 37,486.59 million

Clause 28.4 of Instructions to Bidder for the work, “Construction of Margallah Avenue from G.T. Road to Sector D-12, Islamabad” provides that if the bid of the successful bidder is seriously unbalanced in relation to the Employer’s estimate of the cost of work to be performed under the Contract, the Employer may require the bidder to produce detailed price analyses for any or all items of the Bill of Quantities to demonstrate the internal consistency of those prices with the construction methods and schedule proposed. After evaluation of the price analyses, the Employer may require that the amount of the Performance Security set forth in Clause IB.32 be increased at the expense of the successful bidder

to a level sufficient to protect the Employer against financial loss in the event of default of the successful bidder under the Contract.

Audit noted that being unbalanced offered rates CDA decided to obtain higher performance guarantee in shape of Bank Guarantee @ 30% of contract cost. The contractor agreed to provide 30% bank guarantee vide his letter dated 14th May, 2012.

Audit observed that performance guarantee in shape of insurance bond @ 10% of the contract cost from Atlas Insurance Co. was provided by the contractor instead of bank guarantee as clearly stated in the Acceptance Letter. Moreover, additional performance guarantee equal to Rs 117.69 million (20% of contract cost) was not obtained from the Contractor to safeguard the financial interest of the Authority.

The contractor, later on, failed to complete the work in stipulated time and the work was also suspended by the authority due to non-furnishing of the required bank guarantee and withheld an amount of Rs 58.842 million on account of Bank Guarantee. The action of Authority delayed the work due to litigation and appointment of Arbitrator by the court of law resulted in a huge loss of Rs 37,486.59 million (Rs 9,242.59 million direct loss and Rs 28,244.0 million indirect loss) to the public exchequer as worked out in the counter claim submitted to the arbitrator as under, besides inconvenience to commuters entering/leaving Islamabad.

Audit pointed out the loss in October 2016. The Authority replied that Performance Security in shape of Insurance Bond was accepted instead of bank guarantee but later on, Law Directorate, CDA did not vetted it thus an amount of Rs 58.84 million equal to 10% of contract agreement was withheld as performance guarantee. The Arbitrator appointed by the court of law announced the award in favour of contractor which was challenged in the Apex court.

The reply was not accepted because the project was not adequately safeguarded against default of contractor. Insurance Bond instead of Bank Guarantee was accepted and additional performance guarantee was not

obtained against the provision of contract. The lapse on the part of CDA gave way to the contractor for suspension of work and litigation,

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends investigation into the matter.

(DP. 215)

2.4.44 Non-collection of projected receipts - Rs 13,032.862 million

As per Section 4(2) of CDA Ordinance, 1960, CDA is a body corporate. The receipt envelope consists of income from tax collection and sale of residential and commercial plots. The Federal Government does not provide any budgetary support except Maintenance Grant of repair and maintenance of Government buildings and houses. CDA also implements various Development Projects that are funded by the Federal Government under Public Sector Development Program (PSDP).

2.4.44.1 Audit noted that total receipts were estimated for Rs 45,824.00 million in the Budget Estimates of CDA for financial year 2014-15 including Municipal Services Recoveries & Advertisement etc. for Rs 1,000.00 million and Rs 100.00 million were estimated to be earned from MPO (Operation) on account of Hire Charges of machinery.

Review of revised budget estimates for the financial year 2014-15 indicated that these revenue targets were not achieved as detailed below:

Description	Provided (Rs in million)	Actual realized (Rs in million)
DMA Receipt Advance	1,000.0	528.881
MPO Operation Hire Charges of Machinery	100.0	0
Commercial Plots Open Auction	5,500.0	2,164.547

Description	Provided (Rs in million)	Actual realized (Rs in million)
Sale of Blue Area Plots	2,000.0	380.266
Auction of Plots in Develop Sectors	4,000.0	139.767
Total	12,600	3,213.461

Difference Rs 12,600.00 million (-) Rs 3,213.461 million = Rs 9,386.539 million.

This resulted into less collection of projected receipt for Rs 9,386.539 million.

Audit maintains that revenue was not collected due to deficient revenue collection policies disregard to the rules, regulations and weak internal controls.

Audit pointed out non-collection of projected receipt in May 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends appropriate measures to exploit revenue opportunities and avoid pilferage of revenue.

(DP. 56)

2.4.44.2 Finance Wing, CDA circulation vide letter No. CDA/FW(B)-42(2) Receipts/2014-15/274 dated 30th September, 2014 provides that CDA Board in the 11th Board meeting set a target of municipal services receipts at Rs 1,000.00 million for 2014-15 which was projected for Rs 1,100.00 million for the year 2015-16 (by increasing @ 10% per annum).

During the analysis of receipts, Audit noted that the Director (DMA) CDA Islamabad could only receive Rs 342.391 million during the financial year 2015-16 on account of municipal services including fine and penalties, hire charges of coffin carrier, receipts from graveyard digging, fine of court, license fees, weekly bazaars payment, rent of open spaces, birth & death certificates, trade licenses, sign board/banner, telecom units and miscellaneous against the target receipt of Rs 1,100 million causing shortfall of Rs 757.609 million.

Audit observed that the shortfall of revenue receipt occurred due to non-pursuance of outstanding recovery, non-revision of rates of license fee/ trade fee/weekly bazaars fee/other municipal fee etc just keeping in view the inflation, market fluctuation & General Price Index (GPI), non-identification of new advertisement/trading sites through proper periodic surveys, non-auction of advertisement sites timely & on regular basis and non- disposal of confiscated material timely.

Audit maintains that short fall in receipts occurred due to weak internal & financial controls.

Audit pointed out shortfall in receipts in October 2016. The department did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends appropriate measures to exploit revenue opportunities and avoid pilferage of revenue.

(DP. 201)

2.4.44.3 According to the revenue receipts target, set out by the CDA, on account of Property Tax/Water & Allied Charges amounting to Rs 1,460.000 million was to be estimated/realized during the financial year 2014-15 also same for the financial year 2015-16.

Audit observed that receipt amounting to Rs 747.568 million on account of Property Tax and Rs 231.812 million on account of Water & Allied Charges was collected during the year 2014-15 against the target/annual demand of Rs 1,460.000 million. Rather 32.92% receipt was less realized causing a loss to the Authority amounting to Rs 480.620 million. This trend also carried on in next financial year and only Rs 904.834 million was collected up to March 2016.

Audit maintains that loss occurred due to improper pursuance of recovery and ineffective oversight mechanism for exercising administrative, internal and financial control.

Audit pointed out the irregularity in April 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends appropriate measures to exploit revenue opportunities and avoid pilferage of revenue.

(DP. 42)

2.4.44.4 As per CDA Bylaws, all commercial properties were leased out for 33 years extendable for other two terms subject to the payment of lease extension charges to the CDA.

Audit noted that first lease period of all properties/plots in Blue Area Islamabad and in other areas under ICT/CDA leased out in 1970 and 1980 were expired, were liable to be extended for another terms of 33 years after receipt of due charges. Accordingly Revenue/Receipt worth Rs 1,500.00 million was provided in the budget estimates CDA for the financial year 2014-15. Review of budget estimates for financial year 2014-15 shows that revenue earned from lease extension fee was Rs 89.348 million only against projected receipt amounting to Rs 1,500.00 million.

Audit maintains that CDA has failed to implement the clauses of lease of properties and did not extend the expired leases and failed to earn revenue due to lack of oversight mechanism to safeguard in Public/Authority interest. This resulted into non-recovery of lease extension fee amounting to Rs 1,410.652 million.

Audit pointed out the non-recovery in May 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early extension of leases and recovery.

(DP. 55)

2.4.44.5 Audit noted that Property tax & Water/Allied Charges amounting to Rs 997.442 million were outstanding in the Revenue Directorate CDA for the financial year 2014-15 against the residential, institutions/commercial properties. No strenuous efforts were made to pursue the recovery.

Audit holds that non-recovery of outstanding dues occurred due to weak internal controls.

Audit pointed out the non-recovery in April 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery of outstanding dues.

(DP. 39)

2.4.45 Protracted delays and failure of CDA in development of approved land fill site of Solid Waste Management - Rs 1,006.783 million

The Planning Wing, CDA allocated 100 acres of land for the project “Improvement of Environment by Solid Waste Management in Islamabad” and PC-I of the project was approved by the ECNEC on 07.12.2004 for Rs 1,006.783 million. The scheme was approved with the condition that CDA will finance the project from its own resources. After resolution of the issues Pak Environment Protection Agency (EPA) issued the approval of Environmental Impact Assessment (EIA) in February, 2008 for construction of Scientific Sanitary landfill village in Kuri Zone-IV Islamabad.

Audit noted that Planning Wing CDA Islamabad failed to start the construction of Scientific Sanitary Landfill project in Kuri for improvement of Environment as approved by the ECNEC in 2004 despite a lapse of 12 years.

Audit observed that construction of Landfill Project was not implemented due to the issues of possession of acquired site in Kuri. Subsequently it was decided by the CDA Board to re-locate the landfill site from Kuri to H-10, Islamabad. The dumping site of sanitary waste was shifted from H-10 to I-12 and later on shifted to I-14 & I-15 Islamabad. Presently, garbage about 800 tons approximately of Municipal solid waste daily was transported to an open dumping site in Sector I-12 Islamabad. The open dumping of solid waste near the residential Sectors and Educational Institutions is a serious hazardous for human health and environments. The un-desirable mode of disposal of open dumping of Garbage was a serious lapse on the part of Planners of Islamabad.

Audit holds that the irregularity occurred due to weak internal controls.

Audit pointed out the irregularity in March 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends immediate measures to resolve the issue besides mitigating measures to improve environment.

(DP. 170)

2.4.46 Loss to the Authority due to non-auction of certain advertisement locations - Rs 36.258 million

Rule 23 of GFR (Vol-I) provides that every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

Audit observed that certain locations/advertisements were not auctioned out since March 2015 by the Directorate Municipal Administration CDA Islamabad. Audit further observed that under some cases auction bids were received on 20th November, 2015, but these were rejected due to some reasons. However, after 20th November, 2015 no serious efforts were made by the concerned Directorate towards auction of the same advertisements/locations. Due to non-auction of the advertisements/locations even after lapse of a considerable time, the Authority sustained a loss of Rs 36.258 million.

Audit maintains that loss to government occurred due to weak internal and financial controls.

Audit pointed out loss in October 2016. The department did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends appropriate measures to exploit revenue opportunities and avoid pilferage of revenue.

(DP. 198)

2.4.47 Lapses/deficiencies/Ineffective implementation of rescue programme despite expenditure of about Rs 30.240 million per annum

Emergency & Disaster Management Directorate was created under CDA Board decision dated 11th November, 2008. All necessary staff sanctioned for fire & rescue services was posted in the Directorate vide HRD letter dated 2nd December, 2008. Main function of the Directorate is to manage all fire operational aspects.

Audit noted that Directorate, Emergency & Disaster Management, CDA, Islamabad, appointed 88 employees (04 teams) in 2009 to implement the USAR program. At present 63 employees are in position and 25 posts of different cadres were vacant.

Audit observed that employees such as Search Technician/Search Rescuer appointed for specific jobs in the Directorate and trained by foreign instructors, were posted out to another Directorate of CDA. The vacant posts were also not filled through fresh recruitment. As a result, four teams formed under the program were not in a position to work efficiently in the absence of the said trained staff for specific jobs like Communication, Search Technician and Rescuer. Transfer of staff, appointed and trained for a specific job, was compromising the purpose for which the staff was engaged i.e. research and rescue. This resulted in ineffective implementation of the program despite expenditure of about Rs 30.240 million (63 employees x Rs 40,000 per month x 12 months) per annum.

Audit further observed that discrepancies like shortage of 166 staff, transfer of 23 trained staff, use of 04 firefighting vehicle (commander vehicles) for other purposes after removing equipment installed thereon, non-updating the firefighting equipment, non-repair of 02 fire tenders damaged in fire rescue operation and insufficient training, etc. had a negative impact on preparedness of the Directorate.

Audit pointed out the issue in September 2016. The Authority replied that trained staff was transferred to other Directorates of CDA and re-organization of the structure of program team by filling the vacant post to strengthen the capability of Rescue team was directed. The Authority further replied that case was taken up with HRD for filling of vacant posts. Trained staff was transferred in best interest of Authority, return of operational vehicles were demanded, proposal for purchase of latest state of the art fire vehicles for high rise building is under consideration and repair of burnt vehicles was under process.

The reply was not accepted because shortage of staff, transfer of staff recruited and trained for rescue operations, transfer of vehicles after removing equipment, non-repair of damaged vehicles and insufficient training was compromise on preparedness to handle the emergency. Thus objectives of the Urban Search and Rescue (USAR) programme were not being achieved despite considerable expenditure.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends appropriate measures for effective implementation of the programme.

(DP. 15)

2.4.48 Misuse of firefighting vehicles by compromising safety measures in Islamabad - Rs 14.526 million

According to revised PC-I of the project “Procurement of Fire Fighting Vehicles for Islamabad” the main objective of the project was “to expand the existing fleet of Fire Fighting Vehicles and augment the Fire Fighting capacity of Islamabad Fire Brigade, particularly for high rise buildings, and rescue capacity.”

Audit noted that Directorate of Municipal Administration procured 35 vehicles at a cost of Rs 650.11 million including 04 Commander Vans at a cost of Rs 14.526 million duly equipped with firefighting accessories. Audit observed that the said vehicles were transferred to Administration Directorate of the Authority after changing color of vehicles, specified for firefighting vehicles and removing of firefighting accessories costing about Rs 750,000 per vehicle which were lying in store without any utility. This resulted in misuse of vehicles worth Rs 14.526 million compromising safety measures of Islamabad besides wastage of the fire equipment costing Rs 3.00 million.

Audit pointed out the irregularity in September 2016. The Authority replied that Administration Directorate was requested to return the command vehicles to fulfill the operational needs but the same were yet to be handed over.

The reply was not accepted because use of firefighting vehicle for other purposes after removing equipment was unauthorized.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends that matter be investigated and strict action be taken for act of negligence. Measures be taken to ensure that vehicles are duly equipped and operational to handle any disaster.

(DP. 17)

Internal Control Weaknesses

2.4.49 Unauthorized use of land beyond layout plan - Rs 5,653.800 million

According to Clause-5 of Modalities and Procedures framed under ICT (Zoning) Regulations 1992, the planning standard may vary from scheme to scheme depending upon the residential density desired to be achieved by the sponsors of the schemes. But the land use percentages must remain within limits.

Audit noted that Directorate Housing Societies (Planning Wing) CDA approved layout plan of National Police Foundation Housing Scheme in Sector E-11 according to which 728.75 Kanals which was 55% of total land, for residential plots against which sponsors actually consumed 815.61 Kanals which was 61.55% for residential plots beyond layout plan. Similarly, Multi Professional Cooperative Housing Societies E-11 actually consumed 483.81 Kanals (61.71%) against a provision of 446.08 Kanals (55%) for residential plots by converting the area approved for amenities.

Similarly, approved layout plan of Federation of Employees Cooperative Housing Scheme in Sector E-11, land measuring 22.40 Kanals that was 5% of total land was required to be planned for commercial plots against which sponsors actually consumed 33.82 Kanals land which was 7.55% of total land beyond the permissible limits of layout plan. Less percentage of parks/Open space was planned i.e. 5.24 % instead of 8 % and percentage of public building and graveyard was planned 5.24 % instead of 6 % by violating the prescribed CDA Standard. The layout plan was changed by the society at its own by converting residential plots into commercial plots and the area approved for amenities was also changed without revision of layout plan.

Audit observed that Sponsors of Housing Societies of E-11 Islamabad illegally used land measuring 188.46 Kanals beyond approved layout plans, NOC, Design in violation of ICT (Zoning) Regulations 1992

but no action was taken by the CDA for these violations. This resulted into an irregular/illegal conversion of lands of roads, open spaces, public buildings etc to residential plots valuing Rs 5,653.800 million, (188.46 Kanals @ Rs 30.00 million/per Kanal).

Audit further observed that a fact finding inquiry regarding NOC's to housing societies in Sector E-11 was initiated by the HRD Directorate CDA. Serious violations were noticed as reported by the Director Housing Societies vide letter dated 12th August, 2014. A brief on National Police Foundation (NPF) Housing Scheme, Sector E-11, Islamabad showed that layout plan prepared by the National Police Foundation (NPF) was for 1,325 Kanals whereas land transferred was only for 973 Kanals, 13 Marlas. This revealed that National Police Foundation Housing Society occupied excessive land measuring 351 Kanals 07 Marlas.

Audit holds that the irregularity occurred due to weak internal controls.

Audit pointed out the unauthorized occupation in March 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early retrieval of CDA land.

(DP. 153&168)

2.4.50 Loss to Authority due to non-recovery of CDA dues of US \$ 32.912 million - Rs 3,291.200 million

Rule 19(iv) of General Financial Rules (Vol-I) provides that the terms of contract once entered into shall not be materially varied without the previous consent of the Authority competent to enter into the contract so varied. As per CDA bye laws for diplomatic enclave ((not notified from

any Government source) exist before 2008 the following criteria was mentioned:

01	90 × 240	
02	Chancery, Embassy and other Residences	
03	0.8:1	
04	Ground + 3	
05	Up to 40% of the side area	
06	Front	30 feet
	Rear	30 feet
	Side	20 feet

During scrutiny of Building Plan file of US embassy at Plot No.18 G-5 Islamabad. It was observed that 8.50 Acre (41,140 Square Yard) additional land was allotted to the embassy for 33 year lease on 26th February, 2010 @ US \$800 per Square Yard beside the payment of premium Annual Ground Rent @ Rs 2 per Square Yard per annum.

Audit is of the view that as per prevailing Building Byelaws, four storeys (Ground+3) were allowed at the time of original allotment so the cost was fixed accordingly @ \$ 800 /Sft. So the cost of each story comes to \$.200 per Square Yard (800/04) but the Plan was approved by CDA for eight storeys and the cost was to be recovered as below:

Area of Additional land	41,140 sq. yds
Rate of per square yard	US \$ 800
Storeys Admissible	04
Storeys constructed	08
Rate of per storey (800÷04)	US \$ 200 per sq. yard
Rate up to 08 storey 200 × 8	US \$ 1,600
Less already constructed/paid	US \$ 800 (1,600 – 800)
Recovery/loss US \$ 800 × 41,140	US \$ 32.912 million

Audit maintains that the Authority failed to realize its due revenue in a climate of financial constraint and declining resource availability due to weak financial and internal controls.

Audit pointed out loss in August 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 76)

2.4.51 Non-reconciliation of expenditure on account of land compensation - Rs 2,408.132 million

As per Para 5 (d) of System of Financial Control and Budgeting 2006, Principal Accounting Officer is responsible for ensuring that the expenditure is not incurred in excess of the budget allocation. He shall ensure that payments are correctly classified under the appropriate heads of account and that departmental accounts are regularly reconciled every month with the figures communicated by the Accounts. He shall, in addition, keep himself well informed not only of the actual expenditure but also of the liabilities, which have been incurred and must ultimately be met.

Audit noted that Director Land & Rehabilitation CDA incurred huge expenditure on account of land compensation during the financial year 2014-15 for Rs 2,408.132 million on the basis of land awards announced in 2009.

Audit observed that neither cash book was maintained dully certified and authenticated by the Drawing & Disbursing Officer nor Monthly Accounts were shown prepared. Entries in the cash book were made up to November 2014 without certification of DDO. From

December 2014 to June 2015 entries were not made in the cash book. Monthly Accounts were not shown maintained. Reconciliation of the expenditure was also not carried out with the Banks. Director Land & Rehabilitation CDA signed and submitted Daily Payment Sheets during the financial year 2014-15 for Rs 1,354.936 million duly signed by the DDO and Deputy Director General Land & Rehabilitation CDA. There was a huge difference in figures of Daily Payment Sheets and expenditure Rs 2,408.132 million certified by the AAO (Accounts) Land & Rehabilitation Directorate. Details of quarter wise releases were requisitioned, which were not furnished.

Audit further observed that CDA budget was approved and circulated on 15th September, 2014, whereas expenditure was shown incurred in the 1st quarter of financial year 2014-15 i.e. July 2014 and August 2014 for Rs 47.585 million without lawful authority. Incurrence of expenditure without approved budget was unauthorized. Expenditure of Rs 1,043.534 million in the 3rd quarter of the financial year 2014-15 was without budgetary release by the Finance Wing CDA during.

Audit maintains that this violation occurred due to inadequate oversight mechanism in effectively exercising the relevant internal & financial controls.

This resulted into un-authentic expenditure and non-reconciliation of accounts worth Rs 2,408.133 million.

Audit observed that the irregularity was due to weak financial and administrative controls.

Audit pointed out the irregularity in March 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 154, 156&157)

2.4.52 Loss to the Authority due to non-revision of rates of Property Tax & Water/Allied Charges - Rs 2,258.00 million

Rule-23 of General Financial Rules (Vol-I) provides that every government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

Audit observed that the Revenue Directorate CDA was applying the rates of property tax & water/allied charges as notified fourteen (14) years ago vide SRO dated 11th January, 2001 with the approval of Federal Government. Whereas, rates of property tax and water/allied charges were required to be revised at least three times in fourteen (14) years keeping in view inflation rate about 300% since year 2000-01.

Non-revision/notification of the rates of property tax and water/allied charges so far even after approval by the Prime Minister in the capacity of concerned minister (as communicated by Prime Minister Secretariat vide letter No.2261 dated 8th July, 2014) put the Authority to a loss of Rs 2,258.00 million (Rs 752.607 realized during the year 2013-14 x 3).

Audit holds that non-revision of rates of property tax and water/allied charges was due to non-pursuance of the matter by CDA with the Federal Government properly, non-notification of the revised rates even after approval of the Federal Government and ineffective implementation of administrative, internal and financial controls.

Audit pointed out the less recovery in March/April 2015. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early revision of taxes besides recovery of revenue.

(DP. 10/15-16)

2.4.53 Loss to Authority due to non-recovery of lease money on actual market price - Rs 1,668.000 million

Section 2.17 of Zoning (Building Control) Regulations, 2005 denotes that no land or building shall be put to a non-conforming use. According to condition 20 of allotment letter issued to the President Supreme Court Bar Association on 8th March, 2011 for lease of plot, the lessee shall not be allowed use the plot for any purpose other than the construction of building as mentioned in it i.e. for bar council.

During scrutiny of building plan file of plot leased to Supreme Court Bar Association in G-5/2 Islamabad it was observed that the said plot was allotted to Supreme Court Bar Association on 8th March, 2011 measuring 4,000 sq. yards at the subsidized rate of Rs 4,500/sq. yard amounting to Rs 18.00 million.

Audit observed that the lessee utilized the plot other than the purpose for which it was allotted and established “Grand Ambassador Hotel” and signed an agreement with Mr. Zafar-ullah-Khan Marwat Director M/s Hotel Grand Ambassador Islamabad for rent @ Rs 2.700 million per month for 10 years. A notice in this regard was issued to the President Supreme Court Bar Association on 22nd January, 2016 for stoppage of non-conforming use but neither the lessee stopped the non-conforming use nor the allotment was cancelled due to breach of condition of allotment.

Due to non-conforming use CDA was put to a loss of Rs 1,668.000 million approximately (4,000 sq. yds x Rs 417,000 per sq. yard i.e. actual market price in Sector F-11 on 3rd April, 2014).

Audit maintains that the Authority sustained loss due to weak internal controls. The Authority failed to realize its due revenue in a climate of financial constraint and declining resource availability.

Audit pointed out the loss in August 2016. The Authority replied that the plot allotted by Estate Management for construction of Administrative Building. CDA approved building plans for construction of building for Administrative use. After construction Supreme Court Bar Association put subject building into non-conforming use by establishing, "Grand Ambassador Hotel". Notice for non-conforming use was served on 22nd January, 2016 for removal of non-conforming use. The case was further referred to Deputy Commissioner, CDA for trial. The case was under trial in Deputy Commissioner, CDA office; meanwhile Supreme Court Bar Association resorted to Islamabad High Court and filed Writ Petition. The matter was subjudice in Islamabad High Court its decision would be shared with Audit as and when announced.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends active pursuance of court case and early recovery of lease money at market rate.

(DP. 82)

2.4.54 Non-levy/recovery of building control fee and transfer fee from housing societies and high rise building developers - Rs 1,350.00 million

As per CDA Bylaws, Islamabad Residential Zoning, Building Control Regulations, 2005 and Islamabad Capital Territory Zoning Regulations, 1992 is applicable on all Housing Schemes running their

business in the premises of Islamabad. Budget Estimates, CDA, for the financial year 2014-15 were approved by the CDA Board in its meeting held on 27th June, 2014.

Audit noted that CDA Board, approved the budget proposal to exploit the additional resources of the revenue under Self Finance and Revenue Accounts. It was observed that about 50 private Housing Schemes under the jurisdiction of CDA comprising about 60,000 units were not paying building control fee amounting to Rs 850.00 million. It was also approved to levy transfer fee for high rise buildings comprising of minimum 3,500 units involving estimated collection of Rs 500.00 million.

Audit observed that CDA did not receive Building Control Fee from private Housing Schemes and Transfer Fee from high rise buildings for which recovery was approved in the budget estimates for 2014-15. This resulted into non-recovery of fee of Rs 1,350.00 million.

Audit maintains that non-recovery occurred due to inadequate oversight mechanism and non-existing of the relevant rules and internal controls of Authority to protect public/Authority interest.

Audit pointed out the non-recovery in May, 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends appropriate measures to exploit revenue opportunities and avoid pilferage of revenue.

(DP. 50)

2.4.55 Irregular approval of building plan and loss due to non-recovery - Rs 994.000 million

Rule 23 of GFR stipulates that every Government officer should realize fully and clearly that he would be held personally responsible for

any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

During scrutiny of Building Plan of BCS Directorate, Audit noted that plot No.1 (Ex-Margalla Tower) F-10 Markaz was allotted to M/s APCO through Mr. Masood Abbasi measuring 11,750 sq. yards on 17th December, 2012 at the bid cost of Rs 141,000 per sq. yard amounting to Rs 1,656.750 million with floor area ratio of 1:8. As per clause 5 the allotment letter, and the possession of the plot was to be handed over to allottee after providing bank guarantee of the balance amount recoverable and failing which allotment of the plot was to be cancelled under clause 6 of allotment letter.

Audit further observed that the allottee could not deposit the balance amount of Rs 994.000 million and also encroached the CDA land for which notice was served on 27th November, 2013. Building plan of the allottee was approved by the Directorate on 6th July, 2015 without recovery of the balance amount besides clearing the encroachment. Audit is of the view that bank guarantee which should be encaashed before approval of building plan but neither the allotment was cancelled and possession was taken back and plot was put to auction nor construction was got stopped by the CDA management. This resulted into loss of Rs 994.000 million.

Audit maintains that the Authority sustained loss due to weak internal controls.

Audit pointed out loss in August 2016. The Authority replied that building plan approved on 6th July, 2015 and after non-depositing the balance amount, CDA cancelled the allotment of plot on 2nd March, 2016 and subsequently building plan has been withdrawn by BCS. Against the cancellation decision of CDA, allottee secured an order from Islamabad

High Court wherein the cancellation of allotment of plot was set aside by court.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 86)

2.4.56 Non-maintenance/Non-recording of Revenue Receipt in Cash Book and non-reconciliation of receipt - Rs 979.380 million

Paras 12, 15 & 22, Chapter-III of CDA Procedure Manual Part-III provides that a Cash Book will be maintained by each DDO in all the Directorates and Divisions and the transactions relating to payments must be entered in the Cash Book as soon as they take place and strictly in the order of occurrence. The disbursing officer should check all entries in his cash book immediately they are made. According to Clause 78, CPWA Code, the Cash book must be balanced on the date prescribed for closing the cash accounts of the month. Para 7 of System of Financial Control and Budgeting, 2006 provides for timely reconciliation of accounts.

Audit noted that Cash Book was not maintained by the D.D.O Revenue Directorate CDA and transactions on account of Property Tax received from various owners were not recorded.

Audit observed that receipt entries were not recorded in the cash book up till June, 2015. This state of affairs indicated that Cash Book was not being maintained/updated/balanced/closed in pursuance of afore-quoted provision of rules which constitutes a serious lapse on the part of DDO. Non-adherence to rules due to non-maintenance/non-recording of cash book, particularly receipt preparation of monthly accounts on the basis of bank statements not based on the entries of cash book stand unauthentic.

The violation CDA Accounting Procedure and CPWD Code was due to weak financial and management controls.

Audit pointed out the irregularity in April 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends proper maintenance of receipt accounts and reconciliation to avoid chances of pilferage.

(DP. 40, 45)

2.4.57 Less recovery of rent on account of Shuttle Bus Service Diplomatic Enclave due to application of lesser rates - Rs 847.400 million

Rule 26 of GFR (Vol-I), provides that it is the duty of the Departmental Officer to see that sums due to Government are promptly and correctly assessed, realized and duly credited in the Public Accounts.

Audit noted that a CDA leased out an area of 4.5 Acres Land @ Rs 44,444 per annum to a private contractor of Visa Shuttle Service in 2008.

Audit observed that permanent structures/sheds were constructed on CDA Land and rent per person was fixed Rs 200 to 500 for availing Shuttle Bus Service facility from the visitors of Diplomatic Enclave Areas. CDA prime land 4.5 Acres in G-5 was handed over to the private contractor without cost assessment. As per accounts record such type of Auctions/Leasing's were made by the D.M.A on the basis of cost/reserve price worked out by the Cost Accountant Finance Wing CDA. But rent of the service was @ Rs 44,444 per annum. This resulted into less recovery of rent for Rs 874.400 million (4.5 acres or 18,000 sq. yards x Rs 450 per month x 12 months x 9 years = Rs 874.800 million - Rs 0.400 million).

Audit maintains that the loss was due to non-adherence to the rules/ regulations, existence of opportunity for violation of law and the internal & financial control system.

Audit pointed out the loss in May 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.

(DP. 57)

2.4.58 Non-recovery of Advance Income Tax/Capital Tax from the allottees - Rs 800.00 million

According to Rule-26 of GFR (Volume-I), it is the duty of the Departmental Officer to see that sums due to Government are promptly and correctly assessed, realized and duly credited in the Public Accounts.

Audit noted that allocation was made Rs 800.00 million in the budget estimates for 2014-15 approved by the CDA Board on 27.06.2014 for payment of taxes, which the Federal Board of Revenue (FBR) withdrew directly from the Bank Accounts correspondingly. Allocation was made on the receipt side for the recovery of such taxes either from the allottees or getting refund from the FBR.

Audit observed that Advance Income Tax/Capital Value Tax was liable to be deducted from the allottees before transfer/auction of Residential and Commercial Plots by the CDA the said tax amounting to Rs 800 million was not deducted by the CDA and due to non-deduction of due tax, FBR withdrew Rs 800.00 million directly from CDA Accounts maintained in different banks. Review of accounts record revealed that neither adjustment/recovery was made from the allottees nor refund was

claimed/received from the FBR. This resulted into non-recovery of advance income tax amounting to Rs 800.00 million.

Audit maintains that non-recovery occurred due to inadequate oversight mechanism and non-existing of the relevant rules and internal controls of Authority to protect public/Authority interest.

Audit pointed out the non-recovery in May 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 51)

2.4.59 Loss due to charging cost of plot at lesser rates on change of Floor Area Ratio after allotment - Rs 542.487 million

According to Para 2.2.7 of Islamabad Residential Sectors Zoning (Building Control) Regulations, 2005, fee, as prescribed in the regulation, shall be paid in advance for obtaining approval of plans. Para 4.1.15 of the regulations provides that height of any floor shall not exceed 14 feet and total height and number of storeys shall remain within limits as stipulated in allotment letter/Schedule-I.

As per Schedule-I of the lease agreement of Grand Hyatt, the project scope included a five star or higher rating hotel, about 350 rooms, 200 service apartments, offices, and shopping center with the aggregate rent of Rs 49.317 million per annum.

The approved building plan dated 29th March, 2008 in respect of plot for Five Star Hotel near Conventional Centre (Grand Hyatt), contained covered area of 2,546,647.38 sft with the following description:

Hotel tower apartments (Tower A 02-47 stories)	80 Service Apartments
Service apartments of Tower B & C (02-23 stories 60 service apartments each)	120 Service Apartments
Total No. of car parking	1,462

Audit noted that that the Director, BCS, CDA, approved the building plan but the lessee M/s BNP (Pvt) Ltd constructed and sold out the service apartments in violation of approved building plan as below:

Tower-A	120 apartments sold against approved 60
Tower-B	120 apartments sold against approved 60

Audit further observed that the lessee has violated the condition of lease agreement and constructed 120 service apartments in excess then provided in approved plan (i.e. 100% of the original 60 in each tower). So rent of the leased part should also be increased by 100% i.e. Rs 98.600 million per annum (Rs 49.317 × 2). But it is astonishing to point out that recovery of original as well as increase rent was not forthcoming in record, as calculated below:

Period July 2005 to June 2016 = 11 years
Loss due to non-increase of rent due to violation
Up to date excluding a total period of lease
Which will be 99 years=11 × 49.317= Rs 542.487 million

Audit maintains that loss due to non-realization of due revenue occurred due to weak financial and technical controls.

Audit pointed out loss in August 2016. The Authority replied that due to violations as pointed out by Audit, CDA sealed the premises in July 2016.

The reply was not tenable because CDA management could not implement its byelaws and lessee succeeded in constructing 120 apartments approved 60 in each tower.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 80)

2.4.60 Non-maintenance of agreements/license register and improper watch and ward of due receipt and collected rent - Rs 347.919 million

Para 469(2) of Procedure Manual Part-III CDA (Accounting Procedure) provides that a separate register on specified forms shall be maintained for the licences issued to the licensees. There register shall show the name of individuals monthly rates, licence granted for and details of payment, made. A licence on a similar performance shall also be issued to each licensee, which shall be renewed on payment of monthly charges or the total outstanding against the individual concerned.

Audit noted that Director Municipal Administration, CDA, Islamabad issued licences for installation of bill boards, Hoardings, LCD screens, use of open spaces on yearly basis for various Avenues, Highways and Roof tops of Buildings. Separate registers, ledgers on specified forms were liable to be maintained by the Accounts section to assess, realize and renew the licences issued for areas of Islamabad under control of municipality limit.

Audit found that inventory register, licence register, ledger showing licence No., Agreement No., due amount, realized revenue and outstanding charges were not shown maintained by the Directorate of Municipal Administration. Due to non-maintenance of control registers, ledgers and inventory, assessment and verification of rent/revenue due and received

cannot be checked. Inventory register, ledgers of rent were demanded through requisition, but same were not made available. In absence of specified rent registers/ledgers receipt of rent cannot be properly checked. This state of affair leads to the observation that rent/licence fee was not being received properly and chances of misappropriation cannot be ruled out. This resulted into non-maintenance of rent registers/ledgers of rent.

Audit maintains that receipt record was not maintained due to deficient revenue recognition policies, disregard to the rules, regulation and weak internal controls.

Audit pointed out the non-maintenance of receipt record in April 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends proper maintenance of record to watch progress of amount due and actually recovered.

(DP. 62)

2.4.61 Non-imposition and recovery of land use conversion charges, penalty and delayed payment charges - Rs 276.729 million

Standard clause-1 of No Objection Certificate (NOC) issued for construction of Multi-storey Apartments in sector E-11, Islamabad provide that the sponsors shall pay land use conversion fee which will be determined by the Finance Wing CDA on the conditions that fee should be charged at the rate as in other exempted areas or as are being practiced in the sectoral areas. The schemes will not provide with services by CDA and charges of services may be deducted from land use conversion fee. The Finance Wing CDA approved a land use conversion fee of Rs 3,089.0 per square yard to be applied in the instance cases.

Audit noted that Directorate of Housing Societies Planning Wing, CDA Islamabad issued No Objection Certificates (NOCs)/layout plans for construction of Capital Residencia, Khudadad Heights & Meridian Heights Multistoried Apartments in sector E-11, Islamabad over a land measuring 47 kanals & 2 marlas, 20 kanals and 9 marlas and 15 kanals & 19 marlas respectively in the existing exempted area of old village Golra on 19.01.2005, 30.01.2008 and 29.01.2008. A period of about 12 years has been elapsed but land use conversion fees, penalty for start of construction work without approval of building plans and delay charges etc amounting to Rs 88.023 million against Khudadad Heights, Rs 104.250 million against Capital Residencia and Rs 84.456 million against Meridian Heights Multistoried Apartments have not been recovered from all three sponsors. CDA failed to safeguard its financial interest due to non-imposition of fines upon the sponsors for violating CDA bye-laws and to get the development work of schemes complete in stipulated period as well as to watch the interest of innocent people who invested their savings on the surety and authorization by the CDA.

Non-adherence to terms & conditions of NOC/LOP and ICT Zoning Regulations, 1992 resulted in to non- recovery of Rs 276.729 million.

Audit holds that the irregularity occurred due to weak internal & planning controls.

Audit pointed out the irregularity in March 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends imposition of penalty and recovery of charges.

(DP. 174)

2.4.62 Unauthentic payment on account of manpower deployed in the enquiry offices - Rs 220.735 million

Standard Operating Procedure (SOP) for management of field staff deployed for daily work provides that in the morning the entire field staff, daily wages worker, Regular (P) shall gather beat/block/range wise, at designated attendance points as scheduled time. Enquiry Incharge shall maintain the attendance register at each and mark the attendance of daily wages, regular (P) employees. Enquiry Incharge shall counter sign each attendance register, Deputy Director and Assistant Director shall randomly check the attendance of office by counter signing the attendance register.

Audit noted during review of the accounts record of Maintenance Directorate (Maintenance-I & II Divisions), CDA incurred an expenditure of Rs 220.735 million for the year 2015-16 on account of pay & allowances of 537 Regular (P) staff who were deployed for day to day repair and maintenance for only civil works to up keep the government owned houses.

Audit held that these Divisions carried out maintenance works through contract during the year and incurred an expenditure of Rs 224.252 million from maintenance grant. It is further added that only complaints relating to the sewerage were attended and no material for day to day repair was procured in order to execute the work through the deployed staff. Attendance and progress of work performed by these work charged staff dully was not authenticated/verified by the supervisory officer. Therefore the payment of salaries amounting to Rs 220.735 million to said manpower is termed unauthentic/unverified.

This state of affair was evident that the deployed staff remained idle during the year without execution of any work and assignment. As per standard maintenance manual the staff in enquiry offices was required to be deployed in conformance with the yardstick of maintenance manual.

Audit pointed out unauthentic payment in July 2016. The Authority replied that the staff engaged in the enquiry promptly attended

the complaints lodged by the occupants of houses on daily basis as evident from the complaint registers of concerned enquiry offices. Huge number of complaints was attended every year by field staff. The sewerage work and repair/maintenance work complaints has been done by the staff for smooth working of sewerage system and maintenance, complaint register, proper attendance register has been maintained in all enquiry offices.

The reply was not accepted because no record relating to attendance of the deployed staff 537 no regular 'P' was produced and no material for attending day to day complaint through departmental labour was procured during the year 2015-16. Hence the payment on account of pay and allowances was termed unauthentic/unverified.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends that deployment of staff be rationalized.

(DP. 95)

2.4.63 Non-recovery of licence fee - Rs 163.500 million

As per signed agreement dated 31st January, 2014 between Director Municipal Administration CDA and Raja Fida Hussain Hafeez R/O Rawalpindi regarding fee collection on account of fascia sign boards, petrol pumps and shops building wraps installed in commercial areas within Municipal limits of Islamabad for the period of two years, further extendable for two years on the basis of performance of another terms of two years @ 90.00 million per year payable on quarterly basis in advance w.e.f. 31st January, 2014.

Audit noted that Directorate of Municipal Administration CDA failed to receive/collect due amount of quarterly installments to be deposited in advance as per agreed schedule.

Audit observed that the contractor deposited only Rs 26.500 million in CDA account against due amount of Rs 180.00 million for the period from 31st January, 2014 to 31st January, 2016. This resulted into non-recovery of licensee fee Rs 163.500 million from the defaulter contractor.

Audit maintains that non-recovery occurred due to inadequate oversight mechanism and non-existing of the relevant rules and internal controls of Authority to protect public/Authority's interest.

Audit pointed out the non-recovery in April 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 67)

2.4.64 Non-inspection of medical equipment and medicines stock - Rs 153.626 million

As per Para (5) Section-II Chapter-V of Accounting Procedure Part-III CDA, the Accounts Officer is required to inspect half yearly in consultation with the Director concerned the accounts records maintained and to carry out a percentage check of those records. The defects noted should be reported to the Director concerned for causing suitable action to be taken for their removal. All defalcations or losses of cash, store or other property should be immediately reported to the Director Accounts and by him to the Financial Advisor/Member for formation.

Audit noted that Director (P&D) Capital Hospital CDA, Islamabad made huge payments during the financial year 2014-15 on account of procurement of Medical Equipment and medicines through rate running contracts.

Audit observed that neither stock of those medicines/medical equipment was maintained nor quarterly/half yearly inspected by any authorized officer nominated by the Executive Director Capital Hospital. Stock Register of medicines has not been shown maintained since years for which a departmental inquiry was also conducted by the Director (Accounts), CDA but outcome/ recommendations of the inquiry were not forthcoming from the accounts record produced to Audit.

This resulted into improper accountal of stock and non-inspection of store/stocks of medicines.

Audit pointed out the irregularity in March, 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends proper maintenance of stock besides regular physical inspection and stock taking.

(DP. 163)

2.4.65 Non-finalization of termination process of the JV contract agreement and non-recovery of outstanding dues - Rs 143.52 million

Rule 23 of GFR Vol-I provides that Every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part.

Rule 26 also provides that it is the duty of the departmental Controlling officers to see that all sums due to government: are regularly and promptly assessed, realized and duly credited in the Public Account.

Audit noted during scrutiny of the accounts record of the Directorate of Municipal Administration, CDA Islamabad that CDA entered into a joint venture agreement with the M/s World Call Telecom Limited on 12th March, 2007 for laying of fiber optic cable ducts, issuance of ROW and provision of services on joint venture basis in the territory exclusively for a period of 30 years. Execution period was allowed for thirty months from 12th March, 2007 to 12th September, 2009 with revenue sharing ratio from leasing out the ducts as 35% and 65% respectively. Further time limit extension for one year for the period from 12.09.2009 to 11.09.2010 was granted by the Director PMO, CDA without approval of the CDA Board. Audit further noted that the Honorable Supreme Court of Pakistan decided in 2012 in the case of Joint venture of M/s Multi Professional that the Authority could not do any joint venture with any private party in the light of section-12 & 13 of CDA ordinance 1960.

Audit observed that the DMA could not finalize the process of termination of joint venture contract agreement with the M/s World Call Telecom Limited, so far, even after lapse of considerable time since the decision of the Apex court of Law in 2012. Audit further observed that outstanding dues approximate to Rs 143.52 million (worked out by the Internal Audit in December, 2015) were also not recovered up till now. During discussion with the Manager Project, it came to notice that the authority was in the process of auction of laid fiber optic ducts (under Core Ring and Distribution Ring), so as to recovering outstanding dues from the yield value and paying the balanced amount to the M/s World Call Telecom Limited. Audit was of the view that the outstanding dues must be recovered from the M/s World Call Telecom Limited's own pocket, instead of auctioning the fiber ducts infrastructure, which was considered to be property of the authority as the contractor breached the contract agreement as (i) execution was made in violation of Master Plan of CDA. (ii) the contractor found defaulter in making revenue sharing as per the terms of contract agreement (Clause-5.13 violated). (iii) The project was not started or completed within time (Contract clause-2.10 & 3.1 violated) etc.

Audit maintains that non-finalization of termination process and non-recovery of outstanding dues occurred due to weak internal and financial controls.

Audit pointed out non-finalization of termination case & non-recovery in October 2016.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses early finalization of the JV contract termination process and recovery of the CDA dues.

(DP. 209)

2.4.66 Unjustified expenditure on engagement of Malis for forest and National Park area - Rs 127.440 million

Rule-10(i) of GFR (Vol-I) provides that every officer is expected to exercise the same vigilance in respect of expenditure from public as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Audit noted from scrutiny of accounts record of Director Environment (Regional) that it employed 222 OMG (Ordinary Grade Mali) for Forest Division and 309 OMG (Ordinary Grade Mali) for National Park Area.

Audit observed that these two areas/divisions did not require any additional OMG's rather guards already in place (22 for forest). Hence the engagement of 531 (232 + 309) OMG's for forest and National Park were sufficient Area was not justified for 12 months at a cost of Rs 127.440 million (531 x Rs 20,000 x 12 months).

Audit pointed out the irregularity during audit in July, 2016. The Authority replied that the Environment Directorate (R) consists of three

divisions and scattered over more than 100,000 acres of land all over Islamabad. During the last few years, Federal Government placed embargo on recruitment and regular staff already deployed in these divisions was also being retired on their turn on completion of 60 years' service and no further recruitment was made by the Authority. The contingent staff is engaged for specific period to complete the deficiency of staff for works like clearance of fire lines, trails, plantation works. To cover the deficiency of regular staff for maintenance works, some daily wages employees were recruited for conservancy service which was a primary duty of CDA. Therefore, expenditure incurred on employment was justified.

The reply was not accepted because no documentary evidence was produced to Audit in support of the reply that engagement of 531 Ordinary Grade Mali was made to fill the deficiency of staff. Total sanctioned strength for both places and working strength was required to ascertain the factual position. Further, work executed viz clearance of fire lines, trails, plantation works etc. by these Muster Roll workers was required to be recorded on measurement book which was also not available on record.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends deployment of staff be rationalized and proper measures be adopted to watch performance and maintenance of required record to validate the expenditure and duty performed.

(DP. 109)

2.4.67 Non-assessment and non-recovery of revenue from the sewage facility users despite incurring expenditure - Rs 117.544 million

City Sewerage Division is responsible for operation & maintenance of sewerage network and to attend complaints of sewerage in various sectors of Islamabad round the clock. In exercise of powers

conferred in the CDA, the rates and fees in respect of sewerage operations and sewerage tariff rates were fixed.

Rule 8 of GFR provides that it is the duty of the revenue or administrative department concerned to see that the dues of Government are correctly and promptly assessed, collected and paid into the treasury.

Audit observed that City Sewerage Division, CDA collected an amount of Rs 2.389 million on account of sewerage connection charges during the year 2015-16 and remitted to the CDA main account. During discussion with the Divisional Officer it was transpired that connection charges @ Rs 4,800 at the time of completion are collected from the allottees of residential/commercial plots. These charges are only deposited by the allottees of the residential and commercial buildings, when they request for issuance of completion report by the Building Control Division, CDA.

Audit further noted that thousands of the houses, commercial buildings and plazas were physically completed and functioning in the capital city whereas completion report was obtained by a nominal number of allottees. As well as monthly tariff charges were also not being charged by CDA from residential/commercial towers, flats, hotels, restaurants, universities, colleges etc. Inventory of these buildings to whom tariff was chargeable was also not provided.

It was evident that Authority did not endeavor to assess, generate potential revenue from the provision of sewerage facilities from the users by depriving the authority millions of rupees. Whereas, Authority incurring huge expenditure on account of deployment of establishment, machinery and work done through contracts for Rs 117.545 million on functioning of sewerage system.

Non-adherence to rules/procedure caused non-assessment and non-recovery of revenue from the users despite incurring expenditure of Rs 117.544 million.

Audit pointed out non-recovery of revenue in July 2016. The Authority replied that at present, this division collected Rs 4,800 from residential plots and Rs 02 per sft of covered area from commercial and industrial plots. These charges were deposited at one time when they requested for issuance of completion certificate by BCS. A summary already in process for approval regarding revision of rates and taken monthly tariff charges of sewerage along with water charges from the consumer. After approval of summary regarding revision in rates /monthly sewerage charges remittance to CDA from Public would be increased.

The reply was not accepted because no inventory of commercial plots, buildings, plazas, schools, colleges etc. was available with the division concerned due to which proper assessment of the revenue was not being made and huge expenditure was being incurred on provision of these facilities without receipt from the commercial entities and beneficiaries.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends appropriate measures coordinate the completion certification and identifying the users of sewerage facilities for recovery of charges accordingly.

(DP. 103)

2.4.68 Loss due to non-imposition of penalty against unauthorized housing schemes working in Zoning Areas - Rs 115.500 million

ICT (Zoning) Regulation 1992 and the Modalities and Procedures for development of private housing schemes empowers CDA to regulate Planning and Development of Private Housing Schemes in Zone-2 and Zone-5 of the ICT.

Clause 5 (iii) ICT Zoning Regulation 1992 provides that any person, group of persons, organization, etc. found guilty of violating any

of the provisions of the Regulation of who or which without lawful excuse fails or refuses to comply with any direction or order issued by the Authority in this behalf may be proceeded against under section 46 and 46-B of the CDA Ordinance, 1960.

Audit noted from the record of the Directorate of Housing Societies Planning Wing, CDA Islamabad that 33 private housing schemes in Zone-II, Zone-5 and E-11 which were found involved in illegal construction/ development of schemes in zoning area of ICT limits. These societies were identified and declared as illegal because the sponsors of schemes have not obtained approval from CDA as required under the Rules. The Directorate of housing societies has simply warned the general public through notice published in the Newspapers to refrain from indulging in any sale/purchase of plots in these illegal housing schemes and the management of illegal housing schemes were also warned to stop making any publicity/marketing/booking /sale of plots and making any type of development/construction in the illegal schemes.

Audit observed that illegal schemes were indulged to advertise their Schemes through property dealers, electronic media, pamphlet, brochure, booklet, and sign boards in the capital territory to plunder the innocent people without fulfilling their obligation as per CDA bye-Laws. These societies have become a source of discomfort and nuisance for public as well as causing problems for the CDA but CDA has no plan to streamline the affairs of these unauthorized societies working under the nose of authority. Due to start of the development work prior to obtaining NOC without approval of Engineering Design these schemes were liable to pay a penalty of Rs 5,000 per kanal but illegal housing schemes were escaped without imposition any penalty.

Non-adherence to regulations resulted into a loss of Rs 115.500 million to CDA (33 x 700 Kanal x Rs 5000 per kanal).

Audit holds that the loss occurred due to weak financial and planning controls.

Audit pointed out the loss in March 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends imposition of penalty on unauthorized housing schemes and recovery thereof.

(DP. 175)

2.4.69 Non-recovery on account of commercialization of building basements - Rs 103.079 million

Statutory, Notifications S.R.O. 630(I) 2015 dated 9th June, 2015, provides rate (Per Sft.) for commercialization of basements area for different land uses.

Audit noted that a plot measuring 3,000 sq. yards was allotted in G-6 Markaz Islamabad to construct marriage hall with the basements for car parking. However, Audit observed that basements of the said building were being utilized as “SAVE MART SHOPPING MALL” against the terms and conditions of the allotment letter approved building plan and against the bye laws of building and Zoning Regulations 2005, which tantamount to non-conforming use of the premises. This resulted into non-recovery on account of penalty for regularization of 3 basements for Rs 103.079 million.

Audit maintains that non-recovery occurred due to weak financial and technical controls.

Audit pointed out non-recovery in August 2016. The Authority replied that Building Control Section has issued notice for non-conforming use and case has been referred to Deputy Commissioner CDA and encroachment on CDA land which pertains to Planning Wing CDA.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends recovery for non-conforming use.

(DP. 85)

2.4.70 Non-return of deducted rent from the affectees of Margalla Tower - Rs 93.285 million

As per clause 4 of the arrangement made between two parties in Constitutional Petition No. 26 of 2005 Saad Mazhar & Others V/s CDA which were accepted and ordered that amount of Rs 1,750.00 million will be distributed amongst 143 owners of the Flats. The Committee shall deduct the rent which has already been paid to 88 affectees out of their share and it shall be returned to the CDA.

Audit noted that Capital Development Authority (CDA) paid Rs 1,750 million to Registrar Supreme Court of Pakistan on 23rd January, 2007 for payment to the affectees of Margalla Tower, F-10, Islamabad as directed by the Honourable Supreme Court of Pakistan. Audit observed that due amount of rent of Rs 93.285 million deducted from owner was not returned and reconciled by the Drawing & Disbursing Officer CDA Secretariat with the Registrar Office, Supreme Court of Pakistan.

Audit pointed out the non-return of deducted rent from the affectees in March 2015. The Authority replied that all the record of Margalla Tower case rest with Honorable Supreme Court. The accounts of this case have not yet been finalized. Court has approached personally by DDO Secretariat who was of the view that CDA will be informed as and when the accounts are finalized.

The reply was not acceptable as the amount was to be distributed among affectees within 2 weeks as per Para 4 (v) of the order. Further the amount of compensation was required to be reduced after deduction of already paid amount to the owners as per mutual agreement.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses for inquiry and action against the responsible(s).

(DP. 30/15-16)

2.4.71 Non-removal of 34 unauthorized Base Transceiver Station (BTS) towers and non-recovery of licence fee - Rs 124.069 million

Rule 26 of GFR (Vol-I) provides that it is the duty of the Departmental Controlling Officer to see that all dues to Government are regularly and promptly assessed, realized and duly credited in the public account.

2.4.71.1 Audit noted that Directorate of Municipal Administration CDA did not recover licence fee from various licensees, traders & BTS Towers installed by M/s Warid Telecom Pvt. Ltd since 2004 to date. BTS Towers on CDA Land were installed for which fee was due to be paid in advance by the cellular company i.e. M/s Warid Telecom.

Audit observed that neither due fee was deposited & received from the defaulter company nor any disciplinary action was taken against the company for willful default. It was further observed that 34 BTS Towers were erected by M/s Warid Telecom on CDA Land without getting NOC/Permission. Action to remove these illegal/un-authorized towers was not taken by the CDA. This resulted into non-recovery of fee amounting to Rs 77.561 million and non-removal of illegal Mobile towers.

Audit maintains that non-recovery occurred due to inadequate oversight mechanism and non-existing of the relevant rules and internal controls of Authority to protect public/Authority interest.

Audit pointed out the recovery in April, 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 70)

2.4.71.2 Audit further noted that DMA could not recover the license fee of Rs 13.184 million from M/s China Mobile Pakistan (CM Pak Zong) on account of renewal of license fee of seventy one (71) BTS, outstanding for the period from July 2004 to June 2016.

Audit observed during examination of record that an amount of Rs 46.508 million (Rs 33.324, 13.184) was shown outstanding during the financial year 2015-16 and no further pursuance was made towards recovery so far even lapsing of a considerable time. Whereas, with the passage of time chances of recovery would become remote and the authority might sustain huge financial loss in this regard.

Audit maintains that recovery was not made due to weak internal and financial controls.

Audit pointed out non-recovery in October 2016. The department did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.
(DP. 208)

2.4.71.3 Audit noted that Director Municipal Administration CDA did not maintain License Register/Ledgers of Receipt due and received. Several B.T.S/Cellular Telephone Towers of different companies i.e. M/s Mobilink, Warid, U-fone, Zong etc. were allowed for installation as per conditions of licenses.

Audit observed that Ledgers containing License Nos, location name of company, installment/fee due were not maintained for each company. Due to non-maintenance of receipt/License Ledgers due recovery was not properly watched/safeguarded. Similarly license register/ledger for Open Spaces, Advertisement Sites, and Bridge Panels on different Highways/Avenues were not prepared. Non-preparation of Receipt Ledgers, License Registers was previously pointed out by the Audit but management of DMA did not take care of this violation.

This resulted into non-maintenance of Receipt Ledgers and Inventory Ledger of Cellular Mobile Towers.

Audit maintains that receipt record was not maintained due to deficient revenue recognition policies, disregard to the rules, regulation and weak internal controls.

Audit pointed out the non-maintenance of receipt record in April 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 72)

2.4.72 Loss due to incorrect assessment of rent in the Diplomatic Enclave and non-recovery of rent on account of site offices on CDA land - Rs 71.444 million

Rule 26 of GFR (Vol-I) provides that it is the duty of the Departmental Officer to see that sums due to Government are promptly and correctly assessed, realized and duly credited in the Public Accounts.

Audit noted that rates for open spaces (covered) were assessed by the Finance Wing CDA @ Rs 450 per square yard, per month. Accordingly Deputy Director Municipal Administration CDA accorded extension of temporary permission for placement of containers adjacent to Canadian High Commission at Diplomatic Enclave Islamabad vide letter dated 03rd February, 2015 to use open space 2,333.33 square yards @ 450 per square yard per month for five years payable in advance on yearly basis. Audit further noted that a permission was sought from a developer of plot for establishing site office in the parking area of plot No.A-2 F-9/G-9 Blue Area, Islamabad along-with a drawing/map of site office with covered area of 1,874 sft.

Audit observed that permission was issued for placement of containers on the same site by the same agency @ Rs 143 per square yard vide letter dated 20th March, 2015. Copies of both letters were endorsed to the Deputy Director General Finance and Costing Section Finance Wing CDA, but no action for revision of rates for placement of Containers already conveyed to the end users was taken. Due rent was neither assessed nor claimed and recovered from the users of site office of said plot. Plots occupied by the developers was in Acres for which rent @ 450 per square yard for covered area @ 450 per square yard and Rs 143 per square yard for open space used was not charged/recovered from the unauthorized users of CDA land. This resulted into non-recovery of rent of Rs 71.444 million (2,333 sq. yards x Rs 450 – Rs 143 x 60 months = Rs 42.980 million & 4,000 sq yards x Rs 450 x 24 months = Rs 21.600 million & 2,000 sq. yards x 143 x 24 months = Rs 6.864 million)

Audit maintains that the loss occurred due to non-adherence to the rules/regulations, existence of opportunity for violation of law and the internal & financial control system.

Audit pointed out the loss in May 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery for use of CDA land.

(DP. 58)

2.4.73 Non-recovery of hire charges of machinery - Rs 68.52 million

Para 401 of Capital Development Authority Procedure Manual Part-III states; “estimated cost of job must be deposited in advance by the party concerned with the Machinery Pool Organization either in shape of special cheque or otherwise”.

Audit noted that Deputy Director MPO (Operation) Directorate of MPO CDA Islamabad hired out machinery to various Divisions of Capital Development Authority during the financial year 2015-16 without actual receipt of funds in advance.

Audit observed that MPO operation division raised hire charges of Rs 68.52 million against various CDA formations/ divisions during the financial year 2015-16. The accounts record of the division revealed that hire charges were neither recovered nor settled the accounts with CDA formations/divisions despite close of the financial year 2015-16. Thus the chances of misuse of funds by the concerned Divisions cannot be ruled out. This resulted into non-recovery of Rs 68.52 million.

Audit pointed out non-recovery in July 2016. The Authority replied that concerned formations/Directorates were asked to settle their

accounts with MPO. However in case of any delay the case for the book adjustment will be moved to the Finance Wing, CDA accordingly.

The reply was not accepted because the estimated cost of job was to be deposited in advance by the concerned formation with the Machinery Pool Organization. Non-adherence to the approved CDA Procedures resulted in non-recovery of hire charges which were accumulating with the passage of time.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 129)

2.4.74 Overpayment due to non-deduction of quoted rebate on non-scheduled items - Rs 63.880 million

Clause 52.1 of Contract Agreement (Vol-I), states that all variations referred to in Clause 51 and any additions to the Contract price which are required to be determined in accordance with Clause 52 shall be valued at the rates and prices set out in the contract.

According to Rule 10 of GFR (Vol-I), every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During scrutiny of accounts record of Directorate Roads (Roads-III) South CDA Islamabad relating to the work, "Development of Signal Free & Controlled Access Corridor of Islamabad Highway from Zero Point to Faizabad Interchange and Construction of Interchange at I-8 Intersection, Islamabad" awarded to M/s M.A Aleem Khan & Sons (PVT) Ltd, Audit noted that tenders of the above work were called and opened on 26.06.2015. NIT of the work included items based on NHA, CSR 2014

and Non-scheduled items. Tenders were invited on percentage (%) / premium basis. The lowest bidder M/s M.A Aleem Khan & Sons (PVT) LTD quoted 20% below against scheduled items and 30% below against non-scheduled items.

Audit observed that CDA executed and paid some additional non-scheduled items for Rs 212.934 million but 30% rebate quoted by the contractor against non-schedule items for Rs 63.880 million was not deducted. This resulted in overpayment to the contractor for Rs 63.880 million.

Audit maintains that rebate/below percentage quoted by the contractor was to be applied to Non-BOQ items also.

Audit pointed out overpayment in July 2016. The Authority replied that rates of the varied items were worked out as per clause 52.2 of the contract. It did not specify/require imposing the rebate quoted by the contractor on the rates of varied items as claimed by audit. The contractor offered rebate on the items contained in the BOQ of the contract only, therefore, the rebate was applicable and limited to the items of BOQ only.

The reply was not accepted because it was percentage contract and not item rate contract. The contractor quoted % below schedule and market rate items. Schedule items were taken from NHA CSR 2014. Rates of additional/substituted works were analyzed on current market basis and cost of machinery was taken from CSR, NHA 2014 in the rates of additional works. Same % below on market items was to be recovered which was not done and the contractor was favoured. One example is that as per original BOQ contractor quoted Rs 28.00 million (Rs 40.00 million – 30% rebate) for pedestrian bridge. And under additional works same type of bridge was included with a lump sum rate of Rs 45.00 million. Total rebate % below of Rs 184.317 million was offered by the contractor on market items as per contract. As per revised scope of work (in which market items available in contract were reduced) it was decreased to Rs 45.681 million.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 25)

2.4.75 Less recovery on account of license fee for use of open space for car parking in diplomatic enclave - Rs 57.738 million

Rule 26 of GFR provides that it is the duty of the departmental Controlling officers to see that all sums due to government: are regularly and promptly assessed, realized and duly credited in the Public Account. They should accordingly arrange to obtain from their subordinates monthly accounts and returns in suitable form claiming credit for so much paid into the treasury or otherwise accounted for and compare them with the statements of treasury credits furnished by the Accountant General, to see that the amounts reported as collected have been duly credited in the Public Account.

Audit noted that the Directorate of Municipal Administration, CDA granted License to Embassy of the United States of America Islamabad and Chief Executive, KMS Associates, NPT Building plot No.18, F-8 Markaz, Islamabad on provisional basis on 22nd April, 2011 and 12th May, 2011 (Area measuring 10,781 sq. yd and 2,668 sq.yd) respectively for use of open space for car parking purpose for 5 years, further extendable with the approval of the competent authority, at the rate of Rs 10/sq. yard per month.

Audit observed that CDA Board revised the open area car parking rate from Rs 10 to Rs 143 per sq. yard per month in September 2013. However, the Directorate of Municipal Administration charged the license fee at the rate of Rs 10 per sq. yard per month instead of at revised rate i.e. Rs 143 per sq. yard per month since September 2013 to onward. This caused less recovery of license fee against open area amounting to Rs 57.738 million.

Audit maintains that less recovery occurred due to ineffective implementation of oversight mechanism of internal & financial control.

Audit pointed out less recovery in October 2016. The department did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 187)

2.4.76 Loss due to mis-management and ineffective utilization of MRI/ C.T Scan Machines - Rs 43.389 million

According to Rule-I of CDA Procedure Manual Part-II, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public funds as a person of ordinary prudence would exercise in respect of expenditure of his own money. The expenditure should not be prima facie more than the occasion demand.

Executive Director Capital Hospital procured an MRI/CT scan machine in November 2011 at a cost of Rs 153.199 million from M/s Mediequips with two years guarantee and free of cost maintenance. As per Technical Report of Head Radiologist Capital Hospital CDA dated 26th September, 2013 warranty period of 64 Slice Acquisition of CT scanner was going to expire on 03rd November, 2013 and MRI Scanner Maintenance period was to expire on 20th December, 2013. Maintenance & Service contract was essential for safe operation of these two Machines.

Audit noted that huge expenditure on account of repair/maintenance and service charges of these two machines was incurred during last two years. This includes service charges of both

machines. Liquid helium, batteries cost, and establishment charges which comes to Rs 43.389 million for two years.

Audit observed that 1600 procedures/tests were carried out during two years as confirmed by the imaging Radiologist Capital Hospital if cost of all tests @ Rs 3,000 i.e. approved rate applies total delivery of these machines comes to Rs 4.947 million. Audit observed that Helium Gas was refilled twice first on 27th January, 2013 and secondly on 26th May, 2014 for Rs 3.864 million. Fault report has revealed that fault/problem on new Machines occurred 38 times during the maintenance period and some parts were also changed/replaced by the supplier M/s Mediequips. Register of patient entry reveals that both MRI machine & CT scan equipment remained out of order from 16th October, 2014 to 08th October, 2015 almost for a complete year despite the fact that a Grade 19 Chief Health Physicist and Assistant Director Biomedical were there to monitor and arrange timely service arrangement for smooth functioning of both new machines.

Non-repair/maintenance of MRI/CT scan Machines for a complete year was mismanagement on the part of the CDA Hospital Management and loss to the Authority for non-using of these equipment, which were installed in the larger interest of the patients depreciation cost of MRI/CT scan @ 7% per year of total installation for Rs 153.199 million.

This resulted into loss of Rs 43.389 million incurred on repair maintenance and Rs 25.296 million on account of depreciation expense, Establishment charges, Liquid Helium and batteries cost.

Audit pointed out the loss in March, 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends action against persons responsible.

(DP. 161&164)

2.4.77 Non-recovery on account of price de-escalation - Rs 37.557 million

Clause 70.1 of the Contract Agreement provides that the amounts payable to the contractor in various currencies pursuant to sub-clause 60.1 (monthly statement), shall be adjusted in respect of the rise or fall in the cost of labor, contractor's equipment, plant, materials and other inputs to the works, by applying to such amount the formula prescribed in this clause.

As per Appendix-C to Bid of contract agreement for the work“ Infrastructure Development Work at Park Enclave, Islamabad” awarded to M/s Ch. A. Latif & Sons (Pvt) Ltd for agreement amount of Rs 1,262.766 million, price adjustment for Cement, Steel, Unskilled Labor and High Speed Diesel. Base rate, of High Speed Diesel as on 28 days prior to bid opening date, was Rs 109.34 per liter and weightage of high speed diesel as provided in the contract agreement is 0.15. Period of execution is spread over a period from January 2015 to June 2016.

During scrutiny of accounts record of Roads Directorate South (Road-I) CDA, Islamabad relating to the above work Audit observed that during execution of work the prices of HSD were decreased abnormally.

Audit further observed that average per liter price during the period of execution of work from January 2015 to June 2016 was Rs 83.49. Moreover, no price de-escalation was recovered from the contractor as per provisions of the contract agreement. This resulted in non-recovery of Rs 37.557 million (Price De-Escalation has been worked out on HSD only).

Audit pointed out overpayment in July 2016. The Authority agreed decrease in prices of high speed diesel. The price adjustment claim of the Contractor was under process for payment. However, a sum of Rs 10.00 million was recovered from IPC-9 in September 2016 of the contractor provisionally subject to approval of contractor's claim. It is highlighted

that since the price adjustment Formula also takes into consideration other items such as Cement, Un-skilled labour, and Steel reinforcement, therefore the exact amount to be recovered will be established as per said price adjustment formula provided in the Contract Agreement, and the same would be adjusted.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 31)

2.4.78 Non-recovery of outstanding dues on account of rent and share of net profit - Rs 33.710 million

Rule 26 of GFR (Vol-I) provides that it is the duty of the Departmental Controlling Officer to see that all sums due to Government are regularly and promptly assessed and realized and duly credited in the public account.

CDA leased out 76 acres of land to eleven firms in July/August/September 2007. As per lease agreement clauses (c) The rent of the plot shall be Rs 120,000 (Rupees one hundred and twenty thousand only) per acre per annum subject to 15% increase after every five years. In addition to this, a 5% of annual net profit shall also be charged as rent. (d) The annual rent shall be paid in advance by the lessee to the lessor by 10th of July each year subject to its proper receipt by the lessor as an admission and acknowledgement for the payment by the lessee. (e) The rent for the whole or part, as the case may be, of the first year shall be paid by the lessee to the lessor on the date of commissioning of the project. (f) The part of the rent based on percentage of net profit shall be calculated on estimated annual net profit and adjusted according to the actual results of operation at each year end (g) Annual net profit shall be the net profit according to the annual financial statement audited by a Chartered Accountants.

During scrutiny of the accounts record of the Directorate Parks/Technical, CDA, Islamabad for the year 2015-16. Audit noted that CDA could not recover the rent and share of net profit from these eleven lessees. In most of the cases recovery of dues was started after expiry of six years after lease. No action was taken by CDA against these lessees. This resulted in non-recovery of dues for Rs 33.710 million.

Audit pointed out the matter in November 2016. The Authority replied that land was leased out to different firms at Phase-II Lake view park, Islamabad by PMO Directorate, CDA, and later stage the same was handed over to this Division in March 2014 along with listed outstanding dues with the advice to recover the balance amount from each firm individually. In the first instance this office made efforts and served numerous letters to different defaulted lessees vigorously not only to recover the balance outstanding/dues of premium but also due amount of 15% increase after every five years & 5% share in net profit as per agreement . Resultantly most of amount from different lessees have been recovered and deposited to CDA ex-chequer. Moreover, notices to different defaulting lessees were issued for depositing balance outstanding amount including 5% share in net profit.

The reply was not accepted because a huge amount was outstanding/recoverable due to non-implementation of provision of contract clauses.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 145)

2.4.79 Non-deduction of sales tax - Rs 35.875 million

According to the Islamabad Capital Territory (Tax on Services) Ordinance, 2001, 16% ICT sales tax shall be charged and levied on the services provided in ICT.

2.4.79.1 Audit noted that the Director, Sanitation Directorate, CDA, Islamabad, made payment to various contractors for providing cleaning services in various sectors of Islamabad for Rs 202.757 million during the year 2015-16, but the ICT sales tax @ 16% of value of services rendered, as required under the above referred Ordinance, was not deducted. This resulted in non-deduction of ICT sales tax of Rs 32.441 million (Rs 202.757 million x 16%).

Audit pointed out non-recovery in August-September 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 01)

2.4.79.2 Audit noted that the Director, Sanitation Directorate, CDA, Islamabad, made payments to various contractors for providing cleaning services in various sectors of Islamabad for Rs 85.398 million and hiring of machinery for Rs 25.161 million during the year 2015-16. Audit observed that 16% ICT sales tax of Rs 17.689 million as required to be deducted under the Ordinance against which an amount of Rs 15.249 million was actually deducted. This resulted in less deduction of ICT sales tax of Rs 2.440 million.

Audit pointed out the less recovery in August 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 06)

2.4.79.3 Audit noted that Director, Parliament Lodges and Hostels, CDA, made payment of Rs 7,745,006 on account of supply of foam mattresses during the financial year 2015-16 and deducted sales tax at source @ 1/5th of 17% (3.4%) of total payment. Audit observed that sales tax @ 19% was to be deducted as the contractor was not registered with sales tax department but 1/5th of sales tax was recovered. This resulted in less deduction of sales tax for Rs 994,406.

Audit pointed out less deduction of GST in August 2016. The Authority replied that as per practice in vogue, 1/5th of total sales tax was deducted from each contractor. The remaining 4/5th of GST was to be deposited by respective contractors.

The reply was not accepted because whole amount of GST was deductible from contractors not registered with Sales Tax Department.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 09)

2.4.80 Non-receipt of deposited pay orders in CDA Revenue Account and unauthorized cancellation of pay orders - Rs 29.593 million

Para 19 of Procedural Manual Part-III CDA Accounting Procedure Chapter-III, provides that Cash Book be written and maintained in

accordance with the detailed instructions printed on its flyleaf. It must be closed on the last working day of the month and contents of the chest counted simultaneously. If on comparison the actual balance in the chest agrees with the book balance under the cash column only, the certificate should be recorded and signed by the DDO in his own handwriting showing both in words and figures. In the event of a difference, however the deficiency or excess should be immediately entered in the cash book.

Audit noted that Drawing & Disbursing Officer Directorate of Municipal Administration CDA, entered several receipts in the Cash Book during the financial year 2014-15 in the shape of remittance through advice and deposits of pay orders received/deposited by the various vendors/license holders.

Audit observed that Remittance/Receipt of Rs 27.300 million entered in the Cash Book on 28th January, 2015 as remittance to Director Accounts CDA through advice was shown cancelled without recorded reason and authentication. Similarly two pay orders deposited in the bank Rs 2.025 million were cancelled without authority and recorded reasons. These cheques were not entered/remitted later. This resulted into non-accountal of receipt of Rs 29.593 million in CDA Receipt/Account and unauthorized cancellation of Pay Orders without lawful authority.

Audit pointed out the misappropriation in April 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends appropriate measures to ensure proper maintenance of receipt accounts to avoid pilferage of revenue. The matter be investigated and action taken against persons at fault.

(DP. 65)

2.4.81 Non-recovery of outstanding license fee - Rs 53.724 million

Rule 26 of GFR (Vol-I) provides that it is the duty of the departmental controlling officer to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the public account.

2.4.81.1 Audit noted that Directorate Municipal Administration CDA Islamabad awarded a license to M/s Single Source Outdoor Advertising for installation of Bridge Panels at Lehrar Bridge, Sohan pedestrian Bridge and Zia Masjid Pedestrian Bridge Islamabad @ Rs 6.5 million, Rs 3.0 million and Rs 2.150 million per year respectively effective from February 2014. Audit further noted that the licensee deposited only first quarter payment including earnest money of Rs 3.300 million up to 15th April, 2016 (date of possession of sites).

Audit observed that instead of clearing the outstanding dues, the licensee filed a suit on 13th December, 2014 in the Court of Senior Civil Judge, Islamabad for non-termination of license agreement and payment of damages caused due to termination of work order and special damages. Law Directorate on 6th April, 2016 informed DMA that the case was withdrawn. Audit further observed that outstanding dues amounting to Rs 29.339 million were not recovered till October 2016 from the licensee despite the lapse of considerable time.

Audit maintains that recovery was not made due to weak internal & financial controls.

Audit pointed out loss in October 2016. The department did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 196)

2.4.81.2 Audit noted that advertisement license for displaying bridge panels at Faizabad Interchange was awarded to M/s Al-Hassan in April 2005 for a period of 5 years and further extension was allowed for five years up to April 2015 on 8th March, 2010. The licensee filed a writ petition in the Islamabad High Court in 2013 against the cancellation of contract of advertisement.

Audit noted that the Director Municipal Administration CDA Islamabad inquired about the latest status of the court case from the Law Directorate CDA on 06th April, 2016. Law Directorate informed that the Court has dismissed the writ petition No. 3510/2013 on 31st March 2016.

Audit observed that CDA could not recover outstanding allotment fee of Rs 24.385 million from the licensee so far. Audit further observed that neither the site was cancelled on default of the advertiser nor the licensee was blacklisted. This resulted in non-recovery of advertising charges for Rs 24.385 million.

Audit maintains that recovery was not made due to ineffective internal & financial controls.

Audit pointed out loss in October 2016. The department did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 195)

2.4.82 Overpayment due to incorrect measurements - Rs 22.720 million

As per item 305.4.1 of NHA Specifications, the quantities of Asphaltic wearing course shall be measured by volume in CM. laid and compacted in place. Measurements shall be based on the dimension as shown on plans or as otherwise directed or authorized by the Engineer. A tolerance of + three (3) mm shall be allowed in compacted thickness of wearing course. However, any asphalt in excess of 3 mm shall not be paid and any layer deficient by more than 3 mm but not exceeding 10 mm shall be paid as per clause 305.4.2 (2) of this specification.

The thickness of asphaltic layer was not to be more than 50 mm or 05 cm. as per design given by Dr. Shahab Khanzada, Pavement and Material Specialist.

As per contract agreement/BOQ of the work “Rehabilitation and Re-Carpeting of Various Roads in Sectors of F&G Series, Islamabad” items based on NHA CSR 2014 were provided in metric system.

During scrutiny of the accounts record of Directorate of Market and Roads Maintenance CDA Islamabad, relating to above work, Audit observed that wrong mode of measurement of work done was adopted. Some items of the work were measured in imperial system and some in metric system despite the fact that it was to be measured in metric system only. Item of work Cold milling was measured for 50 millimeter (05 centimeter) in metric system but the subsequent item to be executed in place of cold milling area i.e. Asphaltic concrete for wearing course was measured in imperial system i.e. 2 inches thick instead of 05 Centimeter. The area of the so measured quantity in square feet was converted into cubic feet and finally into cubic meters for payment.

Adoption of incorrect mode of measurement resulted in an overpayment of Rs 22,719.564 million to the contractor during the year 2015-16.

Audit pointed out overpayment in August 2016. The Authority replied that estimate of the work was prepared and approved by taking overall average thickness for asphalt as 0'-2". The work was executed on basis of 2" thickness. The conversion factor was applied accurately. No wrong conversion was taken in the payment. It is further added that after the laying of asphalt joint cores were taken at different roads for thickness and observed that thickness noted as 2.20" average but the payment was made 2" on safer side. No incorrect/excess quantity was paid to the contractor.

The reply was not accepted because excess thickness than required was measured and paid to the contractor in violation of design and provisions of contract specifications which caused overpayment.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 33)

2.4.83 Non-recovery of open space charges - Rs 22.004 million

Rule 26 of GFR (Vol-I) provides that it is the duty of the departmental Controlling officers to see that all sums due to government, are regularly and promptly assessed, realized and duly credited in the Public Account.

Para 4 of offer letter issued on 31st March, 2015 provides that the formal license will be issued to you after acceptance of offer and fulfillment of i.e. payment of license fee Rs 12.753 million and undertaking within 7 days after issuance of this correspondence, failing which it would be presumed that you have not interested having such facility and the same offer will be cancelled without further correspondence.

Audit noted that Directorate Municipal Administration CDA Islamabad received an application from M/s Daewoo through Director (Urban Planning) for issuance of permission for keeping 08 kanal on 31st December, 2014 at the ROW adjacent to the M/s Daewoo terminal Janghi Saidan Islamabad. Consequently, M/s Daewoo was offered temporary permission to use open space ROW for pavement of tough tiles for the buses passage only communicated on 31st March 2015 measuring area 245'x273' (7432 sq.yard) at the approved rate of Rs 143/sq. yard for a period of one year at a license fee of Rs 1.063 million per month with the condition to deposit one year license fee for Rs 12.753 million in advance. M/s Daewoo raised certain queries about the measurement, rates, period and mode of payment of the temporary permission. Audit further noted that M/s Daewoo deposited an amount of Rs 3.502 million on 21st January 2016.

Audit observed that the neither the outstanding amount of Rs 9.251 million (12.753 - 3.502) was recovered till 30th June, 2016 nor the permission was cancelled rather M/s Daewoo utilized the open space illegally. Audit further observed that annual fee for April 2016 to March 2017 valuing Rs 12.753 million was also not recovered. This resulted in non-recovery of Rs 22.004 million.

Audit maintains that recovery was not made due to weak internal and financial controls.

Audit pointed out non-recovery in October 2016. The department did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon for early recovery.

(DP. 192)

2.4.84 Non-recovery on account of plot restoration charges and delayed construction charges - Rs 20.744 million

According to Rule 26 of GFR (Vol-I), it is the duty of departmental officer to see that all sums due to Government are regularly assessed, demanded, realized and remitted into Treasury.

Audit observed during examination of the relevant files of the Hotel Hill View and Serena Hotel Block 16, 17, 18 G-5/1, being maintained in the Revenue Directorate CDA that, certain dues on account of plot restoration charges and delayed construction charges for Rs 20.744 million, were also outstanding against the owners as evident from the correspondence files of the Estate Management-II CDA.

Audit maintained that non-recovery of the outstanding dues was owing to non-pursuance of the matter vigorously by concerned Directorate and lack of implementation of internal and financial controls.

Audit pointed out the non-recovery in March/April 2015. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 14/15-16)

2.4.85 Loss due to non-renewal of license for advertisement on LED at Islamabad Stock Exchange Towers - Rs 19.341 million

Rule 23 of GFR Vol-I provides that every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other government

officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

Audit noted Directorate Municipal Administration awarded advertisement license of LED fixed at ISE Towers to M/s Islamabad Stock Exchange Limited in year 2009 and operated up to May, 2012 (as shown in collection of receipt @ Rs 2.880 million per annum). Subsequently, M/s ISE informed the DMA, CDA that M/s Adlit Advertisement Medior (Pvt) Limited will operate LED screen for a period of one year from April 2015 to March 2016 on behalf of M/s ISE and requested further renewal of license for operation/advertisement by the authorized advertiser. However, the status of recovery for the period from June 2012 to March 2015 was not forthcoming from the produced record.

Audit observed that the license was neither further renewed from June 2012 to onward (May 2017) nor LED was removed from site so far. This resulted into loss of Rs 19.341 million.

Audit maintains that opportunity of revenue was not availed due to weak internal & financial controls.

Audit pointed out loss in October 2016. The department did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 204)

2.4.86 Non-recovery of outstanding dues - Rs 19.071 million

Rule 26 of GFR provides that it is the duty of the departmental Controlling officers to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the Public Account. They should accordingly arrange to obtain from their subordinates

monthly accounts and returns in suitable form claiming credit for so much paid into the treasury or otherwise accounted for and compare them with the statements of treasury credits furnished by the Accountant General, to see that the amounts reported as collected have been duly credited in the Public Account.

Audit observed that the Directorate of Municipal Administration CDA Islamabad did not recover outstanding dues of Rs 19.071 million against Food Street, G-6 Melody Market and Flower Shops (F-6, F-7 & F-10). Efforts for recovery by the Authority were also not fourth coming from the produced record. Due to non-pursuance of the recovery properly, the chances of the might become remote and the authority might sustain a huge financial loss.

Audit maintains that recovery was not made due to weak internal & financial controls.

Audit pointed out the non-recovery in October 2016. The department did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 197)

2.4.87 Non-recovery on account of project vehicles run and maintained by the Admin Directorate CDA - Rs 18.66 million

Para 5(b) of New System of Financial Control and Budgeting, 2006 with respect to control of expenditure provides that Principal Accounting Officer shall ensure that the funds allotted to a Ministry/ Division etc. are spent for the purpose for which they are allotted. He should also ensure that the expenditure falls within the ambit of a grant or an appropriation duly authenticated. Expenditure in excess of the amount

of grant as well as expenditure not falling within scope or intention of any grant or appropriations unless regularized by a supplementary grant will be treated as unauthorized.

Audit noted that Director, Administration, CDA Islamabad was maintaining a fleet of vehicles including 26 number of Project vehicles belonging to different ongoing CDA Projects.

2.4.87.1 Audit found that running & maintenance expenditure including pay & allowance of drivers was being charged to the Admin Directorate CDA. Expenditure on account of project vehicles was liable to be charged to the respective projects for which these vehicles were pertained. Running maintenance including driver's provision and salaries was the responsibility of the contractors of the projects for which contractor included cost of repair & maintenance of vehicles in other paid items. This resulted into non-recovery of Rs 18.66 million on account of project vehicles.

Audit pointed out the non-recovery in March 2015. The Authority did not furnish appropriate reply.

The matter could not be discussed in DAC meeting despite best efforts made by Audit.

Audit stresses for inquiry and action against the responsible(s).

(DP. 32/15-16)

2.4.87.2 Audit further observed that proper handing taking and authorization for use of project vehicles other than project activities was not shown placed in the accounts record produced to audit. This resulted into irregular/unjustified running of vehicles. Proper handing / taking of these vehicles needs to be produced. In absence of authority for use of vehicles, running of these vehicles stands irregular / unjustified.

Audit pointed out the Irregularity in March 2015. The Authority replied that all project vehicles which are being used by the Authority are

allocated to authorized officers / officials as per vehicle policy with the approval of Competent Authority. It is worth mentioning that allocation of project vehicles was done to avoid purchase of new vehicles and to observe the austerity measures as well as keeping in view the financial situation of the Authority.

The reply was not acceptable as project vehicles are being used without handing/taking and without proper sanction/approval of competent authority. Status of project whether running or closed to which these vehicles pertains and record of handing/taking of all project vehicles not properly maintained.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses for inquiry and action against the responsible(s).

(DP. 35/15-16)

2.4.88 Non-recovery on account of commercialization of basement of buildings - Rs 14.335 million

Statutory, Notifications S.R.O. 630(I) 2015 dated 9th June, 2015, provides rate (Per Sft.) for commercialization of basements area for different land uses.

Audit noted that as per approved plan basement of the building was required to be utilized for the specific purpose only i.e. Mosque. Audit observed that basement of the Masjid Abdullah Bin Masud Sector G-9 Markaz was being used as Hamza Hospital as commercial activity. As per policy allotment of plot should be cancelled because the allottee violated the allotment condition besides imposing penalty/fine for Rs 14.335 million.

Audit maintains that the Authority sustained non-recovery/loss due to weak internal controls. The Authority failed to realize its due revenue in a climate of financial constraint and declining resource availability.

Audit pointed out non-recovery in August, 2016. The Authority replied that Building Control Section has issued notice for non-conforming use and case has been referred to Deputy Commissioner CDA for processing against the allottee.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 87)

2.4.89 Overpayment due to allowing payment for disposal/ cartage of excavated material over & above the provision of contract agreement - Rs 12.595 million

Clause 80.1 particular condition of contract part-II provides that contractor shall be responsible for disposing the excavated/dumped material of building/roads/other project and also responsible for dressing if dumping material and should not be disposed-off to nullah or location from where it can be eroded with drainage or rain water.

Rule 10 (i) GFR (Vol-I) provides that every public officer was expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Audit noted that Director Works CDA allowed and paid cartage/disposal of demolished bricks/excavated material as extra items and substitute items over & above the provision of the approved estimate. Certain items for cartage of excavated earth were allowed as extra items/substituted items over and above the provision of T.S. Estimate

which were to be assessed and provided in the estimate put to tender. This resulted into excess/overpayment of Rs 12.595 million over and above the T.S. Estimate

Audit maintains that overpayment resulted due to non-adherence to the rules/regularizations, existence of opportunity for violation of law and material weakness in internal controls.

Audit pointed out the recovery in July 2016. The Authority replied that inclusion of extra lead for disposal of dismantled material in the original T.S. estimate was not feasible before tendering and execution of work at site, as the dumping site is changed by the concerned formation of Environment Wing, CDA time to time. Extra item statement was prepared and got approved by the competent authority as per lead provided by the Environment Wing, CDA. Demolished material was disposed by the contractor on the designated location/place 5 km away against BOQ provision of 10 meters.

The reply was not accepted because BOQ items agreed with contractor for excavation and disposal of excavated material up to 10 meter which was final. For extra items lead chart and place of disposal was not shown made available to Audit.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 127)

2.4.90 Overpayment of excessive bonus to the contractor - Rs 11.552 million

According to Particular Conditions of Contract, Clause 47.3, "The Contractor shall in case of earlier completion for either whole or part(s) of the Works pursuant to Sub-Clauses 48.1 and 48.2(a) respectively of the

General Conditions of Contract, be paid bonus up-to a limit and at a rate equivalent to 50% of the relevant limit and rate of liquidated damages prescribed in Appendix-A to Bid “Special Stipulations”.

Directorate Roads (Roads-III) South CDA Islamabad awarded a work “Development of Signal Free & Controlled Access Corridor of Islamabad Highway from Zero Point to Faizabad Interchange and Construction of Interchange at I-8 Intersection, Islamabad” to M/s M.A Aleem Khan & Sons (Pvt) Ltd. Audit noted that CDA paid an amount of Rs 42.556 million on account of bonus to contractor on 28th December, 2015 for early completion of work.

Audit further noted that during execution of work some material deviations were made and upto lastly approved Variation Order No.04 the revised contract amount was Rs 1,423.691 million and upto IPC 07 paid lastly during 2015-16 Rs 1,558.171 million (V.O 5 yet to be approved).

Audit observed that till IPC No.05 paid for the month of December 2015 work done value was Rs 1,149.550 million and the work of the value of Rs 408.621 million (Rs 1,558.171 million - Rs 1,149.550 million) was still incomplete in December 2015. Substantial completion certificate was issued for the main carriageway works. The completion cost of part of main carriageway was to be taken for calculation of bonus, whereas full original contract amount was taken into account for calculation of bonus incorrectly. This resulted in overpayment of Rs 11.552 million.

Audit pointed out overpayment in July 2016. The Authority replied that as per special stipulations amount of bonus was payable @ 0.05% of the contract price for each day the works completed before the specified completion date of the project subject to maximum of 5% of the contract price. The bonus was calculated and paid accordingly.

The reply was not accepted because the contractor did not complete the work as “whole” as pointed out in the Audit observation. Calculation of 0.05% per day against the value of works not completed, therefore, unjustified.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 28)

2.4.91 Overpayment due to excessive quantities of grass carpet - Rs 11.220 million

According to Rule 10 of GFR (Vol-I), every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Directorate Roads (Roads-III) South CDA Islamabad awarded a work “Development of Signal Free & Controlled Access Corridor of Islamabad Highway from Zero Point to Faizabad Interchange and Construction of Interchange at I-8 Intersection, Islamabad” to M/s M.A Aleem Khan & Sons (Pvt) Ltd. Audit noted that CDA measured and paid an item of work, “Fine Dhaka Grass Carpet” to the contractor for a quantity of 228,661.520 sq.m @ Rs 350/sq.m for Rs 80.032 million.

Audit observed that another item of plants was measured and paid at the same site of work for a quantity of 114,960 numbers @ Rs 250 each for Rs 28.740 million but area where plants were planted (of 32,057sq.m (114,960 x 3 feet average per plant = 344,880 sft = 32057 sq.m) was not deducted from the area/quantity of grass carpet. This resulted in overpayment of Rs 11.220 million (32,057 sq.m @ Rs 350 per sq.m) to the contractor.

Audit pointed out overpayment in July 2016. The Authority replied that Audit has calculated the area on the assumed area of 3 Sq.ft per plant which is on much higher side and unjustified. These were

actually small plants covering area. Admissible recovery of Rs 1.167 million would be made under intimation to Audit.

The reply was not accepted because in reply ditch area required for watering for each plant was ignored.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 27)

2.4.92 Loss due to auction of temporary Cattle Market at lower bid - Rs 11.00 million

Rule 23 of GFR (Vol-I) provides that Every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

Audit noted that the Directorate of Municipal Administration, CDA licensed out the site in sector I-12/2, Islamabad for establishment of 'Cattle Mandi' for sale of sacrificial animals for 13 days from 15th September, 2015 to 27th September, 2015 (1st Zil Haj to 13th Zil Haj) at bid cost of Rs 10.00 million on 14th September, 2015.

Audit observed that Cattle Market site was auctioned out at very lower bid of Rs 10.00 million, as compared to the previous year auction bid of Rs 21.00 million at the location of I-11, whereas, the cattle market, Islamabad should have been auctioned at higher rates as compared to the previous bid rates, because prices of all things are increasing gradually. Moreover, as per CDA costing formula the previous year auctioned rates

as well as general price index rates must be kept in view, while making current year auction of the CDA properties/locations. Due to acceptance of the bid for the period from 15th September, 2015 to 27th September, 2015, the Authority sustained a loss of Rs 11.00 million.

Audit maintains that loss to Authority occurred due to weak internal & financial control.

Audit pointed out the loss in October 2016. The department did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 189)

2.4.93 Unjustified/unauthentic expenditure due to replacement of different items in different parks - Rs 9.995 million

According to Rule 10 (i) of GFR Vol (i), every public 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.

During scrutiny of accounts record of Directorate of Parks/Technical, CDA, Islamabad audit noted that CDA awarded a work, "Repair/Maintenance of existing parks of Directorate of parks (West) Islamabad" to M/s Sanghol Engineering services (Pvt) Ltd at agreement cost Rs 11.868 million. An amount of Rs 9.995 million was paid to the contractor on account of replacement of different items in different parks.

Audit observed the following:

1. Park wise inventory has not been maintained.

2. Dates of installation/previous repair are not on record. No survey report was prepared while preparing Engineering Estimate.
3. The missing items were replaced without theft reports of the previous items on record.

In the absence of above, the expenditure incurred on replacement of different items in the parks for Rs 9.995 million is held unauthentic/unjustified.

Audit pointed out the matter in November 2016. The Authority replied that estimate for the subject work was framed on the complaints of the residents of locality situated near the children parks, & as per essential need of different parks visited/surveyed not only by Technical staff of this Division but also on the reports of OGMs, Supervisory staff deputed in the different parks. Furthermore the date of each items mentioned in the para were recorded on the Measurement Book (MB) along with the location of the park and same would be produced accordingly as & when required. However, the available partially damaged parts were stocked in main store of Parks Directorate accordingly.

The reply was not accepted because Park wise inventory has not been maintained. Complaints of residents as mentioned in reply were not on record and also not produced in support of reply. Dates of installation/previous repair are not on record. No survey report was prepared while preparing Engineering Estimate. The replaced/old items were not taken on old stock.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends proper accountal of equipment and their disposal.

(DP. 144)

2.4.94 Non-accountal of serviceable material/ trees - Rs 9.900 million

Item 106.2 of NHA General Specifications 1998 provides that all suitable material excavated within the limits and scope of the project shall be used in the most effective manner for formation of embankment, for widening of roadway, for back filling or for other work included in the contract.

Audit noted that Deputy Director Road Division-IV, Directorate of Roads (North), CDA Islamabad allowed payment for cutting/removal of 198 Nos trees having girth of 301mm - 600mm through 1st running bill vide CV No. 14 dated 30.06.2016 to M/s Kundi Development Corporation Pvt. Ltd. for the work Construction of 2nd carriageway from roundabout of Service Road (West) Sector G-10 to Khayaban-e-Iqbal Islamabad

Audit observed that serviceable material obtained on account of cutting/removal of trees was neither stacked nor accounted for. Serviceable material on the basis of Survey Report was to be accounted/adjusted. This resulted in non-accountal of trees for Rs 9.900 million (198 x Rs 50,000 per tree).

Audit pointed out the loss in October 2016. The Authority replied that trees removed from Road alignment were properly stacked in Inquiry Office of Environment Directorate.

The reply was not acceptable because it was not supported with documentary evidence.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 219)

2.4.95 Loss due to allowing premium on market items - Rs 9.235 million

According to Rule-I of CDA Procedure Manual Part-II, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from Public Funds as a person of ordinary Prudence would exercise in respect of expenditure of his own money. The Expenditure should not be prima facie more than the occasion demands.

Audit noted that Director, Water Supply Directorate, CDA, Islamabad awarded various works to different contractors valuing Rs 9.235 million during the financial year 2015-16

Audit observed that the contractors quoted different percentages of premium on Non-schedule items of works, which were not admissible in any way. Afterwards the Authority sanctioned the estimates technically by adding the premium on Non-schedule items of works quoted by the contractors.

Non-adherence to rules resulted into a loss of Rs 9.235 million to Authority by allowing extra premium.

Audit pointed out loss in August 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 184)

**2.4.96 Loss of revenue due to non-auction of condemned vehicles -
Rs 9.13 million**

Rule 25 (5) of Staff Car Rules prescribes life of vehicles 5 years to 8 years. Rule-I of CDA Procedure Manual Part-II, Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his-own money and The expenditure should not be prima facie more than the occasion demands.

Audit noted that the Director, Administration, CDA, Islamabad incurred an expenditure of Rs 18.250 million in respect of purchase of 26 vehicles during 2006-07.

Audit observed that the vehicles had become condemned since 2013. The estimated cost of the condemned vehicles was Rs 9.13 million (18.25x50%). Audit further observed that the Authority had not auctioned the vehicles so far. This resulted into loss of revenue of Rs 9.13 million due to mismanagement.

Audit pointed out the loss in September 2016. The Authority replied that a committee was constituted to ascertain the physical condition of the said vehicles and it had submitted its report of condemnation to the authority for which decision is awaited. As soon as the process of auction is completed, Audit will be informed accordingly. The reply was not accepted because the delay in auction of the condemned vehicles lead to ill planning/mismanagement resulted into loss of Rs 9.13 million.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early disposal of vehicles.

(DP. 138)

2.4.97 Overpayment due to non-recovery of value of dismantled/rock stone - Rs 8.683 million

According to the measurement procedure, the stone available at site should be accounted for /recovered from the contractor.

During scrutiny of accounts record of Roads Directorate South (Road-I) CDA, Islamabad relating to the work “Infrastructure Development Work at Park Enclave, Islamabad” awarded to M/s Ch. A. Latif & Sons (Pvt) Ltd for agreement amount of Rs 1,262.766 million. Audit noted that an item of work, “excavate surplus hard rock” was got executed for a quantity of 3,655.14 cubic meter @ Rs 809.23/ cu.m upto 8th IPC.

Audit observed that out of total excavated quantity of 3,655.14 cu.m hard rock, a quantity of 760.92 cu.m stone was utilized at site. The cost of remaining quantity of stone of 2,894.22 cubic meters for Rs 8.683 million (2,894.22 cu.m x Rs 3000) was not recovered from the contractor. This resulted in overpayment of Rs 8.683 million to the contractor.

Audit pointed out overpayment in July 2016. The Authority replied that the contention of the audit regarding accountal/utilization of excavated surplus hard rock was agreed in principle. However, only 80% of the excavated rock was serviceable which comes to 2,924.112 Cu.m due to running water in Nullah and normal wastage during such excavations. All the serviceable quantity was taken on stock register. Out of this serviceable material, quantity of 760.92 Cu.m was already utilized at site.

Furthermore, the balance quantity of Surplus Hard rock of 2,163.192 Cu.m would be recovered from the contractor if utilized at site.

The reply was not accepted because the surplus rock was neither utilized at site nor cost/value recovered from the contractor.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 30)

**2.4.98 Loss to the Authority due to acceptance of bid on lesser rate -
Rs 8.00 million**

Rule 23 of GFR Vol-I provides that Every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

Audit noted that the Directorate of Municipal Administration, CDA Islamabad auctioned the Bus/Coach Stand G-9 Markaz, Islamabad on 24th September, 2014 and highest bid amounting to Rs 57.00 million per annum was received. However, the bid of Rs 57.00 was rejected by the Finance Wing by declaring it on lower side. Audit further noted that the said Bus/Coach Stand was licensed out to M/S Ch. Muhammad Hussain on 11th February, 2016 for the period of two (02) years @ Rs 53.00 million per year. .

Audit observed that the bid received for Rs 57.00 million per annum on 24.09.2014 was rejected by the Finance Wing without cogent reason and subsequently the bid for Rs 53.00 million per annum was accepted on the basis of reserved price of Rs 52.916 million approx. Due to non-acceptance of bid for Rs 57.00 million, the Authority sustained a loss of Rs 8.00 million.

Audit maintains that loss to government occurred due to weak internal & financial controls.

Audit pointed out loss in October 2016. The department did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 194)

2.4.99 Non-recovery of outstanding licence fee - Rs 7.258 million

Rule 26 of GFR (Vol-I) provides that it is the duty of the departmental controlling officer to see that all sum due to government are regularly and promptly assessed, realized and duly credited in the public account.

Audit noted that Director (DMA) CDA Islamabad awarded license to M/s Digi Add for installation and operation of LED Screens at 9th Avenue Intersection Kashmir Highway size 11'x13' and I-8 Shakarparian Chowk Islamabad size 10'x13' in February & April 2010 for three years which was further extended in the year 2013 for the period of two years at annual license fees of Rs 0.609 million and Rs 1.038 million respectively recoverable on quarterly basis with 10% increase in the fee on the gross rate.

Audit observed that after renewal of the license, the licensee deposited only 1st quarter payment of Rs 411,812 in May 2014 leaving an outstanding balance of Rs 7.258 million outstanding (up till 30th September, 2016). Audit further observed that neither recovery of outstanding dues was pursued nor the sites were taken over despite lapsing of considerable time.

Audit maintains that recovery was not made due to ineffective implementation of internal & financial controls.

Audit pointed out loss in October 2016. The department did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 202)

2.4.100 Non-imposition/recovery of liquidated damages due to delay in completion of work - Rs 7.179 million

According to Clause 47.1 of the agreement, if the contractor fails to complete the work within stipulated time period, he shall render himself liable to pay liquidated damages equal to 0.1% of the Contract Price for each day of delay in completion of the works subject to maximum of 10% of Contract Price.

Audit noted that the Director, Parliament Lodges and Hostels, CDA, did not impose and recover liquidated damages, although the contractor could not complete the work within stipulated period of 03 months from 23.06.2015. The work was still in progress despite time overrun of 11 months and extension in time limit was also not granted. Thus contractor was liable to pay liquidated damages as per clause of agreement but no such penalty was imposed and recovered. This resulted in non-imposition and recovery of Liquidated Damages for Rs 7.179 million (Rs 71.796 million x 10%).

Audit pointed this out in August 2016. The Authority replied that case for seeking approval of Competent Authority for extension in time upto 30th September, 2016 was in process. As and when the extension in time shall be granted, the same would be produced for verification.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends imposition of liquidated damages and recovery.
(DP. 13)

2.4.101 Non-obtaining of evidence for payment of Rs 353,293 to IESCO and loss due to award of work at higher rates - Rs 7.155 million

According to Rule 10 (i) of GFR Vol (i), every public 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.

During scrutiny of accounts record of Directorate of Parks/Technical, CDA, Islamabad audit noted that CDA awarded a work, "Providing & Fixing Transformer Water Connection for Cybernetic Fountains i/c Cabling, Thrust Boring and Necessary Painting at Different Places in Islamabad" at agreement cost Rs 1,184.284 million to M/s Metro Tech Enterprises vide acceptance letter dated 14th April, 2014.

- i. The tender of the subject work as called in June 2012 through prequalified firms with having lowest bidder M/s Shahid & Co. with their quoted rate are 49.90% above on MES Schedule items and 29.90% on Non-schedule items against the NIT cost of Rs 8.201 million
- ii. During the process of ES the Contractor filed a writ petition bearing No.1307/2013 in Islamabad High Court against inviting tenders through prequalified firms by Environment Wing. The Honourable High Court on 22.04.2013 (written order received on 17.05.2013) accepted the said Writ and cancelled the said prequalification process and thereof the said work was cancelled by the Chairman CDA.

- iii. The said tender was once again processed through National press on June 2013 in which M/s Akbar Traders stood 1st lowest bidder by quoting 23% below on MES Schedule and 26% below on Non-schedule items of NIT Rs 8.201 million. Letter of start was issued on 29.08.2013 with completion period three months. M/s Akbar Traders did not start the work at site and raised queries regarding tender specifications and site handing over issues.
- iv. Thereafter, the letter for rescission of contract and forfeiture of call deposit was issued by this office vide letter No. CDA/DD(L/S)/W.O/2013-14/408 dated 26.12.2013 and the tenders for the subject work were once again processed through National press in January 2014.
- v. The contractor was paid 9th and final bill for total work done of Rs 15.093 million.

Audit observed that tenders for the work were called without possession of site, without complete tenders specifications in June 2013. The contractor M/s Akbar Traders also quoted the same reasons for non-starting of the work.

Due to this the contract was awarded at higher rates in re-tendering which caused extra expenditure to the exchequer for Rs 7.155 million.

Audit further observed that the contractor was paid Rs 353,293 (276,010+ 28% premium) on account of payment to IESCO for Electric connection but evidence with reference to IESCO and Electric Bills to authenticate that the electric connections were installed were not on record produced to Audit.

Audit pointed out the matter in November 2016. The Authority replied that first tender was cancelled based upon the judgment by the honourable court against writ petition. Fresh tenders were recalled and the work was awarded to lowest bidder but contractor did not start the work. Upon the charge of non-compliance of tender documents, the firm was not

only black listed but earnest money was forfeited with the approval of competent authority in the interest of the Authority. The tender was recalled for third time in January 2014 and work was awarded to the 1st lowest bidder. No payment was made to the contractor against the electric connection but the payments was made to IESCO for electric connection directly through crossed cheque in favour of IESCO as per their demand notice.

The reply was not accepted because tenders for the work were called without possession of site and without complete tender specifications in June 2013. The contractor M/s Akbar Traders also quoted the same reasons for non-starting of the work. Due to this the contract was awarded at higher rates in re-tendering which caused extra expenditure to the exchequer. The contractor was paid Rs 353,293 (276,010 + 28% premium) on account of payment to IESCO for Electric connection but evidence with reference to IESCO and Electric Bills to authenticate that the electric connections were installed were not on record.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 142)

2.4.102 Loss to the Authority due to licencing without open auction and non-revision of monthly rent/rates of parking area at Lake View Park Islamabad - Rs 6.678 million

As per Islamabad Land Disposal Regulations, 2005 all commercial, business and recreational (Park) plots shall be sold or leased out through open auction.

Rule 23 of GFR Vol-I provides that Every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his

part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

Audit noted that CDA allotted/granted licence for different entertainment activities to twenty one (21) licensees during the years 2007 to 2009 at Lake View Park, Islamabad. Base rate in the year 2007 was fixed/agreed as Rs 2,000 per month with 10% increase every year. Now in the year 2015-16 per month rate of these kiosks is Rs 3,500.

Audit observed the following:-

1. Kiosks were allotted/licences issued without open auction to the applicants.
2. No contract agreements were made.
3. Extensions were being granted without rent assessment at market rates. Revision of rent/licence fee was not made despite expiry of seven to nine months after the granting of licence. Present market rent rate at the most visiting place of Islamabad is minimum Rs 30,000 per month.

Non-auction of kiosks at Lake View Park Islamabad was against CDA rules and procedure. Non-revision of rent of these kiosks is resulting in annual loss of revenue to CDA of Rs 6.678 million.

Audit maintains that leasing/renting out 21 Kiosks on very low rate without open auction and non- was due to deficient revenue recognition policies and weak internal controls.

Audit pointed out the matter in November 2016. The Authority replied that such activities were made at Lake View Park, Islamabad by different Directorates of authority like PMO, Special Project, DMA & Parks Directorate. Base rate per month in the year 2007 was fixed @ Rs 2,000 per month with 10% increase every year as observed by audit.

Such rates were approved rates for the year 2007 as per policy of the authority.

1. All the Kiosks were allotted/license issued after open publication in national press.
2. Contract agreement in the activities was not required however license issued.

All the extensions were granted with the approval of competent authority however as far as the present market rent rate is concerned, the case file has been prepared and submitted to competent authority for onward submission to the CDA Board for revision of the existing rates as per present market rates and the same shall be produced accordingly to audit for verification.

The reply was not accepted because Kiosks were allotted/licences issued without open auction to the applicants. Extensions were being granted without rent assessment at market rates. Revision of rent/licence fee was not made despite expiry of seven to nine months after the granting of licence. Besides, term/duration of the licence was not fixed.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and action against persons at fault. Measures be taken to ensure prompt licencing of locations through competitive process.

(DP. 149)

2.4.103 Loss to the Authority due to charging of old rates for use of vehicles - Rs 6.658 million

Rule 23 of GFR Vol-I provides that every government officer should realize fully and clearly that he will be held personally responsible

for any loss sustained by government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

CDA Board in its meeting held in October, 2013 approved the revised rate of the vehicles/trips of G-9 Markaz Bus/Coach Stand. According to which revised rate of vehicles/trips should have been charged, while collecting the fee by the Directorate itself.

Audit noted that the Directorate of Municipal Administration, CDA licensed out the Bus/Coach Stand G-9 Markaz, Islamabad to M/s Ch. Muhammad Hussain on 11th February, 2016 for the period of two (02) years @ Rs 53.00 million per year.

Audit observed that the possession of G-9 Bus/Flying Coach Stand was taken over by the DMA on 15th December, 2015 and the Stand fee was charged from the vehicles up to 18th February, 2016 (till taking over by the new contractor) through departmental staff. Audit further observed that the DMA staff collected the fee amounting to Rs 1.289 million per month from the vehicles at old rates instead of revised rates (which were 242.22% over and above the old rates), approved by the CDA Board in October 2013.

Non-compliance of the orders of the CDA Board put the Authority to sustain a loss of Rs 6.658 million.

Audit maintains that the loss occurred due to weak internal and financial controls.

Audit pointed out loss in October 2016. The department did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends recovery.

(DP. 191)

2.4.104 Loss to CDA due to non-issuing of completion certificate to the owners of the buildings - Rs 5.457 million

Para 3.12.11(b) of Chapter 3 of Building Regulatory Procedures of Zoning (Building Control) Regulations, 2005 provides that no person shall occupy or permit to be occupied, any such building or use or permit, to be used any part affected by the erection/re-erection, if any, of such building, until the completion certificate/permission to occupy is obtained. Annexure-A provided under chapter 6.5(A) scrutiny fee for approval of plans for commercial buildings (including flats, offices etc.) Rs 10 per sft of proposed covered area will be charged for completion certificate.

Audit noted that record of Building Control Section CDA for the year 2015-16 in nine buildings indicated that no completion certificates were provided whereas buildings were occupied since long and CDA was deprived from the huge revenue besides in time identification and rectification of any violation.

Audit maintained that Authority deprived of due revenue in shape of fee and fine due during issuing completion certificates due to weak financial and technical control.

Audit pointed out loss in August, 2016. The Authority replied that notices were served to all institutions for submission of completion certificate. Further, scrutiny fee for approval of plans for institutional was Rs 5.00 per s.ft of covered area rather than Rs 10.00 per s.ft as per schedule 6.5 of Building Regulations 2005. Fee would be charged at the time of issuance of completion certificate along with other charges as applicable, if any.

The reply was not accepted because the building should be occupied after obtaining completion certificate but the allottees running their business without obtaining it.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends appropriate measures to ensure that completion certificates are obtained in timely manner.

(DP. 79)

2.4.105 Unjustified/unauthentic expenditure due to replacement of different items in different parks - Rs 5.044 million

According to Rule 10 (i) of GFR Vol (i), every public 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.

Audit noted that Directorate of Parks/Technical, CDA, Islamabad awarded a work, "Repair & Maintenance of Existing Parks in Different Sectors (Park East)" to M/s Pearl Engineers at agreement cost Rs 11.577 million on 25th May 2015. Third running bill was paid to the contractor for Rs 11.567 million. An amount of Rs 5.044 million was paid to the contractor on account of replacement of different items in different parks.

Audit observed the following:

1. Park wise inventory has not been maintained.
2. Dates of installation/previous repair are not on record. No survey report was prepared while preparing Engineering Estimate.
3. The missing items were replaced without theft reports of the previous items on record.

In the absence of above, the expenditure incurred on replacement of different items in the parks for Rs 5.044 million is held unauthentic/unjustified.

Audit pointed out the matter in November 2016. The Authority replied that estimate for the subject work was framed on the complaints of the residents of locality situated near the children parks, & as per essential need of different parks visited/surveyed not only by Technical staff of this Division but also on the reports of OGMs, Supervisory staff deputed in the different parks. Furthermore the date of each items mentioned in the para were recorded on the Measurement Book (MB) along with the location of the park and same would be produced accordingly as & when required. However, the available partially damaged parts were stocked in main store of Parks Directorate accordingly. In addition of above it is further stated that the items mentioned in the said para were damaged/deteriorated condition due to limited life of such items and huge public use instead of theft.

The reply was not accepted because Park wise inventory has not been maintained. Complaints of residents as mentioned in reply were not on record and also not produced in support of reply. Dates of installation/previous repair are not on record. No survey report was prepared while preparing Engineering Estimate. The replaced/old items were not taken on old stock.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends proper accountal of equipment and their disposal.

(DP. 141)

2.4.106 Loss due to charging of lesser rate of rent of space leased out to Askari Bank for opening and operating a Sub-Branch - Rs 4.919 million

According to summery approved by the Chairman CDA on 01.01.2009 submitted by the Treasury Division CDA vide No.CDA/TD/1268 dated 24.12.2008 regarding provision of space on rent to Askari Bank Limited for opening and operating a Sub-Branch at CDA offices at Old Naval Head Quarter Islamabad. Terms &Conditions of lease were as follows: -

- The lease agreement will initially be for 5 years with monthly rent of Rs 100 per sq.ft. of the covered area for initial two years.
- Askari Bank will pay rent for three years.
- From fourth year onward the rent will be increased by 20% for the next two years which will be paid in advance.

Audit noted that the Director, Administration, CDA Islamabad rented out a space of 1,416 sq. ft. to Askari Bank Limited for opening and operating a Sub-Branch at CDA offices at Old Naval Head Quarter Islamabad with monthly rent of Rs 49,970 @ 35.29 per sq. ft. Audit observed that the Chairman CDA Approved rent of Rs 100 per sq. feet in a summery submitted by the Treasury Division CDA vide No.CDA/TD/1268 dated 24.12.2008. Thus charging of rent @ 35.29 per sq. ft. instead of Rs 100 per sq. ft. approved by the Chairman CDA resulted into loss of Rs 4.919 million.

Audit pointed out the loss in March, 2015. The Authority replied that Head of Treasury himself and get approval of the Chairman CDA without observing rules and consultation with Costing Section, Finance Wing which was a competent forum to determine the rent of different buildings etc. Later on case was routed through proper channel i.e. Costing Section, who determine the rent @ Rs 38,678 per month. Agreement was

signed accordingly after getting approval of Chairman CDA with the concurrence of Legal Advisor of CDA.

The reply was not acceptable as space was leased out without open competition and at lesser rate as initially approved by CDA Chairman as well as without following prescribed procedure for lease.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 31/15-16)

2.4.107 Irregular award of work at higher rates due to acceptance of premium on market rate items in addition to admissible provision of overheads and profit - Rs 4.69 million

As per standard procedure for preparation of the analysis of rates of Non-schedule item following basic inputs were updated in the individual rates analysis. The formula has been created by appropriate quantitative inputs of the following items.

Manpower	Hour and Number
Material	Weight, Volume, Length and Unit.
Plant Equipment	Hour and Number
Contractor's Profit	10 percent respectively

Audit noted that Maintenance Directorate, CDA prepared various engineer estimates for special repair & maintenance of government accommodation. Item rates were derived from current market rate & profit was added thereon subsequently the works were put to tender. It is worth to mention that contract period of these contracts was about one to three months and no market fluctuation was anticipated to influence the market rates during this short period.

Audit observed that these estimates contained non-scheduled items which were analyzed on current market rates on the basis of quotations obtained from market inclusive of contractor's profit. Subsequently these items were put to tender and further premium from ranging 65% to 76% was accepted.

Non-adherence to provision of standard parameters of construction item rate caused acceptance of higher rate over the admissible provision for Rs 4.69 million.

Audit pointed out acceptance of higher rate in July 2016. The Authority replied that the Contractor profit already merged in derived rates in the items. However, it is worth mentioning that rates were driven/prepared in the year 2012 but tender were called in 2015-16 and market rates of the items already increased with the passage of time, so premium allowed on rates are justified keeping in view the market fluctuation.

The reply was not accepted because the market items are always termed as current market rates and further premium over thereon was not admissible. As per rule the market items were required to be provided in NIT without provision of any rate and bidders were to be asked to quote their rates and afterward reasonability of rates was checked with comparison of the rates prepared by the department as its own.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 96)

2.4.108 Non-recovery/less recovery of room rent - Rs 4.497 million

As per Item No. V.10 of the minutes of the meeting of Standing Committee on House & Library of the National Assembly held on

13.02.2014 in the Parliament House, Islamabad, the Committee decided that the rent will be increased from Rs 4,000 to Rs 6,000”.

Para-26 of GFR Vol-I explains that it is duty of the department & controlling officer to see that all sums due to Government are require and promptly assessed, realized and duly credited to Public accounts.

Audit noted that the Director Parliament Lodges, CDA, did not recover rent from occupants of rooms in government hostels/CDA hostels. This resulted in non-recovery of rent of Rs 1.797 million.

Audit further noted that rent of 50 lodges was being recovered @ Rs 4,000 per month against approved rate of Rs 6,000 pm. This resulted in less recovery of rent of Rs 2.700 million (27 months x 50 suits x Rs 2,000) from 01.03.2014 to 30.06.2016.

Audit pointed out non/less recovery in August 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 10)

2.4.109 Less recovery of Property Tax & Water/Allied Charges against Centaurus (Shopping Plaza Islamabad) - Rs 5.863 million

According to Section 49-A of CDA Ordinance, 1960, any sum due to the Authority from or any sum wrongly paid to any person under this Ordinance shall be recoverable as arrears of land revenue.

Audit observed during examination of the accounts record of the Revenue Directorate CDA, that property tax & water/allied charges

amounting to Rs 5.863 million, as detailed below, were recovered less as compared to the demanded recovery upto June 2014.

S. No.	Description of dues	Demanded (Rs)	Recovered (Rs)	Balance (Rs)
1.	Property Tax	8,686,662	3,992,205	4,694,457
2.	Water/Allied charges	2440,597	1,272,087	1,168,510
Total		11,127,259	5,264,292	5,862,967

Audit held that less recovery of outstanding dues occurred due to non-pursuance of the matter properly by the management and ineffective implementation of administrative, internal and financial controls.

Audit pointed out the less recovery in March/April 2015. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 07/15-16)

2.4.110 Unjustified/Irregular payment on account of staff share from the receipt of Capital Hospital - Rs 3.230 million

According to Rule-5 of GFR Vol-I moneys received as dues of Government or for deposit in the custody of Government should be credited into the Public Account in accordance with the Treasury Rules.

Audit noted that Executive Director Capital Hospital CDA Islamabad paid Rs 3.230 million on account of share of Hospital Staff directly from the receipt of the hospital. The payment of staff share was termed as irregular and unauthorized due to the following:

- i. The clinical and other medical tests were being performed by using Lab. Facilities of the Hospital utilizing hospital sources.
- ii. All tests were performed by the hospital staff in the routine office hours.
- iii. Staff share @ 43.5% of the total receipt was being paid without cost analysis of the tests being performed and to work out actual profit earned after deduction of overhead and expenditure.
- iv. All hospital officers and staff were being paid one additional basic pay as Health Allowance so further payment of share from the receipt on account of tests fee done in the office timing was unjustified.
- v. The non-entitled patients were being checked/ treated in the routine office hours utilizing official time instead of checking patients and carrying out tests in evening as being done in Armed Forces Hospitals.
- vi. None of the Doctor or Para-Medical staff getting staff-share from the receipt of the hospital performed their duties in the late hours.
- vii. Staff share was being distributed amongst Doctors and staff directly from the receipt without proper allocation in the budget and sanction by the competent authority, as being done in Estate Management Directorate CDA.

In the light of above observations the payment of staff share @ 43.5% directly from the receipt of the hospital was unauthorized, irregular and unjustified which may be explained justified.

Audit pointed out the irregularity in April, 2015. The Authority did not furnish reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses for inquiry and action against the responsible(s).

(DP. 45/15-16)

2.4.111 Overpayment due to non-execution of agreed work - Rs 2.00 million

According to Para 209 (d) of CPWA code all payments for work done or supplies are made on the basis of quantities recorded in the MB. It was incumbent upon the person taking measurements to record the quantities clearly and accurately. He would also work out and enter in the MB the figure for contents or area column.

Audit noted that Director (P&D) Capital Hospital CDA allowed a work Provision and Installation of Corian Wall cladding sheets and Corian flooring Sheets in four operation theaters to M/s Shahzad Construction Builders through work order dated 07.04.2015 at an agreed cost of Rs 15.946 million.

Audit observed that contractor was liable to carryout allied works in four operation theaters in addition for providing & installation of Corian Wall Cladding & Flooring sheets as agreed on page-2 of contract agreement which includes:

- 1- Provision of life saving Gas Pipe Lines through Flexible ceiling i/c safety devices Low & High pressure monitoring with alarm on/off valves.
- 2- Shifting/fixing of Electricity outlets.
- 3- Removal & Rebuilding of partition walls with one standard double flash door at site.

Audit further observed that allied works included in other two pay items, were not carried out by the contractor. This resulted into

overpayment of Rs 2.000 million approximately which tantamount loss to the Authority. Measurement of said allied work was not carried out and payment was allowed without fulfillment of contractual obligation.

Audit pointed out the irregularity in March 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 165)

2.4.112 Issuance of cheque without legal claim and without pre-audit/verification - Rs 1.999 million

Para 449 of Procedure Manual Part-III CDA Accounting Procedure provides that Acquaintance Rolls prepared by the Revenue Section of Land Directorate on the basis of Awards made by the Deputy Commissioner CDA and decision given by the Commissioner on the appeals are received in the Land Directorate for pre-audit and payment. Pre-Audit of the said Acquaintance Roll is carried out by the Patwaries posted to their office and test check of "Pre-Audit" is exercised by the Assistant Accounts Officer/Accounts Officer. The requisite Pre-Audit is conducted with reference to Directives issued by the Chairman CDA, Award made by the Deputy Commissioner, CDA and revenue record viz village field book, statements, No-I, II & III etc. prepared by the Revenue Staff Land Directorate. The Acquaintance Rolls after having been Pre-Audited test checked and bearing payment order of Accounts Officer (Lands) are passed on to the Acquaintance Rolls/Payment Clerk for records and payment.

Audit noted that Director Land & Rehabilitation CDA issued a cheque No. 0092402 dated 06.11.2015 for Rs 1.999 million in the name of

a bogus/fictitious affectee Mr. Sagheer Ahmed S/o Nazeer Ahmed in the Acquittance Roll at serial No 663 of Sector I-17, Village Noon.

Audit found that Mr. Sagheer Ahmed had already received payment against this claim of acquired land. This state of affair reveals that verification of land affectees and pre audit checks were not exercised at all. This resulted into bogus issuance of cheque of Rs 1.999 million.

Audit maintains that this violation occurred due to inadequate oversight mechanism in effectively exercising the relevant internal & financial controls.

Audit pointed out the violation in March 2016. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 159)

2.4.113 Loss to the Authority due to misplacement of IT equipment/computers - Rs 2.500 million

Rule 55 of CDA Procedure Manual Part-II- Financial Procedure provides that every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by the 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. Moreover, Rule 20(1) of the General Financial Rules (Volume-I) provides that any loss of stores or other property should be immediately reported by the officer concerned to his immediate officer.

Audit observed that Electronic Government Department (EGD), Ministry of Information Technology provided 702 IT Equipment/Computers to CDA for improvement of IT System, whereas, Stock Register of the Computer/IT Directorate reflected availability of 624 IT Equipment/Computers, issued to various Directorates of CDA. This resulted in misplacement of 78 IT equipment/computers leading to approximate loss worth Rs 2.500 million to the Authority.

Audit maintained that loss occurred due to mismanagement/negligence of the Authority and ineffective implementation of internal controls.

Audit pointed out the irregularity in March 2015. The Authority did not reply.

The matter could not be discussed in DAC meeting despite requests made by Audit on 24th October, 22nd November, 20th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 04/15-16)

2.4.114 Wasteful expenditure of millions of rupees due to treating sewage and discharging effluent in the Nullah without maintenance of waste water quality standards approved in the PC-1

According to the Revised PC-I of Improvement/Refurbishing of Existing Sewerage Treatment Plants Phase-I, II & III and Construction of Sewerage Plant (Phase-IV) and Procurement of Contingent items at Islamabad, approved by ECNEC on 14.03.2006 for Rs 2,727.006 million, the main objectives of the project were:

- i. To provide affordable treatment for municipal sewage emanating from Islamabad and discharging into Lai Nullah to a degree where it was not anaerobic to cause

nuisance and be capable of supporting a restricted aquatic flora and fauna.

- ii. To reduce significantly the microbiological contaminants discharged into the Nullah in order to reduce the occurrence of water borne diseases in downstream areas.

In order to achieve the said objectives sewage was to be treated and effluent discharged into Nullah Lai with a Bio Chemical Oxygen Demand (BOD) of 25 mg/l only for improving water conditions and aquatic flora and fauna.

Audit observed that neither effluent was being discharged as per PC-1 approved standards of BOD/TSS nor BOD lab test was being carried out regularly to ensure quality of water treatment.

Authenticity of the treated sewage and discharging of effluent in the Nullah as per required standard of approved revised PC-I could not be ascertained. Thus, expenditure incurred on account of annual maintenance/operational charges in millions of rupees since start of the functioning of the plants (as an expenditure of Rs 42.377 million was incurred during the year 2013-14) was considered to be gone wasted.

Audit maintained that non-performance of required lab tests regularly and non-achievements of BOD/TSS results as per approved standards of revised of PC-I was due to mismanagement and ineffective implementation of administrative, financial and internal controls.

Audit pointed out the irregularity in April, 2015. The Authority did not reply.

The matter was discussed in the DAC meeting held on 3rd February, 2016 wherein the Authority explained that Sewage Treatment Plant is meeting the Bio-Chemical Oxygen Demand (BOD) standards framed as per revised PC-I. DAC showed its concern over the underutilization of the STP and directed to get verify the test reports

verified from audit within fifteen days. It was further directed to get the intake items required to increase the Sewage Treatment Plant (STP) utilization after a detailed survey of sewage network connected to STP. No progress was reported.

Audit recommends early compliance of the DAC's directive.

(DP. 20/15-16)

CHAPTER 3

CIVIL AVIATION AUTHORITY (AVIATION DIVISION)

3.1 Introduction

Pakistan Civil Aviation Authority (CAA) is a public sector autonomous body working under the Federal Government of Pakistan through Aviation Division, Cabinet Secretariat. CAA was established on 7th December, 1982 through Pakistan Civil Aviation Authority Ordinance 1982. Prior to creation of CAA, a Civil Aviation Department in the Ministry of Defence used to manage the Civil Aviation related activities. Ministry of Defence continued to be the controlling Ministry even after creation of CAA on 7th December, 1982. However, in June, 2013, Government of Pakistan assigned this responsibility to Aviation Division.

The purpose of establishing CAA is to provide for the promotion and regulations of Civil Aviation activities and to develop an infrastructure for safe, efficient, adequate, economical and properly coordinated Civil Air Transport Service in Pakistan. CAA not only plays the role of the aviation regulator of the country but at the same time performs the service provider functions of Air Navigation Services and Airport Services. The core functions of CAA are therefore, 'Regulatory', 'Air Navigation Services' and 'Airport Services'. These core functions are fully supported by various corporate functions of the organization.

The general direction and administration of CAA and its affairs vests in CAA Board which exercises all powers, performs all functions and does all acts and things that need to be exercised, performed or done by the Authority. The Chairman CAA Board is the Secretary of the Division to which the affairs of the Authority are allocated. Presently, it is the Secretary Aviation. CAA Executive Committee is the highest decision making body of the Organization. It exercises such administrative, executive, financial and technical powers as delegated to it by the

Authority. Director General CAA is the Chairman of CAA Executive Committee. The Federal Government appoints the Director General who is the Executive head of CAA and exercises such powers and performs such functions as may be specified in CAA Ordinance or delegated to him by the CAA Board from time to time. The CAA Board is assisted by CAA HR (Human Resources) Committee and CAA Audit Committee. The Director General is assisted by the Deputy Director General, Directors and Additional Directors. The Director (Finance) controls the budget and enforces the internal financial controls/checks. Internal Audit Department is headed by an Additional Director under the direct supervision of the Director General. The Headquarters of the CAA are situated at Karachi.

3.2 Comments on Budget and Accounts (Variance Analysis)

Financial Statements of CAA for the financial year 2015-16 disclosed the figures of budget and expenditure as under:

a. Budget and Expenditure

(Rs in million)

Description	Original Budget	Revised Budget	Actuals/ Expense	Excess/ (Saving)	Excess/ (Saving) %
Establishment	18,380.81	18,105.13	18,661.40	556.27	3.07%
Administrative Expenditure	3,942.17	3,682.99	2,815.00	(867.99)	(23.57%)
Repair & maintenance	1,098.00	884.82	659.16	(225.66)	(25.50%)
Provision for doubtful receivables	7,770.35	9,997.68	16,639.91	6,642.23	66.44%
Depreciation	8,105.11	4,098.11	4,593.48	495.37	12.09%
Financial charges	3.43	3.82	2.85	(0.97)	(25.39%)
Sub-Total	39,299.87	36,772.55	43,371.80	6,599.25	17.95%
Annual Development Programme	23,430.00	17,913.00	14,809.03	(3,103.97)	(17.33%)
Grand Total	62,729.87	54,685.55	58,180.83	3,495.28	6.39%

The revised budget allocation for the year 2015-16 in non-development and annual development programme was Rs 54,685.55 million against which an expenditure of Rs 58,180.83 million was incurred. This resulted in a saving of Rs 3,495.28 million representing 6.39% of total budget allocation.

Audit noted that:

- The non-development expenditure of the Authority was 17.95% excess than the revised budget. The main reason of such increase was due to increase in provisions of doubtful receivables against Pakistan International Airline Corporation (PIAC) which shows ineffectiveness of internal controls regarding realization of revenue/receivables.
- In Annual Development Programme (ADP) budget, there was a saving of Rs 3,103.97 million representing 17.33% of the budget allocation. This suggests that the Authority was not able to fully utilize its allocated budget for development resulting delay in completion of various infrastructure projects.
- An amount of Rs 500 million was paid to M/s Heavy Industries Taxila and M/s NESCOM as bridge finance for the purpose of upgrading security infrastructure at airports on the directives of Aviation Division on 7th July, 2014 which was to be reimbursed to CAA by Aviation Division. The same has not so far been reimbursed (Note 9.1 of the Financial Statements).
- An amount of Rs 179.30 million and Rs 85.20 million is due from Aero Asia International and Shaheen Air International respectively on account of foreign travel tax on behalf of Ministry of Finance (Note 10.1 of the Financial Statements).

b. Revenue**(Rs in million)**

Description	Target	2015-16		
		Realized	Excess/ (Shortfall)	Excess/ (Shortfall) %
Aeronautical	49,417.02	57,830.23	8,413.21	17.02%
Non-Aeronautical	6,759.29	7,244.80	485.51	7.18%
Total	56,176.31	65,075.03	8,898.72	15.84%

The aeronautical revenue realized was 17.02% higher than the target due to revision of route navigation charges and airport charges whereas; non-aeronautical revenue was 7.18% more than the targeted revenue due to increased commercial activities. The overall revenue realized was Rs 65,075.03 million, for the financial year 2015-16 representing 15.84% more than the targeted revenue. Revenue realized during the year is higher than the revenue realized for the previous year which was Rs 50,818.58 million.

c. Balance Sheet

Accounting ratios and trend analysis (along with comments) have been used to measure the strengths and weaknesses of the Authority's financial position for the year ended 30th June, 2016.

(i) Liquidity Position

Liquidity ratios (Current Ratio, Quick Ratio and Net Working Capital) are used to measure the Authority's ability to meet the short term obligations.

(Rs in million)

Ratios		Formulae	2015-16	2014-15
A	Current Ratio	<u>Current Assets</u>	<u>44,489</u>	<u>39,400</u>
		Current Liabilities	7,615	7,415
			5.91 : 1	5.31 : 1

Ratios		Formulae	2015-16	2014-15
B	Quick Ratio	<u>Cash + Bank + Short Term</u>	<u>20,612</u>	<u>15,810</u>
		<u>Investments</u>	7,615	7,415
		Current Liabilities	2.71: 1	2.13: 1
C	Net Working Capital	(Current Assets – Current Liabilities)	44,489- 7,615 =36,874	39,400- 7,415 =31,985

A. Current Ratio

A widely used thumb rule is that a Current Ratio of 2:1 is satisfactory. By this standard, the Authority's current ratio of 5.91:1 for the Financial Year 2015-16 is satisfactory, and increased from 5.31:1 for Financial Year 2014-15.

B. Quick Ratio

As per generally accepted guidelines, the ratio of 1:1 is considered satisfactory. By this standard, the Authority's Quick Ratio 2.71:1 is also satisfactory. As compared to the previous Financial Year 2014-15, this ratio has increased from 2.13:1.

C. Net Working Capital

Positive Working Capital of Rs 36,874 million shows that the Authority is in a position to meet out its current Working Capital needs.

Overall Liquidity Position of Authority is satisfactory.

(ii). Profitability Ratios

These ratios are used to measure the efficiency of the organization and optimal utilization of assets towards achievement of organizational goals.

Ratio		Formulae	2015- 16	2014- 15
A	Net Profit Margin	<u>Net Profit after Taxes</u>	<u>17,557</u>	<u>13,355</u>
		Net Revenue	65,075 = 26.98%	50,819 = 26.27%
B	Return on Investment	<u>Net Profit after Taxes</u>	<u>17,557</u>	<u>13,355</u>
		Total Assets	365,732 = 4.80%	294,876 = 4.52%
C	Total Assets Turnover	<u>Revenue</u>	<u>65,075</u>	<u>50,819</u>
		Total Assets	365,732 = 17.79%	294,876 = 17.23%

It is noted that during Financial Year 2015-16, the Authority's revenue increased by Rs 14,256 million and the net profit also increased by Rs 4,202 million as compared to the previous year. Net Profit Margin ratio increased to 26.98% (Financial Year 2014-15: 26.27%).

Return on Investment for the year increased to 4.80% (Financial Year 2014-15: 4.52 %), Total Asset Turnover increased to 17.79% (Financial Year 2014-15: 17.23%).

Authority's overall 'Profitability Position' and 'Liquidity Position' is satisfactory and depicts a sound financial performance.

3.3 Brief comments on the status of compliance with PAC's directives

Compliance position of PAC's directives on Audit Reports relating to Civil Aviation Authority is as under:

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of Compliance
1989-90	01	01	01	-	100.0
1990-91	11 AR + 1 PAR (10)	11	08	3	72.12

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of Compliance
1991-92	25	25	09	16	36.0
1992-93	33 CAA + 5 Ex-ADA + 1 PAR(14)	38	23	15	60.53
1993-94	49	49	15	34	30.61
1994-95	08	08	06	02	75.0
1995-96	14	14	06	08	42.86
1996-97	20	20	16	04	80.0
1997-98	91	91	75	16	82.41
	1 SAR	1	-	1	-
1998-99	46	46	36	10	78.26
1999-00	63	63	36	27	57.14
2000-01	87	83	61	26	70.11
2001-02	14	14	12	02	85.71
2002-03	10	10	04	06	40.00
2003-04	21	21	16	5	76.19
2004-05	10	10	08	02	80.0
2005-06	13	13	12	01	92.31
2006-07	09	09	05	04	55.55
2007-08	06	06	03	03	50.0
2008-09	17	17	10	07	58.82
2010-11	56	56	26	30	46.43
	25 PAR	25	22	03	88.0
	16 PAR	16	14	02	87.50
	33 PAR	33	19	14	57.58
2013-14	38	38	16	22	42.11

Note: Audit Reports for 1985-86, 1986-87, 1988-89, 2009-10, 2011-12, 2012-13, 2014-15 and 2015-16 have not been discussed by PAC till the finalization of this Audit Report.

3.4 AUDIT PARAS

Irregularity and Non-Compliance

3.4.1 Irregular award of work at higher rates / cost - Rs 5,990.130 million

As per Planning Commission Project Management Guidelines, at the time of award of contract if, it is found that cost of the project would exceed the approved limits by 15%, get the project revised and approved by the competent forum before implementation.

Audit noted that there was a provision of Rs 2,572.00 million in the revised PC-I of April 2014 of Rs 81,171.00 million of the New Islamabad International Airport Project against Aircraft Stand Equipment. The engineer estimate of the work was prepared/framed by the Consultants in February 2015 for Rs 4,771.862 million.

Audit further noted that prequalification process for award of the work “Aircraft Stand Equipment” was started in December, 2012 which was completed in July, 2014. Bids were invited in accordance with PPRA “single stage-two envelop procedure” from the three pre-qualified bidders in December 2014. After extensions, date of opening was fixed as 17th March, 2015. The bid submitted by M/s JBT/IEC JV was not accepted being non-responsive and returned without opening and evaluation.

Bids were re-invited in accordance with PPRA “Single Stage - two envelope procedure” from the same three pre-qualified firms / JVs vide letter dated 2nd July, 2015. Bid opening date was fixed as 05th August, 2015. Two out of the three pre-qualified firms / JVs purchased the bidding documents. On 5th August, 2015 at bid opening, only M/s ADELTE/HRL, out of the three pre-qualified firms/JVs submitted its bid. The work was awarded to M/s ADELTE/HRL JV on 17th August 2015 for Rs 5,990.130 million.

Audit observed that pre-qualification process started in December 2012 was completed in July 2014. Bids were invited with final date for opening of bids 17th March, 2015. Re-bidding was done with date of opening as 05th August, 2015. Unjustified delay in calling of tenders caused higher rates due to limited competition and currency fluctuation. The work was awarded at cost of Rs 5,990.130 million which was 25.53 % higher than the engineer provisional estimate of Rs 4,771.862 million and 232.89 % higher than the PC-I provision of Rs 2,572.0 million without revision of PC-I.

Audit maintains that unjustified delay in tendering process caused award of work at higher rates without revision of PC-I which was due to weak internal controls.

Audit pointed out the irregularity in November 2016. The Authority replied that M/s ADPi (Design Consultant) did not respond to CAA's request for submission of engineer's estimate for the revised scope of Package 9 as at that time its contract agreement with CAA was not valid. However, in order to move forward for tendering of Package 9, a provisional engineer's estimate of Rs 4,771.862 million was submitted by the then interim PMC setup, based on tender drawings and technical specifications. The revised PC-1 prepared in April 2014 reflected Rs 2,572.0 million for Package 9, however it included cost of 9 Passenger Boarding Bridges and 9 VDGS units only whereas, the current cost of Rs 5,990.0 million included more equipment than earlier PC-I. However, prior to tendering, based on the engineer's provisional cost estimate, a working paper for the perusal of the CAA Board in its 158th meeting was submitted, depicting the financial effect of extending the passenger terminal building from 9 to 15 contact gates, wherein, CAA Board decided that "if the scope of work and cost falls within the approved revised PC-I then there was no need for further approval. However, if the scope of work or cost was increased, then a revised PC-1 be presented to CAA Board after clearance by the CAA DWP/ CDWP (as the case may be)". Hence, in compliance to the directives of CAA Board, a case for revision of PC-I was prepared wherein besides other items, the tendered/awarded cost of

Package 9 was reflected and the same would be submitted to CAA DWP and CAA Board shortly.

The reply was not accepted because the delay in award of work resulted in award of work at higher rates. Details of original and final engineer's estimates were not produced in support of reply. Higher rates were accepted without revision of PC-I.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. The Committee directed CAA to get the record verified from Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 84)

3.4.2 Irregular award of contract on negotiation basis - Rs 4,503.958 million

As per Rule 40 (Limitation on negotiations) of PPRA 2004, Save as otherwise provided, there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder, provided that the extent of negotiation permissible shall be subject to the regulations issued by the Authority.

Clause 3.4 (b) states that besides any other requirements of the employer, the bidder must be a PEC licenced constructor. All partners to a joint venture shall also be similarly registered with PEC. As per Instructions to Bidders Clause 12, in no case shall the foreign currency component quoted rates in US\$ be more than 50% of the total bid price.

As per clause 2.2.1(i) of PEC Standard Procedure for evaluation of bids for procurement of works, prior to proceeding with the laying down of procedure/instructions for the evaluation of bids, one of the important stages of the bid evaluation is the preliminary examination to see whether

the bidder holds a valid licence from the PEC and falls within the category allowed to participate for the size of the project.

During scrutiny of record relating to New Islamabad International Airport Project, Islamabad relating to the work “Special Baggage Handling System for Passenger Terminal Building (Package-04), Audit noted that tenders were advertised on two envelope system on 23rd April, 2013 to be received upto 25th May, 2013. Only, two bidders submitted Technical and Financial bids. The lowest and only held responsive bidder M/s Thales-Selex-GE JV submitted bid of Rs 3,916.801 million with FC portion of US dollar 34.400 million (Pak Rs 3,371.200 million) i.e. 86.070%. In the post bid meeting dated 26th August, 2014, M/s Thales-Selex-GE JV were held responsive bidders. The work was awarded to M/s Thales-Selex-GE JV at agreement cost of Rs 4,503.958 million including additional works of Rs 587.157 million.

Audit observed the following:-

1. The financial bid was non-responsive as the bidder quoted 87% FC whereas it should not had been more than 50% as per bidding documents.
2. The contractors in the Joint venture were not registered with PEC in individual and joint venture status (as per record produced).
3. Negotiations were held after opening of financial bid to get the FC component within 50%.

Additional work of Rs 587.157 million was awarded during negotiation process.

Audit pointed out the irregularity in November, 2016. The Authority replied that the bidder resubmitted the revised format of Bid bringing FC to 49.96%. The same information was forwarded to Finance Section on 7th June, 2016. The contractor applied for registration from PEC after award of contract. The case is still under process at PEC. The negotiations were held after opening of financial

bid to get FC component within 50% and award of additional work of Rs 587.157 million. The same had to be done to avoid delay and to complete the project in time as per decision of minutes of the 5th meeting of steering committee held on 17th October, 2014.

The reply was not accepted because the financial bid was non-responsive as the bidder quoted 87% FC instead it should not had been more than 50% as per bidding documents. Negotiations were held after opening of financial bid to get the FC component within 50%. The contractors in the Joint venture were not registered with PEC in individual and joint venture status. Additional work of Rs 587.157 million was awarded during negotiation process against Public Procurement Rules.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. The Committee directed to conduct inquiry at PAO level for accepting non-responsive, conditional bid and award on negotiation basis in violation of Public Procurement Rules and take action against person(s) responsible. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 75)

3.4.3 Irregular award of work to ineligible contractor at higher cost and in violation of PPRA Rules - Rs 1,547.656 million

As per Government of Pakistan Planning & Development Division letter No.20(1)DA/PC/79-Vol,XIV dated 22nd June, 1980, if the total estimated cost, as sanctioned increases by a margin of 15 per cent, the approval of the ECNEC/Competent authority shall be obtained in the same manner as in the case of the original scheme without delay. The permission of 15% given by the ECNEC is in respect of the original cost and not the revised cost of the scheme.

There was a provision of Rs 550.0 million in the revised PC-I of April, 2014 under the head “Master component System Integration / Operationalization & Integration”.

As per press advertisement, eligible bidders were to be registered with PEC in Category C-B or above in the field of specialization of EE-09.

During scrutiny of accounts record of New Islamabad International Airport Project, Audit noted that PCAA called tenders for Package-4-A (Airport Information Management System-AIMS) on Single Stage Two Envelope (SSTE) on 5th December, 2015 with date of opening as 27th January, 2016. Twelve (12) companies purchased Tender Documents. The tender opening date was extended till 29th March, 2016. On 25th March, 2016, tenders were cancelled on telephonic call / instructions of DG PCAA. All participating bidders were intimated about cancellation of tenders dated 26th March, 2016. PCAA re-called tenders for Airport Information Management System including design, development, procurement, manufacturing, shipping, installation, training, testing/ commissioning, operation and maintenance on 1st June, 2016 on PPRA two stage bidding procedure under Rule 36(c), with date of opening on 5th July, 2016 which was extended upto 16th July, 2016. Six (6) bid documents were sold and only three (3) submitted their bids. Six members Committee was formed for technical evaluation. The committee members Muhammad Hanif and Brandan King were from PMC side. During Technical Evaluation dated 16th July, 2016, only following two companies were selected:

- 1) M/s Unistrong China- Ultra China//Systems Pakistan (JV) (Principal Partner Systems Pvt Pakistan)
- 2) M/s IMCO Pakistan/KAC Pakistan/TAV-IT(JV) (Principal Partner TAV-IT Turkey)

Financial bids were opened on 8th September, 2016 by a six member bid opening committee. Muhammad Hanif and Mr. Christopher R. Abbot were from PMC side in this six member committee. During Financial Opening, ultra-prices were declared 1st lowest without

considering many essential systems with the value of Rs 1,949.854 million (including O&M Cost of Rs 597.022 million (USD=Rs 104.5). As per Appendix-A (Revised) to Instructions to Bidders, the equipment/systems and materials covered in this package must be manufactured as per North American, Western European or Japanese Codes and Standards.

Acceptance letter was issued to the contractor M/s Unistrong-Ultra-Systems Limited on 07th October, 2016 for Rs 1,547.656 million (Rs 1,786.252 million - Rs 238.596 million).

Audit observed the following:

- i. The work was awarded at 281.392% higher than the approved cost in revised PC-I without revision of PC-I.
- ii. Tender documents were issued without PEC registration in individual and Joint venture capacity in Category C-B or above & field of specialization in EE-09.
- iii. M/s Unistrong China-Ultra China//Systems Pakistan (JV) (Principal Partner Systems Pvt Pakistan) and M/s ZTE China/Edge Airport France/ SCT Group/HRL-JV (Principal Partner ZTE China) did not purchase tender documents as per tender sales register but succeeded in submission of bids and even M/s Unistrong China- Ultra China//Systems Pakistan (JV) (Principal Partner Systems Pvt Pakistan) succeeded in award of work.
- iv. The scope of work was reduced for Rs 402.198 million without intimation to other bidder as required under PPRA rules. Detailed calculations/item wise cost breakup of the amount reduced were not available in the record produced to Audit. Many important systems like storage, servers, PCs, Terminals, Laptops, Software Licences and applications, Printers etc. were deleted from the Package. These items were part of the design of the package and would certainly be purchased in future at increased/higher cost.

- v. The bids evaluation process was biased and presented a conflict of interest situation. The person from PMC side – Mr. Christopher R. Abbot (who was ex-employee of Ultra Electronics during the years 2012 to 2014 as per his CV) was selected to evaluate the financial proposal. He was also involved in technical evaluation. Comparison of financial bids was not made on an apple to apple basis. M/s Unistrong China- Ultra China//Systems Pakistan (JV) (Principal Partner Systems Pvt Pakistan) quoted rates against most of the items of Chinese Brands Equipment (Huawei) which were accepted against the requirement of tender documents.

Audit maintains that the work was awarded to ineligible contractor at higher cost and with biased evaluation and in violation of rules.

Audit pointed out the irregularity in November 2016. The Authority replied while revising the PC-I, a lump sum provision of Rs 550.00 million was made for Master Component System Integration/Operationalization, based on the inputs available as on December 2013. Upon Employer's request, M/s ADPI submitted its 1st high level cost estimates for Package-4A during June 2016 with all systems included, amounting to USD 37.366 million (equivalent PKR 3,886.022 million). The same was later on, revised by M/s ADPI during August, 2016, by deleting 03 systems with revised cost estimates of USD 31.179 million (equivalent PKR 3,242.647 million). Finally, the Project Management Consultant; M/s Mott McDonald-MM Pakistan JV, in consultation with the MSI experts, the Design Consultant and the CAA refined the scope of works for Package-4A and further reduced the cost estimates to USD 19.851 million (equivalent Pak Rupees 2,967.930 million). Cost estimates based on the awarded scope of works, excluding the O&M Costs were considered by CAA for 2nd revision of PC-I. As per IB.2.1 (b) of Instructions to Bidders, only the successful bidder has to submit licence in Category C-B with field of specialization EE09 from PEC before signing of contract. Tender documents were issued to firms/persons having PEC Category C-B or above as per criteria, however all the bidders had committed that they would provide the approval of insertion for the code-

EE09, from PEC, if the contract is awarded to them. Kindly note that till to date, only letter of acceptance has been issued and formal award/signing of agreement yet to be executed. IB.2.1 (a) of Instructions to bidders allows the Airport Systems Integration Experts or their authorized representatives to purchase the tender documents for Package-4A works. M/s Ultra Electronics and M/s Habib Rafiq (Pvt) Ltd., being authorized representatives of M/s Unistrong-Ultra-Systems JV and M/s ZTE-SCT-Edge-HRL JV accordingly purchased tender documents for subject works on 4th July, 2016. IB-31, Clause 31.1 states “Employer reserves the right at the time of award of contract to increase or decrease up to 15% the quantity of goods and services specified in the schedule of prices without any change in unit price or other terms and conditions.”

Accordingly, equipment costing Rs 238.596 million (12.23% of Original Bid) were excluded from the bid price of the lowest evaluated bidder. Moreover, certain optional requirements under the scope of bids were accordingly excluded while awarding the contract on the revised reduced price of Rs 1,547.656 million duly accepted by the successful bidder in the best interest of the project. It may also be appreciated that deletion in the scope had not affected the competitive rankings of the bidder.

Mr. Christopher R. Abbot was not part of technical evaluation committee originating and evaluating the bids wherein, the documents concerning to companies profile attached therein are scrutinized in accordance with Appendix-B to Instruction to Bidders.

The reply was not accepted because CAA awarded the work at much higher cost beyond admissible 15% limit above approved in the revised PC-I. Against as provided in the press advertisement tenders were issued without obtaining required PEC registration. As evident from the record from Project Management Consultant side an ex-employee of the successful bidder was engaged in technical and financial evaluation process. Deletion of scope of work after opening of bids was against Public Procurement Rules. The quality of equipment was also compromised.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. The Committee directed CAA to conduct inquiry and submit report to Audit within three months. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 82)

3.4.4 Irregular award of work in violation of evaluation criteria and PPRA Rules - Rs 1,502.202 million

As per Rule 35 (Announcement of evaluation reports) PPRA 2004, procuring agencies shall announce the results of bid evaluation in the form of a report giving justification for acceptance or rejection of bids at least ten days prior to the award of procurement contract.

As per bidding documents clause IB.13.3, in case of a bidder offering to supply goods under the contract which the bidder did not manufacture or otherwise produce, the bidder has been duly authorized by the goods manufacturer or producer to supply the goods to Pakistan. The bidder/manufacturer has the financial, technical and production capability necessary to perform the contract.

During scrutiny of record of Package-5 (Furniture, Counters, Signage & Seating for Passenger Terminal Building) for Islamabad International Airport, Audit noted that PCAA called tenders on Single Stage Two Envelope System (SSTE) with extended bid opening date of 15th July 2016. Four companies purchased tender documents. Technical Bids were opened on 15th July 2016. As per technical evaluation concluded on 1st August, 2016. Only, M/s Interwood / Descon/CCM (JV) were declared technically qualified securing 82.5 marks.

Letter of award / acceptance was issued to the JV on 17th August, 2016 for Rs 1,502.202 million. Audit observed that:

- i. Against relevant experience, both the bidders M/s GECEI-Spain/IMCO/KAC-JV and M/s Habib Rafique Co/Kolsch-Germany were awarded 6.5 and 7 marks against 30 marks. Technical bids of both of the bidders revealed that these bidders quoted the names of national and international manufacturers of required furniture etc and assured supply from these manufacturers but the aspect was not considered. Had the evaluation been made as per bidding documents, both the firms would have been qualified.
- ii. Results of the technical evaluation were conveyed through letter issued on 3rd of August, 2016 without mentioning reasons for rejection.
- iii. Dis-qualified bidders were not provided a fair opportunity for any redresser or letter on Technical Rejection as required under rule 35 of Public Procurement Rules.

Audit holds that the technical evaluation was not carried out as per bidding documents criteria which resulted in irregular award of contract of Rs 1,502.202 million.

Audit maintains that award of contract was made without a fair opportunity for any redressal or letter on technical rejection as required under Rule 35 of Public Procurement Rules.

Audit pointed out the matter in November, 2016. The Authority replied that M/s DECI-Spain/IMCO-JV and M/s Habib Rafique Co/Kolsch-Germany were awarded 6.5 and 7 marks due to the fact that the bidders could not qualify the criteria given at Appendix-B, Clause 2.2. The bidders did not have the documental evidence to substantiate that they deserve the marks to be given in the light of Instructions to Bidders. It was further added that M/s GECEI/IMCO/KAC-JV and M/s Habib Rafiq Co./Kolsch-Germany although have quoted names of National & International manufactures but themselves have not experienced in relevant fields as required as per Appendix-B. In addition to this, CAA responded to these bidders after they raised queries on their rejection. The

Employer intimated the results of Technical Evaluation to all bidders on 3rd August, 2016 in compliance to Clause 35 of PPRA.

The reply was not acceptable because both the bidders were awarded 6.5 and 7 marks against 30 marks. These bidders quoted the names of national and international manufacturers of required furniture etc and assured supply from these manufacturers but the aspect was not considered. Results of the technical evaluation were conveyed through letter issued on 3rd August, 2016 without mentioning reasons for rejection. Dis-qualified bidders were not provided a fair opportunity for any redressal or letter on Technical Rejection as required under rule 35 of Public Procurement Rules.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. CAA explained that the rejected bidders did not possess the evidences to substantiate that they deserve the marks to be given in the light of Instructions to Bidders. The results of evaluation were conveyed to the participating bidders. Audit contended that bid evaluation process was not in line with Evaluation Criteria provided in bidding documents. The Committee directed CAA to get the facts verified from Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 81)

3.4.5 Non-revalidation of insurance cover - Rs 1,370.323 million

As per clause 21.1 of the contract agreement, the contractor was required to insure the work and equipment for an amount equal to contract amount plus 15%. The insurance cover was to be valid from start of the work until the date of issue of taking over certificate.

Audit noted that the contractor of work "Package-6, Hydrant Refueling System" at New Islamabad International Airport, submitted all risk insurance policy from Adamjee Insurance against amount of

Rs 1,370.323 million which was valid upto 30th September, 2013 for erection and upto 30th September, 2014 for maintenance period.

Audit observed that despite the insurance cover expired, IPC No.15 dated 4th September, 2015 was processed and paid to the contractor without revalidation of insurance cover.

Audit holds that non-revalidation of insurance cover was due to non-adherence to the contractual clauses and poor internal control systems.

Audit pointed out the irregularity in November 2016. The Authority did not reply.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. The Committee observed with concern that public interest was not safeguarded and directed CAA to get the insurance policies re-validated till the expiry of defect liability period as per provisions of contract agreement and get it verified from Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 66)

3.4.6 Non-recovery of liquidated damages due to delay in completion of work - Rs 900.792 million

As per preamble to condition of contract No. 27.1, if the contractor fails to deliver the works within the time, the employer may deduct the amount of such damages from any monies due to the contractor. The deduction of such damages shall not relieve the contractor from his obligation to complete the works. As per addendum No.03 dated 31st January, 2012 to the contract, maximum amount recoverable from the contractor by the employer is 20% of the contract price.

Audit noted that the work “Package-04, Special Systems Baggage Handling System for Passenger Terminal Building at new Islamabad International Airport” was awarded to M/s Thales-Selex-Guarantee Engineers (JV) at agreement cost of Rs 4,503.958 million on 5th January, 2015 with completion upto 4th January, 2016.

Audit observed that the contractor could not complete the work even after expiry of the stipulated period of completion. Thus, the contractor has made him liable to be penalized under the provisions of the contract. But neither liquidated damages were imposed nor recovered by PCAA from the contractor. This resulted in non-recovery of liquidated damages of Rs 900.792 million (20% of Rs 4,503.958 million).

Audit maintains that liquidated damages were not imposed due to non-adherence to the provisions of the contract.

Audit pointed out the non-recovery in November 2016. The Authority replied that extension of time had not been given to contractor. This office would deduct/recover liquidated damages of Rs 900.792 million from contractor after consultation/coordination with PMC.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. CAA explained that Extension of Time was granted to the contractor up to 25th January, 2017, however, work could not be completed. Decision of liquidated damages would be made at the time of final bill. The Committee observed with concern that the contractor could make 60% physical progress despite expiry of original and extended period up to 25th January, 2017. The Committee directed to impose/recover liquidated damages, if the contractor was at fault. The compliance of DAC’s directive was not reported till the finalization of this report.

Audit recommends imposition of liquidated damages and recovery.
(DP. 77)

3.4.7 Irregular award of work to ineligible contractor/firm - Rs 664.405 million

As per Rule 16 (Pre-qualification process) of PPRA 2004, (3) The procuring agency shall promptly notify each supplier or contractor submitting an application to pre-qualify whether or not it has been pre-qualified and shall make available to any person directly involved in the pre-qualification process, upon request, the names of all suppliers or contractors who have been pre-qualified. Only suppliers or contractors who have been pre-qualified shall be entitled to participate further in the procurement proceedings. The procuring agency shall communicate to those suppliers or contractors who have not been pre-qualified, the reasons for not pre-qualifying them.

As per Clause 27.1 of pre-qualification documents, “promptly after the notification of the results of the pre-qualification, the Employer shall invite bids from the all the applicants that have been pre-qualified”.

As per Clause 1.2.1(ii) of PEC Standard Procedure for evaluation of bids for procurement of works, a most important element that has to be considered and accorded appropriate weightage to determine the lowest evaluated responsive bidder for award of contract is the condition of holding of a current valid licence to practice as constructor. As per clause 2.2.1(i), prior to proceeding with the laying down of procedure/instructions for the evaluation of bids, one of the important stages of the bid evaluation is the preliminary examination to see whether the bidder holds a valid licence from the PEC and falls within the category allowed to participate for the size of the project.

Clause 3.4(b) states that besides any other requirements of the Employer, the bidder must be a PEC licenced constructor. All partners to a joint venture shall also be similarly registered, i.e. local or foreign and the joint venture shall be registered in Pakistan with PEC”.

During scrutiny of record relating to “Construction of Rain Water Harvesting Ramma Dam at New Islamabad International Airport, Audit

noted that prequalification of the contractors for the project was carried out by M/s AAB-Mega Engineering JV in September 2014. Thirty seven (37) Contractors participated out of which four (04) were prequalified. The results of pre-qualification were approved by the then Project Director.

Audit further noted that the prequalification process was annulled and tenders for Single Stage Two Envelope (SSTE) were called and opened on 18th June, 2016. As per bidding documents, specific experience of the similar nature and size of the projects was required for technical qualification. During technical evaluation three (03) firms (other than the four firms already prequalified) were considered technically qualified. Financial bids of these technically qualified firms were opened and M/s Hasas Construction were awarded the work for Rs 664.405 million on the basis of lowest evaluation bid on 3rd September, 2015.

Audit observed that:

1. M/s Hasas Construction J.V was not registered as J.V with Pakistan Engineering Counsel.
2. During technical evaluation, M/s Hasas Construction submitted that the firm completed the following projects:
 - i) Artvin Erzurum State Road Construction Part-1, General Directorate of State Hydraulic Works (Turkey) for Rs 9,206.94 million.
 - ii) Sadak Dam General Directorate of State Hydraulic Works (Turkey) for Rs 2,888.48 million.

Audit observed that no evidence against the completion of above projects by M/s Hasas Construction was on record.

Audit holds that PCAA annulled the prequalification process for this specific nature project irregularly and awarded the work to ineligible contractor of Rs 664.05 million.

Audit pointed out the irregularity in November 2016. The Authority replied that pre-qualification of constructors was carried out in September, 2014 by M/s. AAB-MEGA JV. Out of 37 applicants only 4 constructors were pre-qualified. The said process was annulled under PPRA rules the said 4 constructors were informed in writing about the same and further advised to take part in the fresh tender process. The said 4 constructors purchased tender documents along with a total of 33 constructors, however, the said 4 constructors did not participate in the bidding process. Annulment process was as per PPRA rules and was not irregular. One of the constructors (M/s Sarwar & Company) approached Lahore High Court with the said plea and the case was dismissed in favour of CAA. M/s Hasas Construction Company and Haji Majeed & Co. JV partners were both PEC registered contractors in Category CB & C1 respectively which were entitled to carry out works upto Rs 3,000 million & 2,500 million respectively.

The reply was not accepted because as per bidding documents criteria for evaluation of bids, the past relevant experience was required. M/s Hasas Construction J.V had no past experience of construction of dams. In the pre-qualification process of September 2014 (which was annulled by CAA) M/s Hasas Construction was not qualified for the project. This state of affairs clearly shows that pre-qualification process in the 1st phase was annulled as the favorite contractor was not pre-qualified. The contractor was technically qualified through false story and the work was awarded to ineligible contractor.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. CAA reiterated its previous stance. The Committee was not convinced and directed to conduct inquiry at PAO level for fixing responsibility and action against person(s) responsible. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 70)

3.4.8 Irregular advance payment through post-bid amendment - Rs 622.115 million

As per bidding documents/contract agreement Clause 33.1.1, the payment of imported items was to be made as under:

- 1) 15% (fifteen percent) of the quoted rates which have been distinctly identifiable as imported items shall be paid as advance against Bank Guarantee from schedule bank in Pakistan, having 'AA' rating by PACRA/JCR after the Contractor has obtained necessary approval of equipment and materials from the Engineer.
- 2) 40% (forty percent) of the quoted rates of imported items shall be paid as advance against the Bank Guarantee from a schedule bank in Pakistan having 'AA' rating by PACRA/JCR on submission of a copy of negotiable shipping documents and bill of lading.

During scrutiny IPC-01 relating to Special Systems Baggage Handling System for Passenger Terminal Building Package-04, NIIAP Project CAA, Audit noted that PCAA made advance payment of Rs 622.115 million on 4th January, 2016 without obtaining necessary approval of equipment and materials from the Engineer.

Audit observed that the advance payment was made without fulfilling the required formality through post bid amendment during negotiation process. This resulted in irregular advance payment of Rs 622.115 million.

Audit maintains that irregularity occurred due to weak internal and financial controls.

Audit pointed out the irregularity in November 2016. The Authority replied that payment was made after amendment of contract Para (1), (2) & (3) of sub-clause 33.1.1.

The reply was not accepted because advance payment was made to the contractor through post-bid amendment as admitted by CAA in reply.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. The Committee directed to conduct inquiry at PAO level for post-bid amendment and take action against person(s) responsible. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 76)

3.4.9 Loss to the Authority due to non-imposition of penalty as per agreement clause - Rs 557.568 million

According to Clause 4 of lease agreement "the lessee shall develop and complete the construction and/or allied works, within the specified period of four (04) years from the date of signing of the lease deed or during the specified extended period if granted by the Lessor. In case, lessee fails to commence construction work within one (01) year from the execution of the lease deed or fails to complete the construction for launching/operation of the project within the specified period of four (04) years, it shall inform CAA in writing with reasons of such failure and seek extension in the specified time period for commencement of construction or affecting its completion, as the case may be. In case, however, the extension was not granted, TDAP will be subject to penalty ranging between Rs 100 to Rs 300 per Sq.yard per month as non-utilization charges or termination of lease and resumption of land by the lessor.

Audit noted that APM, JIAP CAA Karachi, signed a lease agreement with M/s Trade Development Authority Pakistan on 8th February, 2013. The lessee has to commence construction work within 01 year from execution of the lease deed but the lessee failed to commence any work up to 19th October, 2016 and CAA management failed to penalize as per contract clause. This resulted in loss to Authority due to

non-imposition of penalty as per contract clause of Rs 557.568 million (Rs 300 per Sq.Yard per month × 77,440 Sq.Yard × 24 months).

Audit maintains that loss occurred due to lack of oversight mechanism for exercising internal and financial control.

Audit pointed out loss in October 2016. The Authority replied that a working paper for consideration of CAA Executive Committee regarding cancellation of allotment/termination of lease deed was under submission to DG CAA. As soon as the decision of DG CAA is received, Audit would be apprised.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. The Committee was informed the matter of cancellation of lease was under process. The Committee directed CAA to finalize the action and outcome be shared with Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 96)

3.4.10 Undue financial aid to the contractor by giving additional Mobilization Advance - Rs 465.00 million

According to Clause 60.11(a) of agreement, an interest free Mobilization Advance upto 15% of the contract cost stated in the Letter of Acceptance shall be paid by the employer to the contractor in two equal parts upon submission by the contractor of a Mobilization Advance Guarantee for the full amount of the advance in the specified form from a scheduled bank of Pakistan acceptable to the employer. The Standard Contract Agreement does not provide any scope for change in the conditions of the contract. Clause 51.1 provides scope for variations in quantities only.

During scrutiny of record of relating to Passenger Terminal Building Package-3, NIAP Project CAA, Islamabad, Audit noted that

PCAA paid Mobilization Advance of Rs 3,042.906 million, as per terms of contract.

Audit observed that PCAA paid additional mobilization advance of Rs 465.00 million to the contractor on 16th September, 2015 without provision in the contract agreement. This resulted in an undue financial aid of Rs 465.00 million to the contractor.

Audit maintains that the practice of giving Mobilization Advance in excess of the limit specified in the contract agreement is against the norms of financial discipline/propriety which is due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in November 2016. The Authority replied that Honourable Prime Minister of Pakistan visited the project on 20th March, 2014 directed to increase Passenger Boarding Bridges from 09 to 15". Provision for 06 additional PBBS involved substantial increase in the existing scope of work that was not envisaged before. To comply the directions given by the highest executive office to meet the stringent project completion timelines, the Engineer recommended release of Mobilization Advance to the tune of Rs 465 million to jump start the construction. The payment was accordingly released in the best interest of the project against a Bank Guarantee. The amount advanced has since been recovered from the Contractor in full.

The reply was not accepted because mobilization advance was meant to meet the expenses of the contractor on mobilization. In this case the contractor was already mobilized at site. Payment of additional mobilization advance was an undue financial aid to the contractor outside the contract provision.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. CAA explained that additional mobilization advance was granted keeping in view the substantial increase in the scope of work against a bank guarantee. Audit contended that additional mobilization

advance was against the provisions of contract agreement. The Committee observed that post-bid amendment was an undue financial aid to the contractor and directed to fix responsibility for violation of contract agreement and take action against the person(s) responsible. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 72)

3.4.11 Non-recovery of liquidated damages due to delay in completion of work - Rs 157.687 million

As per condition No. 27.1 of preamble to contract, "Package-7B NAVAIDS & ATC Equipment" if the contractor fails to deliver the works, or any part thereof, within the time stated in sub-Clause 25.1, or fails to complete the whole of the work or, if applicable, any section within the relevant time prescribed by sub-clause 25.1, then the contractor shall pay to the Employer the relevant sum as liquidated damages for such default (which sum shall be the only moneys due from the contractor for such default) for every day or part of a day which shall elapse between the relevant time for delivery or time for completion and the actual date of delivery at site or the date stated in a Taking-over certificate or the whole of the works or the relevant section. As per addendum No.03 dated 31st January 2012 to the above contract, maximum amount recoverable from the contractor by the employer is 15% of the contract price.

Audit noted that the work "package-7B NAVAIDS & ATC Equipment" was awarded to M/s Jaffer Brothers, M/s GECI Espanola, SA and M/s Murshid Brothers JV at agreement cost of Rs 1,051.250 million.

Audit noted that the work was not completed by the contractor within the stipulated time i.e. upto October 2013. The contractor supplied the equipment in November 2015 i.e. after two years of expiry of contract period.

Audit observed that despite expiry of contract period payments were made to the contractor without extension in time and without deduction of liquidated damages of Rs 157.687 million (15% of Rs 1,051.250 million).

Audit maintains that non-recovery of liquidated damages and non-ascertaining of correctness of rates was due to weak internal controls and contract management.

Audit pointed out the non-recovery in October-November, 2016. The Authority replied that the works were ongoing and the amounts released to the Contractor represented the value of work executed, measured and payable as per the Engineer's Certification under the relevant Conditions of Contract. The Contractor applied an Extension of Time for completion of the works for the reasons beyond his control. The Contractor's request was being analyzed by the Engineer for making his recommendations to the Employer. As the works were continuing and the Employer had sufficient financial coverage available in shape of the Contractor's Performance Bond and Retention Money, matter of imposition of LDs shall be finalized strictly in accordance with the dictates of the Contract.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. The Committee directed CAA to impose/recover penalty/liquidated damages as per provisions of contract agreement and get it verified from Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 63)

3.4.12 Irregular award of construction supervision consultancy services as additional services without tendering - Rs 77.774 million

Rule 12 (2) of PPRA rules states that all procurement opportunities

over two million rupees should be advertised on the Authority's website as well as in other print media, principally at least two national dailies, one in English and the other in Urdu. Rule 42 (c) (iv) of ibid rules provides that a procuring agency shall only engage in direct contracting if the repeat orders do not exceed fifteen percent (15%) of the original agreement. According to Rule 50 of ibid Rules, any violation of these Rules constitutes mis-procurement.

Audit noted that Project Manager, New Gwadar International Airport, Civil Aviation Authority awarded consultancy contract for master planning, design & field design support services to M/s Nespak/ADPi (JV) for Rs 168.00 million on 14th September, 2008. Audit further noted that the supervision consultancy of the project was also awarded to the same consultant as "additional scope of work/services" through negotiation on 5th January, 2009 for Rs 15.937 million. The consultant was paid an amount of Rs 77.774 million on account of supervision consultancy.

Audit observed that the supervision consultancy was quite different from scope of design consultancy services and was not covered within 15% limit. This resulted in irregular award of supervision consultancy contract.

Audit maintains that the irregularity occurred due to non-adherence to the PPRA Rules and lack of internal controls.

Audit pointed out irregularity in July 2016. The Authority replied that award of construction supervision to the Design Consultant was not prohibited in FIDIC and PEC rulings and the work was executed as additional services for site protection work.

The reply was not accepted because the construction supervision consultancy was awarded to the Design Consultant without tendering process/open competition in violation of PPRA rules.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. The Committee directed CAA to investigate the matter,

take action and share outcome with Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 15)

3.4.13 Loss to the Authority due to non-tendering of licence agreement - Rs 24.726 million

As per GFR Rule-23, 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 noted that APM office (Commercial Section), JIAP CAA Karachi, signed a licence agreement for the work "collection of fee from commercial vehicles and operation of baggage fork lifter" with Nazir Transport Services for 03 years tendering from 24th May, 2011 to 23rd May, 2014 with agreed monthly fee of Rs 361,500. The fee was to be enhanced by 12.5%, 15%, i.e. Rs 406,688 and Rs 467,692 for 2nd and 3rd year respectively. Audit further noted that the Airport Manager, before the upcoming expiry of lease agreement on 23rd May, 2014 wrote a letter to the CC & MO HQCAA for retendering for a period of 05 years at reserve price of Rs 491,500 (5% over and above enhancement in the current monthly licence fee) with 10% cumulative annual enhancement in licence fee on 22nd February, 2014.

Audit observed that instead of retendering, the Director Commercial accorded approval for renewal of licence agreement for next 02 years w.e.f 24th May, 2014 to 23rd May, 2016 with 10% annual cumulative enhancement @ of Rs 500,000 per month during subsequent years without tendering on 7th April, 2014. Audit further observed that after expiry of next 02 years, the licence was put to tender on 26th

February, 2016 by HQCAA. After comparison of bids on 8th April, 2016, M/s Combined Freight (Pvt) Ltd stood 1st highest with a bid Rs 1,451,000 per month which was approximately 200% above the monthly payment of fee in last 2 years. The old licensee handed over the premises on 31st July, 2016 but actual expiry of its agreement was on 23rd May, 2016. This resulted in loss due to non-tendering for Rs 24.726 million (Rs 1,451,000 – Rs 500, 000 × 26 months) and delay in taking over of possession.

Audit maintains that loss occurred due to mismanagement and undue favour to the licensee by CAA and weak internal and financial controls.

Audit pointed out loss in October 2016. The Authority did not reply.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. CAA explained that initially concession was granted for three years. The licence was extended for further two years on the basis of performance of the company and expenditure incurred for establishment of the business. As far as delay in handing over the possession to the new firm, it occurred due to time consumed in assessment of the viability of the business. The Committee was not convinced with the CAA's viewpoint and directed to fix responsibility for extension of licence without tendering at less favourable rates and loss sustained due to delay in handing over the possession to new licensee. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 101)

3.4.14 Unjustified extra expenditure due to deviation from the approved scope of work - Rs 8.188 million

According to Rule 10 of GFR (Vol-I), every public officer is expected to exercise the same vigilance in respect of expenditure incurred

from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During scrutiny of record relating to New Islamabad International Airport Project, Islamabad for the year 2015-16, Audit noted that as per contract agreement of the work “Airfield Lightning System Package 7A Islamabad, an item of work, “150 mm internal diameter class-D uPVC Pipes” was provided for a quantity of 25,000 linear meter (L.M) @ Rs 1,112.60 against estimated rate of Rs 2,500 per L.M.

During execution of work, the internal dia of above uPVC Pipes was increased from 150mm to 200mm and rate of Rs 2,096 per L.M was paid to the contractor.

Audit holds that due to unjustified substitution/deviation of an item of work, against which the contractor quoted 55% lower rate than estimated, extra payment of Rs 8.188 million was made as detailed below:

Payment made	8,326.58 @ Rs 2096/L.M	= Rs 17,452,518
As per BOQ	8,326.58 @ Rs 1,112.60/L.M	= Rs 9,264,153
Difference		= Rs 8,188,365

Audit pointed out the extra expenditure in November, 2016. The Authority replied that Variation Order No.01 forwarded by the “Engineer” in accordance with the provisions of contract agreement clause 2.1(VIII) of Particular condition of contract and recommended for approval of Employer, on account of proposed resize of uPVC pipes from 150 mm to 200 mm diameter. The necessity of the variation occurred due to providing the Power Supply to ATC tower, FCR building and other installations for which Medium Voltage cables required to be pulled out across the Main Runway. With the intention to avoid the tribulations that may arise at the time of pulling cable due to unavailability of working space, the size of uPVC pipes upgraded to 200 mm dia from 150 mm dia. The proposed quantity (25,000 LM) of 150 mm dia uPVC pipes in BOQ was deleted being not utilized. The rates for substituted item of 200 mm uPVC pipes were determined by the Engineer, @ Rs 2,096 per L.M. The payment was

made to the contractor against the executed work where 200 mm dia uPVC pipe was utilized in total length of 8,326.58.

The reply was not accepted because rates for the substituted item were fixed on higher side not keeping in view the rates for the item deleted which rates were 55% less than the Engineer's estimate. The saving due to deletion of quantities cannot be utilized in shape of higher rates to the contractor. UPVC pipes 150 mm (06 inches) were meant for laying cables through it. There was no justification of excessive laying of cables for increase in dia of the pipes.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. CAA explained that dia of the uPVC pipes was increased to facilitate the installation of long run cables across runway and to avoid any damage to the cables. The Committee was not convinced with the justification given by CAA and decided to place the para before PAC for deliberations and decision.

Audit stresses upon investigation and appropriate corrective action.
(DP. 64)

Internal Control Weaknesses

3.4.15 Loss due to write-off bad debts and payment of income tax on receivables of PIAC - Rs 18,398.310 million

According to the definition of accounting methods described in International Accounting Manuals as:-

- **Accrual Accounting:** that records revenues and expenses when they are incurred, regardless of when cash is exchanged. The term "accrual" refers to any individual entry recording revenue or expense in the absence of a cash transaction. In this method the tax on income is payable on booking in the accounts regardless of its realization.

- **Cash Accounting:** an accounting method where receipts are recorded during the period they are received, and expenses are recorded in the period in which they are actually paid. Under this method the tax on income is payable at the time of its realization.
- **Hybrid Accounting:** The hybrid method of accounting is primarily a blend between the cash and accrual methods but also incorporates other special methods of accounting. The hybrid method is permissible for internal accounting and tax purposes.

Audit noted that an amount of Rs 38,823.207 million was outstanding against Pakistan International Airlines Corporation (PIAC) on account of aeronautical charges upto 30th June, 2016. Out of total outstanding dues, an amount of Rs 9,943.335 million pertains to financial year 2015-16. Audit further noted that the CAA Board in its 167th meeting held on 6th October, 2016 directed to declare receivables of PIAC as bad debts upto June 2012.

Audit observed that Civil Aviation Authority sustained loss of Rs 18,398.310 million due to the following reasons:-

- i. The Authority written-off receivables of PIAC Rs 11,271.442 million upto June 2012 instead of declaring bad debts in violation of Board's decision. Further, the authority already paid income tax on those receivables involving Rs 3,945.005 million. This resulted in loss to authority of Rs 15,216.449 million upto June 2012.
- ii. The Authority paid income tax of Rs 3,181.868 million for the year 2015-16 on account of current receivable of PIAC against aeronautical charges Rs 9,943.335 million.

Audit is of the view that PIAC is habitual defaulter of CAA, therefore, the Authority has to take up the matter of PIAC at higher level

for exemptions in their accounting system. Cash Accounting System or Hybrid Accounting System is the best suitable system which may be used in case of PIAC so the Authority could save from heavy financial burdens of taxes. This resulted in loss due to write-off bad debts and payment of income tax on receivables of PIAC amounting to Rs 18,398.310 million.

Audit pointed out the matter in November 2016. The Authority admitted the viewpoint of Audit in respect of adoption of cash/hybrid system. In other case, the Authority replied that the CAA Board in its 167th meeting held on 6th October, 2016 had deliberated the issue for write-off of bad debt amount pertaining to PIAC on the basis of legal opinion given by the CAA Counsel/Lawyer and agreed in accordance with the Law for the purpose of Taxation. However, the whole amount would continue to be appeared in memorandum record which shall be shown as receivable from PIAC and CAA will try all possible efforts for recovery of the whole outstanding amount.

The reply was not tenable because action of the Authority was in violation of the Board's decision. Further, the amount of tax paid previously on that amount was not adjusted yet.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. The Committee decided to refer the matter to PAC for deliberations and decision.

(DP. 137&138)

3.4.16 Loss to the Authority due to non-awarding of available land for lease - Rs 3,076.376 million

According to para B1 of Land Lease Policy 2012, the scope of lease policy is in line with the CAA Ordinance (XXX of 1982) which encourages CAA to exploit its land resources to generate revenue. The policy elaborates the guidelines for leasing CAA land assets for

commercialization. The OPI (Office of Prime Interest) Director for the policy is Chief Commercial and Marketing Office.

Audit noted that various plots/open spaces were reserved for allotment according to purpose provided in master plan i.e. construction of different offices, departments, hotels, superstores, education, banks and hospital facilities etc. having total area of 2,307,282 sq. yard since long but no action was taken up to the financial year 2015-16. Audit observed that the normal market value of land in 2016 is between Rs 20,000 to Rs 30,000 per sq. yard. Non-awarding of available vacant land caused to Authority a huge loss for minimum past 2 years of Rs 3,076.376 million ($\text{Rs } 20,000/\text{sq.yard} \times 2,307,282 \text{ sq.yard} \div 24 \times 2 \text{ years}$ excluding back and upcoming years).

Audit maintains that loss occurred due to mismanagement and irresponsible behavior of CAA for utilization of its available resources for revenue enhancement which can also help the country in this financial crunch situation.

Audit pointed out the loss in October 2016. The Authority replied that the management of Jinnah International Airport Karachi forwarded a proposal to HQCAA duly marked on master plan to lease out the open spaces of CAA land for different commercialization purposes. The HQCAA was considering this proposal keeping in view to see all related formalities/aspects. As and when approved by the competent forum, the spaces would be advertised and highest bidders will be awarded to earn huge Revenue for CAA.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. CAA explained that 1,510 acres of land was involved in Sukuk bonds which cannot be used for commercial purpose. However, CAA was making plans for utilization of land which was involved in Sukuk bonds. The Committee directed CAA to get the facts verified from Audit within seven days and ensure proper utilization of land as per policy. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 100)

3.4.17 Undue financial aid to the Contractor due to payments of Interim Payment Certificates (IPCs) for lesser amount than minimum permissible limit - Rs 2,003.870 million

Clause 60.1 Condition of Contract part-I provides the provision of payment to the contractor for the percentage of the invoice value of listed materials, delivered by the contractor on the site for incorporation in the permanent works but not incorporated in such works. In part-II (Particular Condition of Contract) said provision was deleted and stipulated with the sub-Clause 60.11 (A) Financial assistance to Contractor in the shape of 15% Mobilization Advance only. Clause 60.2 of Particular conditions of contract provides that the minimum permissible limit of submission of IPC is Rs 400.00 million.

During scrutiny of IPC-28 relating to Passenger Terminal Building Package-3, NIIAP Project, Audit noted that PCAA made payment of Rs 2,003.870 million against 11 IPCs to the contractor having amount less than Rs 400.00 million.

Audit observed that IPCs for lesser amount of work done were paid contrary to the provisions of contract. Part payments were made to the contractor in addition to mobilization advance and secured advance payments.

Audit holds that non-adherence to contract caused undue financial aid at the cost of Authority revenue for Rs 2,003.870 million.

Audit pointed out the irregularity in November 2016. The Authority replied that Honourable Prime Minister of Pakistan visited the New Islamabad International Airport (NIIAP) Project on 20th March, 2014 and directed to increase Passenger Boarding Bridges (PBB) from 09 to 15. Provision for 06 additional PBB involved substantial increase in the

existing scope of work that was not envisaged before. To comply the directions given by the highest executive office and to meet the stringent project completion timelines payments of Rs 2,003.870 million were released in terms of Clause-60 of the conditions of Contract duly certified by the PMC against the measured work done in the best interest of the project considering the prevailing circumstances and continuation the pace of work.

The reply was not accepted because there were certain timelines for verification and checking of IPCs by the engineer and the employer. Interest for delayed payments is to be paid to the contractor as per contract. There was no provision of making part payments which were actually the payments without completion of due process of verification by the engineer and the employer as undue financial favour to the contractor. Owing to this, CAA itself termed these payments as part payments instead of IPCs.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. The Committee observed that it was a clear violation of contract clause to extend favour to the contractor and directed CAA to fix responsibility for the violation and take appropriate action against person(s) responsibility. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 74)

3.4.18 Non-recovery of revenue from Government/private offices - Rs 1,736.459 million

According to Rule 26 of GFR, it is the duty of the departmental Controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

Audit noted that Airport Manager, JIAP, CAA, Karachi could not recover the CAA dues (non-aeronautical) from various Government and private offices during the financial year 2015-16 in heads of annual ground rent, licence fee, water and electricity charges up to 30th June, 2016. Neither facilities were disconnected nor were concrete measures taken towards recovery. This resulted in non-recovery of Rs 1,736.459 million.

Audit maintains that non-recovery of CAA dues occurred due to mismanagement and lack of oversight mechanism for implementation of internal and financial control.

Audit pointed out non-recovery in October 2016. The Authority did not reply.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. CAA explained that recovery had been made from M/s Attock Petroleum, M/s Makro Habib and M/s SAPS and recovery from others were being pursued. The Committee directed CAA to get the recovered amount verified from Audit and make efforts for recovery of remaining amount. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 97)

3.4.19 Loss due to non-allotment of vacant space - Rs 503.463 million

According to Rule 26 of General Financial Rules (Vol-I) subject to any special arrangement that may be authorized by competent authority with respect to any particular class of receipts, it is the duty of the Departmental Controlling Officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

Audit noted that Airport Manager, Allama Iqbal International Airport Lahore (Commercial Branch) has been failed to utilize the open

spaces, covered area of 435.70 kanals (2,446,368 Sq.ft), which resulted into loss due to lying vacant space for Rs 503.463 million.

Audit pointed out the loss October 2016. The Authority replied that the open spaces for commercialization were proposed to be leased/licensed out for different purposes but not for other than Aviation purpose. The open space land was licensed/leased out relating to Aviation purpose through advertisement at HQCAA. Further, land would be commercialized as per CAA policy. Presently, expansion of terminal building was in progress. CAA Board in its 160th meeting decided that the proposal be kept pending till the finalization of the Expansion Plan of AIIAP and thereafter the bids for lease of land for Establishment of Air Logistics Centre at AIIAP be obtained through competition.

The reply was not accepted because the expansion of the airport building did not exist at this stage and even survey of the airport building was not made.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. CAA explained that land was leased out to M/s Mulberry Enterprises, I.T Park, PAMCO but could not be handed over to lessees, as 178 acres of CAA land in front of terminal building was under possession of Parks & Horticulture Authority (PHA), Government of Punjab, for beautification purpose. The Committee directed to take up the matter at higher level to acquire possession of CAA land from PHA for further utilization as per CAA plan and policy. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 60)

3.4.20 Loss of revenue to the Authority - Rs 264.600 million

As per clause 5 (h) of the lease agreement, the lessee would not to assign, transfer or sub-lease the lease-hold rights of the premises hereby

demised or any part thereof without prior written permission of Director General, CAA.

Audit noted that Airport Manager JIAP Karachi, signed a lease agreement with M/s Sky Rooms (Pvt) Ltd. for Airport Hotel for a lease of 30 years. As per notice issued by Sr. Joint Director (Estates) vide No.1413 dated 28th June, 2016, the M/s Sky Rooms has violated the above referred clause of the agreement and sub-leased out the 867 sq. yard of area to Habib Bank Ltd since long and currently receiving monthly rent of Rs 735,000 from the bank. The bank is operating from last 03 decades.

Audit observed that during this period, CAA neither cancelled the lease agreement of M/s Sky Rooms (Pvt) Ltd. because of violation of agreement nor leased out that area directly to the Bank by its own competency. Audit also observed that despite of deployment of huge staff at land branch as well as at legal branch neither this activity was noticed from last 30 years nor any clause of penalty in case of violation was provided in lease agreement. This resulted in loss of Rs 264.600 million (Rs 735, 000 × 12 × 30 years (excluding 8% increase in rent per year and plus KIBOR bank compound interest rate).

Audit maintains that loss occurred due to lack of oversight mechanism for exercising internal and financial control.

Audit pointed out loss in October 2016. The Authority replied that notice was issued to M/s Sky Rooms (Pvt) Ltd for violation of clause-5(h) which was responded by hotel management that no clause was violated as the HBL bank was established with the permission of CAA Management. The reply was not acceptable. The area was rented out by the Lessee without permission of the CAA in violation of the agreement. In this regard, the licence fee may be re-calculated and recovered on basis of 10% enhancement per year w.e.f 1st December, 1986.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. The Committee observed with concern that CAA's interest was not safeguarded due to which rent remained un-recovered for more than 30 years. The Committee directed CAA to fix responsibility for negligence and effect recovery from bank/PIAC.

Audit recommends early compliance of DAC's directive.

(DP. 89)

3.4.21 Inadmissible/unjustified payments on account of pay and allowances - Rs 10.256 million

CAA Service Regulations provide that "Hard Area Allowance @ 60% of minimum basic pay shall be admissible when an employee is performing duty at Parachinar, Khuzdar, Laram Qilla, Zhob, Dalbandin, Gwadar, Jiwani, Pasni, Pasni Radar, Ormara, Panjgur, Turbat, Sibi, Bannu & Lakpass.

CAA Board in its 140th meeting held on 16th April, 2012 approved rating/allowance for AIR Traffic Controllers @ 20% of running basic pay per activity maximum up to 140% against seven (07) activities as communicated vide Admn Order dated 8th May, 2012. This allowance is applicable to ATC personnel on active ATC and Radar Duties only.

Para 64 of CAA Service Regulations 2014 states that employee who holds an acting or current charge of a higher post, for a period not less than 30 days shall be entitled to acting or current charge allowance equivalent to 20% of the basic pay provided that it shall not exceed 20% of the mid-stage of the pay scale attached to the pay group.

In pursuance of Prime Minister approval vide Prime Minister's Secretariat U.O No. 558/PSPM/13 dated 26th February, 2013, the Finance Division issued orders for grant of Audit & Accounts Allowance @ 20% of the Basic Pay per month w.e.f. 1st March, 2013 to all the officers and staff of the offices of Controller General of Accounts and Auditor General of Pakistan.

Finance Division O.M No. F.No. 1(3)Imp/2015-630 dated 7th July, 2015 provides that all the special pays, special allowances or the allowances admissible as percentage of pay (excluding those which are capped by fixing maximum limit) including house Rent Allowance and the Allowances/Special Allowance equal to one month basic pay, granted to Federal Government employee irrespective of his/her posting in Ministry/Division/Department/Office including civil employees in BPS 1-22 of Judiciary shall stand frozen at the level of its admissibility as on 30th June, 2015.

3.4.21.1 Audit noted that the offices of the Project Manager and Project Coordinator of New Gwadar International Airport (NGIA) were situated at Old SIB Building, CAA Karachi.

Audit observed that a sum of Rs 0.792 million was paid to the officers of NGIA on account of hardship allowance whereas, they performed their duties at Karachi. Moreover, the officers were also claiming TA/DA on account of proceeding to Gwadar for attending meetings and paying site visits frequently. This resulted in inadmissible payment on account of hardship allowance amounting to Rs 0.792 million.

Audit maintains that the inadmissible payment was due to inadequate internal control mechanism.

Audit pointed out the inadmissible payment in July 2016. The Authority replied that the issue has already been raised by Audit in last year.

The reply was not accepted because amount objected pertained to the financial year 2015-16 and all the administrative and financial matters were being dealt with at Karachi. Moreover, the officers were claiming TA/DA from Karachi to Gwadar frequently even after completion of the protection work (Package-A) on 31st March, 2014.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. CAA explained that recovery had been initiated. The

Committee directed CAA to effect recovery and get the record verified from Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 14)

3.4.21.2 Audit observed that Civil Aviation Authority granted ATC allowance to the entire ATC personnel whereas, the same allowance was admissible to the ATC personnel who were on active ATC and RADAR duties. Paying of ATC allowance to the non-entitled personnel resulted in an overpayment of Rs 5.405 million.

Audit maintains that overpayment of ATC allowance was made due to non-adherence to the CAA Board instructions and lack of internal controls.

Audit pointed out overpayment in August 2016. The Authority replied that ATCOs were entitled for payment of ATC allowances who hold valid ATC Ratings, that remained valid for a period of 180 days from the last duty performed in ATS unit, posted/deployed anywhere in Pakistan i.e. Directorates/Branches/Secretariats against the ATC established/tenable posts and on service exigencies, upon the recommendation(s) of Director Operations.

The reply was not accepted because as per above referred CAA Board decision, ATC allowance was admissible to the ATC personnel who were actually on active ATC and Radar duties and instead of performing indirect ATC related functions. However, during preliminary discussion on 18th August, 2016, the Authority informed that the case would be submitted to the CAA Board for further clarification in this regard.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. The Committee observed that the ATC allowance was payable only to personnel performing duty at ATC/RADAR and directed

to examine the matter at appropriate level and get the record verified from Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 41)

3.4.21.3 Audit observed that Civil Aviation Authority (Airport Manager, Jinnah International Airport Karachi) also disbursed Audit & Accounts Allowance amounting to Rs 4.059 million to their officers and staff working in Audit and Accounts sections, whereas, the instruction for Audit & Accounts allowance was only for the employees of CGA and AGP and not for Civil Aviation Authority which is an autonomous body and has its own pay structure. Audit further observed that the Government of Pakistan froze the Audit & Accounts Allowance for the employees on the basic pay of July 2014, whereas the Authority disbursed the allowance on the running basic pay.

Audit holds that disbursement of Audit & Accounts allowance to the employees of the Authority resulted in overpayment of Rs 4.059 million.

Audit pointed out overpayment in October 2016. The Authority replied that payment of Audit & Accounts Allowance of Rs 4.059 million has been made according to Admin Order No. 06/2014 dated 31st October, 2014 with the approval of CAA Board. It is further intimated that Civil Aviation Authority which is an autonomous body and has its own pay structure in which all allowances are being paid to CAA Employees on running basic pay.

The reply was not accepted because this allowance was only meant for Auditor General and CGA employees and CAA has its own pay structure which included many other allowances which are not admissible to other federal government employees.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. The Committee directed CAA to refer the matter to Finance Division for decision. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 110)

3.4.21.4 Audit observed that allowances of various kinds including Flying Allowance for flight inspectors, Airworthiness Allowance, Instructional Allowance, Technical Allowance (CNS Engineers), Project Allowance, ATC allowance and Special Allowance etc were being paid to the employees on running basic pay in violation of aforementioned instructions of Finance Division, Govt. of Pakistan. This resulted in undue burden over the Authority's exchequer about millions of rupees.

Audit maintains that payment of allowances on running basic pay was due to non-adherence to government instructions and ineffective internal and financial controls.

Audit pointed out overpayment in August 2016. The Authority replied that Finance Division had already clarified that under the provision of CAA Ordinance, CAA Board is fully empowered to approve pay and allowances of CAA employees. CAA Board in its 152nd meeting held on 30th September, 2014 decided to delink the revision/increases of salary of CAA employees from Federal Government. So the allowances are not required to be frozen.

The reply was not accepted because no autonomous body/board/council was empowered to prepare the policies and make decision against the core spirit of the Federal Government.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. CAA explained that the matter had been taken up with Finance Division through Aviation Division. The Committee directed to pursue the matter with Finance Division and outcome be shared with

Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 48)

3.4.22 Unjustified expenditure due to outsource manpower in presence of available strength - Rs 61.810 million

As per Para 7(ii) of Govt. of Pakistan Finance Division letter No. F.3(10)Exp.II/94-Vol-I-68 dated 8th February, 2002, Guidelines for hiring of consultants. The consultants should not be appointed for routine functions of an organization.

Para 10(1) of General Financial Rules provides that every public officer who authorized for expenditure from public money may exercise the same vigilance as a person of ordinary prudence would exercise in respect of expenditure from his own pocket.

Audit noted that the Director Finance (Disbursement) made payments on account of consultancy/advisory services fee to various firms during the year 2015-16.

Audit observed that the Authority executed consultancy agreements with the firms for various routine functions such as advisory services for Cargo Village, revision of pay structure and Service rules, outsourcing activities, recruitment procedure for selection of Air Traffic Controllers (ATCOs) etc. Audit is of the view that Civil Aviation Authority has its own competent officers in the field of legal, Human Resources & works etc who can complete such type of jobs satisfactorily, hence appointment of consultants for routine functions of the Authority was unjustified. This resulted in undue expenditure of Rs 61.810 million.

Audit holds that excess expenditure was due to weak internal/financial controls.

Audit pointed out the issue in November 2016. The Authority replied that services of various consultancies were procured duly following procurement rules, to assist in carrying out the objective for such hiring and to develop indigenous resource by taking benefits from such services through attachment of our key resources/personnel to work with such Consultancies. According to section 12 clause-01 of CAA ordinance 1982, the Authority may appoint consultants as necessary to perform its various functions therefore CAA appointed subject consultancies through open competitive bidding strictly adhering to PPRA rules. Moreover all these consultancies were for a specific technical assignment and no duplication/routine work was outsourced to waste CAA's scarce resources. CAA closely monitored the performance and expected results which once achieved; the focus was shifted to carrying these tasks by indigenous resources after experiencing requisite learning.

The reply was not accepted because all these consultants were hired for advisory services or reviewing the manuals of CAA for which Legal team of CAA and other regulatory directorates are capable. Hence appointment of consultants for routine functions resulted in undue financial burden of the Authority.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. The Committee directed CAA to evaluate performance of the consultants and resultant improvement in CAA and submit report along with deliverables to Aviation Division and Audit. The Committee further directed CAA to use in-house expertise in future on priority and hiring of consultants should be rationalized on the basis of necessity with the approval of appropriate forum. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 151)

3.4.23 Non-reduction of contract cost due to income tax exemption on import items by the Government - Rs 157.514 million

As per clause 52.2 of the contract agreement of the work "Package-04: Special Systems Baggage Handling System for Passenger

Terminal Building” at New Islamabad International Airport awarded to M/s Thales-Selex-Guarantee Engineers (JV) on 5th January, 2015 at agreement cost of Rs 4,503.958 million, the Contractor shall exclude from its prices all Pakistani Customs and Imports Duties on the Plant which it intends to import for the sole purpose of executing the Contract and incorporation into the works. The contractor shall include in its price to the extent applicable, the cost of all exports duties from country of origin and any other dues and transport, handling, wharf age and demurrage charges, and the cost of opening up letters of credit for all contractor’s Equipment used in the performance of the contract.

All Customs and Imports Duties, paid by the Contractor on the Plant intended for incorporating into the Works and imported by the Contractor for the sole purpose of executing the contract shall be reimbursed to the Contractor by the Employer at actual against presentation by the Contractor of the relevant invoice(s) and/or Bills(s) to the maximum CIF value limits as defined. Such reimbursement shall be limited to the defined cost assessed against imported Plant for the Works and shall be as listed hereunder:

- a) Customs Import Duty
- b) Sales Tax
- c) Excise Duties of any Nature

No other costs related to the import shall be reimbursed and the Contractor shall be responsible for payment of those costs. The contractor shall submit with the bid a detailed list of all the plant to be imported for incorporation into the works, including the description of each item, HS Code, Quantity, Unit CIF Value and total CIF value. The total CIF value thus calculated shall for the basis of maximum CIF value of which Customs Duties and Taxes as enumerated above are reimbursable.

During scrutiny of record relating to the above contract of NIAP Project, Audit noted that Aviation Policy, 2015 was introduced/approved by the government of Pakistan wherein the import duties including income tax was exempted on operational tools, machinery, equipment and

furniture and fixtures on one-time basis for setting up Greenfield airports by a company authorized by Aviation Division.

Audit observed that PCAA did not reduce the contract amount to the extent of income tax at the time of import of items which was included in the bid cost of the contractor and which was not reimbursable to the contractor. During the year 2015-16, an amount of Rs 622.115 million was paid to the contractor on 4th January, 2016 as 15% advance payment without deducting cost element of 7% income tax at the time of import for Rs 43.548 million. This resulted in non-reduction of rates of the contractor for a total of Rs 157.514 million (upto June 2016 Rs 43.548 million) as calculated below:

Total F.C	=USD 22,961,255
Pak Rupee @ Rs 98 per USD	= Rs 2,250,203,032
Reduction @7%	= Rs 157,514,212

Audit pointed out the irregularity in November 2016. The Authority replied that deduction would be made after coordination with Finance Section at time of final payment.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. The Committee directed CAA to effect recovery and get it verified from Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early recovery.

(DP. 79)

3.4.24 Overpayment due to inadmissible price adjustment and non-recovery of overheads - Rs 124.522 million

As per clause 60.11 of contract agreement, Mobilization Advance @ 15% of the contract price was admissible to the contractor as financial assistance.

As per contract agreement price adjustment against Labour and Fuel was admissible with weightage of 10% and 5% respectively.

According to Rule 10 of GFR (Vol-I), every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

As per Addendum No.02, clause 73.1(b), the prices bid by the contractor shall include all custom duties, sales tax, octroi and other taxes that may be levied in accordance with the laws and regulations in force on the date 28 days prior to the latest date for submission of bids in Pakistan on the contractor's equipment, plant, materials and supplies (permanent, temporary and consumable) acquired for the purpose of the contract and on the service performed under the contract. Nothing in the contract shall relieve the contractor from his responsibility to pay any tax that may be levied in Pakistan in relation to execution of the contract.

Clause 13.1 of the bidding data modified through Addendum No.05 dated 31st July, 2009 of Package-06 (Hydrant Refueling System) states that "the total bid amount shall be expressed in Pak. Rupees. The bidders shall specify that a proportion of the bid (for items which shown in BOQ to be quoted in foreign currency) shall be paid in foreign currency. Where, payment of the portion of the bid is required to be paid in foreign currency, reason / justification of the same shall be provided by the bidder"

According to Part-I Procedure B of the Standard Procedure and Formula for Price Adjustment (1st Edition) November 2005, there shall be no Price Adjustment for the elements which the Employer has either supplied free of cost or at fixed prices as well as for those elements for which an umbrella exgratia or escalation cover is provided by the

Government through an Executive Order or Statutory Regulatory Order (SRO).

Audit noted that the work “Hydrant Refueling System Package-06” at New Islamabad International Airport was awarded to M/s Al-Tariq Constructors (Pvt.) Ltd. at agreement cost of Rs 1,187.238 million on 14th October, 2009. The scope of work contained civil works, mechanical works and electrical works. The contractor quoted rates in local and foreign currency in respect of mechanical items.

Audit further noted that despite provision of Mobilization Advance as the only financial aid, the material to be used in mechanical works was imported by CAA through opening of ten (10) Letters of Credit and a payment of Rs 427.453 million was made by CAA to different foreign manufacturers on this account. The said material was procured by CAA and duties/taxes at the time of import were waived by Government of Pakistan through SRO-575 of 2010. This material was issued to the contractor for consumption at site and recovery of Rs 348.409 million to the extent of consumed material was made upto 15th IPC. Price escalation of Rs 56.785 million was paid to the contractor upto 15th IPC against work done value of Rs 989.879 million (i.e. 5.74%).

Audit observed that:

1. As the material for the value of Rs 427.453 million was procured directly by CAA, no price adjustment against this amount was payable to the contractor as no investment was made by the contractor against this FC portion. This resulted in overpayment to the contractor of price escalation of Rs 19.999 million (5.74% of Rs 348.409 million).
2. As the investment was made by CAA on procurement/import of material, therefore, the contractor was not entitled of overheads on this amount. Audit observed that CAA did not recover any amount from FC portion on this account. The contractor was paid full rates as per BOQ which were inclusive of all overheads including profit on investment.

This resulted in overpayment of Rs 104.523 million (30% of Rs 348.409 million).

Audit pointed out the overpayment in November 2016. The Authority replied that the cost elements taken for the admissible price adjustment of the total contract price were restricted to cost of unskilled labour and high speed diesel only. The representative weights were embedded in the contract price as a percentage of the contract price. The cost element mentioned by Audit is part of the "Fixed Portion" of the Formula and thus neither any price adjustment was admissible on this part, nor was paid or recoverable from the contractor under the Conditions of Contract. The works were awarded on the basis of the lowest evaluated bid prepared in cognizance of the Bidding Documents including Addendum-05. The purpose of establishment of LCs by CAA was to contain the bid prices, which would have been on higher side had CAA not funded the LCs, and to obtain the concession of Customs Duties and Taxes available subject to obtaining authorization from other Government Entities/Departments. Apart from extending the facility of LC opening, all other contractual obligations of the Contractor for the due incorporation into the permanent works remained unchanged and was duly performed by the Contractor. The Contractor was paid at the rates and prices approved under the Contract/BOQ for the actual quantities executed and measured. In certifying the IPCs for the executed works, representative deduction/adjustment of the amount funded by CAA through establishment of LCs was made. The legitimate payments/adjustments having been effected, no contractual provision supports the recovery of any presumptive amount of over-heads.

The reply was not accepted because as per original contract provisions, the material was to be procured by the contractor. His quoted rates were inclusive of all overheads, profit on investment. Through post bid changes and outside the contract agreement, the material was procured departmentally by incurring expenditure and man days. Price escalation was paid on the value of work done inclusive of the value of material procured departmentally which was not admissible as per Pakistan Engineering Council formula referred above. Material procured

departmentally was required to be excluded from the value of work done while calculating price escalation.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. The Committee directed CAA to effect recovery and get it verified from Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 65)

3.4.25 Non-recovery of advance payment - Rs 100.00 million

As per CAA Board's decision taken in 153rd meeting held on 29th October, 2014, an amount of Rs 100.00 million was transferred to WASA, Multan, for undertaking sewerage in the remaining portion as deposit work with the direction that CAA should get in writing from WASA/District Administration that as soon as the PSDP allocation is made, the amount will be refunded to CAA.

Audit noted that project management of "Up-Gradation of Multan Airport", made payment of Rs 100 million to Director Admin & Finance, WASA, MDA, Multan in November 2014 after obtaining undertaking from WASA Multan that amount would be deposited to CAA on availability of funds.

Audit observed that the said amount has not been received back till to date. This resulted in non-recovery of advance payment of Rs 100.00 million.

Audit maintains that recovery was not effected due to poor pursuance, weak internal and financial controls.

Audit pointed out non-recovery in September 2016. The Authority replied that it is consistently requesting WASA for refund of the amount.

The Agency replied that as soon as funds of un-funded scheme are received, the amount would be refunded back to CAA.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. CAA explained that efforts were being made to get the amount refunded. The Committee directed to expedite recovery and get it verified from Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early recovery.

(DP. 27)

3.4.26 Loss due to reversal/waiver of parking charges - Rs 89.024 million

As per Rule 8 of GFR (Vol-I), it is the duty of the Revenue or Administrative Department concerned to see that the dues of Government are correctly and promptly assessed, collected and paid into the treasury.

Audit noted that aircraft TC-ACY property of M/s ACT Airline was parked on Authority's premises since long time. Billing branch of CAA raised billing on account of parking charges for Rs 104.3 million.

Audit observed that the airline instead of paying the outstanding dues of Rs 104.3 million, requested for payment of US\$ 150,000 equal to Pak Rs 15.276 million as full and final settlement. The request of the airline was considered and an amount of Rs 89.024 million was reversed/adjusted without keeping in view the interest/policy of Authority. This resulted in loss of Rs 89.024 million.

Audit maintains that loss occurred due to weak internal, financial controls and non-adherence of the financial propriety.

Audit communicated the loss in November 2016. The Authority did not reply.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. CAA explained that waiver/reversal of charges was approved by CAA Executive Committee. The Committee directed CAA to dispose of the aircraft as per rules and outcome be shared with Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 140)

3.4.27 Undue burden over Authority's exchequer due to delay in verification of bogus/fake certificates/Degrees - Rs 74.184 million

As per standing instructions by the Government of Pakistan, all departments/organizations under the administrative control of the Federal Government are required to get verified the educational degrees/certificates from the respective Universities/Boards or Institutions up to April 2011. Sl. No. 28 provided in ESTA Code Vol-I (Civil Establishment Code) indicated that checking the genuines of educational certificates/qualification, etc. are necessary to produce by the persons in ministerial services of the Federal Secretariat and its attached departments.

Audit noted that Director (HRD), CAA HQs, Karachi, in certain cases, initiated the process of verification of certificates, diplomas, degrees of some employees very late as letters were written to the concerned institutions, boards and universities during the year 2013-14, 2014-15 & 2015-16 and confirmation/authenticity of the testimonials was received in 2015-16. Audit further noted as a result of verification, 22 testimonials were declared bogus/fake. Out of 22 employees, five employees have taken up the matter in the court of law and inquiry was being held against 10 persons.

Audit observed that verification process of the above mentioned persons was initiated very late in spite of strict directions of the Prime Minister of Pakistan. Thus, the ineligible staff & officers enjoyed undue

perks and privileges against delayed period too causing undue burden over Authority's exchequer worth Rs 74.184 million.

Audit maintains that abnormal delay in verification process occurred due to non-adherence to the above referred Government instructions and weak internal controls.

Audit pointed out the irregularity in August 2016. The Authority replied that written repeated reminders were sent to respective overburdened boards/universities, involving in the process of verification of whole Pakistan, besides CAA teams have been visiting to the concerned boards/universities regularly for verification of pending cases Further, most of the cases are delaying in Secondary Boards due to non-availability of old record which was again obtained from respective employees and sent for verification.

The reply was not accepted because despite expiry of long period, the process of verification was completed. The Authority did not initiate any against the employees whose degrees were found fake/ bogus.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. CAA explained that verification process of degrees/certificates from the universities/boards/institutes concerned had been initiated. As per verification received so far, 124 degrees/certificates were found bogus/unrecognized and action against the persons concerned was under process. The Committee directed to complete the verification process and take action against the employees whose degrees/certificates were found bogus/unrecognized. The compliance of DAC's directive was not reported till the finalization of this report.

Audit stresses appropriate action in the light of DAC's directive.

(DP. 39)

3.4.28 Unauthorized appointments of work charged staff by the Project Director and overpayments due to excessive pay against 34 work charged staff - Rs 53.994 million

Para 10 of CPWD Code, Part-D (Temporary and Work Charged Establishment) provides that temporary establishment includes all such non-permanent establishment, no matter under what titles employed, as is entertained for the general purposes of a division or sub-division, or for the purpose of the general supervision, as distinct from the actual execution, of a work or works. Work-charged establishment includes such establishment as is employed upon the actual execution, as distinct from the general supervision, of a specific work or of sub-works of a specific project or upon the subordinate supervision of departmental labour, stores and machinery in connection with such a work or sub-works. The entertainment of work-charged establishment is subject to the rules laid down by the Governor-General in respect of the entertainment of temporary establishment generally. If the entertainment of work-charged establishment is contemplated in connection with any work, the cost should invariably be shown as a separate sub-head of the estimate for that work.

Para 11 of CPWD Code states that members of the temporary and work-charged establishments, who are engaged locally, are on the footing of monthly servants. If they are engaged for a specific work, their engagement lasts only for the period during which the work lasts. The terms of engagement should be clearly explained to men employed in the circumstances mentioned above. Superintending Engineers and Divisional Officer's may, subject to limits of pay of Rs 250 and Rs 100 per mensem, respectively, for each post, and to any general or special restrictions which the minor local Government may impose, sanction the entertainment of temporary and work-charged establishment subject to the conditions that, in the case of temporary establishment, provision for the purpose exists in the budget and that, in the case of work-charged establishment, provision for the same has been made in a separate sub-head of the sanctioned estimate. Provided, further, that the pay of no such temporary or work-charged post shall exceed the prescribed rates in cases where such rates

have been definitely laid down by a higher authority for any particular class of posts.

According to Para 3.31 of CAA Service Regulations 1983, when it is expedient to appoint a person on casual basis, not against a permanent or temporary post, to meet an immediate/operational requirement, the appointing authority may appoint such person for a period not exceeding ninety days at a time, provided that such appointment shall be regulated in a manner that the total emoluments offered shall not be more than what is allowed to CAA employee of PG-03 provided further that any appointment made under these Regulations shall not create any vested interests in favour of any person for permanent appointment/promotion in the service of the Authority.

During scrutiny of record i.e. paid vouchers of NIIAP Project CAA, Islamabad for the year 2015-16, Audit noted that 201 employees were recruited on work charge basis by Project Director of the project and were being paid lump sum salary package.

Audit observed that out of 201 employees pay of 34 employees were checked which were found much higher than the SG-04 maximum per month pay as admissible under CAA Service Regulations. In certain cases pay of work charge establishment was Rs 350,000, 325,000, 250,000 and Rs 175,000 per month. Work charge establishment is meant for lower working class with lower rates of pay but CAA appointed Senior and Joint Directors, Chief coordinator, Chief Security Officer, medical Officer and Horticulture officer as work charge and appointments were made at the level of Project Director.

As per approved PC-I sanctioned posts for the project are 101 whereas, besides 201 work charged employees there were 72 employees working on the project (Total 273). One hundred 172 employees were therefore working and drawing pay in excess of the approved strength.

Mr. Abdul Rauf Khan S/o Umeed Ali Khan was also on the work charge strength as Liaison Officer and drawing Rs 92,500 since 3rd March,

2014 (Total Rs 2,867,500 paid upto September 2016). The said work charge employee was working in Aviation Division instead on the project irregularly.

This resulted in unauthorized appointments of work charged staff by the Project Director. Against 34 employees total payments were made for Rs 80.127 million and against which overpayments were made for Rs 53.994 million for excessive pay.

Audit pointed out the irregularity in November 2016. The Authority replied that the expenditure incurred for hiring of the Worked Charged Employees was being met from the approved provision under the PC-I sub-head "Physical Contingencies" amounting to Rs 711.000 million and expenditure incurred so far was within the approved budgetary provision.

Deployment of such personnel was considered as a dire need for the due completion of the Project involving multifarious activities. However, the Project requirement could not be met from PCAA's internal resources due to their prior commitments and requirement of/at other field units. The lump sum pay being drawn by such personnel was considerably lower than a regular CAA employee of equal qualification and experience. Performance of these personnel was up to the mark. In view of their contribution as members of the PMU team, have undoubtedly added value and need to be retained on need basis.

Moreover, a qualified person having 25 to 30 years of specialized experience of working on senior position in their respective fields is not comparable with that of a junior staff position at a salary of Rs 30,600 as mentioned in the Audit Observation.

The individual deployed at the Aviation Division was working in the capacity of Liaison Officer with the Principal Accounting Officer/Secretary Aviation and the DG CAA's Camp Office in the Aviation Division for providing due assistance in the Project related matters.

The reply was not accepted because as per rules mentioned in audit observation, there is a limit of scale/pay for the appointment of work charge. Appointments made against higher posts and at higher rates than admissible is irregular.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. CAA reiterated its previous stance. The Committee was not convinced and directed to get the matter regarding appointments without observing codal requirements, regularized from CAA Board. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 68)

3.4.29 Loss due to irregular award of licence agreement of Rs 37.8 million and non-recovery of advance tax - Rs 49.112 million

Special condition No.02 of the Licence Agreement for a period of 5 years commencing from 29th August, 2013 to 28th August, 2018, between CAA and M/s Jamil & Co (Pvt) Ltd provides that "List of normal (N) rates of IATA approved tariff rates shall be displayed prominently/ IATA approved tariff will be placed on prominent place".

Clause 33 (7) of the Licence Agreement executed with Pakistan Civil Aviation Authority requires the licensee to provide two (2) sets of updated IATA Tariff Manual to the licensor, and revised tariff manual as and when revised by IATA.

Clause 31 of agreement for concessionary provides that the licensee shall pay clear all taxes and to the concerned agencies with respect to the business or the premises leviable under any law. The licensee shall discharge tax liability under section 236-A of the Income Tax Ordinance, 2001.

Audit noted that Airport Manager, Allama Iqbal International Airport Lahore (Commercial Branch) executed a licence agreement with M/S Jamil & Co (Pvt) Ltd at AIIAP Lahore for a period of five years from 29.08.2013 to 28.08.2018 for Rs 37.8 million per year with 10% increase during 2nd, 3rd, 4th and 5th year respectively.

Audit observed that the contractor did not fulfill the contractual obligations/conditions regarding display of IATA approved tariff rates. Resultantly, complaints were received by CAA about cargo through put charges – being over charged at AIIAP, Lahore. This resulted in violation of licence agreement of Rs 37.8 million. The Authority also failed to recover the advance tax for Rs 49.112 million from the licensee.

Audit maintains that the irregularity occurred due to poor management system.

Audit pointed out the loss in October 2016. The Authority replied that the IATA Tariff Manual as required under Clause 33(7) of the Licence Agreement was available with the airport management in the form of CDs, as provided by the Licensee. The Licensee had provided the tariff to the office of Senior Manager Cargo, AIIAP Lahore. As regards recovery of advance tax, CAA issued notice to the Licensee for payment of the tax liability under Section 236-A of Income Tax Ordinance, 2001 and the matter was sub-judice.

The reply was not accepted because list of IATA approved tariff rates were not displayed prominently due to which complaints regarding overcharging throughput charges were received by CAA. No action was taken against the licensee. As regards recovery of advance tax, decision of Court case will be awaited in Audit.

CAA explained that complaint of excess charging was addressed. As regards the matter of advance tax, the licensee had filed a petition in court of law. The Committee directed CAA to ensure display of IATA rate by the licensee at prominent place. The Committee further directed CAA to pursue the court case actively and outcome be shared with Audit. The

compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 58)

3.4.30 Non-recovery of deficient security deposit from the different parties - Rs 46.665 million

Clause 4 of the Licence Agreement provides that "The Licensee shall for the due performance of his obligations under this licence, deposit with the Licencer/Airport Manager, cash Security. The security will be refunded to the Licensee upon expiry of licence period or sooner determination and peaceful vacation of the premises, after deduction, if any, of any amount payable by the Licensee."

Para D-13.1 of policy and procedure for grant of business licence at CAA Airports states that Airport Managers have power under Ordinance No. LIV of 1965 read with notification No. SRO 595 (1) 84 dated 26th June, 1984 to remove a licensee form the licenced premises, if his licence is terminated/expired or if he is found in default of payment of licence fee or contravening the conditions of the licence.

Audit noted that Airport Manager, Allama Iqbal International Airport Lahore (Commercial Branch) executed a licence agreement with different parties/contractors at AIIAP Lahore.

Audit observed that CAA did not obtain/recover deficient security deposit of Rs 46.665 million from the different parties. Audit also observed that the Authority did not impose any penalty on the defaulters. This resulted in non-recovery of deficient security deposit of Rs 46.665 million.

Audit maintains that due security deposit was not obtained due to weak financial and contract management.

Audit pointed out the non-recovery in October 2016. The Authority replied that efforts are underway to recover short amounts of security deposit.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. The Committee was informed that a sum of Rs 15.238 million had been recovered and got verified from Audit. The Committee reduced the para to Rs 31.426 million and directed CAA to pursue balance recovery actively. Progress towards balance recover was not reported till the finalization of this report.

Audit recommends early recovery of balance amount.

(DP. 61)

3.4.31 Overpayment due to higher rates - Rs 44.118 million

According to Para 4.3 of Preamble to revised schedule of prices of contract documents of Contract “Package-7B NAVAIDS & ATC Equipment” awarded to M/s Jaffer Brothers, M/s. GECI Espanola, SA and M/s. Murshid Brothers JV for agreement amount of Rs 1,051.250 million, except as mentioned in clause 52.2 of particular conditions of contract or any other clause of the conditions of contract, all duties, taxes and other levies payable by the contractor under the contract, or for any other cause, as on the date twenty eight (28) days prior to the deadline for submission of bids shall be included in the rates and prices and the total bid price submitted by a bidder. Additional/reduced duties, taxes (excluding income tax) and levies due to subsequent additions or changes in legislation shall be reimbursed /deducted as per provisions of the conditions of contract.

As per Finance Act 2015, income tax was exempted against import of Operational tools, machinery, equipment, furniture and fixtures on one time basis for setting up Greenfield airports by a company authorized by Aviation Division.

During scrutiny of accounts record relating to the above Contract of NIIAP Project, Audit noted that the awarded work was not completed by the contractor within the stipulated time i.e. upto October 2013. The contractor submitted 40% advance payment (IPC-04) in September 2015 after two year of expiry of stipulated contract period. By that time, income tax exemption was granted by the Government of Pakistan on import of material included in the above contract.

As the contractor rates were inclusive of income tax at the time of award of contract. Therefore, at the time of payment, their rates were required to be adjusted to that extent.

Audit observed that full rates were paid to the contractor instead of reduced rates by deleting the component of income tax. This resulted in overpayment of Rs 44.118 million.

Audit holds that overpayment was due to non-adherence to the contractual clauses and poor internal control systems.

Audit pointed out the overpayment in October-November 2016. The Authority replied that the matter is being referred to the Engineer for further interpretation in the contractual perspective in the light of instant audit para. It is further clarified that the rate of Income Tax deduction on imports U/S 148 of the Income Tax Ordinance, 2001 for a filer company is 5.5% and not 7.5%. Instead of the BOQ prices, such a deduction rate would be applicable on the import value of the items to be imported.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. The Committee directed CAA to make due recovery of income tax and get it verified from Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends recovery.

(DP. 62)

3.4.32 Non-recovery of profit share - Rs 38.960 million

As per clause 3(i) b of the lease agreement, in addition to the amount payable under clause (a) immediately above and simultaneously with the payment thereof, the Lessee shall pay to the Lessor an amount determined as follow: (I) 5.75% (five and three-quarter percent) of gross monthly sales (excluding all Government taxes, such as sales tax, etc.) made by the Lessee from the McDonald's Restaurant and the Kiosks. Further According to Clause 3(b) of agreements (standard form) for various licenses/concessions if the license fee or any part thereof shall be in arrears for one month or more after the same has become due, whether demanded or not, the Airport Manager/Licensor may terminate the License Agreement and the Licensor or his authorized representatives may upon such termination enter into or upon the premises and take over the same without any right or remedy to the Licensee or any obligation to the Licensor or the airport manager/licensor may impose financial charges @ 10 % of the outstanding amount or a fine of Rs 1,000 for each day of such default.

Audit noted that Airport Manager JIAP Karachi signed a lease agreement with M/s Siza (Pvt) Ltd. for McDonald's Restaurant and Kiosks for a period of 17 years commencing from 1st January, 2001 to 31st December, 2017. The lessee was liable to pay 5.75% of monthly gross sales to CAA. Audit observed that monthly share in sales was not recovered for last 16 years and GM Legal (C&C) forwarded approval of DGCAA to Director Commercial HQCAA for Audit of M/s Siza Foods from Chartered Accountants Company as per clause 3(iii) of the Lease for the period w.e.f 1st January, 2001 to 31st December, 2014 vide letter No.HQCAA/2624/231/legal dated 15.09.2014. Results of the Audit report were not forthcoming from the record even lapsing 2 years. This resulted into non-recovery of Rs 33.120 million (Approximate sales Rs 3.00 million P.M \times 5.75% \times 12 \times 16 years).

Audit further observed that the penalty as per clause 3(b) of standard form for agreements was also not imposed yet on above calculated delayed payments which resulted into non-recovery of delayed

payments amounting to Rs 5.840 million (Rs 1,000 per day × 365 × 16 years).

Audit maintained that non-recovery of sales share occurred due to weak internal and financial control.

Audit pointed out non-recovery in October 2016. The Authority replied that M/s Sizafoods (McDonalds) was paying 5.75% of monthly gross sale to CAA. Moreover, Audit of all the lessee's books and records relating to the gross sales at McDonalds restaurant was done by Chartered Accountant Company to disclose discrepancy between the amount actually paid by Lessee to Lessor. Results of the audit reports were still awaited.

Authority admitted that detailed audit on this issue was conducted by the Chartered Accountant Company after fifteen years of the lease agreement for which results were still awaited.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. CAA explained that as per report of Chartered Accountants firm on the accounts of M/s Sizafoods for two years, profit share in respect of two kiosks was less deposited by M/s Sizafoods. The Committee directed CAA to obtain audited accounts of M/s Sizafoods for remaining period since award of lease and make recovery of less deposited profit share. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 88)

3.4.33 Loss to the Authority due to negligence since 36 years - Rs 36.190 million

According to Rule 23 of GFR, "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 M/s United Bank Limited was running near to MT Branch of PIA JIAP Karachi since 1980 without any lease agreement and rent. A committee was framed by APM to investigate the issue of this so long negligence. The committee measured the area of 3 floors including space occupied by the ATM as 4,411 sft and calculated outstanding dues of Rs 32.900 million without imposing 10% major penalty.

Audit further observed that no action was proposed in the inquiry report against the responsible of this long time ignorance/delay which seems to be malafide because Bank activities are not hidden activities. This resulted in non-recovery of dues for Rs 36.190 million (Rs 32.900 million + 10% penalty excluding KIBOR for last 36 years).

Audit maintains that loss occurred due to negligence and undue favour by CAA to M/s UBL and weak internal and financial controls.

Audit pointed out the loss in October 2016. The Authority replied that a committee was constituted regarding outstanding dues of M/s UBL PIA MT Branch to resolve the long outstanding issue against M/s UBL. In this regard, the Committee calculated a sum of Rs 34.312 million as rent from 1980 to 2016 on the basis of 10% enhancement. In reply, loss was admitted.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. The Committee observed with concern that CAA's interest was not safeguarded due to which rent remained un-recovered for more than 36 years. The Committee directed CAA to fix responsibility for negligence and effect recovery from bank/PIAC. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 93)

3.4.34 Loss to the Authority due to non-execution/renewal of lease deeds - Rs 35.963 million

According to clause 2 of standard lease agreement, the lease deed was agreed for 30 years. During the first ten years, the rate of rent be fixed as 10% of premium and for next ten years at the rate of 1/30th of the market value of the lease land and for last ten years at the rate 1/30th of the market value of the leased land as on the date coinciding with the end of the 20 years of the lease.

Audit noted that APM (Estate Section), JIAP CAA Karachi signed two lease agreements with M/s PTCL and M/s Caltex but no lease deeds was signed w.e.f 1st January, 1998 and 24th November, 1992 respectively. There is a dispute going on with them for finalization of rates per Sq.yd and both the parties are paying old rates since 2008 and 2012. The Authority is not taking fruitful steps for either finalization of rates/lease agreements and or cancelling the lease agreements as per Policy. This resulted in loss of Rs 35.963 million.

Audit maintains that loss occurred due to undue favour given by the Authority to lessees and non-cancellation of lease deed timely.

Audit pointed out loss in October 2016. The Authority replied that the management is tactfully dealing the matter to resolve the dispute of rate with M/s PTCL and M/s Caltex and pursuing the same vigorously to get results in favour of CAA. As far as, the cancellation of lease is concerned, it is informed that action of cancellation during initial period of agreement seems practicable but where huge outstanding amount was involved, CAA has to tackle the situation in very professional way so as to recover the outstanding amount along with execution of lease agreement. The Authority admitted the loss.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. CAA explained that matter was under active pursuance with M/s PTCL. In other case recovery had been made from M/s Caltex. The Committee directed CAA to resolve the issue with PTCL and effect

due recovery after reconciliation of record. The Committee further directed to get the recovered amount verified from Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 99)

3.4.35 Hiring of the consultants for formulation of the airworthiness regulations and strategies without need - Rs 21.332 million

As per Pakistan Civil Aviation Authority ordinance 1982, the purpose of establishing CAA is to provide for the promotion and regulations of Civil Aviation activities and to develop an infrastructure for safe, efficient, adequate, economical and properly coordinated Civil Air Transport Service in Pakistan.

Rules 20 of Public Procurement Rules, 2004 provides that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

Audit noted that Director HR, CAA, Karachi awarded consultancy contract regarding formulation of the Airworthiness regulations (including developing European Aviation Safety Agency based ANO's, preparing Awnot's, purposing changing in CAR-94, preparing manuals/preparing SOPs and developing forms conducting training of airworthiness officers etc) to M/s Msn Tempus vide contact agreement dated 6th May, 2015 for a period of two years from 1st May, 2015 to 30th April, 2017 for Rs 14.400 million.

Audit further noted that Director HR, CAA, Karachi awarded outsourcing consultancy contract to M/s Hrsg Consulting vide agreement dated 1st April, 2016 for a period of two years from 1st March, 2016 to 28th February, 2018 for Rs 6.932 million for devising a strategic out-sourcing short term, midterm and long term plan and objectives/goals targets, HR related activities etc.

Audit observed that there was a full-fledge Directorates of Airworthiness and Human Resource in the CAA and the said activities should have been performed by the Airworthiness Directorate and Human Resource Directorate and got vetted from the concerned legal wing instead of hiring outsourcing consultancy for this purpose as the same activities were also deemed included in the overall job description of the Directorates concerned. Moreover, former consultancy services were awarded against single bid without competition. Outsourcing of the consultancy services for Rs 21.332 million regarding review of rules & regulations, issue of airworthiness notices and preparation of air-navigation orders and preparation of short term/mid-term plan, objectives, goals, targets, HR related tasks was the responsibility of the Directorate Airworthiness and Human Resource Directorate. Thus, hiring of such outsourcing consultancy even in the presence of the skilled staff of the both Directorates was considered beyond need and without justification.

Audit maintains that irregularity occurred due to weak internal and financial controls.

Audit pointed out the irregularity in August 2016. The Authority replied that M/s Tempus, being the only single participated bidder was awarded consultancy contract for developing 'airworthiness regulations' in response of advertisement after the approval of competent authority. The said consultant was hired due to lack of expertise available with the CAA and the same was also admissible under Establishment Division Guidelines. Furthermore, as a best industry practices, an extensive strategic plan is required to identify the cost effective core and non-core functions of the entity. In-house efforts were made by HR Directorate to devise a policy and strategy that covers all the aspects of outsourcing but failed to do so owing to lack of expertise in the field of outsourcing and reservations of the other directorates regarding stake.

The reply was not accepted because the activities like developing European Aviation Safety Agency based ANO's, preparing Awnot's, proposing changing in CAR-94, preparing manuals/preparing SOPs and developing forms conducting training of airworthiness officers etc,

identification of core and non-core functions, HR related activities were not of so special nature activities which could not be carried out by the officers/ staff of the Directorates concerned.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. The Committee directed CAA to evaluate performance of the consultants and resultant improvement in CAA and submit report along with deliverables to Aviation Division and Audit. The Committee further directed CAA to use in-house expertise in future on priority and hiring of consultants should be rationalized on the basis of necessity with the approval of appropriate forum. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 52)

3.4.36 Loss to the Authority due to non-enhancement of annual ground rent as per agreement - Rs 20.636 million

According to clause 2(c) of the agreement, the lessee shall pay the annual ground rent which is at the rate of 1/30th of the market value of the leased land as on the date coinciding with the end of the 20th year of the lease.

Audit noted that APM, JIAP CAA Karachi, signed a lease agreement with M/s Aviserv Ltd on 19th May, 1994. The lease agreement was for 40 years extendable after every 10 years with mutual consent and fixation of AGR (annual ground rent) by assessing market value from Land Revenue Collector/District Commissioner of Sindh Government.

Audit observed that the lessee agreed to pay new AGR after expiry of first 10 years in 2004 @ Rs 1,892,916 per annum as 1/30th of marked value of 10,320 Sq.Yd land @ Rs 5,500 per Sq.Yd at that time.

Audit further observed that lease was to be revised and assessed again as per market value and fix AGR for next 10 years at the market rate

of Rs 30000 per sq. yard (on BOR Table 2014) which became to Rs 10.320 million PA, but the lessee refused to accept the current rate based on current market value. In the circumstance, lease agreement was to be cancelled after completion of 2nd decade but it was not done and the lessee went to court of law after 2 years in 2016.

This delay in decision resulted in loss to the Authority due to non-enhancement of annual ground rent/non-cancellation of lease agreement after completion of 20 years of Rs 20.636 million (Rs 10.320 - Rs 1.893 × 2 years approx. from May 2014 to June 2016).

Audit maintains that loss occurred due to mismanagement by Authority and weak implementation of financial and internal controls.

Audit pointed out loss in October 2016. The Authority replied that revised lease was informed to M/s Aviserve on the current revenue rate of Rs 30,000 per Sq. Yard duly assessed by Govt. of Sindh according to clause 2(c) of the agreement. The party is reluctant to pay the rent as assessed by Mukhtiarkar Revenue of Sindh on the plea that the rate was not assessed by the Commissioner. Further, the party went to Court of Law and the case is under litigation, therefore, the CAA Management cannot take any action till the decision of Honorable Court.

In reply the major issue of delay in taking decision and non-cancellation of lease was not attended.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. CAA informed the Committee that matter is subjudice. The Committee directed CAA to pursue the court case actively and share outcome with Audit. Progress of the court case was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 98)

3.4.37 Non-recovery of outstanding dues from non-aeronautical billing - Rs 315.288 million and 5% of late payment surcharge - Rs 15.77 million

According to Licence agreement clause 3 (a) the licensee shall pay licence fee in advance for the current month i.e. on the date of start of the business or possession of the premises is handed over to the licensee, as the case may be. Thereafter, the monthly licence fee shall be paid in advance upto 10th of each month to which it relates, whether the licensee receives any bill or not. If licensee failed to pay monthly licence fee on due date, late payment surcharge thereon @ 5% shall be imposed.

According to Rule 26 of GFR (Vol-I) subject to any special arrangement that may be authorized by competent authority with respect to any particular class of receipts, it is the duty of the Departmental Controlling Officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

Audit noted that Airport Manager, CAA Lahore did not recover a sum of Rs 315.288 million i.e. Rs 245.786 from airlines and Rs 69.502 million from commercial concessionaires on account of non-aeronautical billing from different airlines and commercial concessionaires for the year 2015-16.

Audit observed that the outstanding dues of the parties have been exceeded than their security deposits or near to be exceeded and huge amount of outstanding dues have been accumulated. It is pertinent to mention that the party is bound to pay licence fee in before 10th of each month whether bill is received or not and if licence fee or any part there of shall be in arrears for one month or more after same have become due whether demanded or not, the airport manager/licensor may terminate the licence agreement as per clause 3 (b) of the agreement, and 5% shall be imposed on actual amount.

Audit also noted that Airport Manager, Allama Iqbal International Airport Lahore (Commercial Branch) executed a licence agreement with M/s PIAC on BOT basis at AIIAP Lahore for a period of two years w.e.f.

01.01.2008 to 31.12.2009, which has been expired. Audit further noted that licensee did not pay outstanding dues on account of licence fee and space charges.

Audit observed that 06 years and 10 months has been lapsed since expiry of licence agreement of licensee but Authority neither granted extension the agreement nor vacate the possession of space. The party failed to deposit the dues in time frame given by authority. So 5% for Rs 15.77 million in respect of late payment surcharge should also be imposed on the party.

Audit maintains that recovery of dues was not effected due to weak internal and financial controls.

Audit pointed out non-recovery of outstanding dues in October 2016. The Authority admitted non-recovery and replied that an amount of Rs 10.030 million was recovered from different parties.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. CAA informed the Committee that a sum of Rs 11.682 million had been recovered and got verified from Audit. The Committee reduced the para to Rs 303.596 million and directed CAA to pursue balance recovery actively. Progress towards recovery of balance amount was not reported till the finalization of this report.

Audit recommends early recovery.

(DP. 54)

3.4.38 Non-mandatory expenditure on account of membership fee - Rs 9.477 million

As per para 10(i) of General Financial Rules, every public servant is expected to exercise the same vigilance in respect of expenditure from public money, as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Audit noted that Director Finance (Disbursement) made payment of Rs 3.159 million to Airport Council International (ACI) Hong Kong on account of membership dues on 22nd March, 2016.

Audit observed that Civil Aviation Authority obtained the membership of ACI Hong Kong in the year 2014 but since the membership to June 2016, no official of the Authority has availed ACI meeting, Conference, Training and Workshop at Hong Kong. Audit further observed that due to non-availing of benefits by CAA in last three years, it was proposed by the Airport Services branch that the membership of ACI may be discontinued, but the payment of Rs 3.159 million for the year 2016 was made without keeping in view the interest of the Authority. As no benefits were availed by the Authority during the last three years, further payment on account of renewal of membership of Rs 9.477 million was wasteful.

Audit holds that undue expenditure was made due to weak internal and financial controls.

Audit pointed out the issue in November 2016. The Authority did not reply.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. CAA explained that it is a member of Airport Council International since 2014, however, it could not attend any meeting, training or workshop, because of limitations defined under obligatory list of meetings allowed for CAA by the Government of Pakistan. The Committee directed CAA to evaluate utility of membership and cost-benefit. If no the membership is not obligatory and useful for CAA it may be discontinued. Report be submitted to Aviation Division and Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 144)

3.4.39 Non-deduction of Income Tax - Rs 6.672 million

According to Section 153 of Income Tax Ordinance, 2002, the person authorized to make payments on behalf of government are required to deduct withholding tax @ 4.5% of value of supplies.

Audit noted that project management of “Up-Gradation of Multan Airport, Multan”, accepted lowest bid of Rs 136.283 million of M/s Interwood Mobil - M/s CCM Italy accepted on 20th November, 2014.

Audit observed that agreement was signed with only M/s Interwood Mobil (Pvt) Ltd and name of M/s CCM Italy was excluded contrary to the Letter of Acceptance. Thereafter, total payment of Rs 136.283 million was released to M/s Interwood Mobil (Pvt) Ltd instead of issuance of cheques jointly in name of both firms.

Audit holds that signing of agreement with one firm contrary to Letter of Acceptance was irregular. Tax exemption certificate issued by FBR was also not applicable on payments against bid accepted in name of joint bid. Thus, deduction of income tax at source was due as per rules but no such deduction was made. This resulted in non-deduction/recovery of income tax for Rs 6.133 million (Rs 136.283 million x 4.5%).

Audit further observed that project management made payment of Rs 48.118 million for the work “Package-4 ATC tower equipment and allied works” and deducted tax of Rs 2.828 million against due recovery of Rs 3.368 million (Rs 48.118 million x 7%). This resulted in less deduction of income tax for Rs 540,225.

Audit maintains that less deduction of Income Tax was made due to non-adherence to the provisions of Income Tax Ordinance, 2002.

Audit pointed out non/less-recovery in September 2016. The Authority replied that the contractor had been advised to refund the tax amount for onward submission to Tax Authorities.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. CAA explained that in one case recovery of Rs 0.540 million had been made and got verified from Audit and recovery of balance amount of Rs 6.132 million was being pursued. DAC directed to forfeit available retention money of the supplier and effect balance due recovery from dues of the supplier against other projects with CAA. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early recovery.

(DP. 29)

3.4.40 Loss due to mis-management and acceptance of higher rates - Rs 6.410 million

Rule 4 of Public Procurement Rules, 2004 provides that the procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Audit noted that Additional Director, Central Procurement & Contract Management HQ CAA Karachi called tenders for procurement of 02 Airport Runway Sweepers to replace the old equipment. M/s Karsaz (Pvt) Ltd was the lowest bidder by quoting price Rs 53.580 million (including 17% GST) for two Airport Runway Sweepers. Audit further noted that the Executive Committee rejected the lowest bid of M/s Karsaz (Pvt) Ltd in its meeting held on 18th & 19th June, 2014 with to recall the tenders for purchase of 10 Nos Airport runway sweepers to replace old vintage to ensure standardization and economy of scale.

Audit observed that afresh tender was called and opened on 15th September, 2014; eighteen (18) tenders were sold against which only two bidders participated in bidding process. M/s Ghandhara Industries Ltd were technically qualified and stood first lowest by quoting his bid for Rs 299.950 million (including 17% GST) of 10 (ten) Runway Sweepers.

Audit is of view that had the 02 (two) Airport Runway Sweepers @ Rs 53.580 million were accepted and procured from M/s Karsaz, the Authority would have saved Rs 6.410 million.

Audit maintains that rejection of lowest bid was due to non-adherence to rules and regulations of financial propriety, weak internal control and financial mis-management.

Audit pointed out the loss in August 2016. The Authority replied that CAA Executive Committee directed for the procurement of all runway sweepers for the purpose of standardization. Accordingly, bids were re-invited in which M/s Karsaz did not participate in the bid. M/s Ghandhara Industries (Pvt) Ltd submitted the technically and financially responsive bid. The firm had quoted the Elgin make superstructure. Though, both the products (Elgin and Schewarze) meet the minimum CAA technical criteria, the prices of both the products cannot be assumed same owing to their different models, OEM specifications and country of origin. Moreover, purpose of standardization achieved and CAA got benefit with maintenance of fewer inventories of spares and trained personnel.

The reply was not accepted because the replacement of old Runway Sweeper was essentially required. The tenders were required to be floated keeping in view the requirement instead of piecemeal procurement to achieve the required standardization. It was also possible that at the first bidding process keeping in view the technical as well as financial bids of M/s Karsaz, the Authority would have saved Rs 32.950 million (3,204,991x10) instead of Rs 6.410. It is also worth mentioning that due to piecemeal procurement and delayed decisions in this regard, the Authority sustained loss. Audit maintains that procurement was made against the spirit to bring value for money to the agency through efficient and economical process.

The para could not be discussed in the DAC meeting despite best efforts made by Audit.

Audit stresses upon investigation and appropriate corrective action.
(DP. 10)

3.4.41 Non-recovery of cost of unconsumed surplus material from the contractor - Rs 5.873 million

Clause 13.1 of the bidding data modified through Addendum No.05 dated 31st July, 2009 pertaining to Contract Package-06 (Hydrant Refueling System) states that “the total bid amount shall be expressed in Pak. Rupees. The bidders shall specify that a proportion of the bid (for items which shown in BOQ to be quoted in foreign currency) shall be paid in foreign currency. Where, payment of the portion of the bid is required to be paid in foreign currency reason in justification of the same shall be provided by the bidder”

Audit noted that the work “Hydrant Refueling System Package-06” at New Islamabad International Airport was awarded to M/s Al-Tariq Constructors (Pvt.) Ltd. at agreement cost of Rs 1,187.238 million on 14th October, 2009. The scope of work contained civil works, mechanical works and electrical works. The contractor quoted rates in local and foreign currency in respect of mechanical items.

Audit further noted that despite provision of Mobilization Advance as the only financial aid, the material to be used in mechanical works was imported by CAA through opening of ten Letter of Credit and a payment of Rs 427.453 million was made by CAA to different foreign manufacturers on this account. The said material was procured by CAA and duties taxes at the time of import were waived by Government of Pakistan through SRO-575 of 2010. This material was issued to the contractor for consumption at site and recovery of Rs 348.409 million to the extent of consumed material was made upto 15th IPC

Audit observed that as per letter dated 4th December, 2013 of M/s Al-Tariq Construction (Pvt) Ltd, material worth Rs 5.873 million was surplus / excessive than actual requirements at site of work. Audit further

observed that no recovery on this account was made from the contractor. This resulted in non-recovery of Rs 5.873 million.

Audit pointed out the non-recovery in November 2016. The Authority replied that observation raised by the Audit has been noted for compliance and recovery of the pointed out amount against surplus/excessive material would be made from the contractor in final bill.

The matter was discussed in DAC meeting held on 7th-8th February, 2017. The Committee directed CAA to effect recovery and get it verified from Audit. The compliance of DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 67)

CHAPTER 4

NATIONAL HIGHWAY AUTHORITY (MINISTRY OF COMMUNICATIONS)

4.1 Introduction

National Highway Authority (NHA) was established in 1991, through an Act of Parliament. The purpose and functions of the Authority are to plan, promote, organize and implement programmes for construction, development, operation, repair and maintenance of National Highways and strategic roads specially entrusted to it by the Federal Government or by a Provincial Government or any other Authority.

NHA has its Headquarters at Islamabad with Regional Offices at Peshawar, Abbottabad, Burhan, Gilgit, Balkasar, Lahore, Multan, Karachi, Sukkur, Quetta and Khuzdar. NHA is currently custodian of 12,131 kilometers of highways, motorways, expressways and strategic roads. The longest route is N-5 (Karachi-Lahore-Peshawar-Torkham) with a length of 1,819 Km. The second largest route is N-55 (Kotri-Larkana-Dera Ghazi Khan-Dera Ismail Khan-Peshawar) with a length of 1,264 Km.

4.1.1 Duties and Responsibilities

NHA is entrusted with the following functions and duties:

- i. To advise Federal Government on matters relating to national highways and strategic roads.
- ii. To frame scheme(s) for construction, expansion, operation and development of national highways and strategic roads and undertake work on such scheme(s).
- iii. To acquire any land in accordance with legal procedure and obtain and dispose of moveable and immovable property and interests therein.

- iv. To do research and development in the field of highways.
- v. To procure plant, machinery, instruments and materials required for its use.
- vi. To enter into and perform all such contracts as it may consider necessary.
- vii. To levy, collect or cause to be collected tolls on national highways, strategic roads and such other roads as may be entrusted to it and bridges thereon.
- viii. To extend licence facilities on roads under its control on such terms as it deems fit.
- ix. To maintain legal enforcement in Right of Way.

4.1.2 Organizational Structure

NHA is under the administrative control of Ministry of Communications and is headed by a Chairman. The affairs of the Authority are regulated through National Highway Council (NHC) and National Highway Executive Board (NHEB).

Organizational set up of the Authority comprises five core Wings, i.e. Planning, Construction, Operations, Finance and Administration. Each Wing is run by various Members of NHEB, including Member (Planning) Member (Engr-Coord), Member (KLM), Member (South Zone), Member (Central Zone), Member (West Zone), Member (North Zone), Member (Finance) and Member (Admn) with the assistance of a number of General Managers.

4.1.3 Funding/Income sources and positions

Grants

- Federal Government

Loans

- Cash Development Loan (loans obtained from Federal Government including foreign loans through PSDP)

Operating Income

- Toll collection at toll plazas
- Right of Way (ROW) charges of Petrol Pumps, CNG stations, restaurants, etc.
- Sale of tender, sale proceeds of assets, land and vehicles
- Bonds, shares and other means

4.2 Comments on Budget and Accounts (Variance Analysis)

Table below shows the position of budget allocation and actual expenditure for the financial year 2015-16:

(Rs in million)

Type of Funds	Original Budget	Revised/ Final Budget	Actual Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
Non-Development					
Maintenance Grant (GoP)	2,257.536	2,257.536	991.111	(1,266.425)	(56%)
Establishment Grant (GoP)	-	-	-	-	-
Road Maintenance Account	33,176.160	33,176.160	18,375.004	(14,441.156)	(43%)
Sub-Total	35,433.696	35,433.695	19,366.115	16,067.58	(45.35%)
Development Funds					
PSDP (Local)	95,615.00	95,615.00	54,368.912	(41,246.088)	(43.14%)
PSDP (Foreign)	63,950.00	28,591.796	28,591.796	-	-
Sub-Total	159,600.00	124,206.796	82,960.708	(41,246.088)	(33.21%)
Grand Total	195,033.696	159,640.491	102,326.823	(57,313.668)	(35.90%)

Operating income for the year 2015-16 is as under:

(Rs in million)

S. No.	Description	Estimated Revenue	Actual Receipt realized	Excess/ (Shortfall)	Percentage Excess/ (Shortfall)
1.	Toll Collection	17,022.00	15,556.00	(1,466.00)	(8.61)
2.	Weigh Stations Income	405.00	390.00	(15.00)	(3.70)
3.	Right of Way/Rental Income	396.00	573.00	177.00	44.70
4.	Police Fine (N-5)	2,595.00	2,274.00	(321.00)	(12.37)
5.	Other Miscellaneous	1,541.00	1,201.00	(340.00)	(22.06)
Total		21,959.00	19,994.00	(1,965.00)	(8.95)

Following issues were found during examination of the budget, expenditure and revenue statements:

- i. Saving of Rs 41,246.088 million i.e. 43.14% of total releases under PSDP/Development budget (Local) was observed which showed that the development targets set for the year 2015-16 were not achieved by NHA.
- ii. Under Section 6(d) of the NHA Act, 1991 as amended 2001 one of the major functions of NHA Council is to approve the Annual Budget of the Authority. NHA has not submitted its budget for the year 2015-16 to the Council for approval as required under the Act. Budget for the year 2015-16 was still under approval.
- iii. Establishment budget for the year 2015-16 was prepared by Finance Wing NHA HQ, Islamabad wherein an amount of Rs 4,618.00 million was shown estimated/budgeted with breakup of Rs 3,798 million for pay & allowances and Rs 820.00 million for other establishment. Sources identified to meet these expenditures were 1% of PSDP and RMA & other receipt account. As per budget estimate Rs 2,729.00 million was anticipated to be charged to RMA / receipt account out of which Rs 2,265.00

million was actually incurred has shown in the revised estimates for the year 2015-16. A review of the annual maintenance plan 2015-16 indicated that total estimated cost of the maintenance activities was estimated Rs 18,229.11 million as such the 1% on account of establishment expense was to be charged for Rs 182.291 million rather than Rs 2,265.00 million which entails excess charging of Rs 2,082.71 million. Excessive establishment was deployed than the genuine requirements hence receipts and funds specified for the maintenance of NHA network were utilized towards non development activities. Excessive charging to RMA/Receipt Account caused irregular /un-authorized charge to RMA and Receipt and development funds towards non development amounting to Rs 2,082.71 million (DP. 370).

- iv. Against the estimated receipts of Rs 21,959.00 million, the Authority was able to actualize net receipt of Rs 19,994.00 million involving a shortfall of Rs 1,965.00 million (8.95%). Short fall in revenue targets shows less implementation in revenue recognition policies.
- v. Regional General Manager are required to prepare budget estimates of receipts on the basis of actual receipts of current year under para 2.26 of National Highway Authority Financial Manual. Compliance of these instructions was not forthcoming.
- vi. Management of NHA has carried out an independent review of cost effective procurement of major projects undertaken by NHA during the period from 1st July, 2013 to 31st December, 2016 through M/s KRESTON HYDER BHIMJI&CC Chartered Accountants.

The report of the chartered accountants was submitted to Audit. Some of the salient findings of the report are presented in the following paragraphs:

- a) The report has indicated that NHA invited bids in 104 works. According to the report NHA entered into contract for 104 works for Rs 761.90 billion against bid

price/engineer's estimates of Rs 978.29 billion, resulting into saving of Rs 216.39 billion.

- b) In addition another saving of Rs 134.889 billion was observed by undertaking certain important and imperative projects on BOT basis without any financing from or through Government Exchequer.

However, individual procurements of works have been examined by Audit and audit findings have been included in this Audit Report.

4.3 Brief comments on the status of compliance with PAC's directives

Compliance position of PAC's directives on Audit Reports relating to NHA is as under:

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of compliance
1987-88	10	10	8	2	80.00
1989-90	3	3	2	1	66.67
1990-91	9	9	8	1	88.89
1991-92	31	31	25	6	80.65
1992-93	88	88	83	5	94.32
1993-94	117	117	26	91	22.22
1994-95	38	38	34	4	89.47
1995-96	25	25	23	2	92.00
1996-97	45	45	42	03	93.33
1997-98	468	300	358	110	76.50
1998-99	177	177	154	23	87.01
1999-00	185	185	130	55	70.27
2000-01	244	244	213	31	86.58
	2 PAR	2 PAR	-	2 PAR	-
2001-02	70	70	43	27	61.43
2002-03	21	21	10	11	47.62

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of compliance
2003-04	50	50	36	14	72
2004-05	27	27	19	08	70.37
2005-06	30	30	24	06	80.00
2006-07	65	65	49	16	75.38
2007-08	36	36	11	25	30.56
2008-09	SAR-120	4	-	-	-
2010-11	86	86	43	43	50.00
	16 PAR	16	1	15	6.25
	24 PAR	24	11	13	45.83
	36 PAR	36	18	18	50.00
2013-14	45	45	14	31	31.11

Note: Audit Reports for 2009-10, 2011-12, 2012-13, 2014-15 and 2015-16 have not been discussed by PAC till the finalization of this Audit Report. Audit Report for 1997-98 and Special Audit Report 2008-09 (FY 2005-08) were partially discussed.

4.4 AUDIT PARAS

Irregularity and Non-Compliance

4.4.1 Irregular award of Contract at higher rates - Rs 166,174.00 million

Feasibility report for the Karachi-Multan-Lahore Motorway was prepared by M/s China State Construction Engineering Corporation Limited (CSCEC), as assigned by Prime Minister of Pakistan in a meeting held on 30th August, 2013. PC-I of the project Sukkur-Multan Section (392 KM), of Rs 259.353 billion (The Engineer's Estimate for comparing the bids amounts to Rs 240.158 billion i.e. Rs 209.736 billion + Rs 30.422 billion) including 90% of total cost as Chinese credit financing, was prepared on the basis of cost estimation prepared by M/s CSCEC. PC-I of the Sukkur-Multan Section of the Karachi-Lahore Motorway (KLM) was approved by the ECNEC in its meeting held on 3rd July, 2014 at the cost of Rs 259.353 billion.

As per Rule 40 (Limitation on negotiations) of Public Procurement Rules, 2004, Save as otherwise provided there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder: Provided that the extent of negotiation permissible shall be subject to the regulations issued by the Authority.

Audit noted Procurement & Contract Administration (P&CA) Wing, NHA Headquarters, Islamabad awarded the project to M/s CSCEC for Rs 294.352 billion (Rs 406.332 billion - Rs 111.980 billion) vide acceptance letter dated 22nd December, 2015.

Audit observed that the process of bidding among three nominated contractors was started in June 2015 whereas approval to invoke Rule 5 of PPRA, envisaging exemption to the extent of open competitive biddings was granted by the Economic Coordination Committee on 12th August, 2015. The lowest bidder M/s CSCEC quoted a sum of Rs 406.332 billion for the above EPC Project which was supported by mentioning cost

against each item of Bill of Quantities (BOQ)/Bidding documents. Due to high cost NHA decided to rationalize the cost of the Project. As per record negotiation meetings were held with the lowest bidder. During negotiations cost of the project was lowered by deleting some scope of work of the value of Rs 111.980 billion. The project was awarded to M/s CSCEC for Rs 294.352 billion (Rs 406.332 billion - Rs 111.980 billion) vide acceptance letter dated 22nd December, 2015.

Audit maintains that the Project of which cost estimates were prepared by M/s CSCEC for Rs 240.158 billion was awarded to the same contractor at higher rates of Rs 166.174 billion. The rates quoted by M/s CSCEC were very much on higher side as compared to PC-I rates prepared by the same contractor in the feasibility stage (Higher rates of Rs 93.843 billion against 14 items for example). PC-I rates were based on NHA Composite Schedule of Rates (CSR), 2014, and there was downward/decrease trend in the prices of high speed diesel, bitumen and other similar items and CSR-2014 were already on higher side.

Audit further observed that the cost/bid reduction of Rs 111.980 billion was due to deletion of some components/scope/items from the BOQ. Basis for reduction/detailed calculations to arrive at the amount to be deleted from the total bid amount were not mentioned in the record in support of deletion of cost of Rs 111.980 billion against each deleted item/scope of work. The cost of these deleted items was to be taken from the PC-I and from quoted rates (if scope not available in PC-I). Less amount of Rs 3.595 billion as compared with quoted rates/PC-I of these items, was applied while deleting those components to arrive at final bid price.

In the total bid cost of Rs 406.332 billion, the contractor included Rs 10.878 billion on account of survey, investigations and detailed design and quality control which was 2.76% of the total bid. Audit observed that despite deletion of the scope of work of Rs 111.980 billion, the cost of survey, investigations and detailed design and quality control was not decreased proportionately for Rs 3.091 billion and was taken as Rs 10.430 billion (against original Rs 10.878 Billion) in the revised bid instead of

Rs 7.787 billion (Rs 10.878 billion – Rs 3.091 billion). This also caused award at higher rates of Rs 2.643 billion (Rs 10.430 billion – Rs 7.787 billion).

Audit pointed out the matter in August-September 2016. The Authority replied that the original PC-1 of Rs 259.253 billion was not prepared on the basis of feasibility study by M/s China State; rather it was prepared on the basis of ground validation study by a local consultant. Clarification meetings were held in accordance with IB 32.2 of the bidding document.

Cost of items/scope of work deleted, as indicated by the Audit i.e. Rs 111.980 billion, shall not be paid to the contractor and this amount shall not be charged to the project. However, in view of difference of cost estimate, i.e. Rs 54.194 billion, the case had to be referred to ECNEC for revised Administrative Approval to get the things regularized. Keeping all the facts in purview, ECNEC granted its approval. At the same time, it must be recognized that some additional features were present in the finalized cost of Rs 294.352 billion in contrast to Rs 240.0 billion engineer's estimate.

PC-I cost estimation was not based on feasibility study conducted by M/s China State Construction Engineering Corporation Ltd. Further, the project was not awarded at higher rates. The contract cost was Rs 294.352 billion which works out to be Rs 750.9 million per km. This per km cost is less than that of the feasibility study. Moreover this cost stands Administratively Approved by ECNEC. It is worth highlighting that bids for the project were called on EPC/Turnkey basis.

Further, Audit has pointed out the difference in the deleted cost and the quoted cost (by the bidder). The quoted cost was taken from Schedule O to bid which was "Non-Binding BOQ". As the BOQ is non-binding, the bidder cannot be expected to confirm with those rates while the items were being deleted. It is also worth mentioning that the bidder had spread its overheads on its original bid of Rs 406.00 billion.

The operationally non-essential/lavish activities were excluded from the bid without compromising the functionality of the motorway. As the bid is lump sum, the cost of deletion of certain non-essential/lavish activities are also lump sum and not based on quantities. The amount of Rs 111.980 billion so saved shall not be charged to the project as already stipulated above. Here, it was worth considering that the easiest solution was to award the contract at the quoted lowest bid amount of Rs 406 billion. However, clarification meetings were conducted with the lowest evaluated bidder for rationalizing the scope and consequently bringing the per Km cost of motorway at a reasonable level. After hectic efforts of NHA evaluation committee and the top management during a four month period, an amount of Rs 111.98 billion was saved.

The bidder submitted his lump sum bid price of Rs 10.878 billion on account of survey, investigation, detailed design and quality control for 392 Km of Sukkur-Multan motorway.

The reply was not accepted because Engineer's Estimate was based on feasibility study, as evident from the table below, which clearly indicated that PC-I cost is a replica of Feasibility Report:

Sub Head	Cost as per Feasibility			PC-I Cost Rs in million
	Sukkur- Zahirpir Section	Zahirpir- Multan Section	Total amount in Rs	
Earth work and Allied Facilities	26,541.142	20,717.949	47,259.091	47,259.09
Sub-Base and Base	19,599.280	17,221.885	36,821.165	36,821.17
Surface Course and Pavement	13,316.336	11,597.614	24,913.950	24913.95
Structures	15,623.365	13,143.627	28,766.992	28,766.99
Drainage works	10,069.078	9,536.181	19,605.259	19,605.26
Ancillary Works	9,707.622	8,176.001	17,883.623	17,883.62
Total			175,250.08	175,250.08

Feasibility cost of Rs 313.600 billion also included interest on loan, contingency, management cost, feasibility studies cost etc. The contractor quoted Rs 406 billion against PC-I cost of the project of Rs 259.353 billion (The Engineer's Estimate for comparing the bids amounts to Rs 240.158 billion i.e. Rs 209.736 billion +Rs 30.422 billion). Cost reduction which has been taken as saving in reply is actually reduction in scope of work. Reduction of Rs 19.047 billion due to exemption of custom duties was also considered as saving. Other main claimed saving of Rs 21.664 billion was due to change of formation of granular material platform to sand platform. Detailed calculations for cost reduction of Rs 111.980 billion were not available with NHA.

Although it was a non-binding BOQ, but the quoted cost of Rs 406.00 billion was based on itemwise rates. During reduction in cost the quoted rates were not considered and less reduction was made. Despite reduction in cost/scope of work of Rs 111.980 billion the quoted cost of the detailed design and quality control was not reduced proportionately. Higher rates were accepted and work was awarded at higher rates as pointed out.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 225)

4.4.2 Irregular award of Contract in violation of PPRA Rules and bidding documents - Rs 148,654.427 million

As per PEC standard procedures for pre-qualification of contractors (Instruction B.III) it is preferable to package a project in such a way so as to allow medium sized construction firms to bid. Also preference to provide benefit to local construction industry in Pakistan shall always be considered. Therefore, the project if it can be divided into packages the user may do the same.

As per eligibility criteria No.4.2 (Specific Experience) for pre-qualification experience of at least one EPC/Turnkey Highway Contract within the last seven years for a value of Rs 91,000.00 million was a (Must Requirement).

As per Clause IB-15.1, “Each Bidder shall furnish, as part of his bid, a bid security of an amount not less than Pak Rs 500.00 million or an equivalent amount in any free convertible currency. In case of joint venture, bid security shall be submitted with name of proposed JV accordingly”. As per IB Clause 15.4 any bid not accompanied by an acceptable bid security shall be considered by the Employer as non-responsive bid

As per Rule 40 (Limitation on negotiations) of PPRA 2004, Save as otherwise provided there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder: Provided that the extent of negotiation permissible shall be subject to the regulations issued by the Authority.

During Audit scrutiny of procurement record relating to the Engineering, Procurement and Construction (EPC) of Karachi- Lahore Motorway (KLM), Section- III: Lahore-Abdul Hakeem (230 km Approx.) of P&CA Wing NHA Headquarters, Islamabad, Audit noted that the project was awarded to M/s CR20G-ZKB-KLM-JV vide acceptance letter dated 8th December, 2015 for agreement amount of Rs 148.654 billion.

Audit observed that the whole work/project was put to tenders in one package. Thus very tight condition of experience for pre-qualification (at least one EPC/Turnkey Highway Contract within the last seven years for a value of Rs 91,000.00 million) reduced the quantum of response. This viewpoint is strengthened by the fact that no Pakistani firm even holding PEC Licence with “No Limit” was able to provide such experience. Had the project divided into multi package it would have resulted in more healthy competition. There is no justification/approval on record for tendereing of the Project in one package. Member Engineering approved criteria for pre-qualification of the contractors. Powers to award project of this volume/pre-

qualification of contractors rest with Executive Board NHA/Committees as per NHA Code 2005. As such finalization of pre-qualification criteria at Member (E) level is unauthorized/irregular.

During pre-qualification process China Railway 20 Bureau Corporation produced experience of construction of 359 KM West Single Part East West Expressway in Algeria. On this basis the said company was pre-qualified by NHA. Audit observed that the said project was completed by CITIC-CRCC Group (Mother Company of CR20G). Pre-qualification of the firm on the basis of experience certificate of a Joint Venture and of Mother Company instead of its own was irregular.

M/s ZKB which was disqualified in prequalification process as JV (M/s China Gezhouba Group Company-ZKB-Reliable-SMC (JV)) was allowed to form JV with M/s CR20G at bidding stage in violation of Public Procurement Rules, 2004 referred above which provides that only pre-qualified firms can participate in the bidding process.

At the time of bidding the lowest bidder CR20-ZKB KLM (JV) did not provide Bid security of Rs 500.00 million in the name of Joint venture as required. Bid was to be declared non-responsive which was not done.

Negotiations/bid clarification meetings were held with the lowest bidder. As evident from record the contractor was asked to rationalize his bid as per market trends. The contractor/bidder accordingly reduced bid from Rs 159.784 billion to Rs 148.654 billion i.e. 15.76% above submitted PC-I cost of Rs 128.414 billion. Negotiations were made in violation of PPRA Rules and only with one bidder. The other bidders were not aware of any such negotiations.

In view of above it is evident that the work was awarded irregularly. The issues have also been highlighted by Transparency International Pakistan through different communications available on TIP Pakistan website. The work/project was put to tenders in one package instead of two or more packages. Had the work been retendered, and in packages, it would have been awarded on much lesser rates. PC-I was

prepared on the basis of NHA CSR 2014 and after 2014 there has been downward trend in the prices of major items of HSD and bitumen. This is also evident from the unsolicited bid of M/s FWO dated 30th September, 2016 of Rs 132.6 billion for the above Project which was not accepted by NHA being against PPRA Rules. M/s FWO rates always are inclusive of 15% overhead charges and exclusive of 7% income tax. The real bid cost of FWO was therefore, Rs 121.992 billion (Rs 132.6 billion – 8 %). Higher bid cost of Rs 148.654 billion was accepted which caused award of Project at higher rates of Rs 26.662 billion.

Audit pointed out the irregular award of work in August-September 2016. The Authority replied that in order to avoid interfacing, coordination and quality & design consistency issues, the 6-Lane Motorway Project was put to tender as a single package with EPC/Turnkey form of contract. The finished product (i.e. 230 Km, Access Controlled, ITS enabled Motorway Facility) was also required to be of international standards for which a suitable seasoned contractor having experience of executing mega motorway projects was essential. The capacity of local contractors was not as much to undertake project of this magnitude and quality even sliced in to multiple packages. The same capacity issue of local contractors was reaffirmed through prequalification exercise. NHA also had successful experience in the past of completing the Motorway projects as single package (e.g. Islamabad-Lahore Motorway, etc.).

As explained above that there was no binding by PEC on NHA to unnecessarily slice every project into packages. Further, although authority to award/acceptance of project of this much quantum/worth rests with NHA Executive Board however authority to approve prequalification criteria etc. rest with the Technical Head of the Wing i.e. concerned Member. NHA Code 2005, Chapter-3, para-38 to 40 elaborates on committee for per-qualification of contractors. In case of capital works committee is headed by General Manager (P&CA) and Member (Planning) is the final authority to approve pre-qualification results including any criteria in this regard.

China Railway 20 Bureau Group has executed similar works (Western Section 359 Km project of Algeria East-West Expressway) exceeding Rs 91.0 billion as part of the overall works costing Rs 453.27 billion and fulfills the respective Prequalification Criteria. As per laid down procedure in bidding documents, the documents provided by the Contractor, duly endorsed by Ministry of Foreign Affairs of China & countersigned by Counselor (CA) Embassy of Pakistan, Beijing were accepted. On the basis of these documents CR20G were pre-qualified. M/s ZKB in joint venture with another Chinese foreign firm i.e. M/s China Gezhouba Group Co., and two Pakistani local partners i.e. M/s Reliable and M/s SMC, could not qualify in the Pre-Qualification (PQ) Process on the evaluation of their joint capacity. Whereas, M/s China Railway 20 Bureau Group Corporation (CR20G) was individually prequalified to execute work of this quantum and complexity, this firm could therefore be awarded the contract even independently with or without joint venture with any other firm. Another disqualified firm in the PQ process i.e. M/s SKB also submitted its bid in JV with an individually qualified Chinese company i.e. M/s China Railway Group Ltd (CREC). The Contractor, CR20G submitted its bid in joint venture to comply with PEC Bye-Laws. The bid of M/s CR20G-ZKB KLM JV, was accompanied with the total required amount of bid security, and was accepted due to legal justifications.

Had this lowest bid been declared as non-responsive, there would have been loss to national exchequer. However, the risk, if any, was eventually overcome when JV provided its Performance Security.

FWO submitted an unsolicited offer for the said project amounting to Rs 132.636 billion on 07th September, 2015. It may be highlighted that it was received once the process of bidding had reached an advance stage after opening of the financial bids on 25th August, 2015. Considering /processing of this unsolicited offer of M/s FWO at this juncture would have been a gross violation of PPRA rule-16, sub rule-3. Hence, no action was taken and M/s FWO was accordingly informed vide letter dated 25th October, 2015. M/s FWO subsequently admitted the illegality of their

unsolicited bid, in view of Public Procurement Rules, and also placed it on their website.

The reply was not accepted because powers to award project of this volume/pre-qualification of contractors rest with Executive Board NHA/Committees as per NHA Code 2005 and not at Member NHA level. China Railway 20 Bureau Corporation produced experience of construction of 359 K.M West Single Part East West Expressway in Algeria. The said project was completed by CITIC-CRCC Group (Mother Company of CR20G). M/s ZKB which was disqualified in prequalification process as JV (M/s China Gezhouba Group Company-ZKB-Reliable-SMC (JV)) was allowed to form JV with M/s CR20G at bidding stage in violation of Public Procurement Rules, 2004. At the time of bidding the lowest bidder CR20-ZKB KLM (JV) did not provide Bid security of Rs 500.00 million in the name of Joint Venture as required. Bid was to be declared non-responsive which was not done. Negotiations/bid clarification meetings were held with the lowest bidder only. The other bidders were not aware of any such negotiations.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 222)

4.4.3 Insurance of works beyond the financial capacity/limit of the insurance companies - Rs 39,522.891 million

Clause 18.1(a) & b: evidence provides that the insurances described in this clause have been effected and copies of the policies for the insurances described in the sub-clause 18.2 “Insurance of works and contractor equipment” and sub-clause 18.3 “Insurance against injury to persons and damage to property” when each premium is paid, the insuring party shall submit evidence of payment to the other party.

4.4.3.1 Audit observed that evidence of premium paid to insurance companies for the three packages for insurances against work was not

available in the record of Project Director/the Engineer (consultant), Hassanabdal-Havelian-Mansehra Expressway (E-35) NHA Burhan, produced to audit. Due to non-availability of the above said evidence it was expected that policies provided were not enforced, as detailed below:

Package/RDs	Contractor	Contract Cost (Rs in million)
Package-I (00+000 to 20+400)	M/s CGGC – GRC (JV)	7,376.968
Package-II (20+400 to 39+611)	M/s CGGC – AM Associate (JV)	6,775.233
Package-III (39+611 to 58+711)	M/s Limak–ZKB (JV)	8,188.129
Total		22,340.330

Audit observed that insurer companies have maximum capacity to provide insurance cover upto Rupees two (02) billion, whereas the contract cost of the contracts was more than Rupees seven (07) billion. Hence insurance of works cost, contract equipment, third party insurances etc. were beyond capacities of the insurer companies and required to be re-insured either by the insurer companies or by the foreign partners of the Joint Venture from their native countries. As per the documents provided by the Adamjee insurance company the capacity of Re-insurance Treaty 2015 capacity of all eleven companies was upto Rupees two (02) billion, whereas contract price insured were for Rs 7,376.968 million, however, no such information for other companies was available on record. This established that Adamjee insurance Company and their Re-insurer Treaty along with M/s Jubilee Insurance and M/s East West Insurance did not have capacity to insure the works valuing Rs 22,340.330 million.

Audit pointed out the matter in July-August 2016. The Authority replied that any amount not insured or not recovered from the insurers shall be borne by the Contractor and/or the Employer in accordance with these obligations, liabilities or responsibilities.

The reply was not accepted because evidence regarding payment of premium to the insurance company by the contractor was not produced. Further part-B of the Para regarding arrangement of re-insurance from foreign insurance companies having capacity to insure a project valuing more than Rs 8,000.00 million was not replied.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. The Chair directed Member (Finance) NHA to examine the issue regarding capacity of insurance companies and submit report within two days. The compliance of DAC's directive was not conveyed till the finalization of the report.

Audit recommends early compliance of DAC's directive.

(DP. 29)

4.4.3.2 Audit noted that the above said information of the following works/contracts was not available with the Project Director/the Engineer (consultant). Evidence of premium paid by the contractors to the insurers was neither produced nor Project Management got it confirmed from the insurance company.

Name of Work	Contractor	Contract Cost (Rs in million)
ICB-M-4-IIB: Jamani-Shorkot Section	M/s China Railway First Group Co. Ltd.	8,827.501
ICB-M-4-IIA: Gojra-Jamani Section	M/s Xijiang Beixin Road & Bridge Group Co. Ltd.	8,355.060
Total		17,182.561

Audit observed that insurer companies have maximum capacity for insurance upto Rs 2,000.00 million, whereas the contract cost of the each of the above said contract was more than R 8,000.00 million. Hence works cost, contract equipment & third party insurances were beyond the capacities of the insurer companies and were required to be re-insured either by the insurer companies or by the foreign contractor from their native countries as the East West insurance Company and EFU General

Insurance Company did not have the capacity to insure the works valuing Rs 8,000.00 million.

Audit pointed out the matter in August-September 2016. The Authority replied that the contractors paid due premium and their Insurance Policies were effective.

The reply was not accepted being not substantiated with documentary evidence. Further, Part-B of the Para regarding arrangement of re-insurance from foreign insurance companies, having capacity to insure a project valuing more than Rs 8,000 million, was not replied.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed Member (Finance) NHA to examine the issue regarding capacity of insurance companies and submit report within two days. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 46)

4.4.4 Irregular award of works - Rs 18,526.578 million

Para 51 of Chapter 3 NHA Code 2005 provides that if the lowest bid/tender exceeds the engineer's estimates by (+)15%, revised technical sanction and other approvals as required in this Code shall be obtained before awarding the contract or retender as per decision by the committee.

Paras 44, 46 and 47 of NHA Code (Volume-I) provide that, for every work it shall be mandatory to obtain administrative and financial approval of the competent authority. An approximate estimate and such preliminary plans as are necessary to evaluate the proposal shall be prepared by the Planning Wing in consultation with Highway and Motorways Wings. The preliminary estimate shall be prepared and countersigned by the authority competent to accord Technical Sanction to

the detailed estimate and shall be forwarded direct to the authority competent to accord Administrative Approval.

As per Rule 23 of PPRA Rules 2004, (1) Procuring agencies shall formulate precise and unambiguous bidding documents that shall be made available to the bidders immediately after the publication of the invitation to bid (3) Any information, that becomes necessary for bidding or for bid evaluation, after the invitation to bid or issue of the bidding documents to the prospective bidders, shall be provided in a timely manner and on equal opportunity basis. Where notification of such change, addition, modification or deletion becomes essential, such notification shall be made in a manner similar to the original advertisement

According to Rule 20, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

4.4.4.1 Audit noted that General Manager (Sindh-South) Region, NHA Karachi awarded two works on premium higher than 15%. The estimate of works contains CSR items along with non-scheduled items but bid evaluation committee did not retender the works. This resulted into irregular award of work amounting to Rs 104.993 million, as detailed below:

S. No.	Contract No.	Contractor	Estimated cost (Rs in million)	Amount quoted by the contractor as premium on BOQ item	% Above
1.	BR-2012-13-SS-02	M/s Pritam Das	64.128	11.543	18%
2.	BR-2012-13-SS-03	M/s Al-Raees Const.	40.865	7.969	19.5%
	Total		104.993	19.512	

Audit maintained that irregular award of works occurred due to weak technical, financial and internal controls.

Audit pointed out irregularity in September 2016. The Authority replied that the contracts BR-2012-13-SS-02 and BR-2012-13-SS-03 were awarded after a healthy tendering procedure where lowest offer of both contracts was above the Engineer's estimate. The process of contract award of more than 15% of engineer's estimate was carried out as per NHA code and further approved by competent authority after completion of all codal formalities before award the contract.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed NHA to get the revision of TS/PC-I and relevant record verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 65)

4.4.4.2 Audit noted during scrutiny of procurements of 35 Periodic Maintenance Works for the year 2015-16 by P&CA Wing NHA HQs Islamabad that due to downward trend in the prices of oil in the world/international market there had been a major decrease in the prices of High Speed Diesel and Bitumen in Pakistan since January 2015. As the rates in NHA Schedule of Rates 2014 became very much inflated, the impact was to be given on Engineer Estimates based on NHA CSR 2014.

Audit observed that the procurements during the financial year 2015-16 were made on the basis of engineer's estimates based on NHA, CSR, 2014 but the Engineer Estimates were not made realistic and inflated cost was put to tender. Thirty five works were put to tender for an amount of Rs 11,383.919 million works, which were awarded for an amount of Rs 9,017.968 million (i.e. an average of 20.78% below of the amount put to tenders). During bid evaluation NHA gave the impression of competitive lower/economical rates of procurement whereas the true picture is on the reverse side. The decrease trend in rates is much on

higher side. The rate of HSD in September, October 2014 was Rs 109.34 per liter which was decreased upto June 2016 as Rs 83.49 per liter i.e. 23.64%. The very purpose of obtaining competitive/economical rates through open tenders has been defeated through defective estimation which needs justification.

As per PEC standard bidding documents, 2007, price adjustment was admissible on the contracts having the duration of six months or more. Audit observed that despite the downward trend of prices of HSD and Bitumen which are the main components of periodic maintenance/asphaltic overlay, the price adjustment clause was deleted from the bidding documents. The deletion of price adjustment clause was made without approval from the competent forum i.e. NHA Executive Board. By deletion of price adjustment clause, NHA has been deprived of the financial benefit which was to be earned by NHA in shape of de-escalation.

Audit pointed out the matter in August-September 2016. The Authority replied that estimates were prepared by RAMD Section NHA Headquarters. The completion period of all 35 Periodic Maintenance Contracts was 180 days and the contractor required to complete the whole contract/work before 180 days i.e. in 179 days. Hence, if calculated in terms of months, it became less than 06 months. Therefore, the escalation clause was not incorporated in the bidding documents.

The reply was not accepted because Engineer's estimates were prepared incorrectly. Change in the standard bidding documents of Pakistan Engineering Council was made without any authority.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.

(DP. 223)

4.4.4.3 Audit noted that P&CA Wing, NHA, HQs Islamabad floated tenders for Construction of Road from Thalian on M-2 to New Islamabad International Airport, including Periphery Roads and opened on 12th January, 2015. NHA Executive in its 247th meeting held on 3rd April, 2015 approved the award of work to M/s Habib Construction Services (Pvt) Ltd for Rs 1,918.234 million i.e. 14.92% below the estimated cost.

Audit observed that PC-I of the Project was approved by ECNEC vide Case No.ECNEC-66/7/ 2015 dated 14th November, 2015. Audit holds that calling of tenders and award of work without Administrative Approval was irregular which needs justification.

Audit pointed out the matter in August-September 2016. The Authority replied that PC-I remained under process since 14th December, 2011 which was ultimately approved by ECNEC on 14th November, 2015. The procurement process was initiated during the period the PC-I was under process, however, acceptance of the lowest evaluated bid was issued after the Administrative Approval of the PC-I. The retro-active step of inviting tenders prior to final approval of PC-I (which was under process) was taken to avoid extreme urgency of getting the work done through “Negotiated Tendering” under the Public Procurement Rules, keeping in view that the New Islamabad International Airport was nearing completion but there were no access roads available to cater for the traffic to and from the Motorway (M-2). Whereas the work was awarded after administrative approval of ECNEC, the irregularity of (proactive) calling of tenders was rectified with the administrative approval of the ECNEC.

The reply was not accepted because the procurement was started in anticipation of administrative approval as admitted in reply. The irregularity was established.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 227)

4.4.4.4 Audit noted that P&CA Wing NHA Headquarters, Islamabad called tenders for the work, “Construction of Main Link Road (Access Controlled) to New Islamabad International Airport, including Flyover, Toll Plazas and Service Road” on Single Stage Two Envelope (SSTE) basis which were opened on 18th May, 2015.

As per invitation for bids appeared in the newspapers estimated cost of the project was mentioned as Rs 11.50 billion and bidders were asked to submit bid security of Rs 230.00 million. As per bidding documents following criteria were mandatory for technical evaluation:

- i) Completion of at least one project of similar size and complexity with a value of minimum Rs 5,733.00 million during last seven years.
- ii) Average annual turnover of minimum Rs 8,190.00 million.
- iii) Minimum cash flow of Rs 2,730 million.

Twenty one (21) firms purchased the bidding documents and six bidders submitted their Bids. All six firms were technically prequalified. Financial Bids were opened on 30th June 2015. During pre-bid meeting dated 12.05.2015 M/s FWO pointed out that NHA could not advertise this project as it falls under concession agreement of M-2.

On 31.07.2015 Financial Bid Evaluation Committee declared M/s ZKB-Reliable J.V 1st lowest bidder with bid cost of Rs 6,862.524 million. ECNEC on 13th November, 2015 approved the project at the cost of Rs 11,295.00 million for construction of roads under phase-I,II&IV. The ECNCE approved, in principle, the construction of roads under Phase-III mentioned in para 11 of the summary, and constituted a committee comprising Secretary Planning, Development & Reforms Division (Convener), Chairman, NHA and Additional Secretary (CF), Finance Division to submit its recommendations, to ECNEC in its next meeting relating to the mode for funding i.e. through PSDP or BOT.

On 5th January, 2016, tender acceptance committee, despite remarks of the ECNEC against Phase-III above and inclusion of this scope in the FWO, BOT Contract, recommended award of work to M/s NLC at bid cost of Rs 6,824.999 million.

NHA Executive Board in its meeting held on 19.01.2016 approved award of work to M/s NLC with reduced scope of work for 5.1 km starting from Zero point M-1/M-2 to end point (Airport) to M/s NLC for Rs 2,283.347 million against Engineer's Estimate of Rs 2,684.134 million (Cost with reduced scope of work). The work was awarded to M/s NLC on 25th February, 2016.

Audit observed that tendering process was started in anticipation of approval of PC-I by ECNEC. The amount of Engineer's Estimate was reduced from Rs 8,190.00 million to Rs 2,684.00 million due to deletion of scope of work already in the BOT Contract of FWO which defeated the whole process of technical and financial bidding process. Due to major reduction in advertised scope of work which came to notice of NHA during pre-bid meeting dated 12th May, 2015 technical evaluation criteria had become incorrect but the procurement process was continued with the same criteria irregularly. Due to the evaluation criteria only six firms submitted bids although 21 firms purchased the bidding documents. M/s NLC did not provide similar work experience of value as mentioned in bidding documents. Despite M/s NLC was technically qualified. The bid price of M/s NLC of Rs 2,283.347 million (of reduced scope of work) was exclusive of income tax 7% whereas bid of M/s ZKB-Reliable J.V was Rs 2,298.687 million was inclusive of income tax. The real value of the bid of M/s NLC was Rs 2,455.212 million i.e. Rs 156.525 million higher than the bid of M/s ZKB-Reliable J.V.

Audit pointed out the matter in August-September 2016. The Authority replied that M/s FWO had shown their reservation during Pre-bid meeting regarding the first 8 Km which fall within the Concession limits with M/s MORE. Keeping in view the reservation of M/s FWO, technically qualified firms were asked to submit an Undertaking that in the event of change in the scope of work, they will not make any cost claim

and no legal/financial recourse will be initiated. In response all the firms submitted the required Undertaking which made the bidding process transparent including the possibility of change in scope of work with equal opportunity for the willing bidders. The bidding was based on “Single Stage Two Envelope” bidding procedure. Therefore, all the firms were given equal opportunity. PC-1 was approved by ECNEC on 14th November 2015 wherein committee was formulated to decide the fate of Phase-III relating to the mode for funding i.e. PSDP or BOT. Therefore, if NHA had gone for retendering, the procurement would take additional 4-5 months; it was not possible to go for retendering in order to synchronize completion of road project with the date of completion of airport project. M/s NLC had executed 5 packages of the same Lahore Ring road project under five different contracts. These packages were executed concurrently within a time span of 3 to 4 years i.e. project of ring road was continuous project; therefore, capability and capacity of M/s NLC was taken as cumulative values of the packages. Accordingly, NLC experience meets bid qualification/evaluation criteria as stipulated in the bidding documents. Further NLC (at that time) was constructing Peshawar More Interchange just next to NHA HQ which was more than 5 billion rupees project; which is physically completed since months.

Initially, the bids of M/s NLC and M/s FWO were loaded in view of their income tax exemption for comparison on equal footing. However, during discussions, it was observed that consideration of income tax factor for the comparison of bids is not justified and no evaluation criteria regarding the price adjustment in the quoted bids with respect to income tax had been mentioned in the Bidding Documents. Therefore, loading of income tax factor in the bids of M/s NLC and M/s FWO was against transparency unless the same mechanism had been elaborated in the evaluation criteria.

Accordingly, the bid price of NLC was not only ab-initio lowest but also remained the lowest after evaluation done in accordance with the evaluation criteria, and its application procedure, as per stipulations of the bidding document.

Tendering process was commenced as per PPRA rule and after the detailed design, therefore, estimation was correct. If NHA had not initiated procurement process at that time, NHA would have to go for alternate method of procurement i.e., negotiated tendering, as per Rule 42-d(iii) of the Public Procurement Rules 2004.

The reply was not accepted because the start of tendering process with defective estimation prior to approval of PC-I from ECNEC, incorrect technical evaluation process and deletion of major scope of work after opening of bids was irregular which led to irregular award of work to M/s NLC through limited competition among the bidders and at higher cost of Rs 156.525 million.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 228)

4.4.4.5 Audit noted that the General Manger (GB), NHA awarded 05 different works/contracts for Emergency Maintenance (for rain damages and retaining walls) of road on S-1 & KKH (N-35) to M/s FWO valuing Rs 31.56 million on the estimates based on NHA CSR, 2009 and a Contract for Emergency & Routine Maintenance of road on S-1 & KKH (N-35) to M/s FWO valuing Rs 234.796 million (Rs 167.352 million for N-35 and Rs 67.45 for S-I) for the year 2015-16.

Audit observed that the maintenance contracts were awarded without calling of open tenders in violation of Public Procurement Rules, 2004. This resulted into irregular award of work without open competitions/tendering amounting to Rs 266.356 million.

Audit maintains that the works were awarded without calling of open tenders due to non-adherence to the Public Procurement Rules.

Audit pointed out the irregularity in August 2016. The Authority did not furnish reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 232)

4.4.4.6 Audit noted that the project “Rehabilitation of Kohala Muzaffarabad Road “S-2” Package-I Damaged due to Rain & Flood 2010 (KM 0+000 to 20+000)” was awarded to M/s Xinjiang Beixin Road & Bridge Group Co Ltd with the agreement cost of Rs 1,716.002 million.

Audit observed that excess quantities valuing Rs 850.383 million, which were 50% above the original contract/BOQ were got executed by enhancing the scope of work abnormally through extra / additional works, not included in the estimate put to tender. This resulted into irregular award of additional work for Rs 850.383 million.

Audit maintains that award of additional work without tendering was due to violation of PPRA Rules and weak internal controls governing contract management.

Audit pointed out irregularity in July 2016. The Authority replied that, Package-I contract was assigned to M/s. Beixin in June-2013. KM-1 slide was included with tentative quantity and no deep geo tech investigation was carried out for the pile depth. The number of piles and the correspondent quantities of the concrete was too less (concrete type class A-3). Once the work commenced the pile dia increased from 01 meter to 1.2 meter which resulted into the change of rate of pile boring, steel and concrete class A3. The net effect was Rs 130.00 million. Secondly there was road construction type-III for 6.7 Km’s which was changed to type-II for better riding quality along with other minor changes KM-3 slide activated during the currency of the contract and its design for shelter on 71 piles results an increase in the cost to the extent of Rs 388.00

million inclusive 92 million package-II Supplement. KM-12 also activated during the currency of the contract and its diversion of 300 meters cost was Rs 165.00 million and a supplement of package-II Rs 44 million. As explained all the increase was a force majeure and due to earthquake and unprecedented rains.

The reply was not tenable. There was a huge increase in original scope of work on the basis of which competition was made. Variation was more than 40% which was infact additional work awarded without competition. Further, approval of ADB being development partner was required for incurrence of expenditure 15% over and above the original contractor costs approval of ADB, if obtained for extra expenditure, was got verified from Audit. The Design Wing of NHA and Design Consultant were equally responsible for liberal deviations and excess payments, irregular award of work Rs 850.383 million under the cover of variation order No.01.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.

(DP. 358)

4.4.4.7 Audit noted that the Project “Rehabilitation Mansehra-Naran-Jalkhad-Chillas Road (N-15) Package-II Mahandri to Naran (KM 089 + 275 to Km 119+350) ADB Loan No. 2742” NHA was awarded to M/s Rustam Associate + Dynamic Constructors (JV) at the agreement cost of Rs 844.545 million and revised 1,039.319 million. (Date of tendering 08.05.2013, date of completion 07.08.2014 and extension of time upto 20.05.2015.

Audit noted that the Project Director Package-II (Mahandri to Naran) allowed and paid additional work through varied quantities, which were not included in the original estimate put to tender. Rehabilitation of 10 km reach was included in the additional / varied work due to which

quantities were abnormally increased. This resulted into irregular award of work amounting to Rs 387.795 million without competition.

Audit maintains that award of additional work without tendering was due to violation of PPRA Rules and weak internal controls governing contract management.

Audit pointed out the irregularity in July 2016. The Authority replied that, Chairman, NHA in a progress review meeting on 2nd October, 2014 enhanced the scope of work to the extent of Rs 197.0 million. It was not the desire of the contractor to execute the subject work but it was the order of Chairman NHA to execute it as the Prime Minister visited the area and ordered for its complete rehabilitation. The execution of work in the light of FIDIC overview of 11th September, 2007 clearly dictate that increase in the scope of work was pro employer change as the increase in threshold amount was no benefit to the contractor. The reply was not tenable. Award of additional work over and above 15% of original work, was in violation of public procurement rules. This was entirely a new work and did not cover under the clause of varied work as per FIDIC & PEC bidding documents.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses to regularize the excess expenditure from the competent forum under intimation to Audit.

(DP. 359)

4.4.4.8 Audit noted that Project Director, Hassanabdal-Havelian-Mansehra Expressway (E-35) NHA, Burhan, enhanced scope of work of both Packages upto 25% due to conversion of four-lane motorway into six-lane after award of work.

Audit observed that enhancement in scope of work beyond fifteen (15) percent was not covered under the contract agreement and Public Procurement Rules. This indicates that scope of work was not properly

assessed while preparing Engineer's Estimates (EE) before award of work. This resulted in irregular enhancement of work for Rs 3,677.943 million as detailed below:

(Rs in million)

Contractor	Original scope	Revised scope after VO-I	Proposed scope after VO-II	Enhancement
M/s CGGC-GRC (JV)	7,376.968	8,463.865	9,294.028	1,917.060 25.99%
M/s CGGC-AM Associate (JV)	6,775.233	7,590.600	8,536.116	1,760.883 25.99%
Total	14,152.201	16,054.465	17,830.144	3,677.943

The irregularity occurred due to violation of mandate, rules and procedures and weak implementation of internal controls.

Audit pointed out the irregularity in July-August 2016. The Authority replied that in road works all items were interlinked with each other and due to technical reason it was not possible to make a new contract. That's why new contract was not made and already on going contracts were enhanced from 4 lanes to 6 lanes.

The reply was not accepted because original scope of work was concealed and not put to tender to avoid fair competition and to provide undue benefit to the contractor by enhancement of the scope of the work beyond the permissible limit of 15%. It also reflects the poor planning of the authority. Besides there is likelihood that contractor may lodge claim for re-rating under the contract for enhancement in the scope of work.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed NHA produce summary/approval of Prime Minister and ADB regarding enhancement of lanes from four to six, to Audit for verification. The compliance of DAC's directive was not conveyed till the finalization of the report.

Audit recommends early compliance of DAC's directive.

(DP. 17)

4.4.5 Irregular acceptance of non-responsive bid - Rs 17,182.561 million

The bid was required to be evaluated in accordance with the evaluation & qualification criteria fixed by the authority and furnished to the contractors along with technical bidding documents under section 3 to 6. Appendix-B of Standard Guidelines for Evaluation of Bids for procurement of works issued by Pakistan Engineering Council, October, 2001, provides under clause 1 (b)(vii) that, “a bid is likely not to be considered, if, it is submitted for incomplete scope of work”. Sub-para (xiii) also provides that “it is materially and substantially different from the condition/specification of the bidding documents”.

4.4.5.1 Audit noted that General Manager, P&CA, NHA Headquarters Islamabad evaluated technical as well as financial bid of Faisalabad-Khanewal Expressway (M-4/E-4) Gojra-Shorkot Section ICB-M-4-IIB: Jamani to Shorkot Section (Km 30) Km 89+200 to Km 119+200) for Rs 8,827.501 million and awarded the work to M/s China Railway First Group Co. Ltd. vide acceptance letter dated 16th November, 2015.

Audit observed that the submitted bid was required to be declared non-responsive due to non-fulfilment of the given criteria as detailed below:

- i. Under Section 2.3 financial requirements, the bidder was required to provide the financial statements for the year 2012, 2013 & 2014 or of the latest three years audited financial statements but financial statements for the year 2011, 2012 & 2013 were provided with the bidding documents. The financial statement for the year 2014 was not provided.
- ii. Under Section 6 Employer’s requirements, for the persons the criteria of experience was not fulfilled.
- iii. Under Section 6 Equipment requirements for the project, the minimum machinery requirements fixed by the authority was shown available at China by the contractor however, the documents regarding import of machinery before start of work

were not available with the Authority for necessary audit verification.

- iv. While submitting financial bid there was a calculation mistake of Rs 147.348 million due to less quoting the quantities of items of work under Bill No. 6-A.
- v. The bid was called for in Pak Rupee, however the contractor demanded 30% of payment in foreign currency (USD) conditionally but before start of work 5,409 Ton imported steel as shown in foreign currency requirements and machinery was not brought at the site.

In view of the above mentioned facts the bid was required to be rejected due to its non-responsiveness but the bid was accepted and awarded the work. This resulted into irregular acceptance of bid for Rs 8,827.501 million.

Audit pointed out irregular acceptance of non-responsive bid in August-September 2016. The Authority replied that all the seven bidders submitted complete set of documents and information required under the bidding document except a few shortcomings and were accordingly selected for further scrutiny for determining their responsiveness and qualification as per bidding document. The equipment list provided was much greater than as required. The only thing which was noted was the total experience of structural engineer which was required 10 years and similar 5 years while the bidder structural engineer CV shows total experience 9 years and similar also 9 years. Similar experience was greater than as required while the total experience is lacking one year which is considered by the evaluation committee as non-material deviation.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed NHA (P&CA Wing) to reconcile the issue and get the record verified from Audit. The compliance of DAC's directive was not conveyed till the finalization of the report.

Audit recommends early compliance of DAC's directive.

(DP. 40)

4.4.5.2 Audit noted that General Manager, P&CA NHA Headquarters Islamabad evaluated Technical and Financial Bid of Faisalabad-Khanewal Expressway (M-4/E-4) Gojra-Shorkot Section ICB-M-4-IIA: Gojra-Jamani Section (Km 31) (Km 58+200 to Km 89+200) for Rs 8,355.060 million and awarded the work to M/s Xijiang Beixin Road & Bridge Group Co. Ltd. on 16th Novemebr, 2015.

Audit observed that the submitted bid was required to be declared non-responsive as it was not fulfilling the given criteria with reference to experience, machinery and equipment.

In view of the above mentioned facts the bid was required to be rejected due to its non-responsiveness but the bid was accepted and awarded the work. This resulted into irregular acceptance of bid for Rs 8,355.060 million.

Audit pointed out the irregularity in August-September 2016. The Authority replied that in the PC-I of M-4 Project, there was a provision of Rs 934.2 million for Consultancy as highlighted by the Audit. Revised Consultancy Cost of the project after approval of VO No. 8 is Rs 704.6 million & US\$ 4,018,315 which was little more than PC-I provision. It is highlighted that PC-I of the project was under revision. Construction work of Section-I (Faisalabad~ Gojra) was started in 2010, whereas, the Loan Agreement for Construction of Section - (Gojra-Shorkot) was signed between Government of Pakistan and ADB on 22nd October, 2015 and accordingly construction works started. Similarly, loan for construction of Section-III (Shorkot-Khanewal) was signed with ADB on 20th June, 2016 and commencement of work is expected soon.

As the Consultancy Agreement is for whole M-4 (Faisalabad-Khanewal) 184 KM therefore, its time has been extended accordingly and VO-8 has been approved by the NHA Executive Board which is the competent authority.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed NHA (P&CA Wing) to reconcile the facts and get the record verified from Audit. The compliance of DAC's directive was not made till the finalization of the report.

Audit recommends early compliance of the DAC's directive.

(DP. 48)

4.4.6 Irregular award of works without revision of PC-I - Rs 16,373.382 million

Para 48 of NHA Code (Vol-I), 2005 provides that if an approved work is not commenced within five (5) years of the date of administrative Approval, fresh approval must be obtained.

As per para 50 of NHA Code (Vol-I), 2005 the original administrative approval shall not be exceeded beyond 15%. If, however, such a situation arises where execution of the work involves, an excess of more than 15% over the original administrative approval, revised administrative approval of the competent authority shall be obtained. Any further excess over the revised administrative approval shall require a fresh revised approval. It shall be the responsibility of the Highways and Motorways Wings to initiate preparation of Revised PC-1 as soon as the expenditure reaches 15% in excess of the original approved cost.

Audit noted that revised PC-I of "National Highway Development Sector Project Improvement and Rehabilitation of nine (09) Sections of the National Highways (Revised)" was approved by ECNEC in its meeting held on 21st January, 2010 for revised cost of Rs 49,954.78 million. As per revised PC-I the cost of Zhob-Mughalkot and Qilla Saifullah-Waigum Rud was Rs 6,788.808 million and Rs 6,849.086 million respectively. Construction cost of these two sections excluding contingencies etc. was Rs 5,559.884 million and Rs 5,601.710 million.

Tenders for the above two sections were called on Single Stage Two Envelope (SSTE) basis were called and opened on 5th March, 2015. Financial bids were opened on 18th August, 2015 and the works were awarded to the contractors.

Audit observed that the above works were awarded after five years of approval of revised PC-I. The accepted contract cost was 59.12% and 34.36% higher than the cost approved in the revised PC-I. No fresh/revised approval was obtained before award of works. This resulted in irregular award of works for Rs 16,373.382 million.

Audit pointed out the matter in August-September 2016. The Authority replied that revised PC-I of National Highway Development Sector Project was approved by ECNEC in its meeting held on 21.01.2010 for revised cost of Rs 49,954.78 million for 9 sections of National Highways. The estimation for said sections i.e. Zhob-Mughalkot and Qilla Saifullah-Waigum Rud was based on CSR-2009 while the project under question was procured in 2015. All the four lots were awarded below engineer's estimates and the award in such a hard area below engineer's estimate is a remarkable achievement on part of NHA. As far as audit observation is concerned, the comparison of awarded contract amount with five years old PC-I is not fair. The PC-I, approved in 2010 was based on CSR-2009, will be revised in due course.

The reply was not accepted because the works were awarded after five years of approval of revised PC-I. The accepted contract cost was 59.12% and 34.36% higher than the cost approved in the revised PC-I. No fresh/revised approval was obtained before award of works.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends condonation of irregularity from competent forum.

(DP. 229)

4.4.7 Irregular payment of mobilization advance due to non-obtaining of required insurances - Rs 14,865.442 million

As per Particular Conditions of Contract, Section VIII, Clause 14.2 (a) the advance payment (if required) shall be paid in two (02) installments of 50% each as per the following schedule and subject to the fulfillment of following conditions:

- i) The Contract Agreement has been signed by the parties/execution of the Form of Agreement by the parties hereto:
- ii) That an acceptable Performance Security and required insurance policies in accordance with conditions of contract clause 18, have been submitted by the contractor.

As per clause 18.1 and 18.2 of Section VIII, particular condition of contract, the contractor is required to place all insurance relating to the contract (the insurance referred to in clause 18.2, 18.3 and 18.4) with any of the insurers on the approved list of the employer, as jointly insured in the manner stated in General conditions. The contractor shall within 42 days from the date of commencement submit to the other party. (a) Evidence that the insurance described in this clause 18 have been effected and (b) copies of the policies of insurance described in sub-clause 18.2, 18.3, & 18.4. The contractor shall be obliged to place all insurance referred to in clause 18.1, 18.2, 18.3 & 18.4 with insurance company having at least AA rating from PACRA/JCR in favour of the employer valid for a period 28 days after the expiry of defects liability period. The employer and the contractor against loss or damages as provided in the details of insurance annexed to these conditions from the first working day after the commencement until the date of issue of the relevant taking over certificate in respect of the works or any section.

Audit noted that contractor of the Project “Peshawar-Karachi Motorway (PKM) Lahore-Abdul Hakeem Section” was paid mobilization advance @ 10% of the contract cost for Rs 14,865.442 million against

bank guarantees. Mobilization Advance was paid in two equal installments as detailed below:

S. No.	V. No. & Date	Amount (Rs in million)
1	28 dated 08.03.2016	7,432.721
2	138 dated 28.06.2016	7,432.721
Total		14,865.442

Audit observed that the contractor did not provide Insurance Policy of Rs 170.952 billion (contract amount +15%) from AA rated insurance company as required under contract provisions. The contractor submitted insurance policy from Askari General Insurance having “A” rating of PACRA. Despite required insurance was not submitted by the contractor, NHA paid mobilization advance of Rs 14,865.442 million to the contractor.

This resulted in irregular payment of mobilization advance and non- obtaining required insurances.

Audit pointed out irregular payment of mobilization advance without obtaining required insurances in September 2016. The Authority replied that NHA has accepted the insurance policy form Askari General Insurance having “A” rating of PACRA in the light of Guidelines of Pakistan Engineering Council. As per PEC guidelines requirement of guarantees from AA rated insurance companies is limited to bid performance and advance payment securities only which otherwise to be provided as bank guarantees. All other insurance such as third party, Contractor’s all Risk fire etc in a contract can be given from any valid insurance companies subject to the approval of the employer. The insurance policy was submitted by the contractor in line with the PEC guidelines with the approval of employer.

The reply was not accepted because as per conditions of contract insurance cover from AA rated insurance company was required as referred above. Contract provisions were violated and insurance cover from “A” rated insurance company was accepted irregularly.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that insurance policy from single A rating company was accepted in the light of Guidelines of PEC. Requirement of guarantee from AA rated insurance companies is limited to bid performance and advance payment securities. Any other insurance is to be provided from any valid insurance company subject to approval of the employer. Audit contended that particular condition of contract stipulates insurance from AA rating company. DAC directed NHA to produce relevant documents/provisions of contract agreement to Audit for verification. The compliance of DAC's directive was not conveyed till the finalization of the report.

Audit recommends early compliance of DAC's directive.

(DP. 82)

4.4.8 Non-insurance of work costing of Rs 9,059.681 million and recovery of premium - Rs 50.942 million

According to clause-21.1 to 25 of contract agreement, the contractor was bound to provide insurance policies for the persons, works and equipment etc. on the contract the sum of the contract price plus 15 %. He was also required to get third party insurance (including employer's property) against liabilities for death of or injuries to any person or loss or damages to the property arising out of the performance of the contract. The Contractor shall provide evidence to the Employer as soon as practical but in any case, prior to the start of the work all at site that the insurances required under the Contract have been affected and shall provide the insurance policies to the Employer. The Contractor shall also submit in original receipts of all the premiums paid by the Contractor in connection with the insurances.

As per Special Condition of Contract No. 5 (i) the rates of prices quoted by the Contractor in the priced BOQ shall include cost of all insurance to be kept in force during the period of construction and the period of maintenance of the works under the contract.

According to Clause (14.1 & 14.2) and (21.1 & 25) of agreement, the contractor shall, prior to commencing the Works, effect insurances of the types, in the amounts and naming as insured the persons stipulated in the Contract Data. The Contractor shall provide the Engineer / Employer with evidence that any required policy is enforced and that the premiums have been paid. If, the Contractor fails to effect or keep enforce any of the insurances referred to in the agreement or fails to provide satisfactory evidence, policies or receipts, the Employer may, without prejudice to any other right or remedy, effect insurance for the cover relevant to such as default and pay the premiums due and recover the same plus a sum in percentage given in Contractor Data from any other amounts due to the Contractor.

4.4.8.1 Audit noted that Project Director (Construction of Sultan Bahoo Bridge over River Chenab linking Shorkot and Garh Maharaja: Package-IV Construction of flood protection bund on Garh Maharaja side) did not obtain insurance policy from the contractor as per provisions of agreement. In this way the contractor saved Rs 1.686 million on account of inbuilt charges to maintain insurance cover equal to 1% of the contract cost (Rs 146,576,435 + 15%). This put the work of Rs 146.576 million on risk due to non-provision of insurance coverage. This resulted in non-insurance of work costing of Rs 146.576 million and recovery of premium of Rs 1.686 million.

Audit pointed out the non-recovery in October 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 330)

4.4.8.2 Audit noted that General Manager (Maint) Punjab-South, NHA, Multan, did not obtain insurance policy from the contractor as per provisions of agreement. In this way the contractor saved Rs 37.026

million on account of inbuilt charges to maintain insurance cover equal to 1% of the contracts cost. This put the works of Rs 2,750.930 million on risk due to non-provision of insurance coverage. This resulted in non-insurance of work costing of Rs 2,750.930 million and recovery of premium of Rs 37.025 million.

Audit pointed out the non-recovery in November 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 348)

4.4.8.3 Audit noted that G.M (Punjab-North) awarded seven (07) Periodic Maintenance contracts for the year 2014-15 amounting to Rs 2,125.026 million to contractors in June, 2015 but neither insurance policies i.e. Insurance of Works & Equipment (cost of contract +15%) and third party insurance of Rs 2.121 million were obtained nor deduction on this behalf was made from the contractors.

Non-adherence to clauses of the contract agreements resulted into non-deduction of insurance premium of Rs 2.121 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out non-deduction of insurance premium in September-October 2016. The Authority did not reply.

The para could not be discussed in the DAC meeting despite best efforts by Audit.

Audit stresses upon investigation and appropriate corrective action.
(DP. 281)

4.4.8.4 Audit noted that the General Manager, Construction (North), Quetta awarded the work “Widening and Strengthening of National Highway N-70, Qila Saifullah-Loralai-Bewata road Contract III.B-Khajuri - Bewata (Km 114+000 to Km 182.332) 68.332 Km Section” to M/s NLC on 22nd March, 2002 with the original date of completion of 9th June, 2004. An agreement was executed of Rs 897.157 million on 25th April, 2002. The work was started on 10th June, 2002 to be completed upto 9th June, 2004. Cost of the project was increased upto Rs 1,917.298 million with the addition of four Variation Orders (VO-I to VO-4). 4th extension was granted upto 30th September, 2016. The Contractor was paid a sum of Rs 1,463.438 million.

Audit further noted that as per break down of expenditure provided by M/s NLC, an amount of Rs 13.457 million on account of “Insurance of Equipment and Materials” was included in the rates.

Audit observed that neither necessary insurance policies as required under the agreement were obtained from the Contractor nor the insurance cost included in the rates by the Contractor was recovered from the Contractor. In this way, undue benefit was extended to the Contractor by not ensuring compliance with the contractual terms and conditions. This resulted in undue favour to the Contractor at public expense for Rs 13.457 million.

Audit maintains that undue favour was given to the Contractor due to weak internal controls and inadequate oversight mechanism for enforcing contractual provisions.

Audit pointed out the issue in September 2016. The Authority replied that project has undergone many changeovers and stoppages due to which project records are stocked at places. All out efforts are being made to find Insurance record and it will be clarified to Audit once this exercise is completed.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed NHA to get the record verified from Audit.

Audit recommends early compliance of DAC's directive.

(DP. 134)

4.4.8.5 Audit noted that General Manager, Maintenance (South/West), NHA, Khuzdar awarded different works of Routine Maintenance in 2015-16 in Balochistan Region to various Contractors.

Audit observed that contract documents of the Routine Maintenance Contracts stipulate furnishing of insurance policies such as Contractor's all risks policy, workmen compensation, third party policy and policy of machinery / T&P by the contractor. The contractor did not submit these policies and got benefit by saving the insurance policy charges approximately 2% of the Contract cost. This resulted in putting the property of the government of Rs 505.559 million on risk due to non-provision of insurance cover and non-recovery of inbuilt insurance charges of Rs 10.110 million (Rs 505.559 @ 2%).

Audit holds that non-obtaining of insurance cover was due to non-adherence to the contractual clauses which also reflects undue favor to contractor and poor internal control systems.

Audit pointed out the mismanagement in October, 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed NHA to effect recovery of uninsured period and get the same verified from Audit. The compliance of DAC's directive was not conveyed till the finalization of the report.

Audit recommends early compliance of DAC's directive.

(DP. 206)

4.4.8.6 Audit noted during scrutiny of record of General Manager (Gilgit-Baltistan), NHA that the contractor obtained and furnished mandatory insurance of the assigned work in accordance with contractual obligation for the period of 23.09.2012 to 22.09.2015 for construction and 23rd September, 2015 to 22nd September, 2016 for maintenance. It was observed that the insurance period of construction expired on 22nd September, 2015 but the completion date of the work was 23rd May, 2016. The contractor not revalidated the mandatory insurance. This resulted into non-revalidation of insurance of the work/equipment for Rs 3,518.133 million.

Audit maintained that non-revalidation of insurance of work/equipment due to weak internal controls and inadequate oversight mechanism for enforcing contractual provisions.

Audit pointed the non-revalidation of insurance in August 2016. The department did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 237)

4.4.9 Irregular award of work to non-registered Joint Venture and unfair evaluation of Technical Bid - Rs 8,188.129 million

As per para 1.2 of PEC Standard guidelines for bids evaluation for procurement of works 2001, the bidder must hold current valid licence to participate as a contractor within the category of the size of project. Sub-para 3.4 states that all partners to a joint venture shall also be similarly registered with PEC.

Audit noted that General Manager, P&CA NHA Islamabad awarded a work, "Hassanabdal-Havelian-Mansehra Expressway (E-35) Hassanabad-Havelian Section of ICB-E-35-III (Package-III) Sarai Saleh to

Simlaila (km 39+611 to Km 58+711) to M/s Limak-ZKB (JV) on 12th October, 2015, at an agreed cost of Rs 8,188.129 million in violation of PEC standard guidelines clause 3.4 (b) as Joint venture of M/s Limak-ZKB (JV) was not registered with PEC.

It was further observed that Technical Evaluation of the bid was also questionable because:

- i. The firm neither produced last three (03) years Balance Sheet from a Chartered Accountant nor Statements of Bank Accounts. Both partners provided bank certificates on the request of the contractor, wherein Banks mentioned that they will take no risk/liability.
- ii. On the other hand M/s Maqbool and M/s Latif was disqualified for participation in tendering due to non-availability of the Bank Statements for the years 2011-12 and whereas the contractor provided the bank statements for the year 2014 and the request of the contractor for this unfair disqualification was not accepted by the Chairman NHA.
- iii. M/s AM Associate (JV) holding C-2 PEC registration for entitlement to participate upto financial limit of three (03) billion Rupees project was technically qualified for a project having value of nine (09) billion Rupees. This resulted into irregular award of work of Rs 8,818.129 million due to unfair competitive bidding and requires detailed investigation, besides fixating responsibility.

Audit pointed out the irregularity in July-August 2016. The Authority replied that E-35 is an ADB funded project. As per the bidding document, only the national bidders were required to possess valid PEC license and there was no requirement of registering the JV with PEC. It is also pertinent to mention that PEC does not register JVs; they while issuing license to foreign firms require these firms to make JV with national bidders and mention the name of JV partner on the PEC licence

of foreign firm. It was clarified that the firm submitted balance sheets for the last three years and bank letters with technical bid. M/s Xuchang-MAL-CALSONS (JV) was disqualified on the basis of financial situation (Average Annual Construction Turnover), which is “must meet” requirement for qualification of a bidder. The bidder was not disqualified on the basis of non-provision of bank statements for the years 2011-12 and 2014.

M/s CGGC-AM Associates (JV) submitted their technical and financial bids as joint venture and their joint venture agreement indicates that M/s CGGC (China based firm)=70% share and M/s AM Associates (local firm) =30%) share. M/s AM Associates was enlisted in C-B category which has limit of construction cost of project upto Rs 3,000.00 million, so fulfilled the criteria laid down in the bidding document.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that procurement was conducted in accordance with applicable rules and each step of procurement process was concurred by ADB. DAC directed NHA to get the record verified from Audit. The compliance of DAC’s directive was not conveyed till the finalization of the report.

Audit recommends early compliance of DAC’s directive.

(DP. 23)

4.4.10 Non-implementation of the Annual Maintenance Plan and incurring expenditure on clearance of liabilities - Rs 6,162.76 million

Para 5.9.3 of Chapter-5 of SOP, RMA NHA Code (Vol-II) provides that maintenance works shall commence from 1st July of every calendar year and be completed during the financial year (that is by 30th June of the next calendar year). Annual Maintenance Plan for conservation of the National Highway network is an essential requirement under the RMA Rules and SOP. This year, the Annual Maintenance Plan is prepared by using the program analysis of HDM-4 for computing the Routine,

Periodic works and Rehabilitation schemes. The program analysis by HDM-4 reveals that under constrained budget scenario, an amount of Rs 954.51 million was approved/allocated for NAs Region in draft AMP for various maintenance activities with following break up:

Periodic Maintenance (Functional overlay)	Rs 86.47 million
Periodic Maintenance (structural overlay)	Rs 399.23 million
Rehabilitation	Rs 468.80 million

The Annual Maintenance Plan was prepared by using the program analysis of HDM-4 for computing the Routine, Periodic works and Rehabilitation schemes. The program analysis by HDM-4 reveals that under constrained budget scenario, an amount of Rs 1,259.06 million was approved / allocated for Balochistan (South) for various maintenance activities with following break up:

Routine maintenance	Rs 211.210 million
Periodic Maintenance (Functional overlay)	Rs 713.340 million
Periodic Maintenance (structural overlay)	Rs 234.500 million
Highway safety	Rs 100.000 million

Approval of Annul Maintenance Plan for the year 2015-16 by NHA Executive Board was not readily available in the record.

The Annual Maintenance Plan is prepared by using the program analysis of HDM-4 for computing the Routine, Periodic works and Rehabilitation schemes. The program analysis by HDM-4 reveals that under constrained budget scenario, an amount of Rs 2,636.77 million was approved/allocated for Punjab North Region in draft AMP for various maintenance activities with following break up:

Periodic Maintenance (Functional overlay)	Rs 835.68 million
Periodic Maintenance (structural overlay)	Rs 889.59 million
Rehabilitation	Rs 456 million
Highway Safety	Rs 100 million
Routine Maintenance	Rs 355.50 million

Para 6.3 Chapter 6 of Financial Management NHA Code (Vol-II) provides that NHA head office shall disburse funds from the contract RM Account in the form of 'releases' to the regional headquarters and 'payments' directly to the party as per contract. As per procedure for releases and payments the disbursement to the Regional Headquarters shall be on quarterly basis from the allocated budget approved for annual RMA program.

4.4.10.1 A review of the progress report prepared by General Manager (NAs), NHA Abbottabad indicated that an expenditure of Rs 912.00 million was incurred by utilization of RMA funds during the period July 2015 to June 2016 Regional Office by setting a aside Annual Maintenances Plan. It was further observed that NHA HQ released the funds to regional offices for maintenance contracts for the year 2015-16 in pursuance of AMP and budget approved by NHA Executive Board.

An examination of accounts record, trial balance for the year 2015-16 indicated that no tendering for the work periodic maintenance contracts approved in the AMP for the year 2015-16 was carried out during currency of maintenance plan 01st July, 2015 to 30th June, 2016 as such no expenditure incurred on the schemes approved in the Plan. It is further added that an expenditure of Rs 23.388 million was incurred on routine maintenance works for the year 2015-16 and an amount of Rs 888.61 million was made for clearance of previous years liability accrued in the years 2013-14 and 2014-15.

Non-adherence to provision of Annual Maintenance Plan caused non-achievement of objectives/ reduction of roughness survey/ rehabilitation of reconditioning of road network despite incurring of expenditure of Rs 912.995 million.

Audit pointed out non-implementation of Annual Maintenance Plan and non-achievement of objectives in August 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that backlog has been cleared up till current year. DAC further directed that measures taken regarding clearance of backlog be got verified from Audit.

Audit recommends early compliance of DAC's directive.

(DP. 162)

4.4.10.2 Audit noted during review of the Progress Report of General Manager, Maintenance Balochistan (South/West) Khuzdar for the month of June 2016 that maintenance works of Rs 768.243 million were awarded against allocation for the year 2015-16 of Rs 1,259.06 in the approved Maintenance Plan which is 61% of the allocation. Audit also found that an expenditure of Rs 297.747 million was incurred against contracts awarded during year 2014-15 which was 23.64 % of allocation made in the maintenance Plan for the year 2015-16.

Audit held that due to non-implementation of the Annual Maintenance Plan for the year 2015-16.

Audit pointed out the mismanagement in October 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed that AMP should be processed and finalized in such a manner that it could be implemented from July every year as per provision of NHA Code. DAC further directed that measures taken regarding clearance of backlog be got verified from Audit. The compliance of DAC's directive was not conveyed till the finalization of the report.

Audit recommends early compliance of DAC's directive.

(DP. 202)

4.4.10.3 Audit observed that no tendering for the periodic maintenance contracts approved in the AMP for the year 2015-16 was carried out

during currency of maintenance plan 01.07.2015 to 30.06.2016 as such no expenditure incurred on the schemes approved in the Plan. It is further added that an expenditure of Rs 11.114 million was incurred on routine maintenance works for the year 2015-16 and an amount of Rs 3,294.569 million was made for clearance of previous years liability accrued in the years 2009-10, 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15.

Non-adherence to provision of Annual Maintenance Plan caused non-achievement of objectives/reduction of roughness survey/rehabilitation of reconditioning of road network despite incurring of expenditure of Rs 3,294.569 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out irregularity in September-October 2016. The Authority replied that as per NHA Act, NHA shall form a non-lapsable commercial account in Pakistani schedule bank designated as Road Maintenance Account, to meet the charges in connections with its functions. Amount was transferred with the approval of Member (Operations)/Member (Finance)/Chairman NHA and paid accordingly. Since RMA is a non-lapsable account and payment of previous years may be made in next financial year.

The reply was not tenable as it was not a matter of lapsable/non lapsable RMA account but implementation of the AMP in pursuance of the approved schedule as per release order issued by the Finance Wing these releases were made for maintenance works relating to the year 2015-16, whereas only Rs 11.114 million was incurred on the maintenance activities of the current financial year and entire funds amounting to Rs 3,294.569 million were spent on account of clearance of liabilities pertaining to the period even five years back from 2009-10 to 2014-15.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 271)

4.4.10.4 Audit observed that pre-qualification of contractors of two periodic maintenance works was invited in April 2014 and letter of acceptance was issued in June 2014 whereas letter of commencement was issued in November 2014 with date of commencement 06.11.2014. This indicated that after preparation of the estimates the commencement delayed about 18 months. The contractor mobilized at site and it was found that road condition was further deteriorated and cracks appeared below the asphaltic layers. In order to cope with this situation several non-BOQ items were introduced and cold milling was carried out up to 13 cm and an item crack relief layer was introduced and overlaid by the asphalt base and asphalt wearing course having thickness about 13 cm.

By introducing the non-BOQ items cost of the contract was increased whereas overlay of the road network was achieved about 30 Km (19+11) against the provision of AMP 55 km (30+25).

Non-adherence to Annual Maintenance Plan and non-execution of maintenance intervention in timely manner caused ultimate loss of Rs 245.373 million to Authority.

Audit maintains that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out irregularity in September-October 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 272)

4.4.10.5 Audit noted during review of the account record of General Manager (Punjab-North), NHA, Lahore that annual budget for an amount of Rs 2,636.77 million was allocated in the Annual Maintenance Plan for execution of maintenance contracts for the year 2015-16.

Audit further noted that funds for an amount of Rs 3,159.300 million were released to Regional office Punjab North from NHA Head Quarter through letters with captioned subject “Transfer of funds - NHA Road Maintenance funds for maintenance contracts for the year 2015-16”.

A review of expenditure statements prepared by Accounts section of Regional Office, Lahore indicated that an amount of Rs 3,305.683 million was paid to contractor on account of work done during the financial year 2015-16 but no such payment was made for the maintenance contracts awarded during the year 2015-16. Above state of affair is well evident that funds were utilized for clearance of the liabilities of the previous maintenance plan for the year 2012-13, 2013-14 and 2014-15 instead of incurring towards allocated and approved budget for the implementation of Annual Maintenance Plan of 2015-16. Facts remain that Accounts Wing of the regional office utilized the budget specified for the year 2015-16 for clearance of liabilities in violation of the approval of the NHA Executive Board and release of the Finance Wing of NHA. Audit further observed that an amount of Rs 668.913 million was incurred in excess over allocated budget for the year 2015-16.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out excess expenditure in September-October 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 282)

4.4.10.6 Audit noted that an estimate was prepared for contract No.PM-2015-15-PN-07 for an amount of Rs 239.934 million for structural overlay on km 50 to km 65 on N-80 with 25 cm water bound macadam and 5 cm asphalt wearing course over thereon as well as surfacing of TST on existing pavement. The contract was awarded at a cost of Rs 184.461 million which was 23.12% below the engineer's estimated cost.

Audit observed that during execution of the work a variation order was initiated wherein design was changed and non-BOQ items breaking of existing pavement structure, DST and asphalt base course were inserted through post bid change on the recommendation of pavement expert in order to improve poor to verse condition of existing road as well as location of the contract was also changed from km 50 to 65 with km 50 to km 107, however the contract amount remained the same.

Non-adherence to Annual Maintenance Plan and non-execution of maintenance intervention in timely manner caused ultimate loss of Rs 68.64 million to Authority.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out loss in September-October 2016. The Authority replied that in engineer's estimate for PM-2014-15-PN-07 amount of Rs 239.93 million against the 15 Km where covered length after V.O was 65 Km. All the items were taken with the approval of committee and as per directions of Pavement Expert recommendation for improvement of poor condition of road. Moreover, covered length of 65 Km in line with V.O No. 1 has provided smooth and safer road to the travelers.

The reply was not tenable as no technical cogent justification of change of location and substitution of item of works could be produced and as per approved AMP 15 km structural overlay with 25 cm water bound and 5 cm asphalt overlay was provided which was substituted with the surfacing of DST by the GM/Member. The original TS accorded by the technically scrutiny party and steering committee of RMA NHA. Therefore its substitution at lower level was not technically acceptable.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 287)

4.4.10.7 Audit observed that tenders of some periodic maintenance works were invited in April 2014 for the AMP of 2013-14 and in June 2015 for the AMP of 2014-15 at the end of the approved work cycle as these works were to be completed up to December 2013 and December 2014. This indicated that after preparation of the estimates the commencement delayed about 18 months. The contractors mobilized at site and it was found that road condition was further deteriorated and cracks appeared below the asphaltic layers. In order to cope with this situation several non-BOQ items were introduced and cold milling was carried out up to 13 cm and an item crack relief layer was introduced and overlaid by the asphalt base and asphalt wearing course having thickness about 13 cm.

By introducing the non-BOQ items cost of the contract was increased whereas overlay of the road network was not achieved as provided in the AMP and contracts. Non-updating of the engineer estimates caused revision at higher cost deprived the authority from the benefit of discounted prices and achievement of lesser network coverage than planned resultant loss of Rs 674.527 million to Authority.

Audit pointed out loss in September-October 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 290)

4.4.11 Deviations from the approved Annual Maintenance Plan - Rs 3,755.321 million

Para 5.17 of minutes of NHA executive board 243rd meeting held on 3rd February, 2015 regarding Annual Maintenance Plan for financial year 2014-15 provides that the executive board approved Annual Maintenance Plan for financial year 2014-15 amounting to Rs 35,650.10 million including:

- a) Rs 23,360.45 million for financial year 2014-15 and
- b) Ongoing works of AMP 2012-13 and 2013-14 amounting to Rs 12,289.65 million funded this year.

4.4.11.1 During scrutiny of Trial Balance & paid vouchers (RMA) for the year 2014-15 Audit noted that an expenditure of Rs 16,071.062 million was incurred by Regional General Managers and at Head Office against Annual Maintenance Plan.

Audit observed the following:

- i. A provision of Rs 12,289.65 million was made for ongoing works of AMP 2012-13 and 2013-14 whereas out of total expenditure of Rs 16,071.062 million only Rs 26.091 million was booked against AMP 2014-15 (GM Northern Areas). An expenditure of Rs 16,044.97 million was therefore incurred on previous liabilities. Excessive expenditure of Rs 3,755.321 million (16,044.97 – 12,289.65) was incurred beyond the approved maintenance plan.

- ii. As per Director Accounts-III NHA Head Quarter Islamabad letter dated 1st January 2009 all Regional General Managers were directed that payments pertaining to expenditure incurred on activities listed at serial No. (i) to (v) of para 02 of the above letter may only be made by the Regional Offices and rest forwarded to NHA Head Quarter after obtaining approval of Member (Ops)/GM (Regions). Audit, however, observed that against the said directions an amount of Rs 1,774.370 million was incurred by Regional General Managers under the head Global Allocation as mentioned in Para 02 (vi) without approval of Chairman NHA.

Audit holds that deviations from the approved annual maintenance plan as discussed above were made due to weak financial controls.

Audit pointed out the irregularity in February-March 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed NHA to submit reply and get the record verified from Audit within a week. The compliance of DAC's directive was not conveyed till the finalization of the report.

Audit recommends early compliance of DAC's directive.

(DP. 146)

4.4.11.2 During scrutiny of Trial Balance & paid vouchers, RMA for the year 2014-15 Audit noted that an expenditure of Rs 16,071.062 million was incurred by Regional General Managers and at Head Office against Annual Maintenance Plan.

Audit observed that there is no mechanism/framework for check and balance and to monitor the progress of works or any matrix to evaluate performance. Further, no segregation is made at NHA Hqrs at the time of release of funds to regional General Managers for new works and

the works carried over from previous years. Resultantly, in addition to the overall deviation, an expenditure of Rs 1,523.400 million was incurred on account of Emergency Maintenance allocation against the approved provision of Rs 300.000 million. Besides, under head Geometric improvement, against provision of Rs 100.000 million an expenditure of Rs 246.325 million was recorded at the close of the financial year 2014-15. This resulted in irregular expenditure of Rs 1,077.075 million.

Audit holds that deviations from the approved annual maintenance plan as discussed above were made due to weak financial controls.

Audit pointed out the irregularity in February-March 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed NHA to submit reply and get the record verified from Audit within a week. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon investigation and appropriate corrective action.
(DP. 147)

4.4.12 Irregular enhancement of contract beyond the permissible limit - Rs 3,506.490 million

As per Para 97 of Chapter 3 of NHA Code, 2005, normally the designs, specifications, estimates and the bills of quantities shall be prepared on such a realistic basis and so accurately that necessity for issuance of variation/change orders at a later stage does not arise. Variation/change orders shall, as far as possible, be avoided as a matter of policy. As per para 98 of the ibid Code, if, however, it was felt that issuance of a variation/change order was essential due to change in alignment, design or specifications, the same shall be issued with the approval of the competent authority (Table III-13). The aggregate value of all variation orders issued against a contract shall not exceed 30% of original contract amount.

Audit noted that General Manager, Construction Balochistan (South) Khuzdar awarded three works to different contractors and management irregularly increased the cost of the project by enhancing BOQ quantities and award of additional works through Variation Orders which was more than permissible limits.

NHA increased the cost of the project unauthorizedly and irregularly owing to violation of NHA Code provisions and weak oversight mechanism for exercising the internal controls.

Audit pointed out the irregularity in September 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC decided that General Manager (Audit) NHA and Deputy Director Audit Works (Federal) may examine the issue for holistic picture of the project situation and submit report for discussion in next DAC meeting.

Audit stresses upon investigation and appropriate corrective action.
(DP. 192)

4.4.13 Irregular enhancement (amendment) in previous agreement - Rs 3,005.00 million

Rule 12(2) of Public Procurement Rules 2004, provides that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. Rule 20 ibid provides that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

The Inter-Departmental Committee (IDC) of the Public Accounts Committee (PAC) in its meeting dated 17th July, 2001 decided that the management is not empowered to award a new work as additional work to

an existing contractor without calling open tenders It only allows minor adjustments in the already awarded work so as to complete it in all respect.

Audit noted that “Torkham Jalalabad Road Project (Afghanistan)” was awarded to M/s FWO by NHA vide acceptance letter dated 24th January, 2008 for Rs 4,340.832 million. Work was suspended and reactivated through amendment No.1 dated June 2015 of Rs 7,343.540 million.

Audit observed that the work in question was said to be demobilized because NHA could not release the payment against liabilities due to non-allocation of funds by Finance Division and the quantum of liabilities kept increasing and the deteriorating security situation also contributed to suspension of the project. It was further observed that not only amount of the project was enhanced upto Rs 3,003 million from Rs 4,340 million to Rs 7,343 million which is almost 69% of the total cost. Some amendments were also made. Due to non- inviting of new tenders enhancement stands irregular.

Audit maintains that new tenders should have been called so that healthy competition between the contractors could have taken place resulting a saving of a handsome amount to the Authority.

Audit pointed out irregular expenditure in September/October 2016. The Authority replied that work was got suspended in 2008 due to deteriorating security conditions to the extent that Contractor had to demobilized. The additional sums as pointed out by the Audit amounting to Rs 3,003 million, i.e. from Rs 4,341 million to Rs 7,344 million was made after due process of ECNEC approval. Moreover, the BOQ cost of work was increased from Rs 4,341 million to Rs 5,545 million.

The remaining amount of Rs 1,798 million was attributed to establishment, contingencies, design and supervision sub heads. The project was undertaken in a foreign land well known for security issues after withdrawing of ISAF forces in 2014. As such no contractor was seen capable of undertaking the work in hand, therefore, M/s FWO remobilized

at site of work pursuant to an amendment No. 01 to Contract Agreement duly approved by ECNEC. Thus a curtailment was made in Bill No. 600 (Incidental works) for an amount of Rs 45.00 million. Similarly, the amount on account of Day work & Tree plantation also subtracted from the contract that a curtailment made about 64.757 million (1.5% of the project cost) and addition is made in the sub head of rectification work, security, remobilization, custom etc. charges up to the tune of 1,269 million. Thus the project cost increased by Rs 1,204.236 million (27.74%). However, the Revised PC-I cost thus worked out as Rs 7,341 million. Furthermore, it is added here that to regularize the payment of Contractor the variation order is also under process in accordance with codal obligation of NHA Code & SOP.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC pended the para.

Audit stresses upon investigation and appropriate corrective action.
(DP. 127)

4.4.14 Irregular award of work without possession of land at site of work - Rs 1,545.202 million

Para 17 of Chapter 07 of NHA Code, 2005 provides that After publication of notification under Section 17(4) of the Act, if the data for estimated cost of land was approved by the competent authority (Rules 12 of the Land Acquisition Rules 1983), the Land Acquisition Collector shall immediately announce Award under Section 11 of the Land Acquisition Act after approval from GM (Project)/Project Director and handover possession to NHA/contractor. Ibid Para 18 in case of delay in approval of data for estimated cost, if immediate possession desired by National Highway Authority/contractor, the Land Acquisition Collector shall arrange possession of land under section 17(3) and under section 23 of the Act on payment of compensation for damages on the basis of estimation already proposed/assessed. The land so handed over shall thereupon vest absolutely with the NHA, free from all encumbrances. The Land Acquisition Collector in due course shall get transfer the land

in favour of NHA through mutation.

Audit noted that the Project, Construction of Peshawar Northern Bypass (Package-3a) Warsak Road to Nasir Bagh Road (Gravity Link Canal) (Km 19+500 to Km 24+880) 5.38 km was awarded at contract cost of Rs 1,545.202 million, to be started on 3rd July, 2013 with date of completion 2nd October, 2014.

Audit observed that the length of road was 5.38 kilometer (Km 19+500 to Km 24+880), and possession was taken for only 3.8 kilometers reach and balance 1.5 kilometer was still to be handed over to the contractor as per report of The Engineer dated 16.02.2015. The work was awarded in 03.07.2013 without ensuring possession of site to be completed in 15 months. The work at site was abandoned due to non-clearance/possession of site. Progress achieved up till August, 2016 was only 21.733% against scheduled progress of 100%. This resulted in irregular/unjustified award of work amounting to 1,545.202 million without possession of land at site of work.

Audit pointed out the irregularity in September 2016 the Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 263)

4.4.15 Excess payment due to enhancement of quantities without approval - Rs 1,539.363 million

As per Para 97 of Chapter 3 of NHA Code, 2005, normally the designs, specifications, estimates and the bills of quantities shall be prepared on such a realistic basis and so accurately that necessity for issuance of variation/change orders at a later stage does not arise. Variation/change orders shall, as far as possible, be avoided as a matter of

policy. As per para 98 of the ibid Code, if, however, it was felt that issuance of a variation/change order was essential due to change in alignment, design or specifications, the same shall be issued with the approval of the competent authority (Table III-13).

Audit noted that General Manager, Construction Balochistan (South) Khuzdar awarded three works to different contractors and management increased the cost of the project by enhancing BOQ quantities and award of additional works through Variation Orders which was more than permissible limits.

Audit observed that the Authority got approved excess and additional items of work that were advantageous/beneficial to the contractor of Rs 1,539.363 million. The quantities were indiscriminately added/created/substituted during execution of work and excessive deviation from BOQ was allowed in violation of approved scope of work/ prior to approval of the competent authority. This resulted in unauthorized payment of additional item of work of Rs 1,539.363 million.

Audit maintains that NHA allowed payment excess and additional quantities without approval of the competent authority in violation of NHA Code provisions and weak oversight mechanism for exercising the internal controls.

Audit pointed out the excess payment in September 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC decided that General Manager (Audit) NHA and Deputy Director Audit Works (Federal) may examine the issue for holistic picture of the project situation and submit report for discussion in next DAC meeting.

Audit recommends early compliance of DAC's directive.

(DP. 199)

4.4.16 Award of additional work without open tendering and approval of revised PC-I - Rs 1,427.212 million

Rule 12(2) of Public Procurement Rules 2004, provides that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. Rule 20 *ibid* provides that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

The Inter-Departmental Committee (IDC) of the Public Accounts Committee (PAC) in its meeting dated 17th July, 2001 decided that the management is not empowered to award a new work as additional work to an existing contractor without calling open tenders. It only allows minor adjustments in the already awarded work so as to complete it in all respect.

Audit noted that National Highway Authority awarded the work "Const. of left over works (Gwadar-Turbat-Hoshab) Section of M-8 (Km 0+000 to Km 76.250) Section IIA (Turbat-Hoshab)" to FWO at agreement cost of Rs 4,810.574 million on 29th April, 2014. The work was commenced on 5th June, 2014 to be completed upto 31st December, 2015. The Contractor has been paid total value of work done of Rs 3,889.093 million upto 10th IPC paid on 29th June, 2016.

Audit observed that the NHA (GM Construction Balochistan (South), Khuzdar) awarded an additional road stretch of 7.3 Km to link Section IIA of M-8 at end point of N-85 at Hoshab village to the Contractor of Section IIA of M-8 (M/s FWO) through V.O-I without calling tenders vide principle approval accorded by NHA Executive Board in its 253rd meeting held on 16th September, 2015.

Audit also observed that a main item of work "Wearing Course" was not included in the original contract but later on, was incorporated in the V.O-I to be executed from the existing Contractor. This is also worth mentioning that the additional works more than 29 % have been awarded

without provision in the PC-I and approval of revised PC-I. This resulted in irregular award of work for Rs 1,427.212 million which is 29.67 % of the original contract cost.

Audit maintains that additional work was awarded due to non-adherence to the Public Procurement Rules and instructions of the IDC of PAC.

Audit pointed out the irregularity in September 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that approval was granted by NHA Board for inclusion of additional wearing course and provision of missing link between M-8 and N-85 (7.31 km) within the approved contract cost. DAC directed NHA to get the record verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 194)

4.4.17 Non-obtaining of vouched account/adjustment against advance payments of land acquisition and non-mutation of land in the name of NHA - Rs 1,223.583 million

As per Para 72 of Central Public Works Accounts Code, every payment for whatever purpose must be supported by a voucher setting forth full and clear particulars of the payment / claim.

Para-12 Chapter-Seven of NHA Code Vol-I provides that the funds credited to the Land Acquisition Collector's account shall be treated as an advance. The LAC shall be responsible for rendering complete accounts and supporting documents on quarterly basis to the accounts section concerned for settlement of advance.

4.4.17.1 Audit noted during review of the trial balance of Lowari Tunnel Project that an advance payment of Rs 789.370 million was made to LACs, on account of payment of land acquisition of Lowari Tunnel Project during the period July 2015 to June 2016, but vouched account of the same has not been produced to the Audit.

Audit observed that mutation of land in the name of NHA was not forthcoming on the record. Mutation of the land for which payment has been made must be ascertained.

Non-adherence to provision of NHA code caused non-adjustment of advance amounting to Rs 789.37 million and non-mutation of the land in the name of Authority.

Audit pointed out non-mutation of land in July-August 2016. The Authority replied that the project is situated unsettled areas of District Dir and Chitral. Thus, no LAC was deputed for the project and land acquisitions were being executed through Deputy Commissioner of respective Districts i.e. Dir Upper and Chitral. Land was acquired way back in the year 2005-06, whereas, the land of two Access Road portions of 7.3 km and 6.9 km was in process and compensation was given to District Management of District Dir Upper and Chitral. Section-12 of Land Acquisition Act was underway in both the Districts and the mutation would be made after fulfilling of all the requirements.

In reply it is admitted that advances has not been adjusted yet as acquisition and mutation of the land is in process.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC decided to constitute a two-member committee (one representing NHA and other from Audit) to review the issue and submit report within a week for discussion in another meeting of the DAC.

Audit stresses upon investigation and appropriate corrective action.

(DP. 13)

4.4.17.2 During the scrutiny of record relating to the Kalat-Quetta-Chaman Road Project, audit noted that the NHA made advance payments of Rs 396.915 million to Deputy Commissioners/Land Collectors Kalat, Quetta and Military Estate Officer (MEO) Quetta for land acquisition against Kalat-Quetta-Chaman project.

Audit observed that NHA did not obtain vouched account in support of advance payment. In the absence of vouched account the expenditure booked against land acquisition is held unauthentic.

Audit pointed out the matter in September-October 2016. The Authority replied that Land acquisition proceedings were carried out in accordance with Land Acquisition Act 1894. Notification under Section-4 was issued by concerned Deputy Commissioners/Land Collectors. Payments to the affectees would be disbursed by the concerned Deputy Commissioners subject to completion of Land Acquisition Proceedings i.e. Final Award under section 11 of Land Acquisition Act, 1894 and the same would be vouched accordingly.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that compliance has been made in case of MEO whereas disbursement is pending in other two cases. DAC directed NHA to pursue the matter with collector concerned and get the complete record verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 174)

4.4.17.3 Audit noted that the Project Director of project "Bridge over river Indus linking N-5 to N-55 at Nishtar Ghat", NHA, paid an advance of Rs 37.299 million during 2015-16 (cumulative Rs 416.321 million upto June 2016) to the LAC as per Trial Balance for the month of June 2016 on account of land acquisition.

Advance payment was required to be adjusted by obtaining vouched account during the current financial year but no record was found regarding authenticity and adjustment of the payment. Further land was not transferred to the authority in accordance with Section 17-A in violation of Land Acquisition Act. This resulted in non-adjustment of advance payments of Rs 37.299 million.

Audit pointed out the non-adjustment of advance in October 2016. In compliance, record showing adjustment of Rs 29.330 million was produced leaving a balance of Rs 7.967 million.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses early adjustment of outstanding amount.

(DP. 335)

4.4.18 Acceptance of bids in violation of Public Procurement Rules 2004 - Rs 1,146.754 million

According to Rule 40 of Public Procurement Rules, 2004, there shall be no negotiations with the bidders having submitted the lowest evaluated bid or with any other bidder.

Audit noted that GM (Maint) P-S, NHA, Multan, invited tenders for PM works on 10.09.2015 and M/s Imran Mumtaz quoted lowest bids for the following three works by quoting percentage below on Engineer's Estimate based NHA CSR 2014. Thereafter the contractor quoted further rebate and then his negotiated bids were accepted.

Contract No.	Engineer Estimate (Rs in million)	%below on EE	Bid amount (Rs in million)	Further Rebate	Contract Cost (Rs in million)
PM-2014-15-PS-05	468.721	12.10%	412.005	5.70%	388.521

Contract No.	Engineer Estimate (Rs in million)	%below on EE	Bid amount (Rs in million)	Further Rebate	Contract Cost (Rs in million)
PM-2014-15-PS-07	468.720	14.10%	402.630	5.84%	379.116
PM-2014-15-PS-06	468.720	14.10%	402.631	5.84%	379.117
Total					1,146.754

Audit holds that acceptance of bids after negotiation was violation of Public Procurement Rules 2004.

Audit pointed out the violation in November 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 344)

4.4.19 Non-recovery/imposition of Liquidated Damages for delay in completion of work - Rs 1,080.025 million

According to clause-47.1 of the contract agreement, Liquidated damages @ 0.1% of contract price for each day of delay in completion of the work subject to maximum of 10% of contract price was to be charged for delay in completion of the work within stipulated period.

The contract for supply, installation, commissioning and pre-installation civil works for permanent type slow speed weigh in motion (SSWIM) (Load Cell Technology ASTM E-1318 or better) equipment on motorways M-2, N-5 and spare (Package-II) was awarded to M/s National Engineers vide acceptance letter dated 25th March, 2013 for an agreement amount of Rs 96.600 million. The contract was signed on 17th April, 2013. The date of commencement was 24th April, 2013. The delivery period was

5-6 months after confirmation of order. The work of supply, installation, commissioning and pre-installation civil works was, therefore, required to be completed maximum upto 23rd October, 2013.

Clause 23.1 of the contract agreement provides that if the supplier fails to deliver any or all of the goods or to perform the services within the period(s) specified in the contract, the purchaser shall, without prejudice to its other remedies under the contract, shall deduct a sum equivalent to percentage as per Supplementary Conditions of Contract. 0.1 % the delivered price per day of default shall be charged as liquidated damages. As contract agreement delivery period including inspection trainings and final delivery at Islamabad Pakistan was 180 days from the date of signing of the contract agreement. As per contract agreement / approval of NHA Executive Board the origin of the equipment was Canada (M/s IRD).

4.4.19.1 Audit noted that a Project “Construction of additional carriageway Torkham Jalalabad Afghanistan” was awarded to M/s FWO by NHA vide acceptance letter dated 24th January, 2008 for Rs 4,340.832 million. The work was suspended upto 2015 and reactivated through amendment No.1 in June 2015 against Rs 7,343.54 million.

Audit observed that the work has not yet been completed. Time is the essence of a contract which has been ignored by the contractor. The contractor has, therefore, made himself liable to be penalized 10% of the contractual amount of Rs 7,133.52 million (total cost of the project Rs 7343.54 million – Rs 210.202 million Design & construction supervision). Recovery of liquidated damages 10% (of total cost of project) amounting to Rs 713.36 million was to be recovered from the consultant’s payment.

Audit pointed out non-recovery/imposition of liquidated damages in September 2016. The Authority replied that the work site was situated in a war torn country and Government of Pakistan initiated the projects to maintain a good relationship with Afghan Government with its neighbour country by construction of road through its own funding and the contract was also awarded to a para-military organization for the sake of smooth, safe and hindrance free working environment. In-spite above the FWO

was left with no option to suspend the project besides other factor due to one major cause of militancy and law & order situation. After suspension of work and even visit of the Prime Minister during year 2013 and upon constitution of Committee of Reconstruction and Rehabilitation of Afghanistan (CRRA) were conducted in the Ministry of Planning & Development wherein along with other projects remobilization of M/s FWO to complete the balance work was also raised. A Sub Committee was also formed under the Chairmanship of Lt General Shahid Niaz (Ex Member I&M, P&D) with members as Secretary Communication, DG FWO, Chairman NHA and Chief (T&C), P&D. Recommendations of the sub-committee were approved by the CRRA. By the influence of this committee the work restated and again after recommencement of the project there were still issues & problem taking place that terrorism, militancy & activist a common known fact and ground reality in the territory for delaying of the work. The Competent Authority of NHA granted Extension of Time also to the Contractor M/s FWO. Therefore, the liquidated damages could not be imposed to the contractor.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC pended the para.

Audit stresses upon investigation and appropriate corrective action.
(DP. 130)

4.4.19.2 Audit noted that National Highway Authority awarded a work “Construction of Shatial - Thor Nullah Bypass ((Relocation of KKH) including link road to existing KKH)” to M/s Hakas (Pvt.) Ltd. on 23rd September, 2012 at an agreed cost of Rs 3,518.133 million. The work was started on 9th September, 2012 and was to be completed on 23rd September, 2014. First extension in time limit was granted upto 23rd May, 2016. The contractor failed to complete the work in extended time and could not achieve planned progress upto May 2016. Work was still in progress and only 30% of work was completed. No penal action either to en-cash Performance Guarantee or imposition of liquidated damages against the defaulter contractor was taken. This resulted into non-imposition of liquidated damages and non-recovery Rs 351.81 million (@

10% of Rs 3,518.133 million) for delay in completion of work within stipulated time.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulation

Audit pointed out the irregularity in August 2016. The Authority did not furnish reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 235)

4.4.19.3 Audit noted that the GM, (Maint) P-S, NHA, Multan, made payment of Rs 124.561 million to M/s HRK & Co. for work Periodic Maintenance work “PM-2012-13-PS-02 (857+500 862+080 SBC)” vide CV-181-UBL dated June 2016. Audit noted that the work was required to be completed in 06 months starting from 13th April, 2015, thereafter the contractor was granted time extension upto 28th February, 2016 vide letter dated 21st October, 2015. Audit observed that Chairman, NHA, during his visit from Multan to Sukkur, ordered “no time extension is to be processed and liquidity damages be imposed” as conveyed by the GM RAMD vide letter dated 5th May, 2016. But no recovery of liquidated damages has been made as yet. This resulted in non-imposition and recovery of liquidated damages amounting to Rs 14.845 million (Rs 148.452 million x 10%).

Audit pointed out the non-recovery in November 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 350)

4.4.20 Unauthorized/Irregular expenditure on account of payment of previous year's liabilities without specific budget in the current year of payment - Rs 966.500 million

Annual Maintenance Plan of NHA is approved by NHA Executive Board for a specific financial year. Budget approved in the Annual Maintenance Plan is therefore meant for that particular financial year.

Audit noted that General Manager Maintenance (Punjab-South) NHA Multan allowed and paid liabilities payments of previous years to different contractors without specific budget to liquidate the liabilities accrued in previous years. Audit observed that payment of Rs 966.500 million against works of previous years 2012-13 and 2013-14 were made during the financial year 2015-16. Payments of the previous year's works in the financial year 2015-16 without special authority and budget was irregular & un-authorized.

Audit pointed out irregular and unauthorized payment in November 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 352)

4.4.21 Unauthorized creation of liability on account of maintenance works - Rs 943.275 million

Para 42(iii) of Chapter 2 of NHA Code, 2005, provides that no officer shall exceed any specific budget allotment made under any minor or detailed head. Para 54(ii) of the Code ibid further provides that no expenditure or liability is incurred until funds to meet it are available.

Audit noted that National Highway Authority approved Maintenance Plans for the year 2013-14, 2014-15 and 2015-16 and allocated budget for maintenance in the southern region of Balochistan. General Manager, Maintenance (South), NHA, Khuzdar.

Audit observed that GM, Maintenance (South/West) NHA, Khuzdar awarded maintenance works including periodic maintenance, emergency maintenance, routine maintenance and safety measures of Rs 714.923 million. The NHA paid Rs 240.133 million during 2014-15 but booked an expenditure of Rs 714.905 million against the work awarded in 2014-15. The NHA created a liability of Rs 474.772 million in the financial year 2014-15. Against liability of the year 2014-15, payment of Rs 446.949 was made during 2015-16 and further transferred liability of Rs 28.563 million to the next financial year of 2016-17. This reflects that expenditure was booked without provision of funds in violation of the NHA Code.

Similarly, maintenance contract of Rs 768.243 million were awarded during 2015-16. Payment of Rs 297.747 million was made against the works awarded during 2015-16 but an expenditure of Rs 766.25 million was book against the works awarded during 2015-16 transferring the liability of Rs 468.503 million of 2015-16 to the financial year 2016-17. This resulted in un-authorized creation of liability of Rs 943.275 million (Rs 474.772 million on 30th June, 2015 and Rs 468.503 million as on 30th June, 2016).

NHA, by creating a liability and by violating the cited rules defeated the objectives of prudent financial management. This violation of rules occurred owing to weak oversight mechanism for exercising the internal controls.

Audit pointed out the mismanagement in October 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed that AMP should be processed and finalized in such a manner that it could be implemented from July every year as per provision of NHA Code. DAC further directed that measures taken regarding clearance of backlog be got verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 201)

4.4.22 Irregular award of work - Rs 820.412 million and unjustified provision of vehicles - Rs 15.395 million

Rule 40 (Limitation on negotiations) of PPRA 2004, Save as otherwise provided there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder: Provided that the extent of negotiation permissible shall be subject to the regulations issued by the Authority.

During scrutiny of record of P&CA Wing NHA, Headquarters, Islamabad for the year 2015-16, Audit noted that tenders for prequalification of contractor for the project "Construction of Flyover at Shaheen Chowk on Gujrat Bypass (N-5) in District Gujrat" were published in media on 1st April, 2015 against Engineer's Estimates cost of Rs 907.664 million.

Nine (09) firms were prequalified and asked to submit financial bids opened on 21st October, 2015. M/s Al-Haroon - CMD (JV) were declared non-responsive due to provision of fake documents regarding credit line facility and M/s Usmani Int'l JV Qavi Enterprises due to non-provision of performance security in the name of JV. Both these bidders were 1st & 2nd lowest with bid costs of Rs 808.801 million and Rs 820.851 million respectively.

Third lowest bidders M/s Sh. Abdul Razzaq & Co. (Pvt) Ltd (SARCO) with bid cost of Rs 890.912 million offered rebate of Rs 70.50 million on 2nd March 2016. The contract was awarded to M/s SARCO at their rebated bid cost of Rs 820.412 million i.e. 9.61% below Engineer's Estimate vide acceptance letter No.2()/GM (P&CA)/NHA/16/521 dated 25th March, 2016.

Audit observed that the tendering process was started without approval of PC-I. M/s Al-Haroon JV CMD was disqualified at bidding stage. Credit line facility documents were required to be verified at prequalification stage. Instead the contractor was prequalified. Audit further observed that credit line facility documents of M/s SARCO were verified in January 2016 i.e. after prequalification stage. The scrutiny of documents as per prequalification criteria in prequalification stage was therefore, not in place.

After disqualification of 1st & 2nd lowest bidders the project was to be re-tendered but rebate offered by only one bidder M/s SARCO was accepted after opening of bids which comes under the definition of negotiation with single bidder against PPRA Rules 2004.

Audit maintains that in view of the above short comings the award of work to M/s SARCO is irregular.

Audit further noted that as per contract agreement purchase of eight vehicles and two motor cycles for Rs 15.395 million for this project was provided.

Audit observed that despite having a large number of vehicles fleet purchase of new vehicles and of this quantity for this small project is unjustified and against propriety rules.

Audit pointed out the matter in August-September 2016. The Authority replied that Letter of Acceptance was issued on 29th March, 2016 after the approval of PC-I from CDWP (14th January, 2016). Subsequent to declaration of bid of M/s CMD-Al-Haroon JV as non-

responsive, M/s SARCO emerged out as the lowest evaluated responsive bidder and after confirmation of credit line facility, M/s SARCO was declared as lowest evaluated responsive bidder. NHA never negotiated with the contractor. The rebate of Rs 70.5 million was considered major saving to the national exchequer. NHA projects have the duration ranging from three to five years and project vehicles exhaust their life within this time frame and require huge maintenance cost. Therefore, new vehicles for projects were procured for independent and dedicated team of consultants, employer to complete the project within stipulated time frame. The highlighted vehicles were part of the PC-1 approved by CDWP.

The reply was not tenable because the tendering process was started without approval of PC-I. M/s Al-Haroon-CMD (JV) was disqualified at bidding stage. Credit line facility documents were required to be verified at prequalification stage. Instead the contractor was prequalified. Audit further observed that credit line facility documents of M/s SARCO were verified in January 2016 i.e. after prequalification stage. After disqualification of 1st & 2nd lowest bidders the project was to be re-tendered but rebate offered by only one bidder M/s SARCO was accepted after opening of bids which comes under the definition of negotiation with single bidder against PPRA Rules 2004. Despite having a large number of vehicles fleet purchase of new vehicles and of this quantity for this small project is unjustified and against propriety rules.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 230)

4.4.23 Loss due to award of work at higher rates in re-tendering - Rs 672.372 million

As per rule 10 of GFR (Vol-I), every officer incurring or authorizing expenditure from public funds should be guided by high

standards of financial propriety. The expenditure should not be prima facie more than the occasion demands.

During scrutiny of record of P&CA Wing NHA, Headquarters, Islamabad for the year 2015-16, Audit noted that the work “Construction of Right Guide Bund, J-Spur and Protection Bund around Amri Village: Amri Qazi Ahmad Project” was awarded to M/s M. Sardar Ashraf D Baluch Pvt Ltd vide acceptance letter dated 12th April, 2016 for accepted contract amount of Rs 1,083.172 million i.e. 15% below Engineer’s Estimate of Rs 1,274.331 million (Cost of vehicles excluded from Rs 1,283.331 million).

The approval of award of the work was accorded by NHA Executive Board during 262nd Meeting held on 17th March, 2016. During the said meeting it was also recorded that the same work was awarded in August 2013 with agreement cost of Rs 410.80 million against Engineer’s Estimate of Rs 419.483 million to M/s Sachal Engineering but the work was not commenced due to non-availability of land. The said contractor was released from performance in July 2015 and it was decided to re-tender the work.

During scrutiny of contract agreement of August 2013 and April 2016 audit observed that following items of Rs 442.945 million which were not part of August 2013 contract were included in the Engineer’s Estimate and contract agreement of April 2016 without justification:-

S. No.	Item	Quantity	Rate	Amount (Rs)
1	Removal of Trees 150-300 mm	1,120	10,000 each	11,200,000
2	Rip Rap Class-C in River Bed	227,805/C.M	2,300/C.M	523,951,500
Sub-Total				535,151,500
Less Rebate @ 17.23% (Rs 228.00 million against Rs 1,323.172 million)				92,206,603
Total				442,944,897

Audit maintains that cost of the project/work increased for Rs 672.372 million from Rs 410.80 million to Rs 1,083.172 million which was due to ill planning and award of work in August 2013 without completion of land acquisition (the reason as per NHA Executive Board Meeting referred above).

This resulted in loss of Rs 672.372 million due to increase in cost in re-tendering and inclusion of new items in the contract agreement of April 2016.

Audit pointed out the matter in August-September 2016. The Authority replied that the work on left guide bund was completed before time, however, the work on right guide bund package-IV could not be commenced due to non-availability of land. The locals of the area were reluctant to hand over the site primarily due to non-payment of land compensation. During the lapsed period the project topography (Right side of River Indus) drastically changed due to construction of approach road package-II and left guide bund pushing the flow towards right side. The consultants accordingly resurveyed the areas and revised the quantities which increased the BOQ by more than double bringing radical change in contract that too prior to commencement of work. The situation was further aggravated by the year 2014 floods changing the total scenario of the site which caused more sourcing towards Right side of the bund. The quantities were abnormally increased; particularly of the protection item of Rip Rap for resilient design as revised to match with increased scouring and higher thrust of flood on the bund. Thereafter, the contractor demanded for revision in rate for Rip Rap Class C due to excessive increase in quantity and higher cost contractor, from Rs 1,066 per cu.m to Rs 2,553.63 per cu.m. The revised rate was not acceptable to NHA; therefore, option of re-tendering was adopted. By adopting the option of retendering, the rate of Rip Rap Class C comes to Rs 1,903.7 per cubic meter (Rs 2,300 per cu.m with 17.24% rebate) which results in saving of Rs 266 million if NHA had gone for re-rating.

The reply was not accepted because evidence in support of non-availability of land/non-payment of land compensation was not produced in support of reply. No evidence regarding claim of higher rate by the

original contractor for Rip Rap item and appearance of this item and item of trees at later stage was produced to Audit.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 231)

4.4.24 Unauthorized transfer of Gain on Foreign Currency Project Account to NHA Receipt Account - Rs 425.824 million

As per Revised Accounting Procedures for Revolving Fund Accounts (RFAs) (Foreign Aid Assignment Account) circulated by Finance Division vide O.M No.F.2(1)BR-II/2007/949 dated 2nd August 2013, the foreign currency amount received under the Foreign Credit/Loan/Grant for RFAs shall be translated/converted into Pak Rupees at the SBP weighted average buying rate of exchange prevailing on the date of transfer of funds by the development partners. The RFAs shall be lapsable at end of each financial year. However, the lapsed balance in one financial year will be protected through budgetary allocation in the next financial year. The procedures further describes at Para XVIII that in case there is balance available in US\$ Foreign Currency at the close or short close the project which is required to be refunded to the development partner, the project authority shall close RFAs with NBP and surrender unspent balance to the Government within two weeks of the close of a project.

During scrutiny of cash book, paid vouchers and financial statements of Kalat-Quetta-Chaman Project, Audit noted that as per contract agreement the amount of work done payable to contractor is to be charged to USAID Grant @ Rs 95 per US\$. The amount payable to the contractor is in Pak Rupees. As per financial arrangements amount of work done payable to contractor is converted into US\$ @ Rs 95 for claim through withdrawal applications on receipt of grant from USAID the US\$ the project account is credited for the value of US\$ in Pak Rupees on that

particular day of receipt. The contractor is paid in Pak Rupees according to its original claims.

Audit observed that due to foreign exchange fluctuations there was a gain on foreign currency while making payments to the contractor. The gain on foreign currency amounting to Rs 425.824 million was transferred to NHA's receipt account, capitalizing the gain as an asset of the Authority.

Audit maintains that the gain on foreign currency/unused balance is required to be surrendered to the Government at the close of the project for refund to the development partner as per RFA procedures. As such action of NHA regarding transfer of gain amounting to Rs 425.824 million to its revenue account is a violation of procedures and is termed unauthorized.

Audit pointed out the matter in September-October 2016. The Authority replied that the contention of the Audit would be taken due care on the close of the Project. Since the project is not closed, the unused balance could not be refunded/surrendered. Furthermore, the payment is being released from the USAID Grant, which is not refundable to the development partner.

The reply was not accepted because the gain on foreign currency was transferred by NHA in its receipt account irregularly, as pointed out. The same may be transferred/remitted to the government under intimation to the Audit.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC deferred the matter till finalization/closure of the project. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 173)

4.4.25 Irregular execution and payment of works to M/s FWO - Rs 387.007 million

Rule 20 of Public Procurement Rules 2004 provides that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

Paras 61&62, chapter 3 of NHA Code provides that the Authority shall carry out routine and periodic maintenance of all National Highways and Strategic Roads assigned to it through maintenance contracts concluded with pre-qualified contractors for each reasonable reach of road. Although lump sum contracts can be concluded in cases where the scope of work can be definitely determined in advance e.g. in the case of periodic maintenance, yet all contracts for routine maintenance or for works which cannot be quantified beforehand, shall be Measurement Contracts based on the NHAs CSR. Further, as per Para 55 (chapter 2) provides that for each work proposed to be carried out, for which administrative approval and financial concurrence has been obtained, a properly detailed estimate based on the administrative approval and financial concurrence shall be prepared for the sanction of the competent authority. This sanction is defined as Technical Sanction. The competent authority for grant of technical sanction shall be Member (Operations) or Member (Construction).

During scrutiny of paid voucher RMA for the year 2014-15 Audit observed that payments of Rs 303.959 million were made by RMA NHA GMs GB and NAs for disbursement to M/s FWO on account of maintenance of Thakot Khunjerab and Skardu road. Besides, an amount of Rs 83.048 million was also paid directly to M/s FWO on this account. Payment and execution of works for total Rs 387.007 million was irregular due to the following:

- i. The works were awarded to M/s FWO without calling tenders.
- ii. Detailed estimate of the works to be executed were not prepared and got sanctioned technically.

- iii. The work executed by the contractor has not been measured and recorded in the MBs to authenticate/justify the payment so far made.
- iv. The contractor has not performed the work as per terms & conditions of the agreement.
- v. Payments to M/s FWO were being made directly by NHA Headquarters and also through respective GMs. Duplication of payments for the same activity, therefore, cannot be ruled out.

Audit pointed out the irregularity in February-March 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed NHA to get the work schedule, performance measures, terms & conditions of contract with FWO, monitoring reports, and measurements verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 142)

4.4.26 Irregular charging of Loan Proceeds to Road Maintenance Account - Rs 359.000 million

Para 5(c) of chapter eleven of NHA Code (Vol-I) provides that road maintenance account shall be operated from tolls on roads and bridges, road users fine, axle load charges, supplementary heavy vehicle fee etc.

Audit noted that NHA (Aided Project Section (Sehwan-Ratodero Additional Carriageway (N-55) Loan No. PK-P55), debited an amount of Rs 359.00 million to loan account on account of inter office current account NHA road maintenance fund account during the year 2015-16. Audit observed that funds for road maintenance account would have been

appropriated from the relevant revenue/receipts and not from the loan proceeds of loan PK-P55.

Audit pointed out the irregularity during September 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 298)

4.4.27 Unjustified award of consultancy assignments having conflict of interest - Rs 287.533 million

Clause 3.2 of consultancy agreement of “Motorway M-4 Khanewal-Multan 57 km” provides that the IDB considers a conflict of interest to be a situation in which a party has interests that could improperly influence that party’s performance of official duties or responsibilities, contractual, obligations or compliance with applicable laws and regulations and that such conflict of interest may contribute to or constitute a prohibited practice under the IDB’s Anticorruption Policy.

Guidelines (Para 1.11-b) on the use of Consultants provide that conflict among consulting assignments. Consulting firms or individual consultants shall not be hired for any assignment that, by its nature, may be in conflict with another assignment of the firm or individual. As an example, consulting firms or individual consultants hired to prepare engineering design for an infrastructure project shall not be engaged to prepare an independent environmental assessment for the same project, and consulting firms or individual consultants assisting a client in the privatization of public assets shall neither purchase, nor advise purchasers of, such assets. Similarly, consultants hired to prepare TOR for an assignment shall not be hired for the assignment in question.

Audit noted during review of the consultancy agreement of project “Motorway M-4 Khanewal-Multan 57-km” that Environmental Assessment Plan was also awarded to the Design consultant firm. As per afore quoted guidelines, award of consultancy contract for two different assignments created conflict of interest which was not admissible.

Audit further noted that consultant shall prepare detailed design, drawing and construction supervision of the project. Audit held that as per standard/approved guidelines of FIDIC award of two assignments i.e. Designing & Construction Supervision, to the same firm creates conflict of interest. Therefore, award of contract of both assignments in termed contrary to the provision of guidelines.

It is further added that “The Engineer” was also appointed from one of the engineers of the consultant firm M/s NESPAK which also created a major conflict of interest as the consultant firm was a party and also has interest that could improperly influence party performance of official duties and responsibilities, contractual obligation and compliance with applicable laws and regulations.

Non-adherence to contract and guidelines, procurement of consultancy of construction supervision and award of design review of the same project worth Rs 287.533 million resulted into conflict of interest.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out conflict of interest in September 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 218)

4.4.28 Irregular/unauthorized amendment in the approved scope of work without approval of the competent forum - Rs 269.40 million

As per Planning and Development Division, Government of Pakistan O.M No. 20 (1)DA/PC/79-Vol.XIV dated 22nd June, 1980, 'if the total estimated cost, as sanctioned increases by a margin of 15% or more, or if any significant variation in the nature or scope of the project was made, irrespective of whether or not it involves an increased outlay, the approval of the ECNEC/Competent Authority shall be obtained in the same manner as in the case of the original scheme without delay.'

Para 50 of Chapter 02 of NHA Code, 2005 provides that in case of variation, if the cost exceeds by more than 15% of the original project cost revised administrative approval shall be obtained from the competent authority and PC-I shall also be revised accordingly. Para 71 (Chapter Two) of NHA Code provides that in a case where such excess has the effect of exceeding the maximum monetary limit of the original sanctioning authority, the variation order shall be submitted for the approval of the authority within whose powers the project as amended falls. No work shall be carried out and no expenditure shall be incurred until fresh approval from the concerned authority has been obtained for the revised cost.

Audit noted that Takht Bhai Flyover Project on N-45 was awarded to M/s RMC Construction company vide Acceptance Letter dated 07th July, 2012 for Rs 582.124 million was required to be completed on May, 2015. During execution, Variation Order # 01 and 02 were got prepared and approved by NHA, without approval of the Competent Forum i.e. ECNEC. The cost of the project was enhanced to Rs 851.524 million. (46.279 % over and above the original contract cost). This resulted into irregular/unauthorized enhancement in scope of the work amounting to Rs 269.40 million.

Audit maintains that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in September 2016. The Authority replied that initially at the stage of execution the length of Takht Bhai Flyover was 225 meters covering 9 bays at the contract cost of Rs 582.124 million as per contract agreement, the NHA design was authentic, realistic and fit to the ground realities, but the local demanded to extend the flyover towards Malakand side, to avoid the retaining wall construction in middle of Takht Bhai market. The Variation Order No. 1 amounting to Rs 801.145 million was initiated having Financial Impact of 37.6 % NHA Executive Board has approved the Variation of the project pursuant to NHA Code 2005 para 104 Chapter 3 Table iii-13 NHA Executive Board has full powers to approve the variation more than 30% falling in the power of the Chairman NHA. Accordingly the Variation Order No. 02 amounting to Rs 851.524 million was initiated and approved by the Executive Board NHA.

The reply was not accepted because Project of Takht Bhai Flyover Bridge of Rs 82.124 million was enhanced to Rs 851.00 million without revision of PC-I.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 253)

4.4.29 Loss due to non-execution of work in conformity with the specifications - Rs 230.789 million

Clause 13.1 of Condition of contract Part-I FIDIC provides that unless it is legally or physically impossible, the Contractor shall execute and complete the Works and remedy any defects therein in strict accordance with the Contract to the satisfaction of the Engineer. The

Contractor shall comply with and adhere strictly to the Engineer's instructions on any matter, whether mentioned in the Contract or not, touching or concerning the Works. The Contractor shall take instructions only from the Engineer.

Clause 20 of COC Part-I FIDIC provides that the Contractor shall take full responsibility for the care of the Works and materials and Plant for incorporation therein from the Commencement Date until the date of issue of the Taking-Over Certificate for the whole of the Works.

Audit noted that a contract No.PM-2014-15-PN-05 for periodic maintenance (structural overlay) at location km 1452 to km 1482 SB was awarded at contract cost of Rs 474.366 million which was 19% below the engineer's estimate cost of Rs 585.638 million with date of commencement 2nd February, 2016.

Audit observed that the contractor executed the work at Km 1474 to km 1482 which was measured and paid in first 3 IPCs and a payment of Rs 84.538 million was made on account of cold milling, teak coat, asphalt wearing and base course. A review of the record indicated that defects appeared between km 1452 to km 1482 at whole stretch of the contract due to poor workman ship, improper jointing of flexible pavement with rigid pavement, down the level of the flexible pavement than rigid pavement a lot of grooves pot holes and rutting developed at site.

The work was executed up to 7th IPC and correspondence was exchanged between the project management and contractor wherein responsibility of appearing of these defects was shifted to each other. However facts remain there that execution of work in conformance with the specification was the responsibility of contractor up till issuance of taking over certificate.

Audit held that these defects were required to be got rectified but the contractor did not pay head towards rectification of said defects. The work was required to be got re-executed from the contractor or other source and cost thereof was to be recovered from the original contractor.

In absence of any action taken by the project management in pursuance of contract the earlier expenditure incurred thereon is termed wasteful which is ultimate loss of Rs 230.789 million to the Authority.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out wasteful expenditure/loss in September-October 2016. The Authority replied that defects were not appeared in the whole stretches of contract as highlighted by Audit. However, in some stretches between KM 1474+000~ 1482+000 cracks were appeared in localized portion which were rectified by the contractor as per specifications at his own cost. The rectification was carried out under supervision of consultant M/s Zeeruk International and certified by Resident Engineer.

The reply was not tenable as the cracks appeared in the entire stretch of the contract on 1474 to 1482, which indicated that work was not carried out with due diligence and in conformance with the specification and no documents on account of rectification of work could be produced.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 276)

4.4.30 Irregular award of work to M/s NESPAK - Rs 210.020 million

According to PPRA Rule 2004 para 21 Open competitive bidding.- Subject to the provisions of rules 22 to 37 the procuring agencies shall engage in open competitive bidding if the cost of the object to be procured is more than the prescribed financial limit which is applicable under sub-clause (i) of clause (b) of rule 42.

Audit noted that Design & Construction Supervision of the project “Construction of additional carriageway Torkham Jalalabad Afghanistan” was awarded to M/s NESPAK by NHA. Agreement in this regard was signed on 13th January, 2009.

Audit observed that the work was allotted to M/s NESPAK for design and consultancy fee for Rs 210.020 million on 13th January, 2009 without calling tenders.

Violation of rules resulted in irregular procurement of consultancy services.

Audit pointed out the irregular award of work in September 2016. The Authority replied that pursuant to the PM’s directive after inauguration of existing carriageway of TJR project in 2007, the responsibility of construction of 2nd carriageway of TJR was also entrusted to M/s FWO under an agreement signed between NHA & FWO on 24th January, 2008. Open bidding was not conducted and the work was awarded to M/s FWO being a government entity.

The reply was not accepted being against PPRA rules.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC pended the para.

Audit stresses upon investigation and appropriate corrective action.
(DP. 129)

4.4.31 Unjustified/unauthentic payment of land without proper assessment of rates through Ausat Yaksala - Rs 167.255 million

Land Acquisition Controller (LAC) Peshawar Northern Bypass (Package-3a) (PNBP) NHA raised demand to release funds for Acquisition of Land 81 Kanal 05 marlas for Construction of Peshawar Northern Bypass (Package-3 -a) vide letter dated 22nd June, 2015. Rates applied for village Mouzas Rs 100,000 per marla + 15% compulsory

acquisition charges.

Audit noted that Member (North Zone) NHA, Khyber Pakhtunkhwa desired some clarifications from the Director (Land) Khyber Pakhtunkhwa before granting approval and placing funds at the disposal of LAC (PNBP) for acquisition of land in Mauza Mulazai for Peshawar Northern Bypass.

Audit further observed that funds demanded by the LAC were released without attending the observations of Member (North) Zone NHA, KP. Rates of Mulazai village were compared with the Regi Housing Schemes. Land cost on the basis of Ausat Yaksala was already released to LAC as pointed out by the Member (North Zone) KP but not a single observation was attended and replied. Land award for Mouza Mulazai was not shown announced. Disbursement to the land owners would be made on the basis of Land Award. Vouched Account/adjustment of Advancement payments already made was neither demanded nor furnished by the Revenue Department to the NHA. This resulted into unjustified/unauthentic release of funds amounting to Rs 167.255 million without fulfillment of procedures.

Audit pointed out the unjustified release of funds in September 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 264)

4.4.32 Unauthorized/Unjustified enhancement in Consultant Agreed cost of Rs 134.513 million and \$ 2.134 million beyond PC-I - Rs 347.913 million

As per PC-I of the project “Faisalabad-Khanewal M-4 Motorway 184 KM” cost for construction supervision was provided for Rs 934.200 million.

Audit observed that General Manager (P&CA) NHA, Islamabad awarded consultancy contract to M/s Renardet SA (Philippines) in local association with M/s Hunermand (Pvt), M/s Asif Ali Associates and M/s Technique Consultant Engineers vide acceptance letter dated 1st February, 2010 at an agreed cost of US \$1.884 million in Foreign Currency and Pak Rs 570.184 million, for construction supervision of four lane motorway from Faisalabad to Khanewal (M-4) 184 KM. The period of completion of services was 36 months. The Authority failed to implement the project in accordance with provisions of PC-I. Section-I: Faisalabad-Gojra (58 KM) awarded during 2010 was completed in January 2015. The remaining Sections of the project were awarded after that due to which contract cost of construction supervision was enhanced and revised to Rs 704.697 million and US \$ 4.018 million by the Project Director/ General Manager (M-4) without consultation with General Manager (P&CA) NHA Islamabad vide Variation Order No. 08 approved by the Chairman NHA. The revised cost comes to Pak Rs 1,122.582 million. (Rs 704.697 million + Rs 417.885 million (US \$ 4,018,315 x Rs 104) against PC-I provision of Rs 934.200 million i.e. 20.16% above from PC-I). This resulted into irregular enhancement of consultancy agreement for Rs 134.513 (Rs 704.697 – Rs 570.184) million and US \$ 2.134 (\$ 4.018 – \$ 1.884) million without approval of revised PC-I from competent forum.

Audit pointed out the irregularity in August-September 2016. The Authority replied that there is a provision of Rs 934.2 million in PC-I for Consultancy as highlighted by the Audit. Revised Consultancy Cost of the project after approval of VO No. 8 is Rs 704.6 million & US\$ 4,018,315 which is little more than PC-I provision. It is highlighted that PC-I of the project is under revision.

Construction work of Section-I (Faisalabad-Gojra) was started in 2010, whereas, the Loan Agreement for Construction of Section- (Gojra-Shorkot) was signed between Government of Pakistan and ADB on 22nd October, 2015 and accordingly construction works started. Similarly, loan for construction of Section-III (Shorkot-Khanewal) was signed with ADB on 20th June, 2016 and commencement of work is expected soon.

As the Consultancy Agreement is for whole M-4 (Faisalabad-Khanewal) 184 KM therefore, its time has been extended accordingly and VO-8 was approved by the NHA Executive Board which is the competent authority.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC pended the para till approval of revised PC-I. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 47)

4.4.33 Irregular award of work on negotiation basis and inclusion of inadmissible items of work in the contract agreement - Rs 132.369 million

As per Rule 40 (Limitation on negotiations) of PPRA 2004, Save as otherwise provided there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder: Provided that the extent of negotiation permissible shall be subject to the regulations issued by the Authority.

During scrutiny of record of P&CA Wing NHA, Headquarters, Islamabad for the year 2015-16, Audit noted that, as per PC-I of the project "Yakmach-Kharan Road (200 km)" based on field surveys done by the consultants M/s ACC in association with M/s ACE, Road Section of Yakmach-Kharan Road (200 km) was earthen, poor with 5.0 meter existing width.

The bidding of the above project was based on Single Stage Two Envelope (SSTE). Press advertisement appeared on 16th May, 2015 against estimated cost of Rs 2.313 billion (for 50 km reach). Date of opening of bids was 1st June, 2015. Three out of six bidders were

technically qualified and financial bids opened on 3rd July, 2015. Comparison of financial bids is as follows:

S. No.	Name of Firm	Bid Amount (Rs in million)
1	M/s SMADB-RMS JV	3,171.073
2	M/s ZKB	2,903.257
3	M/s Zarghoon	3,131.457

M/s SMADB-RMS JV submitted 10% rebate on the quoted bid price except Bill No.07 amount dated 1st June, 2015 (marked/signed by concerned Director P&CA Wing on 3rd July, 2015). The work was awarded to M/s SMADB-RMS JV at rebated bid price of Rs 2,859.682 million.

Audit observed that M/s SMADB-RMS JV submitted rebate after submission of technical and financial bids on 3rd July, 2015 i.e. at the time of opening of financial bids which come under the definition of negotiations which was prohibited under Public Procurement Rules, 2004.

During scrutiny of comparative statement with reference to PC-I provisions, Audit observed that some items of work which were not provided in the PC-I (based on field surveys) were included in the contract agreement as detailed below:

S. No.	Description	Quantity as Per Comparative Statement	Rate Quoted by M/s SMADB-RMS JV	
			Rate (Rs)	Amount (Rs)
1	Excavate Unsuitable Hard Rock Material	50,317/C.M	500	25,158,500
2	Sub-Grade Preparation in Existing Road without any Fill	52,211/S.M	500	26,105,500
3	Scarification of Existing Road Pavement Surface	191,625/S.M	500	95,812,500
	Sub-Total			147,076,500
	Rebate @ 10%			14,707,650
	Net Total			132,368,850

Audit maintains that as the existing road had no top layer and was categorized as earthen by the consultants at the time of preparation of PC-I, therefore, item of scarification of existing road was not provided. Similarly, other items as mentioned at S. No. 1&2 above were also not included in the PC-I.

This has resulted in inclusion of inadmissible items of work in the contract agreement for Rs 132.369 million and award of work in violation of PPRA Rules.

Audit pointed out the matter in August-September 2016. The Authority replied that the rebate offered by M/s SMADB-RMS JV was part of the Financial Bid opened on 3rd July, 2015, which was signed by the Evaluation Committee members who also signed the other documents of the Financial Bid as and when the envelope was opened. Extract of the Bid opening record was evident the rebate was also announced in presence of the Bidders who attended this meeting and none of them raised any objection in the meeting for financial bids opening.

PC-I for an amount of Rs 13,758 million (for 200 KM) was prepared in Aril 2015 on the basis of preliminary design. The item of work and quantities for different items as given in PC-I, were of provisional nature as clarified by the Design Consultants. No detailed field surveys were conducted for the preparation of PC-1. The PC-I was submitted by the Design Consultants to NHA on 9th April, 2015.

Tender Documents comprising of contract agreement, Bill of Quantities, Engineer Estimate and tender drawings were submitted after detailed engineering design by the same Design Consultants on 20th May, 2015.

The reply was not accepted because the bidders were required to fill the amount and percentage of rebate if any in the bidding documents. The bidder as pointed out did not mention any rebate in the bidding document. The rebate was offered through a separate envelope as admitted

in reply by NHA. Being non-responsive bid, it was required to be rejected but the same was accepted in violation of Public Procurement Rules.

As admitted in reply PC-I was submitted by the consultant in April 2105 and tender documents in May 2015. The stance that PC-I was not prepared by the consultant after site/field surveys was evasive. The process of preparation of PC-I for which the consultants got remuneration was made doubtful by NHA just to defend inclusion of favorable items in the tender documents. Consultant invoices and agreement may also be produced for further verification.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 226)

4.4.34 Non-provision of insurance to the development partner by the construction contractor

Article-III (3.2) (g) of loan agreement provides that the contract shall stipulate that the contractor shall procure a contractor's all risk insurance as customary in the trade and the proceeds of the insurance shall be payable to IDB in US Dollars or any other acceptable currency. The contract price shall not exceed US\$ 160.288 million.

Audit noted that NHA awarded contract for 'Construction of Motorway (M-4 extension) from Khanewal to Multan 57-Km' to M/s EKO-KRC (JV) at contract cost of Rs 12,937.314 million vide acceptance letter dated 24th September, 2011.

Audit observed during review of the contract agreement that NHA did not insert the above referred loan clause in construction contractor's all risk policy in the US\$ payable to IDB which was mandatory for execution of contract. It is further added that in the loan agreement 5% financial contingency was provided for Rs 552.718 million equivalent to

US\$ 6.627 million against which the IDB will charge the markup @ 5.1% but due to non-insertion of the clause in the construction agreement this provision could not be utilized whereas the IDB charged said provision in the sale price.

Non-adherence to provision of loan agreement caused non-provision of insurance to the development partner by the construction contractor as such the entire loan amount incurred stood unsecured.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out irregularity in September 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early compliance of loan agreement and provision of insurance.

(DP. 214)

4.4.35 Non-awarding of toll collection of four toll plazas through competitive bidding on M-4 Extension - Rs 96.00 million

Para-12-b Chapter Eleven of NHA Code (Vol-I) provides that Toll shall be collected through an O&M contractor procured under PPRA/RMA Rules as a service contract or as a maximum guaranteed bid.

Audit noted during review of record pertaining to Revenue Section of GM, P-S, Multan, that 04 toll plazas (Shamkot, Shah Shams Tabraiz, Shah Rukan-e-Alam & Sher Shah) on M-4 Extension are being operated by the Authority from 7th January, 2016. Whereas these toll plazas were required to be auctioned through competition. NHA did not arrange competition within timely manner and toll is being collected manually by

the staff of Authority and variation in monthly toll collection was observed as revenue of Rs 7.2 million in May 2016 was reduced to Rs 6.70 million in June 2016. This resulted in non-auction of toll plazas for toll collection of about Rs 96.00 million (Rs 8.00 million x 12 months).

Audit pointed out the non-recovery in November 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 351)

4.4.36 Non-provision of performance security for enhanced scope of work - Rs 85.152 million

In accordance with the clause 10.1 of Contract Agreement, Performance Security in shape of Bank Guarantee was required to be produced by the Contractor. Further, clause 10.1 of Particular Conditions provides that in case, Contractor did not submit Performance Security, his contract may be considered terminated and Tender Security forfeited.

Audit noted that Project Director, Takht Bhai Flyover Project, NHA, on N-45 awarded the work to M/s RMC Construction Co. for Rs 582.124 million the work started on 6th February, 2013 was to be completed on 5th August, 2015. After award of work scope of work i.e. Flyover Bridge was enhanced for agreed amount Rs 582.124 million to Rs 851.524 million through Variation Orders No. 1 & 2.

Audit observed that the Project Director NHA did not obtain required performance securities from contractor for enhanced scope of work.

This resulted into non-provision/non-revalidation of Performance Security for revised project cost of Rs 851.524 million @ 10% of Rs 85.152 million.

Audit pointed out the irregularity in September, 2016 the Authority replied that as per Contract Agreement the contractor submitted his performance security by 10% of Contract Price stated in the Letter of Acceptance as provided in the Appendix-A pursuant to COC Clause 10.4 Part II the Performance Security shall be binding irrespective of change in the quantities or variation in works or extension of time for completion of works, which are granted or agreed upon under the provision of the Contract. The Regional Account Office NHA Peshawar has written letter to the relevant bank for verification of performance guarantee against original contract amount Rs 582.124 million renewed/submitted by M/s RMC contractor.

The reply was not accepted because Performance Security for enhanced scope of work Rs 851.524 million was due from the contractor. Non-provision of Performance Security for enhanced scope of work was mismanagement on the part of NHA management and undue financial aid to the contractor at the cost of Project.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends obtaining of performance security for enhanced scope of work.

(DP. 255)

4.4.37 Irregular execution of work without approval from the competent forum - Rs 74.913 million

As per Planning and Development Division, Government of Pakistan O.M No. 20 (1)DA/PC/79-Vol.XIV dated 22nd June, 1980, 'if the total estimated cost, as sanctioned increases by a margin of 15% or more,

or if any significant variation in the nature or scope of the project was made, irrespective of whether or not it involves an increased outlay, the approval of the ECNEC/competent authority shall be obtained in the same manner as in the case of the original scheme without delay.’

During scrutiny of accounts record GM Maintenance (P-S), Multan, NHA, audit noted that 02 Periodic Maintenance works “PS-14-15-03 (775+000 – 800+000 N-55)” & “PM-2014-15-PS-06 (KM 814-837 N-5 SBC)” was approved and work awarded to M/s Wintoss Builder & M/s Imran Mumtaz respectively by NHA Executive Board at a bid cost of Rs 250.440 million & Rs 379.116 million respectively. Audit, however, observed that during execution of work material deviations in scope of work were made and certain works/items were increased for Rs 18.786 million & Rs 56.126 million respectively in excess of provisions of the contract agreement. Audit further observed that the revised scope of work was not got approved from the competent forum i.e. NHA Executive Board who accorded admn approval and approved award of work. This resulted in irregular enhancement in scope of work and incurring of expenditure of Rs 74.913 million (Rs 18.786 + Rs 56.126 million).

Audit pointed out the non-recovery in November 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 355)

4.4.38 Unauthentic payment contrary to contract specifications - Rs 64.23 million

Item PS-26 provides that this work shall consist of furnishing and installing of suspension rods including connection plates and else members as described hereunder in accordance with these specifications

and in conformity with the lines, grades and dimensions shown on construction drawings or as directed by the Engineer.

Subject suspension rods shall be used underground for suspension of the intermediate ceiling throughout the tunnel including openings for smoke extraction dampers. These rods including connection plates etc. shall be made of stainless steel and shall be covered by fire protection plates.

Item 1.1.1.3 specification of varied items provides that the submission of material shall contain all necessary certificates and other required documents

Audit noted that an item PS 26 stainless steel was introduced through variation order No.6 for modified road tunnel in order to provide stainless steel rods for suspension of the intermediate ceiling to the extent of 133,500 kg @ Rs 1,300 per kg. It was further noted that consultant also provided two (02) items PS 27 and PS 28 for fire protection of suspension rod of intermediate ceiling and accordingly issue drawing/sketch of these items. The contractor while submitting shop drawings deleted the aforesaid items and the consultant approved the drawings without fire protection items of the steel suspension rods. This state of affair was well evident that the Engineer/Consultant will not design the work as per site requirement and keeping in view the availability of the material in the market which tantamounts to negligence of the consultant.

Audit observed during review of the IPC-59 that said item was measured and paid to the extent of 49,408.36 kg for an amount of Rs 64.231 million. Measurement in MB No.3560 indicated that item was measured by multiplying the number of plates with the weight per plate, but supporting documents of this applied weight, as well as any manufacturing certificate relating to the ASTM standard and material number was not found available in the record. In absence of which authenticity of the material and applied weight per kg cannot be adjudged.

It is worth to mention that rate of this item was being paid provisionally and no analysis of rate was made available to Audit for evaluation.

Non-adherence to contract specification caused unauthentic payment of Rs 64.23 million.

Audit pointed out unauthentic payment in July-August 2016. The Authority replied that Stainless Steel Rod under Pay Item-26 consists of furnishing and installation of Suspension Rods including connection plates. The said item is envisaged to pay with under the weight in "KG". Thus all the payment are being made after calculating the weight of Rod, baseplate etc. Measurement Sheets as required for the Pay Item along with related shop drawings duly approved by the Engineer including Laboratory Test Certificates and quality of material.

The reply was not tenable as any documents as pointed out in the audit observation in pursuance of specification and contract could be produced. It is further added that two other items PS-27 and PS-28 for fire protection of steel rod were also provided in the contract which were subsequently deleted as such efficacy of the installation of rod jeopardized.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC decided to constitute a two-member committee (one representing NHA and other from Audit) to review the issue and submit report within a week for discussion in another meeting of the DAC. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 03)

4.4.39 Excess payment due to execution of excess quantity without approval - Rs 62.882 million

According to BOQ/agreement, a quantity of 715,007 Cu.m @ Rs 205 per Cu.m for item No.108c formation of embankment from borrow excavation in common material including NCG and leveling dressing was provided.

Audit noted that the Project Director got executed, measured and paid a quantity of 1,021,751.644 Cu.m against provision of 715,007 Cu.m without approval of competent authority. In this way increase in quantity for 306,744.64 Cu.m (42%) was made which was beyond permissible limit. Execution of excess quantity beyond permissible limit without approval was irregular. This resulted in irregular payment of Rs 62.883 million due to excess quantity (306,744.64 Cu.m x Rs 205).

Audit pointed out the non-recovery in October 2016. The Authority replied that the quantity of 715,007 Cu.m for the item 108C incorporated in contract as per original PC-I was not based on defined and properly designed alignment, whereas total actual quantity based on actual cross-sections along alignment established at site and as per design by design consultant M/s Loya Associates is 1,087,500 Cu.m. So far 1,021,751.644 Cu.m quantity was paid to the contractor. The variation order to cover variation in cost due to this increase in quantity is still under process.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 323)

4.4.40 Irregular enhancement in scope of work - Rs 45.807 million

Rules 2 (k) & 42 (c) (iv) of Public Procurement Rules, 2004 provides that repeat orders means procurement of the same commodity

from the same source without competition and includes enhancement of contract and repeat orders not exceeding fifteen percent of the original procurement. Rule 12(2) of Public Procurement Rules, 2004 provides that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

Audit noted that NHA awarded the project "Detailed Design and Construction Supervision for Rehabilitation of Kambar Shahdaskot Road" disclosed that the contract was awarded to M/s Associated Consultancy (Pvt) Ltd on December 2008 at cost of Rs 11.120 million.

Audit observed that later on extra cost valuing Rs 45.807 million were included and the scope of work was enhanced by 411.93% and 7.53% of the payment made to the contractor against the 3% provision of PC-1. This cost was not included in the approved PC-I of the project. This resulted into irregular enhancement/ execution of consultancy work for Rs 45.806 million in violation of Public Procurement Rules, 2004, PC-I provisions and laid down rules.

Audit pointed out irregularity in March/April 2016. The Authority replied that the original date of completion of Kamber-Shahdaskot Road Project (M/s RMS) was 16th August, 2013. Due to Heavy Flood in 2010, Cash Flow to the contractor, heavy monsoon rains & general strikes in the working areas the project was extended w.e.f 17th August, 2013 to 30th September, 2014 through EOT No. 1. Later on, the contract was extended w.e.f 01st October, 2014 to 30th April, 2016 through EOT No. 2. Accordingly, the contract of supervisory consultancy of M/s Associated consultancy Centre (ACC) was also extended w.e.f 20th April, 2010 to 30th April, 2016 through the Addendum No. 1 to 5 having overall cost impact Rs 442.76% with the approval of the competent Authority.

The reply was not acceptable as provision of PC-I was violated.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that PC-I was under process of revision. DAC pended the para till approval of revised PC-I. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 118)

4.4.41 Irregular payment due to allowing excess quantity without approval - Rs 42.559 million

According to BOQ/agreement, there was provision of 12,600 Cu.m against item No. 509b "rip-rap class B" payable @ Rs 3,520 per Cu.m.

Audit noted that the Project Director has not got executed the BOQ item and another item 509c "rip-rap class C (Stone of Sakhi Sarwar Quarry)" has been got executed for a quantity of 27,642.65 Cu.m and paid @ Rs 2,829.23 per Cu.m. Audit observed that substituted item was got executed without approval of variation order by the competent authority and quantity of substituted item has been paid in excess than original item provided in the BOQ.

This resulted in irregular payment due to allowing excess quantity without approval of Rs 42.559 million (27,642.65 Cu.m - 12,600 Cu.m x Rs 2,829.23 per Cu.m).

Audit pointed out the irregularity in October 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends recovery or regularization of excess quantities.

(DP. 331)

4.4.42 Unauthorized/unjustified expenditure due to change of location of work without prior approval of competent authority - Rs 42.24 million

NHA awarded emergency work i.e. Asphalt wearing course and base course as per site requirement at km 296 + 000 to km 303 + 000 (North Bound Carriageway) on M-2 contract No. EM-217-11 in December 2012 at bid price of Rs 42.24 million. The letter of commencement issued on 31st May, 2013 with seven (07) months completion period. Later on the contractor asked for the relocation of the contract from M-2 to M-3 under terms and conditions of the original contract. The Authority admitted the request of contractor and asked the contractor to work on M-3 (Pindi Bhattian to Faisalabad).

Audit observed that it was an emergency work but was not started at the time i.e. 03rd June, 2013 after the elapse of 02 years it was shifted on 23rd December, 2015 at M-3 as periodic maintenance work. Shifting of work from M-2 to M-3 and the allocation of Annual Maintenance Plan approved for 2012-13 to incur expenditure of Rs 42.24 million up to the year of 2015-16 is unauthentic/unauthorized and irregular.

Audit held that the award of work on a revised location without T.S Estimate, calling of fresh tender and approval of the competent authority was unauthorized.

Audit maintains that the irregularity was due to inadequate mechanism for enforcing relevant rules and weak administrative/ internal controls.

Audit pointed out the irregularity in August 2016. The Authority replied that due to administrative shifting of Motorway M-2 from NHA to M/s MORE on BOT basis for a period of twenty years, the subject contract was shifted from Motorway M-2 to Motorway M-3 upon contractor's request under the same administrative control of Member (Central Zone) NHA Lahore being the competent authority. Motorway M-3 also required functional overlay due to deteriorated condition.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. General Manager (Motorways) explained that the work was shifted with the approval of Member (Central Zone). DAC directed Member (EC) NHA to conduct inquiry and submit report within 15 days. The compliance of DAC's directive was not made till the finalization of this report.

Audit stresses upon investigation and appropriate corrective action.
(DP. 58)

4.4.43 Excess expenditure without prior approval of NHA Board - Rs 41.815 million

As per Engineer's Estimate for the work PM-2013-14-SN-06, maintenance of road measuring 8.700 meter length at KM 577 to 608 (N-5 North Bound) was proposed with the items of Scarification, Shallow pitching, Aggregate Base, DST and Wearing Course at an estimated cost of Rs 96.807 million.

Audit noted that after due tendering process M/s Zahir Khan & Bros. stood lowest bidder for the work with the bid cost of Rs 94.871 million. The NHA Executive Board approved the bid and the work was awarded to the contractor accordingly.

Audit observed that during execution of work, the items of Scarification, Shallow Pitching, Aggregate Base and DST were substituted with Cold milling 0-50 mm and 0-70 mm through variation order. The items were replaced with cold milling which increased per meter cost with decrease in length. Initially the work was required to be carried out at the length of 8,700 meter at the cost of Rs 94.870 million i.e. Rs 10,905 per meter the length was reduced to 4,865 meter at the cost of Rs 94.870 million i.e. Rs 19,500 per meter. This resulted in excess expenditure of Rs 41.815 million. Audit further observed that the work was initially approved by the NHA Executive Board hence the significant variation may also be got approved from NHA Board.

Audit holds that excess expenditure was due to weak internal & financial controls.

Audit pointed out the excess expenditure in August, 2016. The Authority replied that the estimate for the work was prepared in 2013-14 which was executed in 2015. Over the years passed in between preparation of estimate and execution, the road condition which is North Bound of N-5 gets further deteriorated. Resulting in re-appropriation of quantities as per prevailing site condition which rightly included cold milling of complete working length to a uniform depth of 12cm followed by Seal Coat ACBC layer of 7 cm and ACWC layer of 5 cm for carriageway and DST on shoulders (2.5) meter outer & 1 meter inner).

The reply was not tenable as tendering was done based on original scope of work with specified items but subsequently retained and because their occurred significant variation in quantities, scope of work and per meter cost of the work was made without prior approval of NHA Board.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed NHA to conduct inquiry and submit report within 15 days. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 73)

4.4.44 Grant of additional Mobilization Advance through post-bid amendment - Rs 19.108 million

According to clause 60.11(a) of agreement, an interest free mobilization advance upto 10% of the contract cost stated in the letter of acceptance shall be paid by the employer to the contractor in two equal parts upon submission by the contractor of a mobilization advance guarantee for the full amount of the advance in the specified form from a scheduled bank of Pakistan acceptable to the employer.

The Standard Contract Agreement does not provide any scope for change in the conditions of the contract. Clause 51.1 provides scope for variations in quantities only.

Audit noted that as per contract agreement for the work “Construction of Takht Bhai Flyover (N-45)” NHA, Peshawar, Mobilization Advance of Rs 58.212 million was required to be paid @ 10% of contract price, which was paid to the contractor in two equal installments.

Audit observed that NHA paid interest free additional Mobilization Advance to the contractor for enhanced scope of work through post bid changes. So, an additional amount of interest-free mobilization advance was paid to the contractor. This resulted into an undue financial aid of Rs 19.108 million.

Audit maintains that the practice of giving Additional Mobilization Advance in excess of the limit specified in the contract agreement was against the norms of financial discipline/propriety. The contractor was already mobilized at site of work.

Audit pointed out the irregularity in September 2016. The Authority replied that Takht Bhai Flyover was awarded to M/s RMC Construction Company having main scope of work of 9 spans with Length 225 m, 25m each. Additional scope of work required piling work increased from 52 No. to 116 Nos. that is almost 200% of the original. The drill machine had to re-mobilize. Eventually, contractor requested for additional mobilization advance to mobilize plant equipment with manpower at site. Therefore 2nd Mobilization advance against the varied amount as from Rs 582.124 million to Rs 851.5 million and additional mobilization advance the difference of original contract amount and varied amount, amounting to Rs 24.775 million paid to contractor to expedite the work in the larger interest of project approved by Chairman NHA

The reply was not accepted because Grant of additional mobilization was in violation of clause 51.1 of contract agreement. Further, contractor was already mobilized at site, then payment of additional mobilization advance was undue financial aid to the contractor.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends action against persons responsible for grant of mobilization advance in violation of contract agreement.

(DP. 256)

4.4.45 Un-authorized expenditure on consultancy services due to excess than PC-I provision - Rs 14.87 million

According to revised PC-I approved by the ECNEC on 10th April, 2015, as per Ministry of Planning Development & Reform Letter No. 16(223)/PIA-III/PC-2014 dated 16th April, 2015, the approved cost of Rs 4,048.264 million for the project “Construction of Bridge across River Chenab linking Shorkot and Garh Maharaja” includes consultancy charges of Rs 67.00 million (3% of Construction cost).

Audit noted that the contract for Design Review and Construction Supervision of the project was awarded to M/s REC (Pvt.) Ltd. Cost of Consultancy services i.e. Salary Cost/Remuneration and Direct (Non-Salary) was Rs 32.374 million (Rs 29.348 million + Rs 3.026 million) for Design Review and Construction Supervision of Sultan Bahoo Bridge over River Chenab between Shorkot and Garh Maharaja. Audit further noted that Variation Order-1 (VO) of Rs 7.055 million has been approved for consultancy services on the project by incorporating the following changes:

- (i) Additional consultant staff as per actual requirement for supervision.

- (ii) Re-appropriation of man months of consultant staff in accordance with time for completion of main bridge and approach roads contracts.

Audit observed that the work has not been completed in revised completion period and consultancy agreement was revised for Rs 81.873 million through addendum No.4 with an increase of 152.89% in cost than original contract cost. Accordingly, consultancy charges of Rs 81.872 million were incurred excess than provision of Rs 67.00 million in revised PC-I. This resulted in unauthorized expenditure of Rs 14.87 million (Rs 81.872 – Rs 67.00 million).

Audit pointed out the irregularity in October 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends regularization or recovery of excess expenditure.

(DP. 337)

4.4.46 Irregular/Unauthorized payment to consultant hired for other project - Rs 6.355 million

According to clause 5(b) of System of Financial Control and Budgeting regarding control Over Expenditure, “the Principal Accounting Officer shall ensure that the funds allotted to a Ministry/ Division, etc. are spent for the purpose for which these are allotted. He shall also ensure that the expenditure falls within the ambit of a Grant or an Appropriation duly authenticated, is normally proportionate to the budget allotment and that the flow of expenditure does not give rise to demand for additional funds. The expenditure in excess of the amount of Grant or Appropriation as well as the expenditure not falling within the scope or intention of any Grant or Appropriation, unless regularized by a Supplementary Grant or a Technical Supplementary Grant, shall be treated unauthorized.

Audit noted that Director (Accounts) Aided Projects (AP) NHA, Islamabad made payment of Rs 6.355 million to M/s International Development Consultants (IDC) on account of Consultancy Services for Social Safeguard & Management Consultant (SSMC) for Faisalabad-Khanewal (M-4) (Pak Loan 3300).

Audit observed that the payments were charged to another Project ADB-Loan-Pak-3121 (Hassanabdal-Havelian-Mansehra Expressway E-35 instead of charging to the relevant project Faisalabad-Khanewal (M-4) Pak Loan 3300. This resulted in an authorized/irregular payment of Rs 6.355 million.

Audit pointed out the irregular payment in July-August 2016. The Authority replied that M/S NESPAK installed ROW marker as per NHA standard during 2007-08 for demarcation of ROW to facilitate in identification of required land for land acquisition staff to acquire the exact required strip of land for construction of E-35 well before acquisition process. But after lapse of time, a lot of markers were displaced by some locals to encroach the required land. Therefore, the management decided to install bigger marker than that of NHA Standard so that they may not be easily displaced.

Further, fence was not installed at ROW limits and about 7m strip of land on either side of expressway was kept outside of fence for construction of service road along with throughout length of expressway. ROW Markers were very essential in order to safe guard our total limit of ROW from encroaching.

The reply was not accepted because the expenditure was charged to irrelevant project.

The matter was discussed in DAC meeting held on 9-10 January, 2017. NAH informed that matter had been rectified by charging the amount to correct head of account. DAC directed to get the record verified

from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 31)

4.4.47 Procurement of contract in violation of Public Procurement Rules - Rs 4.586 million

Rule 10 of Public Procurement Rules 2004 provides that Specifications shall allow the widest possible competition and shall not favour any single contractor or supplier nor put others at a disadvantage. Specifications shall be generic and shall not include references to brand names, model numbers, catalogue numbers or similar classifications.

Audit noted that a non-schedule item providing and replacement of damaged expansion joint with new indigenous type on expansion joint to entire satisfaction of the Engineer was provided the estimates, NIT and BOQ @ Rs 31,136 per meter.

Audit observed that the analysis of rate of the item was prepared by the structural expert of NHA which contained the rate of CSR and market items. When the drawing of the item was consulted, it was found that the designer suggested that these expansion joints may be procured from M/s CECON.

This state of affair was indicative that the designer suggested a propriety item having specific specification which was not admissible and violation of the Public Procurement Rules. It is further added that it is also termed a conflict of interest as designer and estimator of the work proposed its own fabricated product. Non-adherence to rules caused mis-procurement of expansion joints worth Rs 4.586 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out mis-procurement in August 2016. The Authority replied that Audit contention was not correct and as mentioned in the Drawing Notes Methodology for Installation “Para-14” reproduced here that Indigenous Expansion Joints are not a propriety item, it can be copied and Joint can be manufactured and placed by any designated contractor. For further clarifications on installation aid etc. contact M/s CECON. The Designer was offering his help in best interest of work, hence he had no interest of other meaning besides only to help the contractor in manufacturing / installation process.

The reply was not accepted because the structural expert of NHA purposed in each estimate for provision of indigenous expansion joints fabricated by the M/s CECON company owned by himself, design, drawing and analysis of the rates were also prepared by said company. As regard 50 years design life of the expansion joints it was misleading statement as there was no international manufacturer which claimed the design life of joints above 15 years. In case the M/s CECON provided the 50 years design life guarantee for the joints then it was proved that bidding documents contained the specific product of said company rather than the in general.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed General Manager (Audit) NHA to examine the issue and submit report. The compliance of DAC’s directive was not made till the finalization of this report.

Audit recommends early compliance of DAC’s directive.

(DP. 160)

4.4.48 Irregular award of work to Frontier Works Organization - Rs 4,340.832 million

According to PPRA Rule 2004 Para 21 Open competitive bidding; Subject to the provisions of rules 22 to 37 the procuring agencies shall engage in open competitive bidding if the cost of the object to be procured

is more than the prescribed financial limit which is applicable under sub-clause (i) of clause (b) of rule 42.

Office Memorandum No.F-47/D-18(Coord-III)/FWO/85 Government of Pakistan, Ministry of Defence, Rawalpindi dated 3rd December, 1985 states that for reasons of financial propriety, no preferential treatment may be accorded to FWO and that such Government works contactors may be awarded on competitive basis under the normal rules.

Audit noted that a Project “Construction of additional carriageway Torkham Jalalabad Afghanistan” was awarded to M/s FWO by NHA vide acceptance letter dated 24th January, 2008 for Rs 4,340.832 million. The work was suspended upto 2015 and reactivated through amendment No.1 in June 2015 for Rs 7,343.54 million.

Audit observed during scrutiny of record of General Manager, Torkham Jalalabad Project National Highway Authority Peshawar that the work was allotted to M/s FWO without calling tenders on 24.01.2008.

Audit maintains that irregularity occurred due to weak internal controls.

Audit pointed out irregular July to September 2016. The Authority replied that PPRA rules are only allowing the open competitive bidding, but in the instant case this project was granted with an aim helping the Afghanistan as a war victim country, the project was funded by Government of Pakistan. Being strategic & force majeure condition in twin countries the normal contractor could not maintain the required pace work smoothly due to militancy & terrorism. Therefore, open bidding was not conducted and the work was awarded to M/s FWO being a government entity & paramilitary organization.

The reply was not accepted being against PPRA rules.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC pended the para.

Audit recommends that Public Procurement Rules be followed in letter and spirit. The irregularity be got condoned from competent forum.

(DP. 122)

4.4.49 Loss due to non-implementation of contract clauses - Rs 3.00 billion

As per clause 29.10 of Concession Agreement between National Highway Authority (NHA) and Motorway Operations & Rehabilitation Engineering (Pvt) Ltd (MORE), subject to Laws of Pakistan, the concessionaire may, with the prior approval of NHA, cut down or remove trees or timber grown on or make any use of forested lands comprised in the Concession Area or the NHA Adjacent Areas for purposes of generation of Revenue or for any other purpose deemed fit by the concessionaire.

Clause 1 (a,b,c,d and e) of schedule G modernization activities provides that it was the duty of the contractor to modernize the toll collection system, reflectorized lane marking, emergency parking areas, rumbles strips, motorway signage, installation of urban road lighting and reflectorized lane marking along the strategic locations as well as interchanges and Toll Plazas and landscaping and tree plantation in loops of interchanges and within Row of agreement.

Audit noted that a concession agreement for overlay and modernization of M-2 (motorway) was executed between NHA and M/s Motorway Operations and Rehabilitation Engineering Company (Private) limited (MORE) on 23rd April, 2014 for Rs 36,825 million. National Highway Authority got Tree plantation in ROW along Motorway M-2. They managed plantation of 1,450,000 plants from which 1,187,339 plants were saved.

Audit further noted that M/s MORE cut down 70% of trees without prior approval of the authority which was compulsory as per clause No.29.10 of concession agreement. The clause was not elaborating the ownership of the plants. Moreover, it became an environmental hazard. They were required to be eliminated gradually with rapid new plantation. It was observed that an auction of trees was held in 2014 in which average price per plant was Rs 3,621. Having taken into account this price approximately Rs 3.00 billion had been earned by the concessionaire.

This was the clear cut violation of the agreement clauses as the concessionaire was paying no heed to incur any expenditure on the contractual obligations rather enhancing his revenue by violating the, agreement clause i.e. cutting trees and creating environmental hazard. NHA was required to ensure implementation of contractual clause in letter and spirit.

Audit suggest that the loss due to cut down of trees from contractor may be recovered from the contractor.

Audit maintains that the irregularity was due to inadequate mechanism for enforcing relevant rules and weak administrative/ internal controls.

Audit pointed out the loss in August 2016. The Authority replied that the assertion of Audit for 70% cutting down of trees amounting to Rs 3.0 billion was not correct. All the project assets including trees were handed over to the Concessionaire M/s MORE in January, 2015. The concessionaire carried out the horticulture plan/ plantation of new saplings in lieu of the cut down trees as per the requirement at site. The toll revenue collection during the last two years was part and parcel of the Concession Agreement, hence the assertion of Audit regarding non-implementation of contract Clauses for getting undue advantage of Rs 10 billion (Toll Revenue) and Rs 3.0 billion (Tree Cutting) was not based on realistic grounds.

The reply was not accepted because the trees were cut down and auctioned by the contractor and earned Rs 3.00 billion, but no credit was given to NHA.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed that detailed plantation/horticulture plan and its implementation may be produced to Audit within one week for verification. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 56)

4.4.50 Unjustified payment contrary to specification - Rs 2.33 million

Item 401.1.1 of NHA specification provides that class D1, D2 or D3, concrete shall be used for pre-stressed and post tensioned elements, as indicated on drawings.

Audit noted during review of the record, drawing, design and MBs relating to tunnel work that the consultant provided class-D concrete for pre-cast slabs and deck slabs of the bridges were to be casted with class-D and measured and paid accordingly.

Audit observed that this class of concrete is exclusively meant for pre-stressed and post tensioned works wherein class-A1 concrete was specified for the purpose by utilizing the class-D concrete higher rate was paid.

Non-adherence to contract caused unjustified payment of Rs 2.33 million contrary to specification.

Audit pointed out unjustified payment in July-August 2016. The Authority replied that the bridges comprised of steel structure including Girders and deck slab. The height of bridge at portal was very high from the river bed as no such shattering/scaffolding was possible for the deck

slab, thus design was adjusted to provide pre-cast slab which are the structural component as well as provide the base/Platform for concrete of deck. In this regards, high strength and light weight Precast Slab was required which was achieves through Concrete Class-D as per direction of “The Engineer”. The General Specifications also provides leverage to the Engineer to decide and instruct as per site conditions.

The reply was not tenable as class-D1 is exclusively meant for pre-stressed and post tensioned element and for deck slabs concrete class-a1 elevated was provided, thus the payment such made was excess than the genuine site requirement.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC decided to constitute a two-member committee (one representing NHA and other from Audit) to review the issue and submit report within a week for discussion in another meeting of the DAC. The compliance of DAC’s directive was not made till the finalization of this report.

Audit recommends early compliance of DAC’s directive.

(DP. 06)

4.4.51 Non-obtaining of performance/additional performance security - Rs 1.613 million

As per Special Stipulation of the Contract in case lowest evaluated bid is below than 15% in relation to the Engineer’s Estimate, the bidder will furnish additional performance security in the form of an irrevocable and without recourse Bank Guarantee in an amount equal to the minus (-) variance with reference to Engineer’s Estimate.

According to Letter of Acceptance, the successful bidder shall furnish to the employer a Performance Security in form and the amount stipulated in the condition of contract within a period of fourteen day after the receipt letter of acceptance. The contract is further required to submit

an additional Bank Guarantee for the amount calculated from percentage below 15% to the Engineer Estimate.

Audit noted that the General Manager Maintenance (Punjab-South), NHA Multan awarded 02 Routine Maintenance works to M/s Ali Engineering for the year 2015-16 as detailed below at 35.786% below than estimated cost. Audit observed that the contractor has neither furnished performance guarantees as required under the terms and conditions of the contract nor commenced the work. This resulted in non-obtaining of performance/additional performance guarantee of Rs 1.613 million.

Audit pointed out the non-recovery in November 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends that additional performance security be obtained in the interest of work.

(DP. 354)

4.4.52 Unjustified absorption of deputation staff

According to Honourable Court directions/orders, “Induction in Federal Ministries/Divisions/Attached Departments/Subordinate Offices/Autonomous/Semi-Autonomous Bodies and Corporations is wrong”.

According to the judgment of the Honourable Supreme Court of Pakistan dated 12.06.2013, the following practices were declared illegal:

- i. Absorption of any government servant in any organization without competitive process.
- ii. Benefit of absorption extended since 1994 with or without back dated seniority are declared ultra vires of the constitution.

Audit noted that 03 numbers officers joined the National Highway Authority on deputation basis. Latter on said officers opted for absorption in the National Highway Authority and National Highway Authority accepted their requests and officers were inducted in National Highway Authority.

Audit observed that Honorable Supreme Court directed that induction in the Federal Ministries/Divisions/Attached Departments/Subordinate Offices/Autonomous/Semi Autonomous Bodies and corporation are not admissible and wrong. NHA violated order of Supreme Court by absorbing three officers.

Audit pointed unjustified absorption in September 2016. The Authority replied that the services of the said officers were initially hired on deputation on requirement basis. Subsequently, they were inducted in to the regular establishment of NHA as per NHA rules/regulations with the approval of competent authorities. In pursuance of Executive Board directions, NHA ordered a fact finding inquiry regarding deputation & their subsequent induction in NHA. The inquiry committee has submitted its report/recommendations and matter has been referred to Ministry of Communications for seeking advice/guidance from Establishment Division. Further action in the matter will be taken in the light of advice/guidance of Establishment Division.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC was informed that an inquiry has been conducted and report thereof sent to Ministry of Communications for seeking advice/guidance from Establishment Division. DAC pended the para till final outcome of the inquiry. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 55)

Performance

4.4.53 Loss due to late start and non-completion of project - Rs 4,405.621 million

As per provision of PC-I approved by the Planning Commission vide letter No. 16(60) PIA-III/ PC/09 Islamabad, dated 03rd February, 2010, the Peshawar Northern Bypass is a part of the programme for the development of the Khyber Pakhtunkhwa.

The segregation will reduce considerable the congestion of heavy vehicular traffic in Peshawar City, leading to reduction in the travel time & operating costs to the most economical and financially sustainable level.

Audit noted that bid for work Construction of Peshawar Northern Bypass (Package-II) was accepted on 18th February, 2014 for which contract agreement was made with M/s RMC-CLIC (JV) on 14th May, 2015 for cost Rs 4,405.621 million. Letter to commencement the work was issued on 22nd September, 2015. Completion period was provided 18 months.

Audit observed that out of 18 months provided for completion, eleven (11) months has since been elapsed, against planned progress of 51.564%. Progress achieved upto August, 2016 was 0.557% which was below than 1.00% Physical work progress in bill No. 1 was Rs 24.535 million only against contract cost of Rs 4,405.621 million. Main reasons for abnormal delay as reported by the Supervisory Consultant in report of June, 2016 were lack of skilled labour and non-maintaining of road machinery / equipment by the contractor. Out of 28 different types of machinery/equipment not a single machine was brought at site by the contractor and found operational. This resulted into loss of Rs 4,405.621 million due to non-completion of project.

Audit maintains that loss occurred due to abnormal delay in completion of project, ineffective site supervision and ineffective

oversight mechanism for exercising administrative, internal and financial control.

Audit pointed out the loss in September 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 261)

4.4.54 Inefficient utilization of loan caused loss of charge of markup on non-utilization of loan

Economic Affairs Division signed an Istisna agreement with IDB on 24th June, 2010 for US\$ 160.228 million instead of a traditional loan, the agreement is based on the concept of Islamic Financing of Istisna. Istisna is defined as a sale a contract between the Vendor (IDB) and the purchaser GOP for the sale of an asset. The sale price was determined at the basis of estimated cost for US\$ 263.287 million against the loan amount of US\$ 160.228 million.

Audit noted that loan amount was evaluated on the basis of an estimate and PC-I prepared by the consultant. A review of the account record of the project that project has since been substantially completed in September 2015 and an expenditure of Rs 11,920.135 million was incurred against withdrawal of Rs 10,060.246 million (US\$ 120.612 million).

Audit observed that on the basis of higher estimate loan was procured which could not be utilized on construction of project and GOP would repay the sale price of the project determined on the basis of this amount of loan. Had the estimation would have been accurately the government would have save this extra price of sale of the project.

Audit held that proportion of the IDB financing and GOP was 81% and 19% respectively and additional works were also included and excessive quantities were got executed but loan amount remain unutilized despite granting of repeated extensions up to December 2016. NHA procured a loan excess over the requirement and failed to utilize on other development project of concurrence of IDB for provision national trade corridor and mentioned in the loan.

Unjustified procurement of loan excess then the requirement and inefficient utilization of loan caused loss of due to charge of markup on non-utilization loan US\$ 40 Million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the loss in September 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends that measures be taken to ensure effective utilization of loan and timely completion of the project.

(DP. 221)

4.4.55 Extra burden on government exchequer due to non-completion of project in stipulated time period - Rs 2,626.062 million

As per provision of PC-I for the Project Construction of Peshawar Northern Bypass for 33 Kilometers in length was prepared and approved by the competent forum in July-August 2005 with a cost of Rs 3,078.07 million (including land cost of Rs 500.00 million, construction cost of Rs 2,235.309 million).

Audit noted that Financial Phasing of the Project was approved from financial year 2009-10 to be completed on 2011-12. The land was required to be acquired during the financial year 2005-06 and work was to be awarded accordingly. The process of acquisition of land delayed and a revised PC-I for 32.2 Kilometers road was got approved for Rs 9,600.002 million including land cost of Rs 1,990 million and construction cost of Rs 6,644.565 million. The Project of Bypass consists of three packages i.e. package-I, II, and IIIA of 7.6, 11.6 & 13 kilometers respectively. Overall excess of Rs 6,521.923 million, 201.1% above the original cost was involved.

Audit observed that NHA awarded work of Package-I with revised cost of Rs 2,224.675 million for construction of a road of 7.6 kilometers only; Work of Package-II was awarded at revised construction cost of Rs 4,405.621 million. Work of Package-IIIA was awarded at a contract cost Rs 1,545.00 million with total cost of three Packages Rs 8,175.296 million excluding land acquisition cost Rs 2,050.766 million. Work of Package-I and Package III-A was not completed and cost on these Packages will definitely increase due to financial implication on account of liberal extensions in completion time. Revised cost of three Packages comes to Rs 2,626.062 million.

Due to non-completion of Peshawar Northern Bypass Project in stipulated time, NHA, has to be bear extra cost due to price escalation of Rs 2,626.062 million.

Audit maintains that extra burden on Government exchequer was due to non-completion of Project in stipulated time period was due to weak internal controls and inadequate oversight mechanism for enforcing Project Management guidelines and provision of PC-I.

Audit pointed out the overpayment in July 2016. The Authority replied that all three packages of the project were supposed to start simultaneously package-I could only be started in the 3rd quarter of financial year 2010-11 and package-2nd & 3rd started in July 2013 and September respectively.

The reply was not accepted because cost of all three packages abnormally increased due to delay in start of the project.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends appropriate measures for completion of the project without further delay.

(DP. 257)

4.4.56 Loss due to abnormal delay in completion of Flyover Project and ineffective site supervision - Rs 150.00 million

As per acceptance letter dated 7th July, 2012, the Project was to be commenced w.e.f. 6th February, 2013 and to be completed on 5th August, 2014 within 18 months.

Audit noted that Project Director Takht Bhai Flyover Project, NHA, recommended 1st time extension upto 29th June, 2015 with financial effect of Rs 53.217 million which was approved by the Chairman NHA, on 13.11.2015. Second extension in time was recommended and approved up to 29th August, 2016 with financial effect Rs 47.678 million for one year.

Audit observed that despite conditional 2nd time extension by the competent authority that no further extension in time will be granted to the contractor, work was still much behind the completion schedule against 100% completion only 46% completion was reported upto August 2016. As per "The Engineer" Inspection Report for June, 2016 monthly progress was only 01%. Keeping in view the pace/progress of construction work at flyover site, the work was not going to complete in another 12 months. Financial implication already worked out against time extension No. I and II for Rs 53.217 million + Rs 47.678 million will definitely exceed the range of 150.00 million. Due to abnormal delay in completion of the

Project and non-initiating penal action against the defaulter contractor, NHA has to suffer a loss of Rs 150.00 million.

Audit maintains that loss occurred due to abnormal delay in completion of Project, ineffective site supervision and ineffective oversight mechanism for exercising administrative, internal and financial control.

Audit pointed out the loss in September, 2016 the Authority replied that initially original scope of work was for 9 Spans in Length of 225 meters and stipulated period of 18 months from 6th February, 2013 to 5th August, 2014. Length of Flyover was increased from 225 meters to 500 meters against revised cost of Rs 801.145 million, and VO No. 1 with the extension of 12 month time was approved upto August 2015. In the next extension Flyover length was increased from 500 meters to 606 meters against revised cost Rs 851.524 million and EOT No. 02 of 12 months (approved) with revised completion being 29 August 2016.

The contractor requested for 3rd EOT from 30th August, 2016 to 31st December, 2016, 124 days, and The Engineer has recommended to NHA, for approval of the Chairman NHA as provided in GCOC-II clause 52.2 if EOT No. 03 approval was not granted by the Employer then penal action will be initiated as audit observed.

The reply was not accepted because Second extension in time limit upto August 2016 was granted conditionally that no further extension will be granted. The contractor committed default due to non-completion of Project in 2nd extended time upto August, 2016.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends appropriate measures for completion of the project without further delay.

(DP. 252)

4.4.57 Mismanagement in the execution of work resulting loss - Rs 124.033 million

According to Clause 41.1 of Contract, the Contractor shall commence the Works as soon as is reasonably possible after the receipt by him of a notice to this effect from the Engineer, which notice shall be issued within the time stated in the Appendix to the Tender after the date of the Letter of Acceptance. Thereafter, the Contractor shall proceed with the Works with due expedition and without delay.

Audit noted that the General Manager, Construction (North), Quetta awarded the work “Widening and Strengthening of National Highway N-70, Qila Saifullah-Loralai-Bewata road Contract III.B-Khajuri - Bewata (Km 114+000 to Km 182.332) 68.332 Km Section” to M/s NLC on 22nd March, 2002 with the original date of completion of 9th June, 2004. An agreement was executed of Rs 897.157 million on 25th April, 2002. The work was started on 10th June, 2002 to be completed upto 9th June, 2004. Cost of the project was increased upto Rs 1,917.298 million with the addition of four Variation Orders (VO-I to VO-4). 4th extension was granted upto 30th September, 2016. The Contractor has been paid Rs 1,463.438 million upto 29th IPC paid on 22nd July, 2016.

Audit also noted that the project was substantially completed on 30th April, 2006 through sublet contractors. Audit observed from the record produced that some distresses were occurred during Defect Liability Period (DLP) on the road. Resultantly, NHA extended the Defect Liability Period upto 2009. The defects were not attended completely by M/s NLC. However, an overlay of 6cm was awarded to M/s NLC without tendering through VO.3 in July, 2010 on the same road which was to be completed in February 2011. As per record, out of 68.332 Km total length, the Contractor could only complete an overlay of 37 Km stretch from km 145 to 182+332 against awarded length of 68.332 Km.

As per Inspection for issuance of Taking-Over Certificate (TOC) carried out on 4th January, 2013, defects, mainly slippage of asphaltic concrete wearing course (ACWC) were appeared in completed length of

37 Km. Less thickness of Water Bound Macadam (WBC) and ACWC layers was also observed.

Audit observed that M/s NLC demobilized from the site of work in March 2011. Neither defects were removed nor asphaltic overlay (6 cm) as per approved VO.3 on balance road stretch from Km 114 to Km 145 was executed by the Contractor. The road remained unattended and its condition worsened during the following years. Subsequently, a meeting was held between DG NLC and Chairman NHA in June 2014 in order to resolve the issue. Resultantly, M/s NLC mobilized in October 2014. Pavement investigation and evaluation was carried out by NHA Pavement Expert in December 2014 and a rectification plan was approved by Member (WZ) NHA in May 2015.

Due to non-execution of work under VO. 3 by the Contractor, the condition of the road was more deteriorated. Resultantly, a new VO.4 was approved incorporating rectification works of already executed road stretch of 37 km from Km 145 to Km 182.332 and rehabilitation of balance road stretch of 31 Km from Km 114 to Km 145.

Audit holds that condition of the road worsened due to non-completion of 6 cm overlay on 31 km awarded under VO.3 which necessitated Asphaltic Base Course as well. Had the overlay of 6cm was completed on all the road stretch under VO.3, there would have been no need of cold milling, water bound macadam and laying of asphaltic base course of 7cm. This resulted in loss of Rs 124.033 million due to delay in execution of work upto 29th IPC paid in July, 2016.

The Authority replied that the road was put to service in the year 2005-06. Despite appearance of few defects, traffic made use of this facility till to-date. M/s NLC contested the appearance of defects due to excessive overloading especially after opening of Chamalang Coal Mines in Balochistan. This stance of NLC substantiated by observing that major defects were found in Punjab-bound lane. This raised a dispute inter-se parties and this matter has been debated at various forums. Due to vigorous efforts of current Chairman NHA this issue was resolved

amicably in June 2014. Some additional works in around 29.165 Kms were carried out due to the following:

- a. Completion of design service life of the project;
- b. To curb the excessive overloading and tailgate movement of overloaded trucks. (FC allows movement of freight traffic in convoys and with security).

NHA completed the rectification works in 93% area and works were expected to be completed by 31 December 2016.

The reply was not accepted because documentary evidence in support of reply was not produced.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that there was no construction fault. DAC directed NHA to provide technical report of pavement specialist (December 2014) to Audit for verification. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 132)

4.4.58 Undue burden on Authority due to mis-management - Rs 30.00 million

Para 4 of Chapter-7 of NHA Code provides that the Project Director/Consultant shall demarcate the alignment in co-ordination with the Land Acquisition Collector and his staff. To ensure accurate acquisition of required strip of land, the permanent survey mark/pucca burjis shall be fixed.

Audit noted that NHA awarded the Project, "Rehabilitation of Larkana-Kambar Road Project (21 KM) M/s Al-Mehran Builders Pak (Pvt) Ltd at agreement cost of Rs 829.108 million.

Audit observed that NHA decided to change the alignment of the designated road and build a bypass (Bero Chandio) road of 2.5 K.m and the authority has promised to pay crops compensation to the land owners before the start of embankment which is not yet been paid and locals has stop the work at site until the agreed payment of compensation.

Audit further observed that 4th EOT was granted on the above grounds with the financial effect of 30 million. This clearly indicates that this loss/financial impact were due to negligence of concerned project management authorities.

Audit maintains that weak supervisory controls caused undue burden on the public exchequer for Rs 30.00 Million.

Audit pointed out undue burden on authority in March/April 2016. The Authority replied that the original alignment of project was passing thorough the Bero Chandio City Portion which is thickly populated. Therefore to avoid dismantling of existing structures/Shops coming in the construction limits of Bero Chandio city portion, NHA proposed construction of Bero Chandio Bypass, same was also demanded by DCO Larkana, But due to hindrances and strikes of local people/ owners of land the NHA could not acquire the requisite land for Bero Chandio Bypass. Later on Member (Construction) NHA deleted Bero Chandio Bypass from scope of Work and instructed to go through the original alignment i-e Bero Chandio City Portion. The delay in completion of work was due to non-acquisition of land, delay in payments of contractor against certified amounts of IPC'S/EPC'S etc. The EOT No. 04 upto 30th June, 2016 with financial impact of Rs 30.00 million of contractor was under process at NHA HQ.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that revised PC-I approved by CDWP had been sent to ECNEC for final approval. DAC pended the para for final approval by the ECNEC. Progress towards final approval by the ECNEC was not conveyed till the finalization of this report.

Audit recommends early verification of approved PC-I.

(DP. 117)

4.4.59 Inefficient utilization of loan resulted in accrual of commitment charges - USD 0.080 million (Rs 8.471 million)

Article I of Loan Agreement No. ADB-3197 (National Trade Corridor Highway Investment Programme-Tranche 3) Hassanabdal-Havelian-Mansehra Expressway (E-35) signed between Government of Pakistan and ADB on 30th October, 2014 stipulates that the Borrower shall pay a commitment charges on the un-withdrawn amount of the Loan at the rate and on the terms specified in the Loan Agreement.

Article II (section 2.03) of the Loan Agreement stipulates that the borrower shall pay commitment charges of 0.15% per annum. Such charges shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Audit noted during review of the accounts record that Letter of Acceptance was issued to the contract on 12th October, 2015. The agreement was signed on 16th November, 2015 whereas Letter of Commencement was issued by the Engineer on 14th December, 2015 about 63 days after the acceptance letter/ award of work.

Audit observed that an amount of USD 21.522 million equivalents to Rs 2,244.884 million only was withdrawn/ utilized from the Loan ADB-3197 upto 30th June, 2016. The loan amount is to be withdrawn over a period of 47.5 months, i.e. from the effective date of loan, 30th October, 2014 (60 grace days for commitment charges) to closing date 10th December, 2017. As such planned average withdrawal is USD 2.67368 million per month (USD 127.00 million/47.5 months). Upto June 2016, a period of 20 months has been elapsed since 30.10.2014 which means that USD 53.4737 million should have been withdrawn/ utilized while only USD 21.522 million was withdrawn/ utilized. This indicates that the loan could not be utilized effectively as per planned phasing, which caused accrual of

Commitment Charges of USD 0.080 million equivalent to Rs 8.471 million upon un-disbursed loan.

Audit pointed out the accrual of commitment charges in July-August 2016. The Authority replied that progress of work at Package-III was well ahead of approved work schedule and the amount actually utilized was in accordance to the approved cash flow.

The reply was not accepted because the loan was not being utilized effectively as per planned phasing, resultantly the authority has to be pay commitment charges.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed NHA to look into whole process, determine causes of delay and submit detailed reply. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends appropriate measures for effective utilization of loan and timely completion of the project.

(DP. 36)

4.4.60 Execution of non-sustainable and un-economical project

Para 1.30 of Manual for Development Projects provides that the period is necessarily arbitrary and there is no profound reason for its determination but it seems to be, on the one hand, long enough to permit a meaningful structural change in the economy and, on the other, not so long as to be without direct interest to the present working generation. More specifically, five year plans are inadequate as a framework for targets and policies for other reasons. Many short term decisions have a bearing on long-term growth. If these decisions are taken without considering their implications for the years beyond the current five year plan, there is a danger of unexpected future imbalances. Economic growth is a continuous process so that planning for it calls for the integration and adjustment of short-term, intermediate and long-term programmes.

Rail Tunnel was proposed after through feasibility studies carried out by the various agencies/consultants only to provide all weather connectivity to the people of Chitral having lesser traffic of about 400 to 500 per day in both the directions and to avoid heavy operational cost of road tunnel. After achieving breakthrough in 2009, it was anticipated that the Rail Tunnel would become operational within next 12 to 18 months.

The breakthrough of 8.5 KM Lowari Tunnel Rail Project was achieved on 14th January, 2009. The capacity of Rail Tunnel was designed for transshipment of about 100 vehicles per hours in both the directions.

In 2010 it was decided by the Ministry of Communications to convert rail tunnel into the road tunnel on the plea that during bi and trilateral meetings with Tajikistan and Afghanistan held in Dushanbe from 28th to 30th July, 2009, approval in principal has been given regarding development of road from Chitral to Tajikistan and a task for preparation of feasibility study was assigned to M/s Geoconsult.

The Consultant provided a cross section for modified road tunnel having width of one lane 3.5 meter with 2 meter emergency lane. The contractor proposed that cross section may be enhanced to 2 lane with width of 3.5 meter each in order to two way traffic in tunnel, the consultant disagreed that it would be disasters bi-directional traffic in long tunnel in the case of any emergency owing to requirement of complex and expensive ventilation system in tunnel.

This conversion involved extraordinary cost and time effects besides heavy operational and maintenance cost as under:

- i. Conversion of rail tunnel to road tunnel caused huge extra cost of Rs 18,970.88 million.
- ii. Operation and maintenance cost of rail tunnel was manageable through revenue generation form tolling whereas operation and maintenance cost of road tunnel is 621% higher than the rail tunnel.

- iii. EIRR of BC ratio of rail tunnel was positive/suitable/feasible whereas economic indicators of road tunnel are negative.
- iv. Since the task of feasibility study of road from Chitral to Tajikistan was abandoned and there is no need is being anticipated in future about 50 years and operational and management cost would also not be affordable, therefore, conversion of rail tunnel to modified road tunnel was not made for direct interest to the present working generation.

Non-adherence to manual of project development execution of the project at higher cost even non-defraying the O&M cost caused execution of non-sustainable and non-economical project.

Audit pointed out non-sustainability of project in July-August 2016. The Authority replied that the decision for conversion of Lowari Rail Tunnel into Road Tunnel was taken after lot of deliberation, wherein, the President of Pakistan visited Tajikistan; MOU was signed from road link between Pakistan (Chitral) – Tajikistan (Ishkashim). In, anticipation of traffic from Central Asian Republic (CSR's) the Government of Pakistan decided to the conversion of Lowari Rail Tunnel into Road Tunnel such that the efficiency of use of Tunnel would be enhanced owing to change of scope of use of Tunnel.

Accordingly, the design was revised and Revised PC-I was processed through NHA Executive Board in its 200th Board Meeting held on 29th November, 2010 and recommended by CDWP on 21st October, 2011 and finally approved by ECNEC on 11th November, 2011 in the best interest of utilization of tunnel keeping in view the future requirements. Further to that, the 2nd Revised PC-I with cost of Rs 26.855 million has been also approved by ECNEC on 22nd August, 2016.

The para wise replies of above-mentioned queries are elucidated hereunder:

- i. The construction of Lowari Tunnel was under consideration as early as 1955 and different studies and feasibilities were prepared. Work was also undertaken in 1974-75 by FWO but after excavation of only 600 meters work was abandoned due to lack of funds. The project was re-launched in 2000 by NHA with total PC-I cost of Rs 7,981 Million on the rates based on Composite Schedule Rate (CSR), 2000. The estimate was prepared as tentative cost for construction of 8.5 Km Rail Tunnel, 0.85 Km Road Tunnel, Bridges, Control Building and Approach Roads etc. The PC-I was got approved by ECNEC in 2003. Thereof, an International Tunnel Design Firm M/s Geoconsult an Austrian based firm as pioneer in Tunnel design (NATM-Method) with joint venture of M/s Typsa a Spanish firm was hired with local association of M/s Engineering & Management (EMS), M/s ECIL, M/s Loya Associates in May, 2003 after due competition. The company reviewed the design and thereupon prepared detail tender drawings and documents. It is pertinent to mention here that, the amount of Rs 2,311 Million was kept in original PC-I for civil works only on the basis of CSR 2000 rates, whilst, the Engineering Estimate of Rs 6,246 million was obtained after detail expert design at 2005 rates. The procurement of International Contractor M/s SAMBU (JV) a Korean based firm was made with contract cost of Rs 5,428 million (12% below from estimated cost.) Thereupon, owing to actual estimation, it was realized that the cost of other component need to revise in PC-I, thereupon, the process for revision of PC-I was initiated for rail tunnel. The draft tentative cost was obtained for Rs 19.0 billion which was about to presented in CDWP & ECNEC but the decision of conversion was taken during 2009, thus the cost estimation was further amended for Road Tunnel with cost of Rs 18.13 billion. Therefore, the cost of project was not enhanced due to conversion, but owing to appropriation of project components.
- ii. The Lowari Tunnel Project was envisaged as strategic project and for development of Road link between Chitral valleys through rest of Country. It was foreseen that, the operation &

maintenance cost of road link is higher than rail tunnel option, however the traffic through central Asian State and thereupon opening of opportunity for business development, mineral exploration and tourism will compensate the cost incurred against operation & maintenance.

- iii. The EIRR of BC ratio and economic indicator of road tunnel were presented in 1st Revised PC-I as negative owing to strategic nature of project. The same was approved by ECNEC in its meeting held on 11th November, 2011 and further approval of 2nd Revised PC-I by ECNEC with cost of Rs 26,855 million on 22nd August, 2016.

Audit deliberated Conversion of Rail Tunnel to Road Tunnel caused huge extra cost of Rs 18,970.88 million. Operation and maintenance cost of Rail Tunnel was manageable through revenue generation from tolling whereas operation and maintenance cost of Road Tunnel is 621% higher than the Rail Tunnel. Government would sustain recurring deficit of about Rs 129.15 million per annum (Anticipated annual from Rail Tunnel was Rs 162.39 million and operation & maintenance cost is Rs 291.54 million).

Foregoing in view, it is evident that the conversion of tunnel was made in light of future requirement of project at construction stage to increase its efficiency and usage. The same is also considering as strategic project, and same is also approved by ECNEC.

The reply was not tenable as rail tunnel was a sustainable project and coping the requirement of the present working generation of District Chitral whereas the rail tunnel was converted into modified road tunnel on the plea that during bi and trilateral meetings with Tajikistan and Afghanistan for provision of link with the both countries and the feasibility & designing was assigned to the consultant deployed at Lowari Tunnel Project which was subsequently abandoned. This state of affair is evident that linkage between Chitral and Tajikistan might be feasible after 50 years as such the existing working strength of the population would not

be beneficiary as such the conversion of rail tunnel towards road tunnel was not a sustainable, economical project.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC decided to constitute a two-member committee (one representing NHA and other from Audit) to review the issue and submit report within a week for discussion in another meeting of the DAC. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 09)

Internal Control Weaknesses

4.4.61 Non-recovery of income tax - Rs 3,115.45 million

Section 153(1)(c) of Income Tax Ordinance 2001 provides that every prescribed person making payment on the execution of a contract (other than goods or services) shall at the time of making payment, deduct tax from the gross amount payable @ 7% as prescribed in Division III of Part III of the First Schedule. Further, Section 236A, of Income Tax Ordinance 2001 provides, that any person making sale by public auction, of any property or goods [(including property or goods confiscated or attached)] either belonging to or not belonging to the Government, local Government, any authority, a company, a foreign association declared to be a company under sub-clause (vi) of clause (b) of sub-section (2) of section 80, or a foreign contractor or a consultant or consortium or Collector of Customs or Commissioner of Income Tax or any other authority, shall collect advance tax, computed on the basis of sale price of such property and at the rate specified in Division VIII of the First Schedule, from the person to whom such property or goods are being sold.

Audit noted that NHA entered into a contract for Overlay Modernization, Operation and Operation of Islamabad-Lahore Motorway (M-2) to M/s Motorway Operations and Rehabilitation Engineering

Company (Private) limited (MORE) for on BOT basis for 20 years on 23rd April, 2014 at an agreed cost of Rs 36.825 billion (including total construction/civil works/capital cost of Rs 30.935 billion), as given in Schedule-W of the concession agreement. As per Schedule-X, the concessionaire shall pay Rs 9,500.0 million to NHA as upfront guaranteed payment upon achievement of financial close.

Audit observed that:

- (a) M/s MORE paid an upfront amount of Rs 9,500.0 million made in three installments up to January, 2015 to NHA in consideration of lease of right to collect toll. NHA did not collect advance tax amounting to Rs 950.0 million @ 10% of upfront amount of Rs 9,500.0 million as required under Section 236A of Income Tax Ordinance.
- (b) Moreover, the company executed the overlay and modernization works worth Rs 30,935.0 million (Schedule-X) which is subject to income tax @ 7% of the cost. However, the Company has not deposited income tax amounting to Rs 2,165.45 million (@ 7% of 30,935.0 million) was required to be recovered.

In this way, total tax of Rs 3,115.45 million was not recovered from the concessionaire.

Audit pointed out the non-recovery in August 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery of income tax.

(DP. 265)

4.4.62 Non-recovery of NHA dues on account of toll revenue - Rs 3,086.457 million

Rule 26 of GFR (Vol-I) provides that it is duty of the Departmental Officer to see that all sums due to government are promptly assessed, demanded, realized and remitted into the public account.

As per NHA Code Volume-II, the Authority shall be responsible for collecting/generating revenues either directly or through legally executed contracts for Corridor Management with Corridor Management Contractors.

Audit noted during review of the record of Revenue Section NHA Headquarters that an amount of Rs 1,5971.251 million was receivable from total 72 toll plazas of NHA during the year 2014-15. Audit observed that during the financial year 2014-15 NHA could recover Rs 12,884.794 million leaving a shortfall of Rs 3,086.457 million.

Audit further observed that NHA recovered an amount of Rs 315.835 million on account of E-toll from July to November 2014 from NADRA but recovery for the period December 2014 to June 2015 was not made.

Audit pointed out the irregularity in February- March 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that reconciliation of dues payable by M/s FWO (M-1, M-2 & M-3) was underway. Matter regarding Haro Toll Plaza is under arbitration. As far as Talibwala Toll Plaza is concerned traffic count conducted by NTRC is being evaluated for further action. In case of Fazilpur Toll Plaza recovery of Rs 0.5 million has been made and sum of Rs 0.766 million is outstanding. DAC directed that loopholes in toll management may be identified and systematic corrections be made besides issuance of timely recovery as per terms and conditions & SOP. DAC further directed to:

- i. Conduct inquiry in case of Talibwala Toll Plaza to determine causes of failure of NHA and take action against persons responsible.
- ii. Get the recovered amount verified from Audit.

The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 149)

4.4.63 Execution of works without proper estimation during the year 2015-16 - Rs 2,965.210 million

Para 56, Chapter-II of NHA Code provides that technical sanction is a guarantee that the proposal is structurally sound and that the estimates are accurately calculated and based on adequate data. It shall be issued on the basis of detailed estimates for the project as a whole, after administrative approval is accorded. Technical Sanction is concerned with actual design and execution of the work and accounts for all expenditure.

Audit noted that General Manager (Punjab-South) NHA, Multan awarded 92 contracts for Routine Maintenance and 09 contracts for periodic maintenance during 2014-15 & 2015-16 to various contractors. Audit observed that estimates of these works were not prepared as per actual requirement and change in agreed items was made in all contracts either by increase in BOQ quantities or addition of non-BOQ items as well as non-execution of some BOQ items. Audit is of the view that estimates are not prepared keeping in view the actual requirements of the site. NHA Code also provides that the proposal is structurally sound and there must be accuracy in estimates whereas only profitable items were being got executed and other items were not utilized. This resulted in execution of works without proper estimation for Rs 2,965.210 million.

Audit pointed out the matter in November 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 353)

4.4.64 Irregular/unauthorized excessive charging to RMA and Receipt accounts on non-development activities - Rs 2,759.64 million

Para-37, Chapter-2 of NHA Code Vol-1 provides that One percent of the overall development allocations shall be retained as lump provision every year at the head office and placed to the credit of a separate bank account. A separate establishment budget shall be prepared by the Budget Section in respect of this lump provision, which shall be got approved from the Chairman, NHA before charging any expenditure to this provision.

Para-36, Chapter-2 of NHA Code Vol-1 provides that the expenditure on pay, allowances and other charges in respect of the officers/staff working in the head office or the regional offices shall be a legitimate charge against the provisions available for the purpose in the development allocations for different projects, which are the ultimate beneficiaries of this expenditure. On the same analogy 1% establishment expense were required to be chargeable to RMA account.

Rule 9 of RMA Rules 2003 provides that eligible expenditure from the RMA shall only comprise expenditure for maintenance plan, rehabilitation of network, geometric improvements, highway safety improvements.

4.4.64.1 Audit noted that establishment budget for the year 2015-16 was prepared by Finance Wing NHA HQ, Islamabad wherein an amount of Rs 4,618.00 million was shown estimated/budgeted with breakup of

Rs 3,798.00 million for pay & allowances and Rs 820 million for other establishment.

Audit observed that sources identified to meet these expenditures were 1% of PSDP and RMA & other receipt account. As per budget estimate Rs 2,729 million was anticipated to be charged to RMA / receipt account out of which Rs 2,265 million was actually incurred has shown in the revised estimates for the year 2015-16. A review of the annual maintenance plan 2015-16 indicated that total estimated cost of the maintenance activities was estimated Rs 18,229.11 million as such the 1% on account of establishment expense was to be charged Rs 182.291 million rather than Rs 2,265.00 million which entail towards excess charging of Rs 2,082.71 million.

Audit held that excessive establishment was deployed than the genuine requirements and receipts and funds specified for the maintenance of NHA network were utilized towards non development activities.

Non adherence to provision of Code caused irregular/unauthorized excessive charging of Rs 2,082.71 million to RMA and Receipt accounts on non-development activities.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out irregularity in November 2016. The Authority replied that funds of Rs 1,418.5 million managed from road maintenance account through annual maintenance plan 2015-16 and as per clause 3 of RMA Rules 2003 do provide for expenditures incurred through AMP as eligible expenditure. The breakup of observed amount is as under:-

- i. Funds of Rs 105 million on account of establishment charges of 129 RMA posts.

- ii. Funds of Rs 285 million on account on enhancement of house hiring approved by the NHC in its 20th meeting held on 13th July, 2007.
- iii. Funds of Rs 820 million on account of other establishment expenditure of head office and regional offices who are managing road maintenance activities. In addition to above a shortfall of Rs 1.0 billion was managed out of NHA receipt account on account of establishment expenditures.

In reply it is conceded that excessive expenditures were incurred than approved ratio of respective identified sources PSDP and RMA as regard funds management of Rs 1,418.5 million managed from RMA through AMP-2015-16. As per RMA rule no specific provision for establishment expenses is provided, hence showing allocation in the AMP cannot make eligible expenditure.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 370)

4.4.64.2 Audit noted that establishment budget for the year 2015-16 was prepared by Finance Wing NHA HQ, Islamabad wherein an amount of Rs 4,618.00 million was shown estimated/budgeted with breakup of Rs 3,798.00 million for pay & allowances and Rs 820.00 million for other establishment.

Audit observed that sources identified to meet these expenditures were 1% of PSDP and RMA & other receipt account. As per budget estimate Rs 1,596.00 million PSDP was anticipated to be incurred for the next financial year 2015-16 and accordingly a provision of Rs 1,596.00 million was made in the budget estimate.

Audit further observed that Finance Division of Government of Pakistan released total funds of Rs 121.207 billion during the said year, therefore, 1% of said release come to Rs 1,212.070 million but e revised estimate / expenditure statement as per actual prepared by the Budget & Establishment account section indicated that an amount of Rs 1,596.00 million & Rs 293.00 million (special allocation on account of PC-I post of PSDP projects) was charged to the development funds against the allocated provision of Rs 1,212.07 million which indicated that an amount of Rs 676.93 million (1,889-1,212.07) was charged excess over the allocation which showed that excessive establishment was deployed than the genuine requirements and development funds were diverted towards non development.

Non adherence to provision of Code caused irregular unauthorized excessive charging of Rs 676.93 million and diversion of development funds to non- development.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out irregularity in November 2016. The Authority replied that establishment budget 2015-16 funds of Rs 1,889 million has been arranged out of the development funds, this includes amount of Rs 1,596.00 million engaged as 1% percent of the overall development allocation of Rs 159,600.00 million which is also backed by the NHA Code 2005 chapter 2 clause 37. Being a primary source of funding for establishment activities utilization of funding available against this head is given preference.

Moreover, in past deficiency of human resource has been encountered by appointment of employees on contract basis against posts of different cadres available in approved PC-I's of PSDP projects and remaining amount of Rs 293.00 million is portion of funds utilized against this provision which is as per rules and procedures approved by the competent authority i.e. CDWP/ECNEC.

The reply was not tenable as 1% establishment expense is required to be charged once on the provision of PSDP allocation and accordingly this provision was made in the respective PC-Is of the projects. Therefore, an amount of Rs 676.93 million is excessively charged to the PSDP and it is an attempt to divert the development funds to non-development expenditure.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 372)

4.4.65 Imprudent/faulty estimation by consultant caused transposition of the contract cost increase - Rs 1,285.684 million

NHA Code Vol-I provides that technical sanction means the order of the competent authority sanctioning a properly detailed estimate of the cost of a work of construction or repair proposed to be carried out by the Authority. Sanction accorded to the execution of a work by an officer of any other department is regarded merely as an administrative approval of the work. Technical sanction in effect amounts to no more than a guarantee that the proposal is structurally sound and that the estimates are accurately calculated and based on adequate data.

Audit noted that NHA awarded a contract for preparation of design, drawing and estimates for the project. This detail engineering design was required to be including the design reports, accurate design calculations. The designer was supposed to protect the interest of the project and take all reasonable steps to keep the construction costs to a minimum consistent with the sound economic and engineering practices.

Audit observed that detail engineering estimate was prepared for construction of 57 km four land carriageway for Rs 16,663.124 million which was rationalize by the ECNEC at the cost of Rs 14,494.942 million

by exclusion of various superfluous items carrying higher cost included in the estimate which necessitated deletion of about Rs 2 billion for rationalization. The estimate/PC-I contained civil works cost of Rs 10,071.372 million and work was put to tender wherein the contractor quoted his bid rate for an amount of Rs 12,224.008 million.

The work was started on 2nd December, 2011 and substantially completed on 21st November, 2015 during currency of the execution of contract the quantities of certain beneficial items were increased and quantities having lesser margin were decreased and certain items were deleted through variation orders, re-appropriation and overall cost incurred up till IPC-36 for Rs 11,278.799 million.

This state of affair is evident that consultant did not prepare detail engineer's estimate on the basis of accurate data having structurally sound effect. Moreover on the basis of this faulty estimation the contractor had a leverage of execution of excessive quantities of lucrative items on the plea it remained within the BOQ / estimate and contractual cost.

Non-adherence to provision of consultancy contract caused preparation of faulty estimation and transposition of the cost valuing of Rs 585.549 million and increase of an amount of Rs 1,285.684 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out irregularity in September 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.

(DP. 220)

4.4.66 Unjustified extra expenditure due to non-adoption of economical design of the project and construction of additional lane for single way traffic - Rs 1,100.00 million

In 2010 it was decided by the Ministry of Communications to convert rail tunnel into the road tunnel on the plea that during bi and trilateral meetings with Tajikistan and Afghanistan held in Dushanbe from 28th to 30th July, 2009, approval in principal has been given regarding development of road from Chitral to Tajikistan and a task for preparation of feasibility study was assigned to M/s Geoconsult.

Audit noted during audit of Lowari Tunnel Project that the consultant/designer/the Engineer of the project submitted a cross section for the modified road tunnel having one (01) lane 3.5 meter plus two (02) meter emergency lane.

The contractor proposed that cross section may be enhanced to 2 lane with width of 3.5 meter each in order to two way traffic in tunnel, the consultant disagreed that it would be disasters bi-directional traffic in long tunnel in the case of any emergency owing to requirement of complex and expensive ventilation system in tunnel.

Audit held that since the bi-directional traffic in the long tunnel was not feasible then construction of extra width with 2 lane carriageway of 7.5 meter instead of 5.5 meter (3.5 single lane + 2 meter emergency lane) at the request of contractor by incurring an expense of about Rs 1,100 million was unjustified.

Audit maintained that non-adoption of economical design of the project and construction of additional lane for single way traffic caused unjustified extra expenditure of Rs 1,100.00 million.

Audit pointed out unjustified extra expenditure in July-August 2016. The Authority replied that the Tunnel cross section was revised from 7.5 meter useable width to 9.1 meter. Modification of tunnel design

as aforesaid was included in 2nd Revised PC-I which was approved by ECNEC on 22nd August, 2016.

The reply was not tenable, as the road tunnel cross section prepared by the designer engineer 7.5 meter for one way traffic whereas at the request of the contractor the width was enhanced to 9.1 meter for by directional traffic which is not technically feasible. The engineers stressed that only single way traffic can be commuted in the long tunnel, therefore, the excavation of extra width for provision of single lane was unjustified caused extra expenditure due to non-adoption of economical design.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC decided to constitute a two-member committee (one representing NHA and other from Audit) to review the issue and submit report within a week for discussion in another meeting of the DAC. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 08)

4.4.67 Overpayment due to incorrect calculation of price escalation - Rs 663.643 million

Clause 70.1 (b) of the contract agreement (FIDIC) provides that variations or day-works are not subject to adjustment. As per Clause 70.1(a) of Condition of Particular Application Part-IIB, the amount payable to the Contractor and valued at base rates and prices shall be adjusted in respect of the rise or fall in the cost of labour, materials and other inputs to the works, as specified in Appendix-C to tender, by the addition or subtraction of the amounts determined by the formula described in this Clause. The basic prices of specified materials are to be fixed by the Engineer. Current increase or decrease in prices shall be those prevailing 28 days prior to the last day of the period to which a particular monthly statement was related.

Adjustment in costs to the monthly statements, price adjustment factor is to be applied to the amount for the payment of the work carried out in the subject month determined in accordance with para 60.1. Current indices or prices shall be the price prevailing on the day 28 days prior to the last day of the period to which a particular monthly statement is related. As clarified by Pakistan Engineering Council in Standard Procedure and Formula for Price Adjustment, in case the billed amount is for more than one month, the amount of the bill shall be segregated for actual work done in each month.

Audit noted that General Manager, Construction Balochistan (South) Khuzdar awarded the work “Construction of Gwadar-Ratodero Road project, Khuzdar-Shahdadkot (Section-IV) Package-III (Km 35+000 to Km 84+500 (M-8)” to M/s AM Construction Company - Nazir & Co (JV) at agreement cost of Rs 1,115.844 million on 20th March, 2006. The work was commenced on 2nd October, 2004 to be completed upto 2nd October, 2006. The contractor was granted EOT upto 30th June, 2015. The Contractor has been paid Rs 1,644.362 million upto 26th IPC paid in August, 2016.

Audit observed that NHA calculated and paid price escalation on work done against IPC-1 to IPC-26 of the work “Construction of Gwadar-Ratodero Road project, Khuzdar-Shahdadkot (Section-IV) Package-III (Km 35+000 to Km 84+500 (M-8)” covering period more than one month. Current rates of specified materials were taken those prevailing 28 days prior to last month of IPC. This resulted in irregular payment of price escalation for Rs 663.644 million.

Audit holds that excessive payment of price escalation resulted in a cumulative overpayment which caused an undue burden on the exchequer.

Audit maintains that the violation occurred owing to weak oversight mechanism for exercising the internal controls.

Audit pointed out the overpayment in September 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC decided that General Manager (Audit) NHA and Deputy Director Audit Works (Federal) may examine the issue for holistic picture of the project situation and submit report for discussion in next DAC meeting. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 195)

4.4.68 Non-recovery of de-escalation - Rs 467.128 million

As per clause 70.1 of the contract agreement "There shall be added to or deducted from the contract price such sums in respect of rise or fall in the cost of labour and/or materials or any other matters affecting the cost of execution of the work as may be determined in accordance with Part-II of the conditions.

4.4.68.1 Audit noted that prices of High Speed Diesel, Steel and bitumen, etc. witnessed a downward trend from June 2014 to June 2016. As such, price de-escalation was required to be calculated and deducted by project authorities from the claims of the contractors, having high base rates for all contracts executed in or after November 2014.

(Rs in million)

Name of Contract	Value of work done	De-escalation (Approx)
Construction of left over works (Gwadar – Turbat - Hoshab) Section of M-8 (Km 0+000 to Km 76.250) Section IIA (Turbat - Hoshab)	3,889.93	182.767
Construction of left over works Section - I, Package - IIA of M-8 (Gwadar-Turbat) (Km 47+200 to Km 100+800) 53.600 Km	2,477.479	116.429
Construction of left over works Section - I, Package - IIB of M-8 (Gwadar-Turbat) (Km 100+800 to Km 164+250) 63.450 Km	1,941.433	91.237
Total		390.433

Audit observed that despite reduction in the prices of HSD, steel and bitumen during the year of 2014-15 and 2015-16, price de-escalation was not calculated against interim payment certificates in violation of provisions of agreement/PEC standard procedure and formula for price adjustment.

This resulted in non-recovery of Rs 390.433 million from the contractor.

Audit holds that price de-escalation was not made due to non-adherence to the provisions of agreement, weak internal and financial controls.

Audit pointed out the non-recovery in September 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that de-escalation was adjusted/recorded in MB but bill was yet to be passed. DAC directed NHA that recovery may be actualized and got verified from Audit. DAC further directed NHA to ensure process of monthly EPCs as per contract provision. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 182)

4.4.68.2 Audit noted the contractor has been paid Rs 1,110.514 million against work done upto June, 2016. Audit further noted that neither the contractor was paid any EPCs nor the consultant has adjusted prices of specified material in accordance with contract provisions in IPC No. 9 to 16 during 2015-16. Audit observed that there was decrease in the price of HSD. Non-processing of EPCs resulted in overpayment due to non-adjustment of prices of HSD for Rs 37.78 million.

Audit pointed out the non-recovery in October 2016. The Authority in reply admitted the observation and effected recovery of Rs 14.00 million from IPC No. 17 & 18 and promised that remaining recovery would be made from upcoming IPC's.

The para could not be discussed in the DAC meeting despite best efforts by Audit.

Audit recommends early recovery.

(DP. 324)

4.4.68.3 Audit noted the contractor has been paid Rs 1,054.813 million against work done upto June, 2016. Audit further noted that EPC-02 against IPC-4 to 17 was recorded for an amount of Rs 24.750 million as "recoverable" from the contractor as the cost of HSD & Bitumen was decreased during May 2014 to November 2015.

Audit observed that recovery of Rs 24.750 million was not effected till date. This resulted in non-recovery of Rs 24.75 million.

Audit pointed out the non-recovery in October 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 325)

4.4.68.4 Audit noted that General Manager (Sindh South) National Highway Authority Karachi did not adjust the contract price on the basis of increase/decrease of specified material than those prevailing 28 days prior to bid opening of the following works. Tenders for these works were opened on 29th January, 2014 and work started on 11th August, 2014. Rate of HSD was Rs 116.75 per liter on 1st January, 2014 which was decreased to Rs 72.52 per liter in June 2016. Thus contract price of the works was to

be adjusted accordingly but no adjustment was made (the same should also be applied on bitumen after calculating the weightage). This resulted in non-recovery of de-escalation for Rs 7.67 million on POL only.

Audit maintained that non-recovery of de-escalation occurred due to weak technical, financial and internal controls.

Audit pointed out non-recovery in September, 2016. The Authority replied that as per the provision of the contract, price adjustment is admissible on following 05 items:

- a) Skilled Labour
- b) HSD
- c) Steel
- d) Cement
- e) Bitumen

Further, the price adjustment is payable, based upon approved C-Factor weightage. The audit has calculated de-escalation amount only for the item, HSD on actual price basis. However, the EPC of the contractor has been processed for all the five items, based on the approved C-Factor Calculation. The calculations show decrease in price of HSD, and increase in the price of steel & cement. The EPC has been worked out and would be verified from Audit.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed NHA to get the EPC verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 66)

4.4.68.5 Audit noted the contractor has been paid Rs 142.471 million against work done upto June 2016. Audit further noted that the contractor has not been paid any EPCs upto June 2016 despite payment of five IPCs.

Audit observed that EPCs based on IPC-1 to IPC-5 have not been processed for price adjustment due to decrease in the price of HSD. Non-processing of EPCs resulted in overpayment due to non-adjustment of prices of HSD as a result of de-escalation of Rs 6.50 million.

Audit pointed out the non-recovery in October 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 333)

4.4.69 Overpayment due to allowing escalation on non-specified materials - Rs 458.57 million

Clause-70.1 (b) (iv) of COC-II provides that following shall be the indices along with their corresponding source to be used for computation of price adjustment under this clause:

- High speed diesel
- Ordinary Portland cement
- Reinforcing mild steel billet 100x100 mm (grade-40, grade-60)
- Pre-stressing steel
- Asphalt cement in bulk
- Labour (unskilled)

Para 5(b) of System of Financial Control & Budgeting, 2006 provides that Principal Accounting Officer shall ensure that the funds allotted to a Ministry/Division, etc. are spent for the purpose for which these are allotted. He shall also ensure that the expenditure falls within the ambit of a Grant or an Appropriation duly authenticated. The expenditure in excess of the amount of Grant or Appropriation as well as the expenditure not falling within the scope or intention of any Grant or

Appropriation, unless regularized by a Supplementary Grant or a Technical Supplementary Grant, shall be treated unauthorized.

As per Standard Procedure and Formula for Price Adjustment (A) clause 6.1, a list of commonly known elements subject to Price Adjustment is provided below:

- (i) Cement;
- (ii) Steel;
- (iii) POL (HSD);
- (iv) Labour Unskilled;
- (v) Bricks; and
- (vi) Bitumen.

As per Standard Procedure and Formula for Price Adjustment (B)1 Weightages of Specified Items, Each of the cost elements, having cost impact of five (05) percent or higher can be selected for adjustment. Cost elements of HSD and labour shall be included in the Price Adjustment formula irrespective of their percentage determined for a particular project, if these are applicable for that project.

Clause 52.2 of contract agreement provides that if the nature of any varied work relative to nature or amount of the whole of the works or to any part thereof, is such that, in the opinion of the Engineer, the rate or price contained in the contract for any item of the works, i.e. by reason of such works, rendered inappropriate or in applicable, then after due consultation by the Engineer with the Employer and the Contractor, a suitable rate or price shall be agreed upon between the Engineer and the Contractor. Provided that no change in the rate or price for any item contained in the contract shall be considered unless such item accounts for an amount more than 2% of the contract price, and the actual quantity of work executed under the item exceeds or falls short of the quantity set out in the BOQ by more than 30%.

4.4.69.1 Audit noted that General Manager, Construction Balochistan (South) Khuzdar awarded the work “Construction of Wangu Hill Reach

(Km 84+500 to Km 117+500 – 33 Km Gwadar-Ratodero Road project Khuzdar-Shahdadkot Section-IV Package-IV) M-8)” to M/s Sardar M. Ashraf D. Baloch at agreement cost of Rs 524.857 million on 30th March, 2004. The work was commenced on 24th April, 2004 to be completed upto 23rd April, 2006. The contractor was paid a sum of Rs 2,762.172 million upto 65th IPC paid in August 2016.

Audit also noticed that General Manager of the ibid contract revised the rate of BOQ items of work under agreement clause of 52.2 and made payment of Rs 300.916 million on account of difference due to revision of rates upto 65th IPC paid on 27th June, 2016.

Audit observed that despite revision of the rate of the items at current rates through VOs, escalation on the value of the item of work was also allowed in EPC-56 to 60 based on IPC 61 to 65. Audit considers that relief to the Contractor was provided in shape of increase in rate of the items of work, hence, payment of escalation as per basic rate provided in the Appendix-C was not justified. This resulted in overpayment of Rs 211.453 million as calculated below:

Total work done upto IPC-65	Rs 2,762.172 million
Total Escalation paid upto EPC-60 (IPC-65)	Rs 1,940.999 million
Percentage of escalation	70.27 %
Payment on account of revision of rates	Rs 300.916 million
Overpayment (70.27% of Rs 300.916 million)	Rs 211.453 million

Audit maintains that the overpayment resulted due to non-adherence to the rules on the subject, weak financial and internal controls.

Audit pointed out the overpayment in September 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC decided that General Manager (Audit) NHA and Deputy Director Audit Works (Federal) may examine the issue for holistic picture of the project situation and submit report for discussion in next

DAC meeting. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 183)

4.4.69.2 Audit noted that Deputy Director (Maintenance) Khyber Pakhtunkhwa, NHA Swat endorsed and paid price adjustment claims against two contracts RH-1 and RH-02 for the year 2007-08 which were liable to be completed on 11.12.2009 but revised date of completion was recorded as 30.11.2012.

Audit observed that price adjustment/escalation was allowed from 06/2008 to 09/2012 including extended period of three years. Huge payment on account of price adjustment was made in December, 2015 without authentic data and notified rates, stand unjustified/unauthentic on the following grounds.

- 1- Escalation / price adjustment was paid with a gap of three years without approved budget and notified rates.
- 2- Price adjustment was allowed for the extended period without reference to the financial effect allowed by the competent authority, while allowing extension in time period.
- 3- Authentic data i.e. notified rates of steel, cement, bitumen, labour and detailed working was not found attached with the paid vouchers.

This resulted into unauthentic/unjustified payment of price adjustment of Rs 144.524 million without reference to schedule-c of contract agreement.

RH-01 for the year 2007-08	Rs 60.065 million	MB # 819 Page-67B
RH-02 for the year 2007-08	Rs 84.459 million	
Total	Rs 144.524 million	

Audit pointed out the un-authentic / unjustified payment on account of price adjustment / escalation in September, 2016. The Authority replied that different audit observation was raised on the subject escalation bill in various years by external audit. On the directive of DAC, Whole of the escalation bills were revised on the agreed formula between NHA and external audit due to which the payment were delayed.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed NHA to get the record verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 98)

4.4.69.3 Audit noted that General Manager, Construction Balochistan (South) Khuzdar awarded the work "Construction of Gwadar-Ratodero road project- Khuzdar-Shahdadt (Section-IV) Package-V (Km 117+500 to Km 136+020 BK & Km 2+500 to Km 32+283.231 BK/ Km 37+355.311 to 44+826) –Wangu hills-Qubo Saeed Khan-Length 55.774 Km (M-8)" to M/s FWO at agreement cost of Rs 1,929.472 million on 20th March, 2006. The work was commenced on 5th June, 2006 to be completed upto 4th June, 2009. The Contractor was granted 3rd EOT upto 30th June, 2015. The Contractor has been paid Rs 2,891.085 million upto 23rd IPC paid on 27th June, 2016.

Audit also noticed that General Manager of the ibid contract revised the rate of BOQ item No.108bi "Formation of embankment from roadway excavation with hard rock material" from Rs 589.43 per cubic meter to Rs 938.66 and paid a quantity of 506,447.88 Cu.m at revised rate upto 23rd IPC for Rs 475.382 million paid on 27th June, 2016.

Audit observed that despite revision of the rate of the item as per NHA CSR, 2011 through VO.2, escalation on the value of the item of work was also allowed in EPC 14 based on IPC-22 and IPC-23. Audit considers that relief to the Contractor was provided in shape of increase in

rate of the item of work, hence, payment of escalation as per basic rate provided in the Appendix-C was not justified. This resulted in overpayment of Rs 72.976 million.

Audit maintains that the overpayment resulted due to non-adherence to the rules on the subject, weak financial and internal controls.

Audit pointed out the overpayment in September 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC decided that General Manager (Audit) NHA and Deputy Director Audit Works (Federal) may examine the issue for holistic picture of the project situation and submit report for discussion in next DAC meeting. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 186)

4.4.69.4 Audit noted during the review of Lowari Tunnel Project that in appendix-C COC-II contained detail of specified material/indices reinforcing mild steel billets for price adjustment/escalation on item No.B107 (404-b) steel reinforcement bars.

Audit observed during review of EPCs that escalation was commuted on certain items rock bolts, steel plates, wire mesh and lattice girders which contained the steel component but not provided in the appendix-C as specified materials.

Audit held that computation of price adjustment on non-specified materials was beyond the provision of contract and undue favour was extended to the contractor at the cost of public exchequer.

Non-adherence to contract by allowing escalation on non-specified materials caused overpayment of Rs 22.597 million.

Audit pointed out overpayment in July-August 2016. The Authority replied that Items of Steel like Steel Mesh, Lattice Girders and Rock Bolts are also prescribed items for payment of Escalation as per Appendix-C to bid in accordance with the Contract Agreement Part-I Addendum No.2 Item 25 (Appendix-C to bid). Hence, items of steel mesh (Wire Mesh), Lattice Girders and Rock Bolts are not non-specified materials rather they are specified material as per Contract Appendix-C to bid.

The reply was not tenable as per provision of contract basic rate and source of indices is mandatory provision in appendix-C for admissibility of escalation whereas in addendum no such provision was made against these items as such escalation was not admissible on the steel billet rate.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC decided to constitute a two-member committee (one representing NHA and other from Audit) to review the issue and submit report within a week for discussion in another meeting of the DAC. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 05)

4.4.69.5 Audit noted that a work "Construction of additional carriageway Torkham Jalalabad Afghanistan was awarded to M/s FWO by NHA vide acceptance letter No.2(293)/GM (P&CA /NHA /08/80 dated 24th January, 2008 for Rs 4,340.832 million. Work was suspended and reactivated through amendment No.1 in June 2015 of Rs 7,343.54 million.

Audit observed that NHA allowed payment of escalation amounting to Rs 115.525 million whereas as per Appendix-C of the agreement, the weightage of material steel and cement was quoted less than 5%. As per rule mentioned above price escalation for steel and

cement is not admissible moreover as per Standard Procedure and Formula for Price Adjustment approved by the Pakistan Engineering Council, the price adjustment against skilled labour is also not admissible. Hence allowing of price adjustment against inadmissible material and inadmissible skilled labour resulted in overpayment of Rs 3.84 million.

Audit pointed out overpayment in September 2016. The Authority replied that Clause 70, COC Part -1(Part -1, General Condition of Contract) is deleted in its entirety, and substituted with Clause 70.1: Increase or decrease of cost, Particular Conditions of Contract Part-II. Its aim is that if the total amount of specified material comes to 5% or more than 5% of the effective cost of the contract amount than this item is to be selected for inclusion in Appendix - C to Bid (BC-1).

As for the question of skilled & unskilled workers was concerned, the Engineering Council made a formula and left it to the Employer discretion that how much element they consider for payment of escalation appropriate to be incorporated for the purpose of price adjustment in the contract, namely the price adjustment formula is provided by Clause 70.1 COC-II and in compliance of the contract.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC pended the para.

(DP. 126)

4.4.69.6 G.M (Sindh-South), NHA Karachi, paid escalation on these items on lump sum basis without mentioning the detail for the works “Maintenance of Afforestation” no agreement in this regard is available in support of this payment. This resulted into overpayment of Rs 2.672 million.

Audit maintained that this overpayment was made due to weak technical and financial controls.

Audit pointed out overpayment in September, 2016. The Authority replied that these were World Bank Aided Projects and the price escalation was paid as per formula mentioned in the Contract Documents.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed that an inquiry be conducted through Member (South Zone) and report be submitted within 2 weeks. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 63)

4.4.70 Unjustified payment to contractor on account of security charges - Rs 437.392 million

According to GFR-10 (I), every officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Audit noted that the Authority made a provision of security charges @ 13% payable to the contractor in revised PC-I which comes to Rs 437.392 million. The contractor was paid an amount of Rs 188.601 million upto 30th June, 2016.

Audit observed that the provision of security charges in original PC-I was not incorporated (in 2008) whereas in revised PC-I/ Office Memorandum (approved in 2015) in question provision has been included, therefor inclusion of the clause regarding security charges is not justified and it is included only to extend an undue financial benefit to the contractor on its demand.

Audit pointed out the unjustified payment in September 2016. The Authority replied that due to security hazards FWO felt the necessity of additional security and the matter was raised in ECNEC meeting and

Planning Commission allowed for addition of clause 19.5 " Provision of Enhanced Security" to Condition of Contract, Part-II, and incorporated to the contract through amendment 1 duly signed by NHA & FWO on 24th June, 2015, which states that "FWO will be paid enhanced security charges in IPCs at 13% of the balance works are estimated at Rs 3,150.00 million. Since 2014 the ISAF started withdrawing forces and as such the situation has reached to a point where Afghan local government had no writ and control. As such to deliver the project the 13% increased amount was incorporated in the revised PC-I and contract Price through amendment No. 1. The payment on this account was, therefore, verified and recommended by the consultants and paid to the Contractor accordingly.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC pended the para.

Audit stresses upon investigation and appropriate corrective action.

(DP. 123)

4.4.71 Unauthorized execution of the work without provision in PC-I - Rs 419.868 million

PC-1 of the project Motorway M-4 extension Khanewal-Multan 57 KM was prepared by the consultant which contained the component of misc items comprised of service area, rest area, weigh station, lay by, U-turn, police hut and emergency call radio systems which was approved by ECNEC in January 2011 and renationalized at reduced cost of Rs 14,494.942 million by exclusion cost of Rs 359.00 million of aforementioned components.

Audit noted that BoQ of the project was prepared wherein these misc items service area, rest area, 4-lane toll plaza on main carriageway, 8-lane toll plaza on loops, weigh station building and weighing equipment were included at a cost of Rs 1,353.500 million.

Audit observed that rest area was excluded through variation order and toll plazas and weigh station were executed and paid to the contractor valuing Rs 419.868 million up to IPC-36.

Audit held that execution of items without provision of PC-I is termed unauthorized as well as lump sum measurement of the items toll plaza and weigh station without any detail measurement and breakup of the cost is termed unauthentic.

Non-adherence to PC-1 caused unauthorized execution of the work of Rs 419.868 million and unauthentic payment.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out unauthentic payment in September 2016. The Authority replied that the items for construction of Service areas, Rest areas, Toll plazas and Weigh stations were originally made part of the BOQ before tendering of the project. Later on, the Toll plazas and Weigh stations were got constructed whereas the Service areas and Rest areas were excluded based on the following reasons:

1. Reference is made to a meeting held in the office of Chairman NHA on 09.09.2014 wherein it was decided in principle that construction of service areas may be deleted from running contracts and the same shall be constructed through BOT.
2. Toll plazas and Weigh bridges are integral component of an access controlled facility and Motorway cannot be operational without these. Therefore, the said items were got executed through the contractor as per provisions of the BOQ of contract.

Further, it is informed that same nature para (PP 4.4.1.2, PDP 140) was made during audit year 2013-14, upon which PAC has already directed to revise the PC-1. In compliance of directions, the Revised PC-1 after incorporating the costs of Toll plazas, Weigh stations in revised scope of work, has been submitted to Planning Section NHA HQ for approval.

The reply was not accepted because the certain components of the project toll plaza, service areas, weight station were got executed without provision in the PC-I as such the expenditure incurred thereon stood unauthorized.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC pended the para till revision of PC-I.

Audit recommends early compliance of DAC's directive regarding revision and PC-I and its verification from Audit.

(DP. 207)

4.4.72 Unjustified payment on account of employer's contingencies without proper need assessment - Rs 370.48 million

As per supplementary contract agreement dated 18th December, 2010 signed with M/s CRBC for Re-alignment of KKH, and Barrier Lake Attaabad, Hunza, Gilgit Baltistan (17 Km) new (7Km Rehab.) for US\$ 275.060 million, includes an amount US\$ 3.978 million for 2% employer's contingency of the construction cost of US\$ 198.889 million.

Audit noted that progress report upto June 2016 showed that 108% work US\$4.328 million was made.

Audit observed that the provision of 2% Employer's Contingency for Rs 370.48 million was for the salaries of Project Director's staff but it has been observed that there was no staff working except of one Project Director. Audit, therefore, considers that the provision of the 2% Employer's Contingency was made without need assessment. This

unjustified payment resulted in increase in loan amount of Rs 370.48 million (US\$ 4.328x85.60) and profit.

Audit maintains that unjustified payment on account of 2% Employer's Contingency due to non-implementation of relevant rules and weak administrative/internal controls.

Audit pointed out the irregularity in August 2016. The Authority replied that the physical progress of the project is 109%, but the payment has been made to the contractor as per mode of payment 100% work done by withholding amount of 2% employer contingency. The provision of 2% employer contingency was kept in the original PC-I for employer representative and assistant to the employer. M/s NESPAK has provided their services upto September, 2014 as an Assistant to the employer through VO.I in the supplementary contract agreement of the project, but payment to M/s NESPAK has not been made due to directives of PAC for regularization of the original contract signed between NHA and M/s NESPAK through revision of the KKH improvement Project. The 2% employer contingency may be utilized for any unforeseen expenditure during the construction period to ensure the cash flow for successful completion of the project.

The reply was not accepted because 2% provision for employer was meant for employers pay and allowances and other operating expenses and not for consultant payments.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses recovery.

(DP. 270)

4.4.73 Non-deduction of Income Tax - Rs 224.599 million and non-deduction of general sales tax - Rs 22.191 million

According to Income Tax Ordinance, the Government of Pakistan has enhanced the rate of income tax deduction at source from contractors from @ 7% to 7.5% w.e.f 1st July, 2015.

As per General Conditions of the contracts agreement clause 73.1 payment of income tax “The contractor sub-contractors and their employees shall be responsible for payment of all their income tax, super tax and other taxes in income arising out of the contract”.

As per the Islamabad Capital Territory (Tax on Services) Ordinance, 2001 amended upto date services provided by technical, scientific and engineering consultants are subject to deduction of Sales Tax @ 16% w.e.f 1st July, 2015.

As per contract agreement for Consultancy Services for the above project between Frontier Works Organization (FWO) and Engineering General Consultants Private Limited (EGC) in Association with SMEC International Pvt Limited dated 4th June, 2014 for agreement amount of Rs 156.376 million (3% of Construction cost of Rs 5,212.523 million), Special Conditions of Contract Clause 1.7 “The Consultants, sub-consultants and their Personal shall pay such taxes, fees and other impositions as may be levied under the Applicable Law. However, FWO will issue a letter, draft of which will be agreed between the parties before issuance, in order to facilitate consultants to apply for the exemption from 16% General Sales Tax, imposed by the Government of Punjab. The letter to be issued under this clause by the client was only to facilitate consultants and does not make FWO responsible for the exemption of 16% General Sales Tax. The remuneration to be made under this contract by the client is considered to be inclusive of any such costs and does not mean addition of cost in the contract at later stage under this particular cost head.”

Clause-2 (Part-3) of Memorandum of Understandings (MOU) provides that the Income Tax deduction for total work executed shall be made as per Income Tax laws of Pakistan/applicable law and deposited with FBR at exchange rate of an US Dollar Rs 85.60.

4.4.73.1 Audit noted that a work “Construction of additional carriageway Torkham Jalalabad Afghanistan” was awarded to M/s FWO by NHA vide acceptance letter dated 24th January, 2008 for Rs 4,340.832 million. The work was suspended and reactivated through amendment No.1 in June 2015 of Rs 7,343.54 million.

Audit observed that total payment of Rs 2,017.070 million upto 10th IPC was made to contractor but income tax @ 7% was not deducted which is worked out as Rs 141.194 million (Rs 2,017.070 million x 7/100).

Audit pointed out non-deduction of income tax in September 2016. The Authority replied that M/s FWO being a government entity and para military organization has been exempted from deduction of income tax. Necessary exemption certificate in this regard is entrusted by M/s FWO.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC pended the para.

Audit recommends recovery of income tax.

(DP. 128)

4.4.73.2 Audit noted that NHA (Project Director) awarded a work “Re-alignment of KKH at Attaabad Barrier Lake, Hunza” to M/s China Road & Bridge Corporation (CRBC) on 26th July, 2012 at an agreed cost of US\$ 275 million (EPC Contract) which was to be completed upto 25th September, 2015 (extended). Audit further noted that Deputy Commissioner (IR) FBR revised rate of Tax U/S 153 (1)(c) (Contracts) for companies from 6% to 7% w.e.f. 1st July, 2014.

Audit observed that Project Director KKH Attaabad Barrier Lake deducted Income Tax @ 6% instead of 7% amounting to Rs 386.605 million during the financial year 2015-16 amounting to Rs 451.039 million. This resulted into less deduction of Income Tax amounting to Rs 68.546 million (451,039,126 – 386,604,965).

Audit maintains that Income Tax was not deducted due to non-adherence to Income Tax Ordinance.

Audit pointed out the less deduction of income tax in August 2016. The Authority replied the observation was pertained to Head Office and has already informed to DD Accounts through Fax to furnish comprehensive reply to the audit team but the reply was still awaited.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC decided to seek clarification from FBR in the matter.

Audit recommends recovery of income tax.

(DP. 181)

4.4.73.3 During the scrutiny of record relating to the Kalat-Quetta-Chaman Road Project, audit noted that NHA made payments to FWO including 3% of consultancy services payable to M/s EGC. Audit observed that Income Tax @ 10% and Sales Tax @ 16% was not deducted from the Consultant payments as required under the rules and consultant agreement provisions as referred above. This resulted in non-recovery of Income Tax Rs 14.859 million and Sales Tax Rs 20.866 million.

Audit pointed out the matter in September-October, 2016. The Authority replied that Audit observation had been conveyed to FWO for intimation and reply/recovery.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed NHA to effect recovery within 15 days and get the same verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 172)

4.4.73.4 During scrutiny of record of P&CA Wing NHA, Headquarters, Islamabad for the year 2015-16, Audit noted that two individual consultants were hired for Project Management Unit (CPEC) Islamabad. Different invoices of these consultants were processed and forwarded by P&CA Wing to Finance Wing, NHA, HQs for Rs 8.287 million.

Audit observed that sales tax as required was not deducted from the payments made to Lt.Gen (R) Shahid Niaz and Qazi Iftikhar Ahmed during the year 2015-16. This resulted in non-recovery of sales tax for Rs 1.325 million (Rs 8,286,973 x 16%).

Audit pointed out the matter in August-September 2016. The Authority replied Audit Para was not applicable on such cases (of individual consultants) wherein remuneration is fixed by the Authority and no Provisional Sum is included in their contracts for charging any GST.

The reply was not accepted because sale tax on services was recoverable on services w.e.f 1st July, 2015 which was not done by NHA.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 224)

4.4.74 Overpayment due to non-recovery of thickness deficiency beyond allowable tolerance in aggregate and asphaltic courses - Rs 223.285 million

According to Inspection Report on end of DNP by M&I Section NHA and Specification No. 200.2 of NHA General Specifications, 1998, the allowable tolerances for the subgrade prior to placing the overlying courses, together with the allowable tolerances for the sub-base and base

are as specified in “Table for Allowable Tolerances” as + 10 mm to 20 mm. As per Specification No: 201.3.4, the relative compaction of each layer of the compacted sub-base shall not be less than ninety-eight (98) % of the maximum dry density determined according to AASHTO T 180 (Method D). However, If the thickness determined as per Item 305.3.2 of these Specifications is deficient by more than three (3) mm, but not more than five (5) mm, payment will be made at an adjusted price as specified.

When wearing course is more than five (05) mm deficient in thickness, the Contractor shall remove such deficient areas and replace them with wearing course of an approved quality and thickness. Alternately, the Contractor may choose to overlay the area with wearing course in a thickness of minimum thirty (30) mm with smooth transition, as approved by the Engineer, on either side. The Contractor will receive no compensation for this additional work.

Audit noted that National Highway Authority awarded works of M-8 in 2004 to different Contractors under various Sections / packages.

Audit further noted that due to poor law and order situation in the area, the Contractors were released from performance in 2010. Subsequently, balance and some additional works were awarded to M/s FWO under separate contracts during 2014.

Audit observed from the Test Reports conducted by GM M&I NHA in presence of the representatives of the Contractor and Consultants that the thickness of the sub-base and base course was found 18 cm to 23 cm against approved specified thickness of 26 cm thus was deficient and outside the tolerance limits of sub-base and base course provided in the “Table for Allowable Tolerances” but thickness of 26 cm was measured and paid without any deduction. Audit also observed that combined thickness of Asphaltic Concrete Base Course (ACBC) and Asphaltic Wearing Course (ACWC) was found less beyond tolerance. Compaction of the ACBC and ACWC was also found less.

Audit further observed that the Authority paid the items of work at full rate instead of redoing or payment at proportionate reduced rate as per provision of the agreement and NHA Specification. This resulted in non-recovery of Rs 223.285 million.

Audit maintains that the below specification, deficiency of thickness and compaction resulted due to poor monitoring system by the Consultants, NHA and material weakness in internal controls.

Audit pointed out the overpayment in September 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. The Project Director explained that M/s FWO has requested that additional cores and pits be extracted to evaluate exact quantity in aggregate base course, asphaltic base and wearing course, which was under consideration of M&I Section, NHA HQ. DAC directed NHA to provide report of M&I Section when conducted/finalized. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 188)

4.4.75 Non-calculation/assessment of millions of rupees on account of ROW charges and non-recovery of NOC charges - Rs 214.176 million

As per Rule 3(2) of NHA Roads Maintenance Account Rules, 2003, all revenues from road users accruing to the NHA, from the tolls on roads and bridges, net of collection costs, shall be expeditiously transferred into the Roads Maintenance Account.

Rule-9 of Chapter-VI of Right of Way 2002 provides that all the existing amenities like Hotels, Restaurant, Market, Factories/Mills, Workshop, Cinema, Showroom, kilns, Marriage Hall, Filling Station, Gas pipeline, PTCL and Nurseries will be registered by NHA. Proper

inventories will be deployed and approach rental charges will be collected by Deputy Director (Maint). The owner of the existing shall pay the approach rental charges on yearly basis.

Audit noted from revenue record of General Manager (Punjab-North), NHA Lahore that number of filling station, CNG, shops, hotels, restaurants, Shops, Kiosks, Schools and Hospitals/Clinics etc. users of NHA ROW are running their business without payment of ROW charges/NOC charges.

During audit of General Manager (Punjab-North), NHA, Lahore the inventory of the existing amenities was requisitioned and the matter was discussed with the Revenue Section and concerned officers/official. They responded that a draft of said data was prepared for presentation to GM and Head Quarter which was not produce to Audit. However, a soft copy of data of amenities, utilities, CNG and filling station obtained from ROW section NHA Head Quarter during annual audit indicated that numbers of amenities, like shops, hotels, restaurants, Shops, Kiosks, Schools, Hospitals/Clinics, Petrol Pumps and CNGs were not registered with NHA and avail the ROW without depositing of NOC and rental charges. Further no rental cost of amenities was assessed by the Revenue Section of each category, in absence of which proper revenue generation could not be materialized/ascertained.

Non-adherence to rules/SOP caused non-recovery of NOC charges Rs 214.176 million and non-calculation/assessment of millions of rupees on account of ROW charges.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out non-recovery of NOC charges in September-October 2016. The Authority replied that Rule 3(2) did not deal with the commercial use of right of way. Revenue was accrued only from the resources, which were authorized by NHA with issuance of NOC or some

agreement. Such of revenue was either directly deposited into NHA RMA Account or when received by regional authorities was timely transferred to NHA RMA Accounts. However, amenity holders on National Highways, being the potential source of revenue were pursued by concerned Deputy Director (Maint) by serving notices, conducting meeting and cutting approaches to apply for the NOC. Therefore, the concerned officers have been directed to carry out the complete survey in uniform manner with reliable information.

The reply was not tenable as list of amenities provided by the ROW Wing NHA, HQ was taken in the audit observation whereas as per provision of ROW Rules/SOP the update detail of inventory of amenities was required to be maintained by regional office and non-maintenance thereof showed inefficiency of the staff deployed in the region.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends appropriate measures to exploit revenue opportunities.

(DP. 289)

4.4.76 Irregular/unjustified payment without proper measurement and survey - Rs 195.031 million

According to Para 61&62, chapter 3 of NHA Code, the Authority shall carry out routine and periodic maintenance of all National Highways and Strategic Roads assigned to it through maintenance contracts concluded with pre-qualified contractors for each reasonable reach of road. Although lump sum contracts can be concluded in cases where the scope of work can be definitely determined in advance e.g. in case of periodic maintenance, yet all contracts for routine maintenance or for works which cannot be quantified beforehand, shall be Measurement Contracts based on the NHAs CSR.

Audit noted that the General Manger (GB), NHA awarded a Contract for Routine Maintenance of road on S-1 & KKH (N-35) to M/s FWO at an agreed cost of Rs 234.796 million.

Audit observed that the National Highway Authority (HQ) made direct payments to the extent of Rs 195.031 million to M/s Frontier Works Organization (FWO) during the year 2015-16 against the work done without measurement, Physical Joint Survey and vetting of IPCs from the quarters concerned. Whereas, that payments were required to be made through General Manager (GB) NHA Gilgit Region after joint measurement and survey. This resulted in irregular/unjustified payment amounting to Rs 195.031 million.

Audit maintains that the payment was made due to non-adherence to the NHA Code and MOU/ signed between NHA and FWO.

Audit pointed out the irregular / unjustified payment in August 2016. The Authority did not furnish reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 233)

4.4.77 Unjustified payment on account of execution of excessive quantity of item of work - Rs 153.88 million

Engineer's estimate/BOQ provides item 617-b single face new Jersey edge barrier to the extent of 2,000 meters @ Rs 3,253 per meter for providing protection on the bridges, under passes and Item 604-a,b metal guard rail with post and end piece was also provided in the estimate for installation on reaches where height of fill was more than 3 meters.

Audit observed that an item of work '617-b single face new Jersey edge barrier' was got executed to the extent of 50,764.802 meters up to

IPC No.36 which was 2538% above the contractual quantity of 2,000 meter. When this abnormal increase was questioned from the project management they responded that edge barrier was laid/fixed/casted in replacement of the metal guard rail on the edges of the carriageway having high embankment above 5 meters.

Audit held that guard rail having higher tensile strength than RCC was provided in the BOQ which requires higher investment for procurement from the manufacturer by the contractor. The contractor opted slip form for construction of cast in place barrier as he had his own machine and it contained component of steel and cement having admissibility of escalation potential, therefore, this item was increased 2438% above the contractual quantity as it was beneficial to the contractor and the item was replaced from the item containing higher tensile strength toward lesser strength.

Non-adherence to contract/engineer estimate/design/BOQ caused unjustified payment of Rs 153.88 million on account of execution of excessive quantity of item of work.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out unjustified payment in September 2016. The Authority replied that the construction drawings as well as tender drawings clearly indicated that W-beam guard rail shall be provided in such reaches where the height of fill is more than 3m and for height of fill more than 5m, guard rail shall be replaced with concrete barrier.

The payments to the contractor were also made on the basis of actual execution in accordance with the construction drawings and instructions of the Engineer.

The cost of metal beam guard rail is Rs 4,162/LM (metal guard rail + steel posts) whereas the cost of concrete New Jersey barrier (single face) was Rs 3,253/LM and therefore the government had to spend an extra

amount of Rs 46.136 million in case guard rail was fixed in place of New Jersey barrier.

The reply was not tenable as in case of provision of jersey barrier over the 5 meter high embankment in the drawing then quantities of said item were required to be provided in the BOQ whereas only 2,000 meter quantity was provided and 50,764.802 meters was got executed. The contractor had its own slip form machine cast in place and execution of said item having higher rate than the estimate was lucrative and convenient to contractor hence quantities were increased.

The para could not be discussed in the DAC meeting despite best efforts by Audit.

Audit stresses upon investigation and appropriate corrective action.
(DP. 211)

4.4.78 Unauthentic/unjustified payment on the basis of unauthentic record measurements - Rs 136.301 million

Para 208 CPWA Code provides that the measurement should be recorded only by Executive, Assistant Executive or Assistant Engineers or by executive subordinates in charge of work. All such measurements (i.e. those by recorded by subordinates) should, however, be test checked to the extent of at least 50% by the sub-divisional officer himself in each case, and he will be responsible for the general correctness of the bill as whole.

Audit noted that Deputy Director Maintenance NHA, Batkhela measured item No. 303 cut back Asphalt for bituminous tack coat for Asphaltic Base at Page-14 of MB No. 2981 for RD 160 + 475 to 161 + 000, in the same MB at Page-15 Tack Coat for wearing course was shown measured for RD 160 + 500 to 161 + 500.

Audit observed that item No. 203a Asphaltic Concrete Base Course was measured for RD 160 + 475 to 161 + 000 with cross sectional measurement for extra width in the running bills without showing width

and thickness of item of concrete base course. Next item of Asphaltic Wearing Course was also taken through X-Sectional Measurements but for lesser width. Item of tack coat was measured at page-19 in the RDs 160 + 500 to 163 + 250 for wearing course, whereas item of Asphaltic Wearing Course was already measured in the same RDs at page-16 of same MB. Item of 305a Asphaltic Concrete Wearing Course was measured again in the same RDs at page-24 with different contents. This resulted into unauthentic/doubtful payment on the basis of superfluous record entries Rs 136.301 million without test checked by the Deputy Director in-charge maintenance unit.

Audit pointed out the un-authentic/unjustified payment on the basis of bogus record measurements in September, 2016. The Authority replied that, the subject section tack coat was applied and measured twice once for laying of Asphaltic base course on existing road surface and secondly for Asphaltic wearing course.

The reply was not accepted because it was furnished without consulting MB No. 2981 page-14 A,B items of tack coat for asphaltic base was shown measured first for RD160+475-161+00, then tack coat for wearing course was measured continuously for same RD which was duplication. After measuring item of tack coat for wearing course in RD referred above. Item of asphaltic base was measured and paid in MB No.2981 page-16 for same RDs, which was technically not admissible. Payment was made on the basis of bogus record entries for work Rs 136.301 million.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed General Manager (Audit), NHA to examine the issue regarding defective estimates and acceptance of imbalance rates and submit report for verification by Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 97)

4.4.79 Overpayment to contractor due to enhancement of the BOQ/agreed rates - Rs 129.634 million

Clause 52.1 COC Part-I provides that all variations and any additions to the contract price which are required to be determined in accordance with clause 52 (for the purpose of this clause referred to as varied work) shall be valued at the rates and prices set out in the contract.

Clause 52.1 of COC Part-II provides that where the contract provides for the payment of the contract price in local currency only, and varied work is valued at or on the basis of the rates and prices set out in the contract, payment for such varied work shall be made in local currency specified in the appendix-B to bid for payment of the contract price.

Clause-84(d) COC-II provides that all additional costs due to any kind of difficult working conditions and interruption which may possibly be caused by adverse physical conditions, unless otherwise provided in the contract included in unit rates.

Audit noted during review of the accounts record of Lowari Tunnel Project that an item B2021-a concrete inner lining of road tunnel & niches with radial formwork was provided in the BOQ/contract at rate of Rs 11,052 per cu.m.

Audit observed that during execution of the work a variation order No.6 was approved wherein item rate of the said item was enhanced to the extent of Rs 15,000 per Cu.m. It is further added that escalation was also allowed thereon on the basis of basic prices of 2005.

Audit held that enhancement of the rates set out in the contract was contrary to the contractual provisions caused undue favour to the contractor at the cost of public exchequer.

Non-adherence to contract caused overpayment of Rs 129.634 million to contractor due to enhancement of the BOQ/agreed rates.

Audit pointed out overpayment in July-August 2016. The Authority replied that pay item B2021 (Inner lining of Tunnel & Niches) in original contract contains the quantity of 7,500cm which was envisaged only for small length of tunnel where Rock Class-III would encounter. The lining pattern was simple with size of 45 sq. meter in horse show shape. Thus simple formwork was required in that regards. After the conversion of rail tunnel to road tunnel, the area of Tunnel Cross section was increased from 45m² to 87m² and the lining was increased to full length of tunnel. Further to that, intermediate ceiling was also envisaged/design to place at intermediate lining. Thus more complicated lining form work was required to cover the horse show shape with 87m² of Cross Section Area.

Furthermore, as per contract Clause 52.2(C) of CoC-II, rate of the pay item may be changed (if deemed un-applicable) unless such item individually account for an amount of more than 5% the sum named in letter of acceptance and actual quantity of work exceed 30% of quantity defined in original BOQ. The said item has qualified both the conditions of pertinent clause. Thus, the rate was revised owing to un-applicable as aforesaid.

The reply was not tenable as it was not a matter of revision of price of enhanced quantity beyond 30%, as per provision of contract but a new item rate was introduced of a BOQ item which was not covered in the provision of contract. Moreover on introduction of new rate of non BOQ as varied work escalation thereon is not admissible.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that due to change of design from Rail Tunnel to Road Tunnel cross section was increased and lining was increased to full length of tunnel. More complicated lining form work was required and rates were revised as per contract agreement and also under amicable settlement agreement. DAC decided to constitute a two-member committee (one representing NHA and other from Audit) to review the issue and submit report within a week for discussion in another meeting of the DAC. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 02)

4.4.80 Undue financial aid to the contractor on account of Fee/Custom Duties - Rs 122.806 million

According to Rule 10 (i) of GFR, every officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Audit noted that the Authority paid a sum of Rs 122.806 million to the contractor on account of Visa Fee/Custom duties in revised PC-I of "Additional Carriageway Torkham Jalalabad Road Afghanistan".

Audit observed that there was no such provision in original PC-I, whereas in revised PC-I/Office Memorandum provision for the same was made. This resulted in undue financial aid of Rs 122.806 million to the contractor.

Audit pointed out the irregular posting in September/October 2016. The Authority replied that payment was made as per amendment No. 1, duly signed by NHA & FWO.

The reply was not tenable because rates and prices included in BOQ included all costs i.e. liabilities, obligations set out or implied in the contract as per preamble clause 3 to the BOQ. Hence subsequent inclusion of cost of visa fee/custom in revised PC-I was not justified.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC pended the para.

Audit recommends recovery of undue paid amount.

(DP. 124)

4.4.81 Non-recovery of Mobilization Advance from the defaulter contractor - Rs 110.140 million

Condition 60.11 (b) of Particular conditions of contract part-II provide that the Mobilization Advance shall be recovered in equal installments; first installment at the expiry of third month after the date of payment of first part of Advance and the last installment two months before the date of completion of the Works.

Audit noted that Project Director, Peshawar Northern Bypass Project, Package-II, paid first part of Mobilization Advance Rs 220.281 million on 06.06.2016. Recovery of first installment was due on 06.09.2016, which was not effected/recovered. The Supervisory Consultants through progress report for June 2016 and August 2016 has reported that contractor was not mobilized at site of work and contractor performance was unsatisfactory. Default notice was also served to the contractor in June 2016. Notice for encashment of Performance Guarantee was also issued to the defaulter contractor. As the contractor failed to mobilize at site and default notice also been issued to the contractor, chance of recovery of Mobilization Advance were very slim. This resulted into non-recovery of Mobilization Advance Rs 110.140 million.

Audit pointed out the non-recovery in September, 2016 the Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 262)

4.4.82 Unjustified expenditure without detail of out of pocket expenses - Rs 104.925 million

According to GFR-10 (i), every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public

funds as a person of ordinary prudence would exercise in respect of expenditure of his own money. The expenditure should not be prima facie more than the occasion demands.

Clause 8.6.4 and 8.5 of concession agreement for overlay and modernization of M-2 (motorway) executed between NHA and MORE provides that the concessionaire shall also be responsible for the payment to the QAI of all reasonable and documented out of pocket expenses incurred in the performance of the services hereunder, including without limitation travel, reproduction costs, telephone calls and faxes and out of pocket expenses incurred by QAI's Project Management Team and its construction Supervision, staff.

Audit noted that a concession agreement for overlay and modernization of M-2 (motorway) was executed between NHA and MORE on 23rd April, 2014 for Rs 36,825 million.

Audit observed that the Concessionaire claimed out of pocket expenses and sales tax from NHA through different Invoices from December 2014 to February, 2016 for Rs 104.925 million (Rs 89.100 million for out of pocket expenses and Rs 15.825 million for 16% sales tax) which were paid without detail of the out of pocket expenses, and supported documents. This resulted in unjustified payment of Rs 104.925 million.

Audit maintains that the irregularity was due to inadequate mechanism for enforcing relevant rules and weak administrative/ internal controls.

Audit pointed out the irregularity in August 2016. The Authority replied that the out of pocket expenses were also objected while going through the contract agreement by internal audit and M/s MORE was asked to provide detail of the expenses which had not been provided as yet.

The para could not be discussed in the DAC meeting despite best efforts by Audit.

Audit recommends early provision of requisite details of expenditure.

(DP. 267)

4.4.83 Loss due to late payment by the Concessionaire - Rs 74.4 million

Chapter-X of NHA Revenue Share clause (a) (i) describes that NHA's Upfront Guaranteed Payment of Rupees Nine Thousand and Five Hundred Million only (PKR 9,500,000,000) shall be paid by the Concessionaire to NHA upon achievement of Financial Close, within such time period as stated in this Agreement.

Audit noted that the General Manager Motorways (M-2, M-3) Kallar Kahar, a concession agreement for overlay and modernization of M-2 (Motorway) was executed between NHA and M/s Motorway Operations and Rehabilitation Engineering Company (Private) limited (MORE) on 23rd April, 2014 for Rs 36,825 million. According to the above mentioned clause of agreement the contractor was bound to pay total amount of Rs 9.5 billion at the time i.e. (19.12.2014) of handed over/shake hand.

Audit noted that the authority received the amount in three (03) installments instead of getting the amount as a whole, which resulted into loss of Rs 74.4 million on account of interest.

Audit maintains that the loss was due to inadequate mechanism for enforcing relevant rules and weak administrative/ internal controls.

Audit pointed out the loss in August 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends recovery of loss from the concessionaire.

(DP. 266)

4.4.84 Extra cost to the public exchequer in shape of escalation and supervision charges due to less deployment of labour and equipment - Rs 74.086 million

According to agreement / revised work programme, the Contractor was required to deploy proper operational machinery and manpower as per requirement at the site of work to complete the work in time / extended time. As per Engineer's recommendations dated 17th December, 2015, the Contractor was required to deploy 121 machines and 180 persons to complete the work as per work schedule upto 30th June, 2016.

Audit noted that General Manager, Construction Balochistan (South) Khuzdar awarded the work "Construction of Gwadar-Ratodero road project- Khuzdar-Shahdadkot (Section-IV) Package-III (Km 35+000 to Km 84+500 (M-8))" to M/s AM Construction Company- Nazir & Co (JV) at agreement cost of Rs 1,115.844 million on 20th March, 2006. The work was commenced on 2nd October, 2004 to be completed upto 2nd October, 2006. The Contractor was granted EOT upto 30th June, 2015. No further extension was available on record. The Contractor has been paid Rs 1,644.362 million upto 26th IPC paid in August, 2016.

Audit observed following factors, which has delayed the project and resultant extra payment of escalation to the Contractor of Rs 74.086 and supervision charges of Rs 800,000 per month to the Consultants:

- (a) 106 number machines were available at site of work against requirement of 121. Out of which, 22 were declared as "Scrap" while 61 number machines were in break down. Thus only 19% machines were available in operational condition.

- (b) 83 persons against requirement of 180 persons were engaged on the work which shows deficiency of 97 number.
- (c) Qualification of the Contractors supervisory staff has been prescribed in Appendix-K to Bid (attached). But the persons posted by the Contractor on the project does not have the academic qualification as per appendix-K to Bid.
- (d) Material as per requirement was also not available at site of work. 10 drums of prime coat were available against requirement of 85 drums. 20,450 litre diesel was stored against required quantity of 60,000 litres. There was requirement of 5000 bags of cement while no cement was stacked at site of work.

This state of affairs proves that proper and required manpower, machinery / equipment and material was not made available at site of work by the Contractor for completion of work within extended time. But the Contractor was allowed escalation of Rs 74.886 million from April, 2016 to August, 2016 and Rs 800,000 (approx.) per month paid to supervisory consultants of the project as detailed below:

- 1. EPC No. 26 based on IPC-25 for April & May, 2016 Rs 45,824,885
- 2. EPC No. 27 based on IPC-26 for June & July, 2016 Rs 28,261,591

Audit holds that Contractor did not perform as per work schedule and agreement. The Contractor could only complete 75% work upto extended period of completion upto 30th June, 2016. The delay was on the part of the Contractor, therefore, the Contractor was not entitled of price escalation. Payment made to the consultants on account of supervision of the work also need to be recovered from the Contractor.

Audit maintains that extra cost occurred due to non-deployment of sufficient machinery and manpower and poor contract management.

Audit pointed out the extra cost in September, 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC decided that General Manager (Audit) NHA and Deputy Director Audit Works (Federal) may examine the issue for holistic picture of the project situation and submit report for discussion in next DAC meeting. The compliance of DAC's meeting was not made till the finalization of this report.

Audit recommends recovery.

(DP. 193)

4.4.85 Overpayment due to rectification works - Rs 73.379 million

The contractor of balance works of M-8, M/s FWO provided undertaking that “We have carried out detailed site visit of said projects area of Left over Works along with our project technical experts and discussed the details with the Consultants and Project Director. We by knowing the actual ground situation of site hereby under take that we will not launch any claim or time extension for security and delays arising out of security situation during the currency of contract and that we have duly checked the extent of damage of left-over works and we shall rectify all those upto specifications / requirements without claiming extra cost as the cost of rectification are duly included in our bid. We bear no objection that this undertaking shall become part of contract agreement one it is signed and shall take precedence over all other terms and conditions of contract document if we are declared as successful bidder”.

Audit noted that National Highway Authority awarded the works of M-8 in 2004 to different Contractors under various Sections / packages. Audit further noted that due to poor law and order situation in the area, the Contractors were released from performance in 2010. Subsequently, balance and some additional works including were awarded to M/s FWO under separate contracts during 2014.

Audit found that payment of Rs 73.379 million under SP-16 on account of “Aggregate base course (Rectification/spreading and

compaction of already laid material including making deficiency) was made to the Contractor of M-8 in violation of the Under-Taking and minutes of pre-bid meeting held on 24th June, 2013. The Authority did not provide details of rectification carried out by the previous Contractor and detail of further works of rectification required to be done. This resulted in overpayment of Rs 73.379 million to the Contractor.

Audit maintains that overpayment resulted due to non-adherence to the provision of the agreement and minutes of the pre-bid meeting.

Audit pointed out the overpayment in September, 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC observed that issue partially pertain to issue as identified in PDP 183 and therefore decided that General Manager (Audit) NHA and Deputy Director Audit Works (Federal) may examine the issue for holistic picture of the project situation and submit report for discussion in next DAC meeting. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 184)

4.4.86 Undue financial aid due to less recovery of Mobilization Advance - Rs 71.621 million

Clause 60.12 (a & b) (Particular conditions of Contract) of the Contract Agreement stipulates that an interest free mobilization advance up to 15% of the contract price stated in the letter of acceptance shall be paid by the Employer to the contractor upon submission by the contractor of a mobilization advance guarantee or exemption certificate to mobilization advance issued by the Government of Pakistan. Recovery of mobilization advance paid shall be made at the rate of 20% of each IPC and full recovery will be made two months prior to completion time.

Audit noted that GM Construction (South) Khuzdar awarded the project “Surab-Basima-Nag-Panjgur-Hoshab” of N-85 to M/s FWO.

During examination of accounts record of N-85 “Nag-Panjgur Section-III-B” and Panjgur-Hoshab Section-IV-B”, Audit observed that Mobilization Advance was granted to M/s FWO. As per provisions of the agreements, recovery of paid Mobilization advance was to be effected at the rate of 20 % of each IPC but the Authority deducted mobilization advance at the rate of 10% from the IPC – 18 & 07 respectively instead of 20%. This resulted in undue financial aid to the Contractor of Rs 71.621 million.

Audit held that less recovery of outstanding mobilization advance occurred due to non-adherence to the agreement clause by project management, lack of financial and internal controls.

Audit pointed out the undue financial aid in September, 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed NHA to get the record verified from Audit. The compliance of DAC’s directive was not made till the finalization of this report.

Audit recommends early compliance of DAC’s directive.

(DP. 197)

4.4.87 Non-recovery of amount paid for repair of flood damages - Rs 70.483 million

According to Clause 21.2 of Contract Agreement that the insurance in paragraphs (s) and (b) of Sub-Clause 21.1 shall be in the joint names of the Contractor and the Employer and shall cover:

- (a) the employer and the contractor against all loss or damage from whatsoever cause arising, other than as provided in sub-clause 21.4, from the start of works at site until the date of

issue of the relevant Taking-Over Certificate in respect of the works or any section or part thereof as the case may be, and

- (b) the contractor for his liability: (i) during the defects liability period for loss or damage arising from a cause occurring prior to the commencement of the defects liability period, and (ii) for loss or damage occasioned by the contractor in the course of any operations carried out by him for the purpose of complying with his obligations under clauses 49 and 50.

Audit noted that the Project Director made payment to the contractor for item of work “108c: formation of embankment in common from borrow” for quantity of 157,805 Cu.m (67801.063 Cu.m + 90,004.123 Cu.m) @ Rs 446.65 per Cu.m for ‘Refilling of breached section due to flood 2013 & 2014’ to restore the flood damages whereas no payment was admissible as per clause of agreement because the damages were to be met from insurance coverage. But no claim for recovery from insurance company was lodged. This resulted in non-recovery of Rs 70.484 million (157,805 Cu.m x Rs 446.65 per Cu.m).

Audit pointed out the non-recovery in October 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends recovery.

(DP. 322)

4.4.88 Overpayment to the contractor due to allowing price escalation on non-BOQ rates - Rs 65.611 million

Clause 52.2 (b) of COC-II provides that if the unit rate used in any valuation under clause 52.1 and fixation under clause 52.2 for varied works is/are adopted from the unit rates available in the BOQ the

valuation may be subjected to price adjustment under clause 70 wherever contractually applicable. If the unit rates are fixed by taking into account the contractually applicable current market rates of the materials, labour and other inputs, the amount for varied work shall not be subjected for adjustment of price.

Audit noted during review of the accounts record of the Lowari Tunnel Project that certain non-BOQ items were introduced through variation order No.3 & 5 approved in Feb 2009, item rates were derived from the market.

Audit observed that project management approved variation order No.6 in December 2013 wherein rates of the items approved in aforementioned VOs were got de-escalated from the escalated rates prevailing on respective applicable date to contractual level to entitle the contractor for price adjustment against these non-BOQ items. It is worth to mention that de-escalating of the rates of these items on prorata percentage basis was done assuming that these rates would have been prevailing on respective applicable date at contractual level.

Audit further observed that escalation on these items was paid on the basic prices of the 2005 setting aside the contractual provisions and approved rates through variation order, the contractor was unduly favoured in violation of the contract/rules in the shape of extra payment.

Escalation was allowed on the item 413 structural steel works based on the basis of the steel billet rates although structural steel was not a specified item as per appendix-C to bid.

Non-adherence to contract clause caused overpayment to the contractor by allowing escalation on non-BOQ items and non-specified item rates of Rs 65.611 million.

Audit pointed out overpayment in July-August 2016. The Authority replied that rates for Pay Items 405 (Pre stressed Steel Grade 270), 406c (Steel Expansion Joints) and 413 (Structural Steel) got

introduced in Variation Order No.6 as market rates into the contract through Variation Order No.3 & 5 respectively and were as such excluded from escalation. The said item was introduced during 2008 & 2009 and envisaged that the construction of bridges would be carried out within one year i.e. upto year 2010. However, owing to change of design from Rail Tunnel to road tunnel, the designs of bridges were also changed. Subsequently, the work was suspended in year 2009 & 2010 due to military operation in Malakand Region, which remains upto 2010. Thereafter, in 2011 the contractor terminated the contract owing to non-payment of certification dues. The suspension was remained for one & half years. The contract was revived after the Amicable Settlement between NHA and Contractor and finally work was recommenced in December, 2012 and Physical started in mid of year 2013. Since, the “question” items were executed in year 2006, thus the market rate as incorporated in year 2008/2009 was not applicable. Therefore, the current rates of items were de-escalated to original base rates of 2005.

The reply was not tenable as non BOQ item rates were prepared on market item rates and as per provision of contract all varied works were not subject to price adjustment. The non BOQ rates provided in the VO No. 3 & 5 were accepted by the contractor, hence subsequent deviation from the contractual provision was irregular unauthorized only favour to the contractor. As per FIDIC and PEC guidelines, escalation is only admissible on the items provided in the engineer’s estimate/contract/BOQ/ specified material provided in the Appendix-C as coefficient weightages/specified materials are calculated on the said basis. Audit point stand established and stresses for recovery of overpaid amount on account of escalation.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that work remained suspended due to security reasons & financing issues and was actually executed in 2016. Therefore, market rate of steel items prevalent in 2008 & 2009, as incorporated in V.O. 3 & 5 were not applicable. Accordingly current rates were de-escalated to original base rate of 2005 and paid to the contractor along with price escalation through V.O. 6 with the approval of competent

authority. NHA further explained that price adjustment was admissible on structural steel. Audit contended that different methodology was adopted for different variation orders, which is not covered under any provision of the contract agreement. Moreover, structural steel was not a specified item as it was not included in Appendix-C. DAC directed NHA to produce provision of the contract, allowing different methodology to determine rates under different variation orders. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 01)

4.4.89 Overpayment due to non-revision of rates for abnormal increase in BOQ quantities - Rs 62.448 million

As per item No. 02 (d) of progress report of March 2016 submitted by The Engineer of Takht Bhai Flyover Project, due to abnormal increase in B.O.Q quantities, rates of these items were liable to be revised/reduced as per provision of clause 52.2 for which approval of client/employer was solicited.

Audit noted that Project Director Takht Bhai Flyover Project NHA, initiated/recommended variation orders No. 01 and 02 through which quantities of BOQ items were abnormally increased. Rates of increased quantities were to be revised / reduced as recommended by the Engineer of the Project.

Audit observed that thirteen (13) IPCs were paid to the contractor involving abnormal excess quantities, but rates of these items were not reduced despite a lapse of considerable period. Due to non-reduction in rates adjustment was not made from the contractor. This resulted into overpayment Rs 62.448 million.

Audit maintains that the overpayment was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment in September, 2016. The Authority replied that “The Engineer” recommended the substantial deduction of the revised item rates for item 401giii (i) quantity 69.744 Cubic Meter @ Rs 18,000 per cubic meter amounting to Rs 1.255 million, working was in advance stage by The Engineer. As soon as the rates are finalized, it would be recovered in the forthcoming IPCs.

As admitted/certified by the Project Director that overpayment upto IPC No. 10 was made for Rs 62.448 million

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends recovery.

(DP. 251)

4.4.90 Excess payment due to higher rates - Rs 57.986 million and unauthentic quality and execution of work - Rs 66.715 million

The contract for supply, installation, commissioning and pre-installation civil works for permanent type slow speed weigh in motion (SSWIM) (Load Cell Technology ASTM E-1318 or better) equipment on motorways M-2 (Package-I) was awarded to M/s Toll Link Pakistan Pvt. (Ltd) vide acceptance letter dated 25th September, 2013 for an agreement amount of Rs 108.800 million. The contract was signed on 23rd October, 2013. The date of commencement was 28th October, 2013. The delivery period was 3-5 months after confirmation of order.

As per warranty clauses 15.1 & 15.2 the equipment supplied under this contract was to be new, unused, of the most recent or current models and those they incorporate all recent improvements in design and materials unless provided otherwise in the contract. The warranty shall remained valid for a period of eighteen (18) months after the Goods, or any portion thereof as the case may be, have been delivered or twelve (12) months

from the date of Installed / commissioned and accepted at the final destination as indicated in the contract.

As per general conditions of contract clause 11.1 the goods supplied under the contract shall be delivered duty paid.

A scrutiny of paid vouchers, MB (1712) relating to the above contract has revealed that the contractor has been paid IPC-III on 02nd April, 2015 for upto date value of Rs 71,731,581. Audit observed the following:

- A. Sixteen numbers weigh equipment have been paid to the contractor @ Rs 5,212,088 each (80% for Rs 66.715 million). Audit observed that the same equipment was supplied by the same supplier @ of Rs 1,587,950 each through another contract agreement executed in the year 2010. Higher rate of Rs 3,624,138 was allowed to the same contractor for the same equipment which resulted in excess payment to the contractor of Rs 57.986 million (16 x Rs 3,624,138).
- B. Out of the sixteen equipment (for which payment of Rs 66.715 million has been paid to the contractor) three number weigh stations have been installed so far. Balance thirteen number equipment valuing of Rs 54.206 million (80% paid so far) are not on the stock / custody of NHA. Rather, these are with the contractor/supplier. Audit further observed that the Bill of Landing showing import of these weigh stations and payment of duties/taxes at the time of import is not available in the record produce to Audit. Payment and quality of weigh station equipment for Rs 66.715 million is held unauthentic.

Audit pointed out the irregularity in February- March 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that PPRA rules were followed. It was further explained equipment procured in 2013 were of improved configurations and specifications as compared to equipment procured in 2010. DAC directed NHA to get the facts verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 153)

4.4.91 Non-recovery of mobilization advance - Rs 56.385 million and interest thereof - Rs 8.457 million

According to clause-60.12 and provisions of contract data, an interest free mobilization advance up to 10 % of the contract price stated in the Letter of acceptance shall be paid by the Employer to the Contractor in two equal parts upon submission by the Contractor a mobilization advance Guarantee/ Bond for the full amount of the Advance in the specified form from a scheduled Bank in Pakistan or an Insurance Company acceptable to the Employer. The advance shall be recovered in equal installments; first installment at the expiry of third month after the date of payment or first part of Advance and the last installment two months before the date of completion of the works as per Clause 43 thereof.

Audit noted that NHA awarded the work, "Construction of Bridge at Syed Wala on River Ravi (Including Guide Banks and Approach Roads). Audit observed that an amount of Rs 88.032 million was paid to the contractor as mobilization advance. According to the condition of mobilization advance, it should be started just after three months of its payment i.e. on 22.02.2013 (date of payment), but the same was got recovered up to 16.02.2014 i.e. two months before the stipulated completion period.

Audit further observed that stipulated date of completion was also expired on 16.04.2014 but amounts of Rs 56.385 million (64% of the mob. advance) is still recoverable. The contractor has failed to execute the work as per agreement schedule, so the contractor was liable to pay interest @ 15% per annum. This resulted in non-recovery of mobilization advance amounting to Rs 56.385 million and interest accrued thereon for Rs 8.457 million per annum.

Audit pointed out non-recovery of mobilization advance in March 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 245)

4.4.92 Non-implementation of Environmental Management Plan caused non-protection of environment of project vicinity by non-utilization of provision of PC-I - Rs 55.272 million

PC-I of the project Construction of Khanewal-Multan Motorway (M-4) extension' contain a provision of Rs 55.272 million on account of Environmental charges.

Audit noted that the project was started in December 2011 and substantially completed on 21st November, 2015 and an expenditure of Rs 11,920.135 million had incurred on the construction of project. As per rule the environment management plan was required to be implemented during execution of the project in order to take measure to mitigate the environmental effect during and after execution of the project. Accordingly a provision of an amount of Rs 55.272 million was allocated in the PC-I on account of environmental charges.

Audit observed during review of the statement of expenditure toward provision of PC-I prepared by the Account Section indicated that

only an amount of Rs 0.903 million was expended on account of environment protection. This state of affair is well evident that necessary measures for environment protection was not taken during execution of the project which hampered the environmental impact of the project adjoining area and population of the area residing along the 57 Km of the roadway.

Audit held that non-implementation to EMP/PC-I caused non-protection of environment of project vicinity.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out irregularity in September 2016. The Authority replied that Environmental Management plan was implemented during Execution phase. The same was monitored by Supervisory Consultant. The monthly monitoring report was made part of monthly progress report. The provision of an amount of Rs 55.272 million was the tentative amount allocated in the PC-1 on account of Environmental Charges. The expenditure Rs 0.903 Million indicated in expenditures does not reflect the cost of EMP during execution.

The reply was not tenable as there was provision of Rs 55.272 million for implementation of EMP which was not expended till completion of the project which indicated that EMP was not implemented as per provision of PC-I and loan covenant.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.

(DP. 216)

4.4.93 Non-recovery of ROW dues of Rs 49.28 million, non-recovery of NOC charges Rs 5.9 million and non-calculation/assessment of millions of rupees on account of ROW charges

As per Rule 3(2) of NHA Roads Maintenance Account Rules, 2003, all revenues from road users accruing to the NHA, from the tolls on roads and bridges, net of collection costs, shall be expeditiously transferred into the Roads Maintenance Account.

As per Rule 10 of Chapter III (General Regulations, Provisions) of Regulatory Framework and Standard Operating Procedures for Preservation and Commercialization of Right of Way (NHA Code Volume-II, 2005), Deputy Director (Maintenance) or Corridor Management Contractors shall ensure to collect the annual fees/ground rental charges from the owners of commercial entities/amenities and different Government/Semi Government agencies owning the utilities within the due date. In case of non-payment, within fifteen (15) days of the due date, issue the notices for payment of annual lease or ground rental charges or fee and will endorse a copy to RAMD, Islamabad and Regional General Managers.

Rule 3 (x) of chapter-VI NHA code Vol-II provides that the NOC fee shall be Rs 50,000 in favour of NHA RM Account, Islamabad for each filling/CNG station, which shall be non-refundable.

Audit noted during review of revenue record of General Manager (Maintenance) Northern Areas, NHA Abbottabad that 198 filling station users of NHA ROW are running their business without payment of ROW charges/NHA dues. Among the defaulters are the owners of CNG Filling Stations, Petrol Pumps.

Audit observed that these users were operating their business for many years, authority has, therefore, been deprived from a revenue as out of 198 CNG/Petrol pumps, Revenue Section provided a statement of 91 cases against which an amount of Rs 49.281 million was shown

outstanding, whereas revenue from other 107 CNG/petrol pumps was not calculated by the Revenue Section.

Non-adherence to rules/SOP caused non-recovery of ROW dues of Rs 49.28 million, non-recovery of NOC charges Rs 5.9 million and non-calculation/assessment of millions of rupees on account of ROW charges.

Audit maintained that the irregularity occurred due to weak internal/financial controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out non-recovery of ROW charges in August 2016. The Authority replied that notices to Non-NOC holders have been sent for showing of NOC or process for obtaining NOC as per NHA Rule. In reply it was conceded that notices for recovery of ROW charges were issued at the instance of audit.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC pended the para with direction to provide details of recovery and notices issued. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 169)

4.4.94 Overpayment due to allowing higher rates for additional work - Rs 54.773 million

As per original BOQ, the contractor quoted 5% below on estimated cost based on NHA CSR 2011 (district Multan).

Audit noted that GM (P-S) Maint, NHA, Multan, awarded additional maintenance works containing ABC Class-B, lane marking in TP paint, etc. Audit observed that additional work was priced at rates given in NHA CSR 2014 - 5%. Audit holds that contractor quoted 5% below on estimated based on NHA CSR 2011, therefore, additional items

of maintenance work were payable at NHA CSR 2011 - 5%. Further maintenance works having estimated cost on NHA CSR 2014 were awarded upto 25%-40% below through open competition. In this way additional work was not only awarded in violation of PPRA but higher rates were also allowed. This resulted in overpayment of Rs 54.773 million.

Audit pointed out the non-recovery in November 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 346)

4.4.95 Non-taking over of vehicles, land & structures and other fixed assets by Contractor/Police and irregular/unauthorized expenditure - Rs 54.532 million

Rule-11 of General Financial Rules (GFR) provides that each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers. Rule -12 of General Financial Rules further states that a controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided.

Clause 6.13 of Minutes of the 156th Executive Board Meeting April 12, 2008 at Islamabad provides that on project completion, trained security manpower exclusively raised shall be relieved/ transferred to NAs Administration. However, vehicles, land & structures and other fixed assets would be return to NHA.

Audit noted that General Manager, NHA awarded a work Contract Agreement (Amendment No.04) to Gilgit Baltistan Police, for provision of security of Chinese Engineers/workers, working on KKH improvement/up-gradation (Raikot-Khunjerab Section) extended for further period 01st February, 2015 to 30th September, 2015 on the same terms and conditions as laid down in the original agreement for re-alignment of KKH Attaabad Barrier Lake.

Audit further noted that progress report upto June, 2016 of the Project and noticed that the Project Director, KKH Attaabad Barrier Lake paid an amount of Rs 185.226 million (USD.2,163,855x85.60) with 108% of the sub total of the bills for safety and security facilities of the Contractor. Audit observed that the contractor was bound to return vehicles, land & structures thereon and other fixed assets to NHA. Completion date of the contract was expired on 30th September, 2015 but the vehicles, land & structures and other fixed assets were not returned to NHA by contractor/Police department. Non-taking over of vehicles / other assets in time enhancing the chances of deterioration and lessening the value of assets.

Audit also observed that Project Director, KKH Attaabad Barrier Lake paid an up-to-date rent of vehicles for Rs 54.532 million according to the general items No.1209, 1210 and 1211 of original BOQ. Audit further observed that other Items 1223 and 1224 amounting to Rs 39.93 million were also included in the BOQ for purchase of vehicles. Audit is of the view that the project was completed on 25.09.2015 but the vehicles of the project were not handed over by contractor to NHA. This undue inclusion of Items resulted into increase in the amount of loan and undue benefit to the contractor which needs clarification/justification besides regularization from the competent forum.

Audit maintains that irregularity occurred due to inadequate oversight mechanisms for enforcing relevant rules, regulations and weak internal controls.

Audit pointed out the irregularity in August 2016. The Authority admitted audit view point and replied that the GB Police has returned 6 out of 17 vehicles and 10 out of 27 motor cycles to NHA but due to extension of time period upto 24th September, 2016 by the end defect liability period the remaining vehicles and other assets were required to provide security by the GB Police. After expiry of defect liability period, now 5 months security agreement extension request has been made by the M/s CRBC for demobilization of their plants, camps and equipment. Therefore, a committee has been constituted by GM GB to finalize the handing taking of assets with GB Police. After finalization of handing taking of assets, it will be verified by the audit. Performance security has not yet been released due to completion of handing taking of assets and other contractual obligation by M/s CRBC.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 269)

4.4.96 Execution of work below the specified limits due to laying of lesser thickness of crack relief layer - Rs 54.503 million

The composition of the asphaltic open-graded crack-relief layer shall meet the following criteria:

Aggregate Grading Requirements			
Sieve Designation			Percent Passing by weight
mm	Inch		
50		2	100
37.5		1.1/2	75-90
19		¾	50-70
4.75		No. 4	8-20
0.15		No. 100	0-5
Asphalt Cement Content of total Mix			2-3% by weight
Mixing Time			30 seconds (Maximum)
Mix Design			Within Master Range Gradation

The exact percentage of asphalt cement content shall be such that at least Ninety five (95) percent coating of aggregates will be achieved when tested in accordance with AASHTO T-195.

Construction of this layer shall conform in all respects to the requirements specified under Item 203.3.

Audit noted that a non-BOQ item 205-b 'asphaltic open graded plant mix crack relief layer' was introduced in all periodic maintenance contracts through which functional and structural overlay was to be executed. This item was inserted on discovery of cracks beneath the asphaltic layer.

Audit observed that afore said item was measured and paid by adopting by 3 cm thickness. A review of the analysis of rate of item and specification indicated that 2 inch to 1.5 inch crush aggregate was to be used for crack relief in the mix design of item 205-b and it was required to be laid by adopting thickness about 7 cm to 9 cm as per class-a of the item 203, therefore, laying of 3 cm thickness of crack relief layer was hardly feasible.

Non-adherence to specification, mix design laying of lesser thickness of crack relief layer caused execution of work below the specified limits involving Rs 54.503 million

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out irregularity in September-October 2016. The Authority replied that Job Mix Formula of crack relief layer as recommended by GM (Material) is attached. Accordingly crack relief layer is laid with paver to prevent the appearance of cracks on newly laid asphaltic layers and to enhance the life of road.

The reply was not tenable as no technical justification of laying 3 cm layer could be produced. As per specification aggregate grading requirement of crack relief layer was 1.5 inch and ¾ inch sieve designation passing 75% to 90% and 50% to 70% passing respectively, as such the compacted thickness of a layer shall not be admissible below than 5 cm.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 280)

4.4.97 Excess payment due to higher rates - Rs 51.833 million and unauthentic quality and execution of work - Rs 50.787 million

The contract for supply, installation, commissioning and pre-installation civil works for permanent type slow speed weigh in motion (SSWIM) (Load Cell Technology ASTM E-1318 or better) equipment on motorways M-2, N-5 and spare (Package-II) was awarded to M/s National Engineers vide acceptance letter dated 25th March, 2013 for an agreement amount of Rs 96.600 million. The contract was signed on 17th April, 2013. The date of commencement was 24th April, 2013. The delivery period was 5-6 months after confirmation of order. The work of supply, installation, commissioning and pre-installation civil works was, therefore, required to be completed upto maximum date of 23rd October, 2013.

As per warranty clauses 15.1 & 15.2 the equipment supplied under this contract was to be new, unused, of the most recent or current models and those they incorporate all recent improvements in design and materials unless provided otherwise in the contract. The warranty shall remained valid for a period of Eighteen (18) months after the Goods, or any portion thereof as the case may be, have been delivered or twelve (12) months from the date of Installed/commissioned and accepted at the final destination as indicated in the contract. As per general conditions of

contract clause 11.1 the goods supplied under the contract shall be delivered duty paid.

A scrutiny of paid vouchers, MB (2293) relating to the above contract has revealed that the contractor has been paid IPC-III on 20th January, 2016 for upto date value of Rs 61.080 million (upto June 2015 Rs 59.919 million). Audit observed the following:

- A) Fourteen numbers weigh equipment have been paid to the contractor @ Rs 5.290 million each (80% for Rs 59.251 million). Audit observed that the same equipment was supplied by M/s Toll link through another contract @ Rs 1.588 million each in the contract agreement executed in the year 2010. Higher rate of Rs 3.702 million was allowed to the contractor for the same equipment which resulted in excess payment to the contractor of Rs 51.833 million (14 x Rs 3.702 million).
- B) Out of the fourteen equipment (for which payment of Rs 59.251 million has been paid to the contractor) two number weigh stations have been installed so far. Balance twelve number equipment valuing of Rs 50.787 million (80% paid so far) are not on the stock / custody of NHA. Rather, these are with the contractor/supplier. Payment of equipment which are with the contractor/supplier was not justified/admissible.

Audit pointed out the irregularity in February- March 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that PPRA rules were followed and procurement was finalized with the approval of competent authority. It was further explained there was higher exchange rate of US\$ and GST applicable in 2013 as compared with that prevailing in 2010. DAC

directed NHA to get the facts verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 154)

4.4.98 Irregular/unauthorized extension in contract period of consultant/ Specialist - Rs 50.171 million

Rule 2 (k) & 42 C(iv) of Public Procurement Rules, 2004, provides that repeat orders means procurement of the same commodity from the same source without competition and includes enhancement of contract and repeat orders not exceeding fifteen percent of the original procurement.

Rule-12(2) of Public Procurement Rules, 2004, provides that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

Table (IV-2) of Chapter 4 engaging consultants & administration of consultancy services provides that variation in cost of consultancy services due to time extension requires approval of NHA Executive Board.

Last extension orders provides that the services of Senior Procurement & Contract Specialist are extended to 30th September, 2013 up to the date of superannuation (date of birth 1st October, 1953) and extension after superannuation approval of the Cabinet Establishment Division is mandatory.

4.4.98.1 Audit noted that Mr. Muhammad Azim was appointed as Senior Procurement & Contract Specialist on 7th January, 2011 for a period of one year from 7th January, 2011 to 6th January, 2012. The services was required to be terminated on 07th January, 2012 on completion of the

contract period but Chairman NHA granted 1st extension up to 30th September, 2013 for a period of 21 months till the date of superannuation of said specialist.

Audit further noted that after expiry of extension over superannuation further extension was granted for 24 months up to 30th September 2015 through a consultancy contract drawn on PEC standard documents valuing of Rs 14.398 million.

Audit observed during review of case file of consultancy agreement that contract of Senior Procurement & Contract Specialist was once again extended for 02 years up to 30th September, 2017 with a total cost of Rs 19.064 million (salary cost= Rs 14.328 + non-salary cost Rs 2.736 million+ provisional sum Rs 2.0 million).

As per PPRA Rules the same services from the same source without competition and includes enhancement of contract and repeat orders not exceeding fifteen percent of the original procurement wherein in the instant case extension involving 132% enhancement over the previous contract.

It is further pointed out that in case file maintained by the accounts section an ineligible copy of contract agreement of extended period was placed wherein date of signing of agreement was 7th January, 2016 whereas previous contract was expired on 30th September, 2015, which indicated that the extension was granted as ex-post facto which was not admissible.

As per practice in vogue notification for extension in any contract agreement is issued containing the order of competent authority i.e. Chairman wherein in instant case no such notification was found available in the record. Agreement was got signed by Member (Engineering & Coord) whereas previous agreement with the same consultant was approved and signed by the Chairman, NHA.

In view of above narrated facts and non-adherence to Public Procurement Rules extension in contract of Senior Procurement & Contract Specialist involving cost of Rs 19.064 million stood irregular.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out irregularity in November 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 375)

4.4.98.2 Audit noted that after expiry of extension over superannuation further extension was granted for 24 months up to 30th September, 2015 through a consultancy contract drawn on PEC standard documents valuing of Rs 14.398 million. Award and extension of contract was irregular unauthorized due to following reasons:

- 1) As per Public Procurement Rules all procurement of services (consultancy contract) were required to be procured through competitive bidding in open manner published in the newspaper nationwide, but in instant case no such arrangement was made.
- 2) The consultant was originally hired as individual consultant for a period of one year and afterward extension up to the date of superannuation was granted and after attaining the age of superannuation of an any individual requires approval of the Prime Minister/Establishment Division, therefore, in order to avoid the said approval a new contract on PEC documents was accorded by treating the consultant firm rather than individual.

- 3) The services of the seven (07) personnel of support staff including engineers were the part of the contract which means that this was not an individual consultant but a consultant firm which was required to be registered with PEC but the same was not registered as consultant firm.
- 4) As per TOR, handling contract litigation, arbitration, contractor's/consultant's claim and preparation of organization counter claims, international arbitration/litigation relating to M-1, M-2 and M-9 were assigned to the senior procurement specialist, in order to avoid save the authority interest through these unnecessary claims. However, the achievement of said objective is not forthcoming. As such the total payment made on said account proved futile.

In view of above deficiencies and short comings award of consultancy contract, extension of the Procurement Specialist and payment of Rs 14.398 million on account of remuneration beyond the original period of contract stood irregular/unauthorized.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out irregularity in November 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.

(DP. 373)

4.4.98.3 Audit noted that a consultancy contract (I.T Consultant) was signed on 8th November, 2013 between NHA and Mr. Kashif Abbas, Integrated Program Management Consultant (IPMC). The contract was

awarded for a period of six months starting from 21st October, 2013 to 20th April, 2014 on retainer ship fee basis Rs 250,000 per month. The agreement was signed by the Consultant and G. M (Finance), NHA.

Audit observed during review of case file of consultancy agreement that contract was extended for further period of six months on the same terms and conditions and agreement was signed by the Deputy Director (MIS) on behalf of NHA from 21st April, 2014 to 20th October, 2014. On expiry contract was again extended by Director (Estab) from 20th October, 2014 to 20th April, 2015.

Audit further observed that the same contract was further extended for six months from 21st May, 2015 to 20th December, 2015 on same remuneration to same consultant and agreement was signed by Director (Estab), on behalf of NHA.

As per practice in vogue notification for extension in any contract agreement is issued containing the order of competent authority i.e. Chairman, NHA wherein in instant case no such notification was found available in the record. Original agreement was got signed by General Manager (Finance) and extensions in contract agreement of I.T Consultant was signed by DD(MIS) & Director (Establishment).

As per PPRA Rules the same services from the same source without competition and includes enhancement of contract and repeat orders not exceeding fifteen percent of the original procurement over the previous contract.

In view of above narrated facts and non-adherence to Public Procurement Rules caused irregular award and extension in contract of I.T Consultant having cost of Rs 8.00 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out irregularity in November 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 376)

4.4.98.4 Audit noted that NHA advertised the 07 posts of individual consultants/experts in August 2010. Mr. Muhammad Azim was appointed as Senior Procurement & Contract Specialist vide letter No. 1(2)Admn(R)/NHA/11/330 dated 7th January, 2011 for a period of one year from 7th January, 2011 to 6th January, 2012.

The services was required to be terminated on 7th January, 2012 on completion of the contract period but Chairman NHA granted 1st extension up to 30th September, 2013 for a period of 21 months till the date of superannuation of said specialist.

Audit held that the extension was irregular/unauthorized due to following reasons:

- 1) As per PPRA Rules the same services from the same source without competition and includes enhancement of contract and repeat orders not exceeding fifteen percent of the original procurement wherein in the instant case extension involving 150% enhancement 10 times over the original period.
- 2) There was no provision in the terms and conditions of appointment for extension of contract.
- 3) As per clause 2 of appointment letter NOC was required to be submitted within 15 days from the Ministry of Defence which was not provided.
- 4) There was a provision in terms of reference to enhance the in house capacity building and to train the procurement office

staff of organization but the consultant did not comply with this provision which was a lapse on his part which negated the admissibility of extension.

- 5) Extension was granted keeping in view the provision of Para 30 to 34 of Chapter-IV of NHA code whereas the same provision existed only for fresh appointments for short term individual consultant.

In view of above deficiencies and short comings hiring and extension of the Procurement Specialist and payment on account of remuneration of Rs 7.109 million beyond the original period of contract was irregular/unauthorized.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out irregularity in November 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 371)

4.4.98.5 Audit noted that a consultancy contract (NET Programming Expert) was signed on 15th May, 2014 between NHA and Mr. Shujaat Ali Kulvi. The contract was awarded for a period of 04 (four) months starting from 15th May, 2014 to 14th September, 2014 on retainer ship fee basis Rs 75,000 per month. The agreement was signed by the Consultant and D.D (MIS), NHA.

Audit observed during review of case file of consultancy agreement that contract was extended for further period of four months on the same terms and conditions and agreement was signed by the Deputy

Director (MIS-II) on behalf of NHA from 15th September, 2014 to 14th January, 2015.

Audit further observed that 2nd extension was granted for 04 months from 1st February, 2015 to 30th May, 2015 on monthly remuneration of Rs 125,000 and agreement was signed on behalf of NHA by Mr. Kashif Abbas who was also hired through contract as IT Consultant, which is irregular/unauthorized. 3rd extension was granted to the same consultant on same remuneration for a period of 04 months from 17th August, 2015 to 16th December, 2015.

As per practice in vogue notification for extension in any contract agreement is issued containing the order of competent authority i.e. Chairman/Board, NHA wherein in instant case no such notification was found available in the record.

As per PPRA Rules the same services from the same source without competition and includes enhancement of contract and repeat orders not exceeding fifteen percent of the original procurement over the previous contract.

In view of above narrated facts and non-adherence to Public Procurement Rules, award and extension in contract of NET Programming Expert having cost of Rs 1.6 million stood irregular.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out irregularity in November 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.

(DP. 381)

4.4.99 Undue favour to the contractor due to non-recovery of overpaid amount on account of Factor-C - Rs 46.897 million

As per approval of the Chairman NHA vide sheet No.13, Diary No.42 GM (P&CA)/NHA dated 17th February, 2015, for Proposed Settlement and Contract Structure at No.VI, the settlement/re-assignment of the contract was subject to Withdrawal of Court Cases.

Audit noted that General Manager Construction (Punjab-North) awarded a work, "Construction of Baba Farid Bridge over River Sutlej at Dhakpattan" at agreement cost 912.58 million the Project was started on 1st February, 2008 and the work was again started on 17th July, 2015 and will be completed on 16th July, 2016. The project cost comes to Rs 913.47 million.

Audit further observed that as per agreement (amendment iv of the contract signed between NHA and the contractor clause V sub-clause 5.1) "the parties have agreed that out of Rs 75.00 million released by NHA to the contractor on account of Factor-C, 37.47% amounting to Rs 28.102 million will be refunded by the contractor to NHA. Fate of the balance 62.53% amounting to Rs 46.897 million shall be decided by Court of Law.

Audit further observed that in case the Courts decided in favor of the contractor, the Contractor shall be entitled to retain the said balance amount and the aforementioned 37.47%, refunded by the Contractor to NHA, shall be paid to assign by NHA. In case Courts decide in favor of NHA then the Contractor shall be bound to return the said amount. Audit is of the view that the Contractor was declared defaulter by the NHA vide latter dated 7th December, 2014 under class 63.1(a),63.1(b)(i) & (ii) and 63.1(d). After that the contractor approaches to NHA for negotiation. The chairman reconsidered the action taken and allowed revival of the contract subject to withdrawal of all litigations. As the contract was reviewed with the condition that contractor would withdraw all court cases, so pending recovery of Rs 46.897 million subject to court decision is quite unjustified and undue favor to contractor.

Audit pointed out undue favour and non-recovery in March 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 240)

4.4.100 Overpayment due to non-adjustment / reduction in rates of enhanced quantities - Rs 45.877 million

As per BOQ Quantity of item No. 106c was provided for 5,000 M³ @ 910 per cubic meter & excavation surplus unclassified roadway excavation including / rock material was provided for 1,000 M³ on the basis of site survey and detailed inspection of site of work.

Audit noted the Project Director, Package-II & III (Flood Emergency Reconstruction Project) NHA allowed and paid item No. 106 for 7,548.343 M³ @ 415 per M³ against agreed quantity 1,000 M³. Similarly quantities of sub-base and base course were increased from BOQ quantity of 1,700 M³ to 2,739 .036 M³ and 1,650 M³ to 3,294.141 M³ respectively. Bill No. 1 earth work was abnormally increased but rates were not adjusted/reduced by the Engineer as recommended and proposed in Package-II by the same "The Engineer" against item No. 106. Audit is of the view that rates for all three items were to be paid after reduction @ 40% with consultation of employer and contractor. This resulted into overpayment of Rs 45.877 million.

Audit maintains that overpayment resulted due to non-adherence to the rules/regulations, existence of opportunity for violation of law and material weakness in internal controls.

Audit pointed out the overpayment in July 2016. The Authority replied that, quantities were increased on the orders of competent authority. Prior permission for execution of the same was obtained from

competent authority. It was highlighted that bridge center line was moved by 10 meters toward down side due to restricted construction site. Secondly the diversion through PLS in the form of Bailey bridge was avoided.

As admitted in reply there was a huge excess/variation in earth work for which adjustment in rates was required to be made. The center line of the bridge was moved 10 meter down, due to restricted construction, it was a design fault due to which 200 meters road was constructed afresh. Penal action against the design consultant was not taken.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed NHA to conduct a fact finding inquiry through General Manager concerned and submit report to Audit for verification within 3 weeks. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 37)

4.4.101 Overpayment due to incorrect application of item of work - Rs 45.255 million

Item 13.20.2 tunnel lining concrete provides that the inner lining in situ concrete in the tunnel which contained the cost of formwork which shall be fabricated and erected to the dimensions of the finished surfaces of the concrete. This formwork IS:456-2000 is especially casted and fabricated for tunnel lining having 8.9 square meter against which the contractor quoted rate Rs 15,000 per Cu. meter.

Audit noted during review of the measurement of aforesaid item that it was measured for foundation and kicker on ground wherein this radial formwork was not used.

Audit held that cost of the radial formwork included in the rate of item tunnel inner lining concrete was required to be reduced proportionately which was not done, as such the contractor was overpaid.

Non-adherence to specification caused overpayment of Rs 45.255 million.

Audit pointed out overpayment in July-August 2016. The Authority replied that as per provision under the Contract Specifications Part-III, Volume-II-A Clause 13-10 and related Sub-Clause for Tunneling prescribes that Foundation beams form (Kicker) abutment for final Tunnel Lining. They also form the connecting Link, Foundation beams, the invert, side walls and roof arch provide necessary tools for the construction of the final in-situ concrete tunnel lining. Besides, concrete grade for Inner Lining Arch, Foundation Beam and Invert Arch shall be Grade 28 according to ACI 318. In light of above, the Construction Methodology is prepared as per provision of contract as stated above and the cost of Kicker is included in pay item of Concrete Lining.

The reply was not tenable as internal lining in the modified road tunnel was exclusively required for upper circumference of the tunnel whereas kicker was casted on ground having height of 40 centimeter. As such inclusion of entire cost of radial formwork for such a small component was unjustified requires proportionate deduction which was not done and contractor was overpaid.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC decided to constitute a two-member committee (one representing NHA and other from Audit) to review the issue and submit report within a week for discussion in another meeting of the DAC. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 04)

4.4.102 Extra expenditure/excess payment due to excessive measurement of removal of trees beyond TS estimate/ agreement - Rs 43.626 million

As per Agreement/BOQ of the work, Hassanabdal-Havelian-Mansehra Expressway (E-35) Hassanabdal-Havelian Section of ICB-E-35-III (Package-III) Sarai Saleh to Simlaila (km 39+611 to Km 58+711) quantities of trees of different sizes were provided as:

Item #	Description of item	Quantity
102(a)	Removal of trees 150-300 mm girth	112
102(b)	Removal of trees 301-600 mm girth	112
102(c)	Removal of trees 601-above mm girth	896
	Total	1,120

Audit noted that Project Director, Hassanabdal-Havelian-Mansehra Expressway (E-35) measured an item of work No-102(a), 102(b), 102(c), removal of Trees of three different sizes/girths for a quantity of 9,447 against TS/agreement provision of 1,120 trees.

Audit observed that payment of Rs 6.048 million was made to contractor under IPC 01 against BOQ provision of 1,120 trees but removal cost of 8,327 trees, measured in excess, was withheld which was likely to be paid to the contractor in forthcoming IPCs of the contractor having an extra expenditure of Rs 43.626 million.

Audit pointed out the excess payment in July-August, 2016. The Authority replied that the quantity of removal of trees was executed as per actual at site. Design survey was made in 2008, at that time many trees were in the shape of bushes (having girth less than 150 mm), hence were not counted in the quantity. Now, with the passage of time their girth increased & many new trees were also grown.

The reply was not acceptable because as per Land Acquisition & Rehabilitation Plan (LARP) finalized by M/s NESPAK in August 2013 for Section-III, there were only 496 non-fruit trees upto km 48+00 having girth of 150 mm to 600 mm and 1,039 total trees against which 1,120 were

provided in the BOQ. However, as per LARP 4,504 fruit bearing plants were also existed in eight (08) villages fall in km 39+611 to km 48+00. The fruit bearing plants consists of Banana, Lemon, Malta, Kino and Guava etc. upto the age of five (05) years, having girth less than 150 mm were not payable under item No.102-a. Hence it was confirmed from trees compensation record that only 496 trees were payable upto km 48+000 against which 1,120 trees were paid which needs recovery of Rs 3.120 million (624 Nos trees x Rs 5,000 per tree) and measurement of 9,447 trees also established as hypothetical from LARP and LAC record.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. Para was discussed in detail and the Chair directed to conduct inquiry to apprise the facts in DAC and constituted Inquiry Committee comprising General Manager (M&I) and General Manager (Audit), NHA to submit report within 2 weeks. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 27)

4.4.103 Undue provision of PMU in the contract resulted into loss to the Authority without achievement of the objective - Rs 41.09 million

The support to the PMU (Project Management Unit) will consist of planning and managing tenders, monitoring works, ensuring the quality of construction materials and structures and preparing project activity reports. This component will include:

- i. Acquisition of 6 computers equipped with printers and the needed consumables during implementation.
- ii. Acquisition of 2 photocopier machines and the needed consumables during implementation.
- iii. Perdiem of the PMU staff.

Audit noted that an amount of Rs 25.357 million was allocated in the PC-I for setup and support to PMU but this allocation could not be utilized up till now. In absence of which quality of construction materials, structure could not be ascertained and project activity report was also not prepared.

Audit held that by keeping the provision in the loan increase in cost of loan which ultimate caused excessive charging of markup without its utilization

Non-adherence to provision of loan agreement caused undue provision of PMU in the contract resulted into loss to the Authority without achievement of the objective involving Rs 41.09 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out loss in September 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 215)

4.4.104 Overpayment due to non-deduction of cost of excavated stone - Rs 39.142 million

According to item 106.2 of NHA General Specifications, all suitable material excavated within the limits and scope of the project shall be used in the most effective manner for the formation of the embankment, for widening of roadway, for backfill, or for other work included in the contract.

Audit noted that General Manager (Construction) Balochistan (South) Khuzdar awarded the works of three sections of M-8.

Audit observed that a quantity of 1,465,186.359 cubic meters was excavated under item No. 106bi & ii- excavation in rock material (hard rock) and item No. 107 c - Structural excavation in rock material.

Audit observed that item No.411d-stone masonry for a quantity of 86,983.646 Cu.m was measured and paid for stone masonry in box culverts and retaining walls but cost of stone available at site from excavation and used for stone masonry was not deducted. This resulted in overpayment due to non-recovery of cost of stone of Rs 39.142 million.

Audit maintains that the recovery of stone used in stone masonry was not effected due to weak internal controls.

Audit pointed out the overpayment in September 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that deduction has been made. DAC directed NHA to get the record verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 198)

4.4.105 Overpayment due to award of additional work of Rs 34.894 million at higher rate - Rs 4.551 million

According to Rule 10 (i) of GFR Vol-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Audit noted that GM (Maint) Punjab South, NHA, Multan, awarded maintenance work on 02nd June, 2014 to the contractor @ 4.87% above on estimated cost based on NHA CSR 2011 + 15% above. Audit further noted that at the time of tendering, price of HSD was Rs 109.34. Audit observed that additional work amounting to Rs 34.834 million was given to the same contractor, on NHA CSR 2011 + 15% above + 4.87%. Audit holds that higher rates for additional items of work were allowed as prices of HSD and Bitumen were decreased about 25% at the time of approval of Variation Order, so addition of 15% above on NHA CSR 2011 was not justified. This resulted award of additional work of Rs 34.894 million without tender involving an overpayment of Rs 4.551 million (Rs 34,894,419/115 x 15).

Audit pointed out the overpayment in November 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 349)

4.4.106 Non-accountal/disposal of trees removed from the Project site – Rs 33.814 million

As per item 102.2 of NHA General Specifications, all trees to be removed shall be counted and an inventory prepared showing girth of the tree stem.

During scrutiny of the progress report for the month of June 2016 of the Project Peshawar Karachi Motorway (PKM) Lahore Abdul Hakeem Section, NHA, Audit noted that upto June the contractor removed 8,454 trees of different girth as detailed below:

Pay Item	Item Description	Unit	Rate (Rs)	Quantity	Amount (Rs)
102a	Removal of Trees 150-300mm Girth	Each	3,000	5,853	17,559,000
102b	Removal of Trees 301-600mm Girth	Each	5,000	1,951	9,755,000
102c	Removal of Trees 601mm or over Girth	Each	10,000	650	6,500,000
Total				8,454	33,814,000

Audit observed that the removed trees were neither accounted for nor disposed of. This resulted in non-accountal of removed trees valuing Rs 33.814 million.

Audit pointed out non-accountal of trees in September 2016. The Authority replied that NHA neither made any payment on account of pay item 102a, 102b and 102c nor any payment would be made in future as there was no separate provision of payment in the contract amount.

The reply was not accepted because as per progress report the contractor removed trees from site. But no recovery of the value of trees was made. The accountal and disposal of these trees was also not made.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that 15% amount on account of salvage was deducted from compensation made to the affectees. It was further explained that no payment was made to the contractor for cutting of trees. DAC directed NHA to submit revised reply and get the record verified regarding whole process, payment and deduction of salvage. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 83)

4.4.107 Unjustified extra expenditure beyond the provision of cross section/specifications - Rs 33.078 million

As per approved cross section asphalt wearing course Class-A was laid over the carriageway including inner shoulder 7.3 carriageway 1 meter inner shoulder on each side.

Audit noted during review of the record measurement of the item 305a asphalt wearing course that it was measured beyond the approved cross section on reallocation of the existing local roads having length of 500 meter to 2000 meter passing through underpass and subway.

Audit held that this costly item was exclusively provided for motorway and local link roads are commonly surfaced with DST/TST as such execution of the costly item for connection of the DST roads was unjustified. Non-adherence to provision of cross section specification caused unjustified extra expenditure of Rs 33.078 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out unjustified expenditure in September 2016. The Authority replied that typical cross section for relocation of roads through subways and underpasses provided in the tender drawings as well as construction drawings wherein 50mm asphaltic wearing course is specified on these roads and the approved design has therefore been followed in this case. Copies of typical cross section as attached for ready reference. Moreover, the quantity of asphaltic wearing course has also not been exceeded as compared to the provisions of BOQ. In view of above, it is submitted that the provisions of cross section & specifications have been adhered to.

The reply was not tenable as patches of the local roads falling in the right of way of motorway (M-4) having length of the 500 meter to

2000 meter passing through under passes and sub-ways required TST surfacing in conformance with the already constructed local roads, hence provision of the asphaltting surfacing was unjustified.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 210)

4.4.108 Non-obtaining of detailed account/adjustment of funds for relocation of utilities - Rs 31.890 million

As per Para 1 of Chapter 12 of NHA Code Volume-I, Construction of new roads etc. involves relocation of utilities & services like electric, gas, telephone & water supply lines and poles and construction of bridges etc. over railway tracks. Relocation of these utilities is executed by the departments/organizations concerned. The Authority has, therefore, to make requests for shifting of their lines etc. to these departments/organizations well in time. The concerned departments in response give detailed estimates of costs of such relocation and demand notices which are required to be deposited by the Authority with the department concerned. Para 4 provides that the officer of the authority initiating the sanction for relocation of utilities shall be responsible for obtaining detailed account of actual expenditure incurred by the utility organizations and getting the advance payments adjusted after the utility stands relocated.

Audit noted that a sum of Rs 31.890 million was paid to various departments in June 2016 on account of relocation of utilities for the project "Old Shujaabad Road Multan" as per Trial Balance June 2016. Audit observed that no detailed account/adjustment against the paid amount has been obtained in authentication of actual work done against the amount advanced against estimates/demands. This resulted in non-obtaining of adjustment account for Rs 31.890 million.

Audit pointed out the non-obtaining of adjustment account in October 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early adjustment of advances.

(DP. 336)

4.4.109 Execution/measurement of a self-fabricated item beyond the provision of specification/CSR caused unauthentic payment - Rs 30.77 million

Item 309.3.1 of NHA General Specifications provides that the quantity of cold milling to be paid shall be measured by the number of square meters of area milled and cleaned as described above, as per drawings or as directed by the Engineer. No allowance will be given for milling outside the approved limit. Any such area milled beyond approved limits, shall be reinstated by the Contractor at his own expense.

Para 2.2 of Chapter 2 NHA code Vol-II defines the cold milling is required only for removal of ruts or level-up overlay in wheel paths.

Audit noted during review of the record relating to periodic maintenance works executed by the General Manager (Punjab-North) that a non-CSR/specified item was introduced 309 cold milling 0-130 mm and item rate was derived on pro-rata basis.

Audit observed during review of the measurement recorded in the MBs that said item was shown measured in one go of milling up to 13 cm on entire width of carriageway including shoulders on some reaches whereas it was required to be restricted only on rut places and depth beyond the specified limit 7 cm.

Audit held that as per specification capacity of the cold milling machine is 0-70 mm therefore, milling beyond the specified depth is

neither feasible nor practicable. Hence measurement and payment made to the contractor to the extent of Rs 77,531.12 sq.m on account of said item in one go is termed unauthentic/fictitious. In case this item was not included in the specification/CSR separate specification, construction methodology and analysis of rate on the basis of actual components of the item was required to be prepared & vetted by Q.S department and got approved from the technical competent authority.

Execution/measurement of a self-fabricated item beyond the provision of specification/CSR caused fictitious measurements unauthentic payment of Rs 30.77 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out unauthentic payment in September-October 2016. The Authority replied that cold milling was not limited for removal of ruts, or wheel ruts, but it was also extensively used for removal of cracked, settled and rutted pavements upto the required depth which is subsequently filled with Asphaltic Base Course and Asphaltic Wearing Course. Furthermore, it is also stated that cold milling can be carried out upto depth of 150mm in one go where required.

The reply was not tenable as work was required to be carried out in accordance with the NHA specification wherein cold milling rang is specified from 0 mm to 70 mm, hence measurement of said item up to 13 cm was contrary to the specification and Chapter 2 of NHA Code Vol-II. Cold milling is to be carried out for removal of ruts and ruts are appeared on the asphaltting wearing course depth up to 5 cm to 7 cm and in case of the removal of asphaltic overlay was required beyond that limits then item 209-a scarification is specified for execution. Hence, execution of inadmissible non specified item by fictitious measurement is established.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends recovery.

(DP. 274)

4.4.110 Non-recovery of cost of below specification work - Rs 27.604 million

According to Clause 11.4 of the contract agreement, “if the contractor fails to remove any defect or damage by the notified date, this remedial work was to be executed at the cost of the contractor under sub-clause 11.2 (Cost of Remedying Defects), the Employer may (at his option) require the Engineer to agree or determine a reasonable reduction in the contract price in accordance with sub-clause 3.5.

As per Specification No. 202.2 of NHA General Specification, 1998, material for crushed aggregate base course shall consist of crushed hard durable gravel, rock or stone fragments. It shall be clean and free from organic matters, lumps of clay and other deleterious substances. Crushed Aggregate (material retained on sieve No. 4) shall consist of material of which at least ninety (90) % by weight shall be crushed particles, having a minimum of two (2) fractured faces. The sand equivalent determined according to AASHTO T 176 shall not be less than forty-five (45) and the portion of filler, including any blended material, passing No. 40 mesh sieve shall have a liquid limit not more than 25 and a plasticity index not more than 4 when tested in accordance with AASHTO T 89 & T 90.

Audit noted that M&I Wing, NHA visited the project “Up-gradation, widening and construction of Surab-Basima-Nag-Panjgur-Hoshab road project (N-85)” on 14th to 19th September, 2015 at the time of final handing / taking over of Sections III-A, III-B and IV-A and issued report on 13th October, 2015.

Audit observed from the Inspection Report that Aggregate Base Course was not as per NHA Specification / Contract as detailed below:

- (i) Uncrushed particles in Aggregate Base Course of shoulders were found as 15% against 10% maximum in the stretch between Km 99+000 and Km 100+000 (Section- III B).
- (ii) Sand equivalent of Aggregate Base Course at Km 137+000 (Section-IV A) has been found as 42 against 45 minimum.

Audit further observed that the Authority paid the Aggregate Base Course at full rate instead of redoing the work or payment at proportionate/reduced rate as per provision of the agreement and NHA Specification. Hence, Audit considers that whole item of Aggregate Base Course was not executed as per specification and resulted in execution of below specification/defective work. This resulted in non-recovery of cost of below specification work of Rs 27.604 million.

Audit maintains that the below specification work resulted due to poor monitoring system by the Consultants, NHA and material weakness in internal controls.

Audit pointed out the non-recovery in September, 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed General Manager (M&I) to verify/certify the work and submit report. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 185)

4.4.111 Unauthorized execution of item of work beyond approved cross section resulting in to wasteful expenditure and loss - Rs 25.75 million

Approved cross sections/drawing/design No.3247/102/c/xs001 dated November 2011 of the project Khanewal-Multan Motorway (M-4 extension) provides construction of 4 lane carriageway with 3 meter outer

shoulder in each side and 1 meter inner shoulder and formation of embankment having material of CBR 8% compacted as specified.

Audit noted during review of the record measurement that in certain reached item 108-c 'formation of embankment from borrow' was measured beyond the original approved limits, when it was questioned from the project management they replied that in certain RDs/reaches earth work was got executed for 6 lane carriageway which was not subsequently approved by the competent authority.

Audit held that execution of earth work for 6 lane carriageway without having approval and subsequent abandonment said work would have gone waste which is ultimate loss to the public exchequer/Authority.

Non-adherence to approved cross section execution of item of work and subsequent abandonment caused wasteful expenditure of Rs 25.75 million which is ultimate loss to the Government.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out wasteful expenditure in September 2016. The Authority replied that the contractor started his work according to the four lane cross section. Later on, a meeting held at NHA Complex Multan on 20.01.2013, Chairman NHA decided to construct motorway as per six lane configuration and accordingly, revised cross section for 6 lanes was issued to the contractor vide Engineer's Representative letter dated 20th January, 2012. The contractor, therefore, complied with the instructions/drawing issued to him and execution of embankment and structures was taken in hand according to 6 lane configuration. However, later on, the contractor was further instructed that the earthwork shall be executed according to 4 lane cross section with immediate effect.

Moreover, the earthwork executed for 6 – lane configuration is not a wasteful expenditure because the same shall be used while extension of

motorway from four-lane to six-lane configuration in future. The work has been got executed at economical rates because the rate for earthwork of the contractor is more than 50% below the prevailing CSR 2014. It is also mentioned that this quantity of earthwork has been approved through Variation Order and also incorporated in the revised PC-1 which is under process of approval. It was divulged that the earth work was executed beyond the approved cross section at the instructions of project management without approval of the competent authority as the concept of six-lane carriageway subsequently was abandoned, therefore, expenditure on six-lane embankment was gone waste.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends recovery of loss.

(DP. 212)

4.4.112 Non-recovery of cost of left over work from previous contractor - Rs 25.062 million

As per Clause 49.4 of General Conditions of Contract in case of default on the part of the Contractor in carrying out such instruction (rectification of defects or leftover work) within a reasonable time, the Employer shall be entitled to employ and pay other persons to carry out the same and if such work is work which, in the opinion of the Engineer, the Contractor was liable to do at his own cost under the Contract, then all cost consequent thereon or incidental thereto shall, after due consultation with the Employer and the Contractor, be determined by the Engineer and shall be recoverable from the Contractor by the Employer, and may be deducted by the Employer from any monies due or to become due to the Contractor and the Engineer shall notify the Contractor accordingly, with a copy to the Employer.

Audit noted that General Manager (Maint) Punjab South, NHA, Multan, awarded above contract for Periodic Maintenance from KM 756+000 – KM 794+000 SBC N-5.

Audit observed that items of work i.e. formation of embankment, base course & TST were measured at page 84-87 of MB-2713 to equalize the level of shoulder with carriageway at KM 765+000 - 769+775. Audit further observed that the said portion of road shoulder was left incomplete by the original contractor M/s Saad ullah Khan & Brothers in project “improvement/rehabilitation of existing and construction of dual carriageway N-5 Section-I of TMP-BWP” as per punch list of balance work since 2006. Audit holds that expenditure incurred on execution of work through routine maintenance against the left over work is recoverable from the contractor who left the work incomplete but such recovery was not made.

This resulted in non-recovery of cost of left overwork from previous contractor for Rs 25.063 million.

Audit pointed out the non-recovery in November 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends recovery.

(DP. 341)

4.4.113 Overpayment due to inclusion of non-BOQ item of work - Rs 24.65 million

According to para 103 of chapter-3 of NHA Code, inclusion of non-BOQ items during the execution stage shall, as far as possible, be avoided. However, in case it is absolutely essential to get new items of work executed, rate finally agreed among the contractor, consultant and General Manager concerned shall be submitted for approval of competent authority through the tender acceptance authority.

Audit observed that the General Manager/Project Director made payment of non-BOQ item “plum concrete” in item Bill No.4A and 4b (i)

“Structure Retaining Wall” and “Culverts & Causeways” without approval from competent authority. Payment of non-BOQ items without approval of competent authority resulted in overpayment for Rs 24.65 million.

Audit pointed the overpayment in August 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 238)

4.4.114 Overpayment due to execution of superfluous item of work - Rs 24.326 million

Bill No.6 miscellaneous items ‘service area’ 2 Nos. as per Motorway M-2 design with Provisional Sum rate 250 million each was provided in the BOQ of the contract.

Audit noted that afore stated item was deleted through variation order No.2 approved by the Member (Central Zone) without any cogent justification.

Audit observed during review of the measurement books IPCs that an item of work 108-c formation of embankment from borrow’ was got executed to the extent of (service area-both sides) 104,666 cu.m @ Rs 215 per cu.m measured and paid to the contractor up to IPC No.36. It is pointed out that only earth filling was carried out by having thickness of 30 cm to 40 cm by using the BOQ item for earth work of motorway in other sub-head in the service area which had earlier excluded from scope of work through variation orders.

Non-adherence to contract/specification caused overpayment of Rs 24.326 million due to execution of superfluous item of work.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out overpayment in September 2016. The Authority replied that upon the approval of Chairman NHA, the land for construction of service areas was acquired and fenced. The earth filling in the said area was done through the contractor because of the following reasons:

1. Even after possession of land, the locals were trying to bring this land under their private cultivation and resultantly, there were problems regarding the possession in future.
2. Secondly, the locals were diverting their surplus irrigation water to this acquired land and at some places; the area was regularly filled with water.

In view of above reasons, the acquired land was filled with earth with minimum possible thickness of 30 – 40cm to safeguard against any encroachment till the construction of service areas. Moreover, the rate of contractor is more than 50% below the prevailing CSR rate which caused ultimate benefit to the government treasury.

In the light of above situation, the payment to the contractor under this activity cannot be termed as overpayment because the same has been executed under respective item of bill No. 01 without any increase on the overall cost of the contract.

The reply was not tenable as establishment of service area was even deleted from the scope of work of the contractor through variation order, therefore, laying earth filling having thickness of 30 cm to 40 cm on said area was uncalled for beyond the scope of work. As it is divulged in the reply that earth filling was made instead of preparation of road embankment and item rate of 108-c was applied, hence it is proved that it was a superfluous item which was unjustified.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that land acquisition of service area has already been made and protection/fencing was done to avoid encroachment. DAC pended the para for verification of record. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 208)

4.4.115 Non-recovery of cost of Toll Plaza - Rs 24.00 million

Section 26, Clause 26.16 of the contract agreement (Late Payment and Right Set-off) provides that if any sum which becomes payable under any term of this agreement by one party to the other party is not paid within time allowed for payment thereof, the party responsible for the payment thereof shall together with such delayed payment also pay an additional amount on such sum of two percent (2%) per annum above the base lending rate of the National Bank of Pakistan at the due date for the payment calculated from the due date for payment thereof until the same is paid to or otherwise by the party entitled to the same.

Audit noted that NHA awarded the work, Construction of Habibabad Railway Crossing Flyover, on N-5 Pattoki to M/s Habibabad Operations and Management Engineering Company, Pvt, Ltd at agreement cost of Rs 831.03 million. Audit observed that that the concessionaire M/s HOME was required to pay to NHA an amount of Rs 100 million as cost of Pattoki Toll Plaza.

The record indicated that Pattoki Toll Plaza to M/s HOME on 17.11.2014 but the cost thereto was settled /deposited in NHA account on 01.01.2016 by the concessionaire. But the additional 2% cost above the lending rate of NBP was not recovered as required in the above referred clause. This resulted into non-recovery of Rs 67.32 million on account of cost of toll plaza and delayed payments charges as detailed below:

Toll Plaza Cost	Rs 100 million
Add NBP Lending rate approximately 10%	Rs 10 million
Add 2% as per clause delayed payment	Rs 0.20 million
Non-recovery Rs 12 million per annum x 2 =	Rs 24 million

Audit pointed out non-recovery in March 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 247)

4.4.116 Overpayment to the Consultant beyond agreed percentage - Rs 23.879 million

As per consultant agreement, the supervision consultancy was provided @ 3% of agreement cost.

Audit noted that NHA awarded the work, “Construction of Baba Farid Bridge over River Sutlej at Dhakpattan” it was observed that the payment of the work done was made to the contractor for Rs 579.437 million. Audit observed that the contract was reviewed by the Chairman NHA up to 16th July 2016 with the condition that no financial impact was allowed.

Audit further observed that the total value of the work recorded and paid to the contractor was Rs 579.437 million so the admissible supervision consultancy should be for Rs 17.383 million (3% of the paid amount) But it is astonishing to point out that consultancy paid up to June 2015 was Rs 41.628 million which is 7.18 % of the work done instead of Rs 17.383 million (579.437x 3%). This resulted into overpayment of Rs 23.879 million.

Audit pointed out overpayment in March 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends recovery.

(DP. 241)

4.4.117 Overpayment due to separate measurement of item of work - Rs 22.905 million

Drawing No.LTP-B1-CON-TU-JGT-CS-378, Note-7 provides that the kicker with a height of 0.4m is the explicit requirement of the contractor (M/s SAMBU). Clause-84(d) COC-II provides that all additional costs due to any kind of difficult working conditions and interruption which may possibly be caused by adverse physical conditions, unless otherwise provided in the contract.

Audit noted during review of the account record of the Lowari Tunnel Project that an item of work B2021 'kicker concrete' was measured in MB-3506 the quantity was added in the item B-2021 'inner lining of the tunnel and paid at the rate of Rs 15,000 per cu.m accordingly. Audit observed that this item was provided in the drawing at the request of the contractor to provide support to the formwork installed for provision of inner lining in the tunnel. As the item was provided at the explicit requirement of the contractor as noted by the Engineer in the drawing, therefore, it was not separately payable and by making separate measurement and payment undue favour was extended to contractor.

Non-adherence to contract, drawings caused overpayment of Rs 22.905 million due to separate measurement of item.

Audit pointed out overpayment in July-August 2016. The Authority replied that the mentioned drawing shows development of Geometry of Inner Lining Concrete in independent parts defined as per

Part-III, Volume-II-A particular specifications Tunnel Civil Work Clause 13.10.1.1 item (5)(4) like foundation beams, side walls and roof arch that provides necessary tools for construction of final in-situ concrete tunnel lining. Accordingly, construction Methodology duly approved by the Engineer provided Kicker and lining in two separate pours where Kicker acts as starter upon which inner concrete Lining arch rests though it is an integral part of such Inner Road Tunnel and Niches with Radial (Form Work) Starter (Termed as Kicker) according to the requirement of drawing was to be provided, however, its height was kept 0.40m according to requirements of the Contractor.

The reply was not tenable as component of kicker concrete was provided at the request of contractor as pointed out by the Engineer and accordingly mentioned in the drawings and this item was executed for the convenience of contractor to cope with adverse physical condition. As such separate payment was not admissible.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC decided to constitute a two-member committee (one representing NHA and other from Audit) to review the issue and submit report within a week for discussion in another meeting of the DAC. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 07)

4.4.118 Loss due to execution of below specification work - Rs 19.77 million

Item 203.2.3 of specification provides that the composition of the asphaltic concrete paving mixtures for base course shall conform to class-A and or class-B shown in the table 203-1, as per table leveling base is provided with compacted thickness of 07 to 09 cm for class-A.

Para 56 of Chapter-2 of NHA Code provides that technical sanction means the order of the competent authority sanctioning a properly detailed estimate of the cost of a work of construction or repair proposed to be carried out by the Authority. Technical Sanction is a guarantee that the proposal is structurally sound and that the estimates are accurately calculated and based on adequate data.

Audit noted that engineer's estimates of Rs 182.986 million of contract No. PM-2013-14-N35-04 was technically sanctioned by the competent authority provides that asphalt base course shall be laid with compacted thickness of 08 cm in conformance with the specification and accordingly quantities of the item 203 were provided in the NIT/BOQ. The contract was awarded at 17.12% below the engineering estimate which came to Rs 151.659 million.

A review of the record measurement made in MB-2934 indicated that item asphalt base course was measured by application of thickness of 5 cm on carriageway and 04 cm on shoulders on certain reaches instead of 8 cm as provided in the TS estimate and specification.

During execution 2 items of work were substituted (207-a & 207-b) shallow deep patching 0-15 cm and 15 to 30 cm with cold milling item 309 having depth of 0-3 cm and 0-7 cm. This was done to keep the agreement amount within estimate.

Audit held that composition of changed thickness was below than the grading requirement of the contract specification, hence compaction of lesser thickness of asphalt base than specification is not feasible and it would not remain intact up to design life, therefore, the execution of said item is termed below specification and violation of TS estimate. Non-adherence to specification, TS estimate caused execution of work non-conformance with specification which is ultimate loss to the Authority of Rs 19.772 million.

Audit maintained that the irregularity occurred due to weak technical controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out loss in August 2016. The Authority replied that after Cold Milling of the area under the discussion, the areas under the influence of cracks were identified and treated accordingly. As the cracks in existing pavement were removed and it was observed that 0.05m thick A.C.B.C will be workable and suitable keeping in view the existing condition and to cover the maximum length of road for rehabilitation, the thickness of A.C.B.C was laid to 0.05m. Due to decrease in the thickness, the remaining quantity of A.C.B.C was utilized in the unattended reach between Km 12 ~ 13+500 (the gap between two Periodic Contracts (Km 12+000 ~ 13+500) was covered).

The reply was not accepted because per specification minimum thickness of the item 203 asphalt base course class-a is 7 cm to 9 cm. hence laying of lesser thickness of 5 cm was rightly termed below specification in violation of TS estimate and specification.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed General Manager (M&I) to inspect the work and submit report. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 158)

4.4.119 Excess expenditure due to change in items of work - Rs 19.417 million

As per Engineer's Estimate for the work PM-2013-14-SN-08, maintenance of 9,415 meter length at KM 00 to 12, N-65 was proposed with an estimated cost of Rs 101.253 million.

Audit noted that after due tendering process M/s Zahir Khan & Bros. stands lowest bidder for the work with the bid cost of Rs 99.228 million and per meter cost Rs 10,539. The NHA Executive Board approved the bid of the contractor and work was awarded accordingly.

Audit observed that during execution of work, BOQ items were substituted and work was reduced to the length of 7,567 meter with the cost of Rs 99.164 million i.e. Rs 13,105 per meter. This resulted in excess expenditure of Rs 19.417 million. Audit further observed that the work was approved by the NHA Executive Board whereas subsequent significant variation of items was not got approved from NHA Board.

Audit holds that excess expenditure was due to weak internal/financial controls

Audit pointed out the excess expenditure in August, 2016. The authority replied that the cost estimate was prepared from 00+000 – 12+000 in portions where the road condition is bad. It was not prepared for entire length of 12 KM but it was prepared for worst portions of the reach which become 7.567 KM. The variation order was papered on 19th November, 2014 according to site condition. Cold Milling as non-BOQ item was approved by Member (South Zone) NHA Karachi on 10th February, 2015. After approval of competent authority the work has been started on these portions. The work was done as per approved X-Section and within estimate cost/ Variation Order.

The reply was not tenable because the original estimate was prepared for maintenance of 9,415 meter road which was reduced through variation order without reduction in cost. Audit stresses for recovery of excessive expenditure.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed NHA to conduct inquiry and submit report. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 74)

4.4.120 Extra expenditure due to allowing higher rate - Rs 18.550 million

As per item 305.3 of NHA General Specifications, construction requirements for item 305a shall conform to the same as specified for Asphaltic Concrete Base Course Plant Mix under Item 203.3. The construction requirement of the said item includes use of mixing plant, dumpers, and paver machine.

As per item 307.1 of NHA General Specifications, Bit-Mac shall consist of furnishing and mixing aggregates with asphalt binder at site in mobile mixing plant, spreading, compacting on an approved primed subgrade, sub base or base course, for potholes repair, leveling course and wearing course in accordance with the specification and in conformity with the lines, grade, thickness and typical cross-section shown on the Drawings or as directed by the Engineer including sealing of cold bituminous surface cracks with sand-bitumen slurry.

Audit noted that GM (Maint) P-S, NHA, Multan, awarded Routine Maintenance various works during 2015-16. Audit observed that the said maintenance works include an item of work “305-a Asphaltic Wearing Course Class-A for potholes” and paid at full rate given in the CSR 2014. Audit holds that this item was not applicable in repair work as use of paver machine was not involved in small patches. Thus higher rate of the item was allowed by Rs 2,439.09 (NHA CSR 2014: Rs 2,815 [equipment cost 305a] – Rs 863.75 [equipment cost 307a] + 25%). This resulted in extra expenditure of Rs 18.550 million (Rs 10.097 + Rs 2.233 + Rs 6.220).

Audit pointed out the extra expenditure in November 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends recovery of the overpaid amount.

(DP. 343)

4.4.121 Overpayment due to duplicate measurement - Rs 18.333 million

Para 209 CPWA Code provides that the measurement should be recorded only by Executive, Assistant Executive or Assistant Engineers or by executive subordinates in charge of work. All such measurements (i.e. those by recorded by subordinates) should, however, be test checked to the extent of at least 50% by the sub-divisional officer himself in each case, and he will be responsible for the general correctness of the bill as whole.

Audit noted that Deputy Director Maintenance unit NHA, Karak measured item No. 309b cold milling (0-50 mm) in RD 1104 + 00 to 1106 + 500 and Km 1122 + 500 to Km 1126 + 00 (N-55) in MB No. 3277.

Audit observed that said item was measured twice for each length/reach for a single carriage way without reference of any south or north bound. Record entry for item No. 309b was made in MB No. 3277 as under:

Km 1104 + 000 to 1106 + 500 $1 \times 2500 \times 7.6 = 19000 \text{ M}^2$ again same RD was measured Km 1104 + 000 to 1106 + 500 $1 \times 2500 \times 7.6 = 19000 \text{ M}^2$

Audit further observed that same item was measured again and recorded in MB No. 3277 at page- 16 for Km 1106 + 500 to 1108 + 975 = $2475 \times 7.60 = 18810.10 \text{ M}^2$ and paid for 37,620.00 M^2 . Duplicate measurement was made through re-measurement. This resulted into overpayment Rs 18.333 million.

Audit pointed out the Overpayment in September, 2016. The Authority replied that, the cold milling was not measured twice but it was done in two layers as provided in the engineer's estimate. The cold milling machine was not able to do milling up to a depth of 10 mm in single layer. Asphalt base and wearing course cutting was only possible up to 3, 5 and 7 mm that's why these three types of cold milling is given in CSR and the payment done to the contractor as per engineer's estimate and NHA rules.

The reply was not accepted because in the B.O.Q cold milling was provided for 0-5 cm as provided in similar nature works / contracts in KP region. Measurement of said item was accordingly made for 5 centimeter which was latterly multiplied by 2 which was un-authentic. In other contracts/works executed under General Manager KP item of cold milling was executed for 70 mm thickness in one go/one layer.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed to conduct third party verification of the work, take action in the light of report and get the same verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 95)

4.4.122 Overpayment due to execution of Non-BOQ items in violation of TS estimate/specification - Rs 18.138 million

Para 56 of Chapter-2 of NHA Code provides that technical sanction means the order of the competent authority sanctioning a properly detailed estimate of the cost of a work of construction or repair proposed to be carried out by the Authority. Sanction accorded to the execution of a work by an officer of any other department is regarded merely as an administrative approval of the work. Technical Sanction is a guarantee that the proposal is structurally sound and that the estimates are accurately calculated and based on adequate data. It shall be issued on the basis of detailed estimates for the project as a whole, after administrative approval is accorded.

Audit noted that a periodic maintenance contract No. PM-2013-14-PN-03 km 1369+00 to 1383+00 NB (N-5) was awarded at agreed cost of Rs 192.786 million having completion period 180 days. The engineer's estimate of Rs 189.005 million was prepared by the RAMS NHA Headquarter which was technically sanctioned by the competent authority.

Items 207-a shallow patching 0 to 15 cm and 207-b deep patching 15 to 30 cm were provided for removal of the existing asphaltic along with base surface and replacement with fresh asphaltic work over thereon having the following construction requirement item 207.3 patches of roads in which surface courses have broken and road base has moved, the material that has lost its compaction shall be removed. Next layer shall be watered and compacted, thereby the removed material shall be placed back duly screened to remove plastic contamination, by hand picking and passing through sieve No. 4 after properly watering and mixing. Material will be re-compacted in layers not exceeding fifteen (15) cm thick with approved equipment. Additional material will be added, if needed particularly non-plastic fines passing sieve No. 4.

Audit observed that item 309-a cold milling 0-50 mm and item 309-b cold milling 0-130 mm (on pro-Rata basis) was measured as non-BOQ items for removal of existing asphaltic layer and paid cost of Rs 20,906,648.16 (i/c 2% above) instead of execution of BOQ item 'deep patching' for 0-15 cm and 15-30 cm under item No. 207-a and 207-b at estimated cost of Rs 2,767,913.24 (i/c 2% above) substantiate was clear violation of TS estimate which resulted in compromise on quality of work provided in the original contract and undue favour to the contractor.

Non-adherence to TS estimate, specification execution of Non-BOQ items caused overpayment of Rs 18.138 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out overpayment in September-October 2016. The Authority replied that item No 203b, 309b, 309b Pro Rata, 608h2 were not included in original BOQ and only shallow and deep patching was included in original BOQ. It is stated that shallow and deep patching was not required at site because the Gujrat Bypass from KM 1364+500~1384+000 (NBC) was in dilapidated and pathetic condition

with development of alligator cracks and rutting, therefore, execution of shallow and deep patching was not feasible.

As per site conditions VO No.1 was initiated and approved by the competent authority where in item No. 203b, 309b, 309b Pro Rata) 608h2 were included in VO No.1. As portion of road between KM 1364+500~1384+000 (NBC) was severely cracked and these cracks were extended to full depth of existing asphaltic layers, therefore, it was necessary and requirement of site that cracked asphalt be removed upto full depth by cold milling using item No. 309 b & 309b pro rata and accordingly filled with 08cm Asphaltic Base Course (Non BOQ item) and 05cm Asphaltic Wearing Course. In case if, only 05cm Asphaltic Wearing Course would be laid as per BOQ the cracks existing in underneath layers appear on the surface and the expenditures incurred on repair/maintenance could be wasted. Furthermore, it is also stated that procurement of PM contracts was carried out in NHA HQ and work is executed at competitive rates. The Item No. 203b (Asphaltic Base Course). 309b (Cold Milling 0-50cm), 309b pro rata (Cold milling 0-130mm) and 608h2 lane marking were included for the long life of road.

The reply was not tenable as no technically cogent justification of substitution of shallow and deep patching items provided in the TS estimate with cold milling could be produced. However subsequently this item was got approved by the GM/Member (Zone) of region as fait-accompli. The original TS accorded by the technically scrutiny party and steering committee of RMA NHA. Therefore its substitution at lower level was not technically acceptable. Cold milling is to be carried out for removal of ruts and ruts are appeared on the asphaltic wearing course depth up to 5 cm to 7 cm and in case of the removal of asphaltic overlay is required beyond that limits then item 209-a scarification is specified for execution. Hence, execution of inadmissible non specified item by fictitious measurement is established.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 278)

4.4.123 Unjustified payment due to improper estimation - Rs 17.677 million

As per Appendix A of the contract agreement regarding description of services para 3.4 Topographic survey forms the basis for the detailed design. Poor quality of survey work produces not only incorrect designs but also results in post construction problems with variations in cost and claims. Consultant should take utmost care in planning and conducting the topographic surveys. Since the effected stretches are scattered, the Consultant may carry-out the traverse in closed loops on localized areas. The Coordinates of the start point can be taken from GPS and translated to Survey of Pakistan Grid System. Consultant should ensure that the survey should be done by professionals. Poor survey/substandard documentation if discovered at construction stage; shall invoke penalization clause of the agreement.

Audit noted that NHA awarded the work “Rehabilitation of Larkana-Naseerabad Road via Rasheed Wagon to M/s Lilly International (PVT) Ltd at the agreement cost of Rs 1,363.809 million against PC-I cost of Rs 1,007.911 million. During scrutiny of contract documents of the work Audit observed that the date of opening of bid was 13.07.2009 and the PC-I of the work was prepared by the same consultant i.e. M/s Osmania Consultant (PVT) Ltd on payment. As per construction drawings of the PC-I prepared on February 2009.

Audit observed that improvement of road way was proposed and according to which no clearing grubbing, compaction of natural ground and formation of embankment etc. was provided. Audit further observed that after opening the bids revised drawings were prepared by the same consultant who is also supervisory consultant on May 2009. The cross section was changed and the above three items involving Rs 17.677 million were paid to the contractor in contravention of PC-1 as below:

Name of item	Quantity	Rate	Amount
Clearing & Grubbing	79,647.250	17.08	1,360,375.03
Compaction of Natural Ground	80,972.750	17.51	1,417,832.85
Roadway excavation in Common material	50,143.938	297.13	14,899,268.30
Total			17,677,476.18

Audit further observed that the consultant either did not prepare the PC-I after visiting the alignment of the road or the same was later on changed to give benefit to contractor for these profitable items.

Audit pointed out unjustified payment in March/April 2016. The Authority replied that all the survey and detailing had been carried out by the Consultants and submitted to the NHA HQ. Also the Geometric design had been got vetted by the NHA, HQ.

It is submitted that the scope of work defined in PC-1 of NHA had been changed in location of 124 Meter Bridge over Rice Canal and about 10 Km road alignment from RHS to LHS were changed due to obstructions developed as the work started and existing utilities, like 05 nos. public health Engg. water supply lines including pumping stations for different villages, one distributor (minor) of irrigation department in the length of about 07 Km & 60 poles of WAPDA / Electricity were also coming in the construction area.. However, after hectic follow-up by NHA, the same were not relocated due to local people pressure and therefore the design alignment was revised resulting in variation in quantity of items related to the said change.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that revised PC-I approved by CDWP had been sent to ECNEC for final approval. DAC pended the para for final approval by the ECNEC and verification of final bill. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 111)

4.4.124 Non-recovery of mobilization advance - Rs 17.294 million

According to Clause 60.1 (b) the advance shall be recovered in equal installment , 1st installment at the expiry of 3rd month after the date of payment of first part of advance and last installment 02 months before the date of completion of work as per clause 43 hereof.

Audit noted that the contractor was paid mobilization advance of Rs 180.00 million equal to 10% of contract cost. The work was started 26th November, 2014 and completion period was 02 years which will expire on 25th November, 2016. Audit observed that recovery of mobilization advance was not effected as per contract provision as total advance was recoverable upto 25th September, 2016 but advance of Rs 35.377 million was outstanding till date. Audit holds that non-recovery of advance as per clause of agreement was undue financial favour to the contractor. This resulted in non-recovery of advance for Rs 35.377 million.

Audit pointed out the non-recovery in October 2016. The Authority replied in November 2016 that Rs 18.083 million has been received in IPC No. 17 and remaining amount of Rs 17.294 million would be recovered from next IPC upto the end of November 2016.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 329)

4.4.125 Unjustified payment of price escalation to Consultants - Rs 17.249 million

Clause 3-6(a) of the consultancy agreement provides that the consultant shall obtain the clients prior approval in writing before appointing such personnel as are listed in appendix – C namely by title but not by name. Clause 4.3 provides that the key personnel and sub-

consultants, listed by title as well as by name in appendix – c are deemed to be approved by the client. Clause 4.5 provides that except as the client may otherwise again, no change shall be made in the key personnel.

Audit noted that Project Director, NHA, Takht Bhai Flyover Project on N-45, paid an amount of Rs 17.249 million to M/s EA Consulting Pvt. Ltd. on account of escalation through EPC-01 and 02 as per trial balance of the project ending 30th June 2016. The payment of escalation Rs 17.249 million was made to the consultant, was not justified on the following grounds:-

1. Key personnel were changed / not deployed as per contract agreement.
2. Calculation of the escalation was not found attached with the paid voucher.
3. Delivery/performance of the consultants was not up-to the mark. Progress Reports indicating slow progress at site and non-maintenance of existing road/diversions were not maintained and submitted to the Chairman NHA/G.M. Construction KP.

Audit pointed out the irregularity in September, 2016. The Authority replied that all Supervisory consultant personal mobilized against consultancy contract agreement of Takht Bhai Flyover project after properly interview and approved by NHA time to time, in this regard. Escalation to consultant was processed in accordance to COC clause 6.2 of Special Condition in Consultancy agreement of the Project.

The reply was not accepted because progress of Supervision Consultant, was poor and not up to the mark. Weekly/monthly progress reports and performance of work at site was not reported to the Chairman NHA, by the Consultant. Key Personnel were changed without prior approval of employer.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends recovery.

(DP. 254)

4.4.126 Loss on account of payment of left over land due to negligence on the part of NHA Employees - Rs 16.1 million

As per para 1.19 of Chapter 1 of NHA of Standing Operating Procedures, regarding Land management and Infrastructure wing 2000, the Project Director shall demarcate the alignment in co-ordination with the Director (LM&IS), Land Acquisition Collector and Consultant (or as deemed appropriate with the consultation of Regional GMs. To ensure accurate acquisition of required strip of land, the permanent survey mark/pucca burjis shall be fixed and the land Acquisition Collector shall ensure that the area indicated for acquisition has to be strictly in accordance with the requirements of the drawings/design prepared for the project.

As per Para 3.18 & 3.19 of Chapter 3 of NHA Manual of Standing Operating Procedures, regarding Land Management and Infrastructure Wing 2000 the possession of the area would be taken by the LAC in the presence of the authorized representative of NHA in accordance with the provisions of the Land Acquisition Act, 1894 and rules made there under. after taking possession and making due payments to the interested persons, the Director (LM&IS) of the Region concerned will ensure mutation of acquired land at the earliest and complete necessary record for NHA. All the relevant papers i.e. VII-B Forms, record of payments etc will be maintained in the offices of the Regional Director (LM&IS) and the Director (LM) NHA HQ.

Audit noted during scrutiny of record of General Manager Admn, National Highway Authority Headquarters Islamabad that the NHA acquired a piece of land measuring 237 Kanals & 11 Marlas at Mauze Hargoni, Tehsil & District Peshawar vide award No.72 dated 9th August,

2000. A piece of land measuring 16 Kanal 4 marlas under Khasra 271/1 remained in possession with NHA since 2000, whereas out of which only 8 Kanal & 8 marla land actually was included in the award acquired and muted in the name of NHA in 2000. Meanings thereby a piece of land measuring 7 kanal 16 marlas remained under the possession of NHA in access since 2000. Later on owner of the land got a decision in his favour from Peshawar High Court and consequently amount of Rs 17.199 million as a cost of leftover land was handed over to collector for onward disbursement to land owner.

Audit observed during scrutiny that due to in-efficiency in competency and in illegibility the staff of NHA did not observed the Manual of SOP regarding Land Management and keep leftover land in their possession since 2000. An enquiry was also initiated over the matter wherein almost entire responsibility has been put over on the shoulders of District Revenue Authorities Peshawar. It is pertinent to mentions here that under Article 1.19 chapter-I of the Manual of Standing operating Procedure it was the responsibility of Project Director to ensure accurate acquisitions of required strip of land, the permanent survey mark/Pucca burjis should be fixed etc. In the light of above narrated positions Authority sustained a loss of Rs 16.10 million which could be avoided by adhering the Manual of National Highway Authority.

Audit pointed out loss in September 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC was informed that a fact finding inquiry has been conducted and report thereof sent to Ministry of Communications. DAC directed that outcome of the inquiry may be produced to Audit along with relevant record for verification. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 54)

4.4.127 Overpayment due to non-deduction of earth available from roadway excavation - Rs 15.773 million

According to NHA General Specification item 108-C, Formation of Embankment from Borrow Excavation, the quantities to be paid for shall be the number of cubic meters calculated on theoretical designed lines and grades and the ground levels as established under clause 100.9, compacted in place, accepted by the Engineer. The Measurement shall be made as under:

Formation from Borrow = Total Embankment Quantity
(minus) Roadway excavation Quantity (minus) structural
excavation Quantity.

Audit noted that General Manager, Construction Balochistan (South) Khuzdar awarded the three works to M/s FWO and items of work '107a structural excavation in common material' and '108c - formation of embankment from borrow excavation in common material'.

Audit observed that common material obtained from structural excavation was required to be deducted from the pay item of 'formation of embankment from borrow excavation in common material' to arrive at net payable quantity. This was not done and resulted in overpayment of Rs 15.774 million.

Audit maintains that overpayment resulted due to non-adherence to the NHA General specification.

Audit pointed out the overpayment in September, 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed NHA to get the record verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 200)

4.4.128 Execution of below specification work due to thickness deficiency in asphaltic wearing course - Rs 13.916 million and non-recovery - Rs 1.391 million

According to Inspection Report on end of DNP by M&I Section NHA and Specification No. 200.2 of NHA General Specifications, 1998, the allowable tolerances for the subgrade prior to placing the overlying courses, together with the allowable tolerances for the sub-base and base are as specified in “Table for Allowable Tolerances” as + 10 mm to 20 mm.

According to specification No.305.4.2, (b) i of NHA General Specification, 1998, the accepted quantities measured shall be paid for at the Contract unit price, which price and payment shall constitute full compensation for furnishing of all materials including asphalt additive or anti-stripping agent. However, If the thickness determined as per Item 305.3.2 of these Specifications is deficient by more than three (3) mm, but not more than five (5) mm, payment will be made at an adjusted price as specified.

When wearing course is more than five (05) mm deficient in thickness, the Contractor shall remove such deficient areas and replace them with wearing course of an approved quality and thickness. Alternately, the Contractor may choose to overlay the area with wearing course in a thickness of minimum thirty (30) mm with smooth transition, as approved by the Engineer, on either side. The Contractor will receive no compensation for this additional work.

Audit noted GM Construction (South) Khuzdar awarded the project “Surab-Basima-Nag-Panjgur-Hoshab” of N-85 (Eight Sections) to M/s FWO at agreement cost of Rs 1,529.115 million on 19th June, 2007. The work was commenced in September, 2007 and was to be completed upto September, 2010. Audit further noted that the works was suspended in January, 2010 due to law & order situation. The works were started

again in November, 2013. Last extension was granted upto 31st December, 2016. Total length of the project is 447.6 kilometers.

Audit also noted that the Contractor requested for Taking over Certificate (TOC) of Section-III A, III B and Section-IV A. Accordingly, NHA Inspection Team visited the project from 14th to 19th September, 2015 and submitted its report on 13th October, 2015.

Audit observed from the Test Reports conducted by GM M&I NHA in presence of the representatives of the Contractor and Consultants that the thickness of Asphaltic Concrete Wearing Course (ACWC) was found less than the designed thickness of 6 cm and thus was beyond tolerance. The Inspection Team recommended to apply price adjustment / overlay for a length of 500 meters for each of seven locations for less thickness of ACWC as per provisions of specifications.

Audit further observed that the Authority paid the Asphaltic Concrete Wearing Course (ACWC) at full rate instead of redoing the work or payment at proportionate reduced rate as per provision of the agreement and NHA Specification. This resulted in execution of below specification / defective work of Rs 13.916 million and non-recovery of Rs 1.391 million.

Audit maintains that the below specification, deficiency of thickness and compaction resulted due to poor monitoring system by the Consultants, NHA and material weakness in internal controls.

Audit pointed out the overpayment in September 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that as per report of M&I thickness of ACWC was as per design. DAC directed NHA to get the M&I report verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 187)

4.4.129 Overpayment to consultant due to non-employment of trainee engineers - Rs 13.2 million

Clause 3.5.1 A-5 services (39) of Term of reference (appendix-A) for engineering consultancy services (design review, construction supervision & contract administration of Lowari Rail Tunnel Project) provides that consultant shall employ ten (10) trainee site engineers other than NHA for a minimum of one year duration (with a stipend for Rs 5,000 per month with boarding & lodging).

Annual audit of the Lowari Tunnel Project was conducted for the year 2015-16, wherein a requisition in connection with the implementation of afore said clause was requisitioned. In response LTP management headquarter, NHA, Islamabad replied that no trainee engineer was employed by the consultant since start of the project.

Audit held that it was the consultant's responsibility to employ trainee engineers and its cost was included in its contractual remuneration but the consultant enhanced its contract cost from Rs 79.009 million and € 3.21 million to Rs 2,602.575 million out of which Rs 1,852.199 million was paid but did not employ the trainee engineers as such this component is being overpaid and needs to be deducted from consultant's remuneration.

Non-adherence to contract caused overpayment to consultant due to non-employment of trainee engineers for Rs 13.20 million.

Audit pointed out overpayment in July-August 2016. The Authority replied that the provision of Trainee Engineer is envisaged both in Consultancy Contract and Construction Contract. The remuneration of Trainee in Construction Contract is Rs 9,500 per month including Boarding & lodging cost which is higher than the cost of mentioned in

Consulting Contract i.e. Rs 5,000 per month. The Trainees were appointed on Construction strength from time to time, who got training at the project.

The reply was not as no evidence in support of reply on account of deployment of trainee engineer was produced to Audit.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC decided to constitute a two-member committee (one representing NHA and other from Audit) to review the issue and submit report within a week for discussion in another meeting of the DAC. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 12)

4.4.130 Overpayment due to wrong measurements - Rs 12.506 million

As per item 107.3.3 of NHA General Specifications, granular backfill where ever directed shall be placed in the position and to the required depth, shown on the drawings or where as required in writing by the Engineer and it shall be well compacted in layers not exceeding twenty (20) Cm in thickness to 100 percent of max dry density as per AASHTO T-180 (D).

Audit noted that Project Director Peshawar Northern Bypass Project, NHA, Peshawar, Package-I measured item No. 107d granular backfill for average depth of 1.935 meter in one go instead of placing granular material in layers of 30 centimeters duly compacted.

Audit observed that loose measurement of granular backfill placed in storm water drain was made and paid to the contractor. Due to loose measurement of lump-sum placement of material upto 1.935 meter in depth instead of layers of 30 centimeters, overpayment was made to the contractor due to non-deduction of voids @ 25%. This resulted into overpayment of Rs 12.506 million.

Audit maintains that the overpayment was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment in September 2016. The Authority replied that granular material was backfilled in drain and other structures in layers of specified thickness of 20 cm, was compacted and tested for 100% of Max dry density.

The reply was not accepted because record entry of granular backfill was not made in layers of 20 cm, instead of layer-wise lump sum measurement of 1.935 meter depth was measured which cannot be compacted.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends recovery of overpaid amount.

(DP. 258)

4.4.131 Overpayment due to incorrect measurements - Rs 10.970 million

According to Paragraph 97 of NHA Code, normally, designs, specifications, estimates and the bills of quantities shall be prepared on such a realistic basis and so accurately that necessity for issuance of variation / change orders at a later stage does not arise. Variation / change orders shall, as far as possible, be avoided as a matter of policy. According to Para 56 (Chapter-2) of NHA Code, Technical Sanction is a guarantee that the proposal is structurally sound and that the estimates are accurately calculated and based on adequate data.

Audit noted GM Construction (South) Khuzdar awarded the work "Section-I Surab-Basima) of N-85 (89.15 Km) to M/s FWO at agreement cost of Rs 3,101.683 million on 19th June, 2007. The work was

commenced on 10th September, 2007 and was to be completed upto 9th September, 2010. Audit further noted that the works was suspended in January 2010 due to law & order situation. The works were started again in November 2013. Last extension was granted upto 31st December, 2016. The contractor was paid a sum of Rs 837.199 million upto 6th IPC dated 15th June, 2016.

Audit observed that an item of work 106bi-excavate unsuitable hard rock material was not available in the BOQ of the Section-I of Surab - Basima N-85 however, the same item was shown executed for 399,863.950 cubic meters at the rate of Rs 649.00 upto 6th IPC paid on 15th June, 2016.

Audit further observed that the revised quantity of the item was shown in the Variation Order No. 1 submitted by Project Director to the GM Construction on 18th June, 2016 as 382,961 cubic meters. This showed that an excess quantity of 16,902.95 Cu.m (399,863.950-382,961) was measured and paid which resulted in overpayment of Rs 10.970 million.

Audit maintains that the overpayment resulted due to financial and internal controls.

Audit pointed out the overpayment in September, 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed NHA to submit revised reply and get the record verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 196)

4.4.132 Overpayment due to non-deduction of quantity of available earth - Rs 10.965 million

According to specification of item SP-3.4.2 Stone Aprons for Guide Bank/Spurs and Approach Road, payment at quoted rate shall be full compensation from top of apron and preparation of bed furnishing and placing all material including back fill and all other costs relate to completion of work. Excavation from existing river bed to top of apron shall not be paid separately and shall be deemed to be included in relevant item of formation of embankment.

According to NHA general specification 108.4.2, the quantity to be paid for shall be the number of cubic meters placed in embankment, measured as provided above for material from borrow excavation and such a payment will be deemed to include cost of excavation, payment of royalty, levies and taxes of Local, Provincial and Federal Government, cost of hauling including all lead and lift, spreading, watering, rolling, labour, equipment, tools and incidental necessary to complete this item.

Specification No. 108.4.1 provides that Formation of Embankment from Borrow Excavation shall be measured as under:-

Formation of embankment from borrow excavation in common material	=	Total Embankment Quantity (minus) Roadway excavation Quantity	Quantity excavation structural
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Audit noted that the Project Director got measured and paid a quantity of 147,377 Cu.m against item No.108c Embankment in common material. Audit observed that quantity of 38,646.77 Cu.m excavated earth equal to quantity of stone apron was available at site and rate of stone apron was inclusive of cost of excavation. The said quantity was not deducted from total quantity of embankment to arrive at net payable quantity. This resulted in overpayment of Rs 10,965,503 (38,646.77 Cu.m x Rs 295 per Cu.m – 3.8181% rebate).

Audit pointed out the non-recovery in October 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 326)

4.4.133 Overpayment due to inadmissible item of work - Rs 10.185 million

Item No. 108.4.1(i) “formations of embankment from borrow excavation” (NHA Specification) provides that measurement shall be made as under:

Formation from borrow = Total embankment quantity (minus)
Roadway excavation quantity (minus) Structural excavation quantity

Audit noted that Project Director, Hassanabdal-Havelian-Mansehra Expressway (E-35) measured and paid an item of work, “Structural Excavation in material of all type of soil” for a quantity of 17,767.07 cu.m.

Audit observed that the payment on account of excavation under pay item No. 107-f was not admissible as the same quantity of 17,767.027 M³ obtained from structural excavation was consumed/utilized and paid under pay item No-108-d, “Formation of embankment from structural excavation in common material”. As per NHA Specification cost component of excavation was already included in the pay item No-108-d, “Formation of embankment from structural excavation” thus separate payment for the quantity of excavation used in the work was not admissible under pay item No 107-f. This resulted into an overpayment of Rs 10.185 million.

Audit pointed out the overpayment in July-August, 2016. The Authority replied that as per amended specification cost of structural excavation can be paid separately.

The reply was not accepted because the contract was not awarded on the basis of CSR (above/below) but was awarded on item rate basis. The contractor quoted its own rates wherein cost of excavation was included as per the contractor's rate analysis provided in response to authority's letter. Hence there was no question of issuance of corrigendum as the cost of excavation was included under item No. 108-d and separate payment for structural excavation was not admissible.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. Audit stressed that recovery be made for the component of item not executed. The Chair directed General Manager (Audit), NHA to examine the issue and submit report. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 25)

4.4.134 Overpayment due to execution of work in violation of TS estimate, approved design and treatment rules - Rs 9.665 million

Para 56 of Chapter-2 of NHA Code provides that technical sanction means the order of the competent authority sanctioning a properly detailed estimate of the cost of a work of construction or repair proposed to be carried out by the Authority. Sanction accorded to the execution of a work by an officer of any other department is regarded merely as an administrative approval of the work. Technical Sanction is a guarantee that the proposal is structurally sound and that the estimates are accurately calculated and based on adequate data. It shall be issued on the basis of detailed estimates for the project as a whole, after administrative approval is accorded.

Engineer's estimate provides cold milling of asphaltic surface for 13 cm and it was to be filled back with asphaltic material to equivalent proportion.

Audit noted during review of the measurement that milling was carried out on certain RDs/reaches 5 cm and 13 cm.

Audit observed that on those reaches asphaltic material was laid 13 cm and 16 cm by execution of the item 205-b crack relief layer, 203-asphaltic base course and 305-asphaltic wearing course. Filling of excess thickness than milling was not feasible and violation of the TS estimate, design of the road.

Non-adherence to TS estimate, approved design and treatment rules caused overpayment of Rs 9.665 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment in September-October 2016. The Authority replied that the portion/section of the road between KM 1342+000~1358+000 (SBC) required under contract No. PM-2014-15-PN-04 was in dilapidated & pathetic condition with development of multiple failures like alligator cracking, rutting etc. After cold milling upto depth of 130 mm it was revealed that cracks were existing in the underneath layers. Keeping in view of the site conditions, General Manager (Material) NHA, HQ, Islamabad and Pavement expert/specialist Dr. Shahab Khanzada were requested to visit the site and suggest the remedy/design for such conditions so that cracks could not appear in newly laid asphaltic layers and it was recommended that 03cm thick crack relief layer (CRL) be provided under Asphaltic Base Course. Accordingly as per site condition cold milling was carried out upto depth of 160 and filled with 03cm crack relief layer, 08cm Asphaltic Base Course and 05cm Asphaltic Wearing Course to restrict the appearance of cracks otherwise expenditures incurred for maintenance of road would be wasted.

The reply was not tenable as on certain reaches of 1,200 meters at inner line and 1,000 meters of outer line south bound filling with crack

relief layer with asphaltic base course was carried out in excess than the milling.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 275)

4.4.135 Overpayment due to non-deduction of quantity of available earth - Rs 9.659 million

According to specification of item SP-3.4.2 Stone aprons for guide bank/spurs and approach road, payment at quoted rate shall be full compensation from top of apron and preparation of bed furnishing and placing all material including back fill and all other costs relate to completion of work. Excavation from existing river bed to top of apron shall not be paid separately and shall be deemed to be included in relevant item of formation of embankment.

According to NHA General Specification 108.4.2, the quantity to be paid for shall be the number of cubic meters placed in embankment, measured as provided above for material from borrow excavation and such a payment will be deemed to include cost of excavation, payment of royalty, levies and taxes of Local, Provincial and Federal Government, cost of hauling including all lead and lift, spreading, watering, rolling, labour, equipment, tools and incidental necessary to complete this item.

Specification No. 108.4.1 provides that Formation of Embankment from Borrow Excavation shall be measured as under:

Formation of embankment from borrow excavation in common material	=	Total Embankment Quantity (minus) Roadway excavation Quantity (minus) structural excavation Quantity
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Audit noted that the Project Director got measured and paid a quantity of 220,844.10 Cu.m against item No.108c Embankment in common material. Audit observed that quantity of 32,745 Cu.m excavated earth equal to quantity of stone apron was available at site and rate of stone apron was inclusive of cost of excavation. The said quantity was not deducted from total quantity of embankment to arrive at net payable quantity. This resulted in overpayment of Rs 9.659 million.

Audit pointed out the non-recovery in October 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 327)

4.4.136 Non-recovery/Non-adjustment on account of imprest from the contractors - Rs 8.698 million

Item No. 702 of contract agreement states, "Provide, equip and maintain office and residence facilities for the employer (Base Camp Facility) and Engineer's representatives" of agreement, during the whole contract period, the contractor shall provide/furnish and maintain properly air-conditioned facilities for the Engineer's Representative and his staff and Employer base camp facilities, including offices and bachelor housing accommodations and all facilities as specified hereinafter for the exclusive use of the Employer/ Engineer's Representative and his staff at the location as approved in writing by the Engineer's representative. Agreement, Bill No. 07 Miscellaneous item No. 702-c, sum of Rs 107,000 per month and 182,682 per month was provided for Office & Residence of Representatives of Employer and Engineer in the agreements of M/s CGGC-GRC (JV) and M/s CGGC-AM Associate (JV) respectively.

Audit noted that Project Director, Hassanabdal-Havelian-Mansehra Expressway (E-35) claimed imprest of Rs 9.880 million on account of

provision and maintenance of office accommodation upto to June, 2016, since mobilization of the contractors at site.

Audit observed that the provision of office & residential accommodation to Employer and Engineer's representatives was the sole responsibility of the contractors. A sum of Rs 107,000 per month and 182,682 per month was also provided for provision and maintenance of Office & Residence of Representatives of Employer and Engineer in the agreements of M/s CGGC-GRC (JV) and M/s CGGC-AM Associate (JV) respectively and the contractors were claiming the same regularly through Bill No.7. But the proportionate share of imprest of Rs 8.698 million out of the total imprest of Rs 9.880 million, claimed by the Project Director/General Manager E-35 upto June, 2016 for the maintenance of GM and PD offices for payment of electricity, gas, telephone/fax, stationery, repair of equipment and pay of driver/helper etc. has not been recovered/ adjusted from the contractors. This resulted into non-recovery of Rs 8.698 million as detailed below:

Share of M/s CGGC-GRC (JV)	= Rs 4.349 million
M/s CGGC-AM Associate (JV)	= Rs 4.349 million
Total	= Rs 8.698 million

Audit pointed out the non-recovery in July-August, 2016. The Authority replied that as per provision of contract, contractors have provided only four vehicles to the employer under bill 07 and they are responsible to bear all expenses for running and maintenance of these four vehicles But actually there are more vehicles in use of the employers staff than those provided by contractor as all required vehicles for the employers staff was not provided in BOQ.

Therefore, in order to run and maintain these vehicles to facilitate the employers' staff for smooth running of the project E-35, the expenditures incurred so are being paid from that of imprest account whereas payments for utilities bills are concerned, it is stated that Burhan camp office having only one utility meter, is being also used by HRTC's staff and Motorways Police. Payments for utilities bills of HRTC's staff

and Motorway Police is the responsibility of NHA while that of E-35 staff offices is the responsibility of contractors. Process for calculation of due share of each office for utilities bills was in progress and as and when due share at contractor's behalf is calculated and conveyed to this office, the same would be recovered from contractor's next IPC.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that recovery of due share of expenses was being made from the contractor. DAC directed NHA to get the up-to-date recovery verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 22)

4.4.137 Overpayment due to execution of work on carriageway instead of shoulders - Rs 8.293 million

Engineer Estimate for the work PM (Functional Overlay) from Km 107 – Km 115 N-5 was approved and item 304b DST was to be got executed at a length of 8,500 meter on shoulders (Right & Left). Moreover, as per Specification Asphaltic Wearing Course was not required to be laid over DST.

General Manager (Sindh-South) Karachi awarded the work PM (Functional Overlay) Work between KM 107+000 to KM 115+000 on N-5 KTH Contract No. PM-2014-15-SS-01 to M/s King Enterprises (JV) M/s Mustafa Enterprises for Rs 99.426 million. The Contractor was last paid 7th IPC for Rs 97.365 million. Audit noted that an item of work Asphalt Wearing Course (class-A) was measured and paid on carriageway continuously at width of 7.3 m from Km 107+000 to Km 117+000) but it is astonishing to note that item 304b DST was also continuously laid at a width of 7.3 instead of provided at the width of 2.5 (on shoulders). Audit is of the view that execution of DST under the Asphaltic Wearing Course is unjustified and against the specification which resulted in overpayment of Rs 8.293 million.

Audit maintained that overpayment occurred due to weak technical, financial and internal controls.

Audit pointed out overpayment in September 2016. The Authority replied that the approved Engineer's Estimate of contract was not addressing the actual site condition/situation and the 2 cm asphaltic base course was not even as per the standard design practices. On this General Manager (Material) has visited the site and revised the design where DST proposed, to serve as a crack sealant, was approved on the main carriageway. Further, General Manager (RAMD) has also cleared and concurred this revised design during the visit in April 2016. Hence for the execution/implementation of the revised design, the V.O got approved and revised quantities utilized at site in the true spirit. Since the work was carried out as per revised design & approved VO. Thus the documents attached could justify the need of DST over the main carriageway as a crack sealant.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that the approved Engineer's Estimate of contract was not addressing the actual site condition/situation and the 2 cm asphaltic base course was not even as per the standard design practices. On this General Manager (Material) has visited the site and revised the design where DST proposed, to serve as a crack sealant, was approved on the main carriageway. Further, General Manager (RAMD) has also cleared and concurred this revised design during the visit in April 2016. Hence for the execution / implementation of the revised design, the V.O got approved and revised quantities utilized at site in the true spirit. DAC directed NHA to get the record relating to overall variation verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 59)

4.4.138 Overpayment due to execution of Non-BOQ items in violation of TS estimate/specification - Rs 8.27 million

Para 56 of Chapter-2 of NHA Code provides that technical sanction means the order of the competent authority sanctioning a properly detailed estimate of the cost of a work of construction or repair proposed to be carried out by the Authority. Sanction accorded to the execution of a work by an officer of any other department is regarded merely as an administrative approval of the work. Technical Sanction is a guarantee that the proposal is structurally sound and that the estimates are accurately calculated and based on adequate data. It shall be issued on the basis of detailed estimates for the project as a whole, after administrative approval is accorded.

Audit noted that a periodic maintenance contract No. PM-2013-14-N35-04 was awarded to contractor at agreed cost of Rs 151.659 million. The engineer's estimate of Rs 182.986 million was prepared by the RAMS NHA Headquarter with HDM-IV which was technically sanctioned by the competent authority. Items 207-a shallow patching 0 to 15 cm and 207-b deep patching 15 to 30 cm were provided for removal of the existing asphaltic along with base surface and replacement with fresh asphaltic work over thereon having the construction requirement under item No.207.3 in conformance with specification.

Audit further noted that item 309-a cold milling 0-30 mm and item 309-c cold milling 0-70 mm was measured as non-BOQ items for removal of existing asphaltic layer with the construction requirement and paid cost of Rs 14.217 million instead of execution of BOQ item 'deep patching' for 0-15 cm and 15-30 cm under item No. 207-a and 207-b at estimated cost of Rs 5.946 million. Substitution was clear violation of TS estimate which resulted in compromise on quality of work providing in the original contract and undue favour to the contractor. Non-adherence to TS estimate, specification execution of Non-BOQ items caused overpayment of Rs 8.27 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out overpayment in August 2016. The Authority replied that the intensity of cracks in pavement increased and further deteriorated particularly in the urban area. It appeared with alligator / transverse cracks. Further there were alligator/block cracking in full length and width, therefore for the purpose of rehabilitation, it was necessary to remove out the existing pavement with cold milling (as suitable for site 0-3 cm and 0-7cm). The same was executed as non-BOQ items with the approval of the competent authority.

The reply was not accepted because alligator / block cracking in full length and width occurred as such in the prescribed treatment rules deep patching and shallow patching was provided in the estimate technically sanctioned by the TSP, Steering Committee and NHA Executive Board. This treatment was suggested in order to provide hard layer of the crush aggregate or water bound macadam up to 0-15 and 15-30 cm which was replaced with the cold milling up to 10 cm and its filling with soft layer of the asphalt base course and wearing course in violation of the TS estimate. This state of affair is evident that base surface underneath the asphaltic layers was damaged/deteriorated which was required to be replaced but this hard material was set aside and substitution of the items carried out for the convenience of the contractor which resulted overpayment on account of execution of non-BOQ items in violation of TS estimate and specification.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed General Manager (M&I) to inspect the work and submit report. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 159)

**4.4.139 Overpayment due to unauthorized change in BOQ rate -
Rs 7.916 million and payment through variation order -
Rs 361.887 million**

According to Clause 52.2 of agreement (Part-II Particular Conditions of contract), provides that no change in the rate or price for any item contained in the contract shall be considered unless such item accounts for an amount more than 2% of contract price and the actual quantity of the work executed under the item exceeds or falls short of the quantity set out in the BOQ by more than 30%.

Audit noted that Project Director measured and paid a quantity of 45,802 Cu.m (37,479+8,323.23) for item No.509c-rip-rap class c (Bill-4) against provision of 37,479 Cu.m payable @ Rs 1,475 per Cu.m in original BOQ. Audit observed that quantity exceeding BOQ provision by 8,323.23 Cu.m was paid @ Rs 2,426.12 per Cu.m after adjustment of rate under clause 52.2 of the agreement. Audit further observed that increase in quantity of the item was less than 30% ($8,323.23 \text{ Cu.m} / 37,479 \text{ Cu.m} \times 100 = 22\%$) so the quantity exceeding BOQ was payable at BOQ rate but higher rate was allowed contrary to provision of contract. Audit holds that adjusted rate was payable when the executed quantity of the item exceeds more than 30% of BOQ provision. This resulted in overpayment of Rs 7.916 million ($8,323.23 \text{ Cu.m} \times \text{Rs } 1,475 \text{ per Cu.m} - \text{Rs } 2,426.12 \text{ per Cu.m}$). Audit further observed that 5 no's Non-BOQ items comprising two major items i.e. "under water excavation for stone apron and direct stone dumping in flowing river channel (measurement prior to dumping)" were approved through variation order No. 3 for Rs 335.1031 million but to date payment made for Rs 361.881 million which was outside the contract agreement. This additional work i.e. 63.48% of the original work was awarded without competition, determining analysis of rate and prescribing technical specification.

Audit pointed out the non-recovery in October 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 328)

4.4.140 Non-forfeiture of earnest money and encashment of Performance Security - Rs 7.900 million

As per letter of commencement dated 01st February, 2016 contract No.PM-2014-15-M3-01 for periodic maintenance (structural overlay) between KM 0 + 00 to KM 5 + 000 (NBC) on Motorway M-3 awarded to M/s Standard Construction Co. The contractor was to start the work according the date of commencement letter i.e. 1st February, 2016.

Audit noted that the General Manager Maintenance (M-2,M-3) Kallar Kahar awarded the above work to the contractor for Rs 65.489 million. But the contractor failed to start the work even upto the stipulated date of completion i.e. 31st July, 2016. The contractor was liable to be penalized to get his earnest money forfeited for Rs 7.900 million.

Audit maintains that non-forfeiture of earnest money was due to non-implementation of relevant rules and weak administrative/internal controls.

Audit pointed out the non-forfeiture of earnest money in August 2016. The Authority replied that the contract No.PM-2014-15-M3-01 for periodic maintenance (structural overlay) between KM0+00 to KM5+000 (NBC) on Motorway M-3 was awarded to M/s Standard Construction Co, wherein the completion time was 06 months. The contractor was unable to mobilize at site due to reasons best known to him. Subsequently this office initiated the case file for cancellation/re-tendering and final decision by NHA HQ, which was still awaited. Once the decision was received from competent Authority, revised reply would be submitted accordingly.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed to initiate action regarding termination of contract and get the record verified. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 57)

4.4.141 Overpayment due to unauthorized change in BOQ rate - Rs 7.609 million

According to Clause 52.2 of agreement (Part-II Particular Conditions of contract), provides that no change in the rate or price for any item contained in the contract shall be considered unless such item accounts for an amount more than 2% of contract price and the actual quantity of the work executed under the item exceeds or falls short of the quantity set out in the BOQ by more than 30%.

Audit noted that Project Director measured and paid a quantity of 44,974.97 Cu.m for item No.509c-rip-rap class c (Bill-4) against provision of 37,479 Cu.m payable @ Rs1,411 per Cu.m in original BOQ.

Audit observed that quantity exceeding BOQ provision by 7,495.97 Cu.m was paid @ Rs 2,426.12 per Cu.m after adjustment of rate under clause 52.2 of the agreement. Audit further observed that increase in quantity of the item was less than 30% ($7,495.97 \text{ Cu.m} / 37,479 \text{ Cu.m} \times 100 = 20\%$) and adjustment in rate was not due.

Audit holds that adjustment in rate was allowed contrary to contract provisions. This resulted in overpayment of Rs 7.609 million.

Audit pointed out the overpayment in October 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 332)

4.4.142 Non-recovery of missing and out of order items - Rs 7.561 million

Certain lab/office equipment and vehicles was procured under Bill No. 07 of contracts ICB 02 & 04 and the contractor was required to maintain the said material/vehicles during the period of contract and required to be taken by NHA on completion of work in good/running condition.

During scrutiny of record relating to Kalat Quetta-Chaman Road Project, NHA, Audit noted that the contracts ICB 02 & 04 were initially awarded to M/s HCL. However, the works were assigned to M/s MAB/REX JV on 07th May, 2009. Accounts of M/s HCL were not finalized since the matter was sub-judice in the Honourable Supreme Court of Pakistan.

As per Project Director Kalat-Quetta-Chaman letter dated 24th February, 2016 addressed to Project Consultants M/s SMEC, items valuing Rs 7.561 million were found missing or out of order against Bill No. 07 for Packages ICB-2&4. The cost of these items was recoverable from the concerned contractors.

Audit observed that NHA did not recover the amount of Rs 7.561 million from the defaulting contractors.

Audit pointed out the matter in September-October 2016. The Authority replied that the accounts of the contractor were not finalized yet. Team Leader M/s SMEC i.e. "The Engineer" was intimated vide letter dated 24th February, 2016 for recovery. Recovery would be effected upon finalization of accounts.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA informed the committee that recovery would be made from final bill. DAC pended the para till finalization of accounts and recovery of admitted amount. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 176)

4.4.143 Non-accountal/disposal of trees and un-authentic payment – Rs 6.905 million

Specification 102.2 of National Highway Authority provides that all trees to be removed shall be counted and an inventory prepared showing girth of the tree stem for further disposal.

Audit noted that the Project Directors, Construction of Peshawar Northern Bypass (Package-3-a) allowed and paid the item No. 102a,b,c removal of 1,419 trees for Rs 1.601 million, but neither the inventory showing details of trees was prepared nor the removed cut trees were retrieved for disposal/auction as per rules. This resulted in misappropriation of trees.

Audit maintains that non-accounting and disposal of removed trees was due to failure of internal controls.

Audit pointed out the misappropriation in September 2016. Authority replied that trees were cut/ removed by the contractor. The removed trees taken away by the land owners and deduction was made from them as per approval of Chairman NHA.

The reply was not accepted because removed trees being the property of NHA were to be accounted for further disposal.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.

(DP. 260)

4.4.144 Overpayment due to application of incorrect rate of non-BOQ items - Rs 6.687 million

Clause 52.1 of Contract Agreement provides that all variations referred to in Clause 51 and any additions to the Contract price which are required to be determined in accordance with Clause 52 (for the purposes of this Clause referred to as “varied work”), shall be valued at the rates and prices set out in the contract.

Audit noted that NIT of the work ‘PM-2012-13-PN-04’ periodic maintenance asphaltic overlay (N-5) was prepared on the basis of CSR-2011 and tenders were invited thereon. Eight (08) bidders participated in the bidding wherein M/s AMCL stood 1st lowest by quoting Rs 395.473 million at par with condition that any varied works was required to be valued on these prices.

Audit further noted that an extra/additional item 205-b asphaltic open graded plant mix crack relief layer was introduced and got measured and paid to contractor @ Rs 16,959.99.

Audit observed that rate of this extra item was required to be taken from CSR-2011 Rs 14,643.14 as set out in the contract whereas higher rate Rs 16,959.99 based on CSR-2014 without premium was paid resulting excess rate of Rs 2,316.85 per cu.m besides additional work of Rs 48.954 million was added in the existing contract without tendering violating the PPRA.

Non-adherence to contract caused overpayment of Rs 6.687 million due to allowing higher rate.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out overpayment in September-October 2016. The Authority replied that estimate was prepared in 2012 on based of CSR 2011 and Contractor quoted the rate in July 2013 on based of CSR 2011 but said contract was awarded after lapse of 17 month in November 2014 and work was executed in April 2015. Due to delay in award of contract, road condition was pathetic and deteriorated with development of multiple failures like alligator cracks, rutting. Keeping in view the site condition, GM (Material) NHA HQ were requested to visit the site and proposed the methodology for treatment of deep cracks so that cracks could not appear in newly laid asphaltic pavement. After site visit and detail deliberation with the contractor & consultant Non-BOQ item 205b (Crack Relief Layer was incorporated as per minutes of meeting approved by the Member (C-Z). However, in the best interest of NHA, in VO 2 rate of Non-BOQ item 205b was decreased as Rs 16,959 instead of rate of Rs 18,086 based on CSR 2014 and the adjustment was made accordingly.

The reply was not tenable as per provision of contract item rate of non BOQ items was required to be determined as set out in the contract which was not done and higher rates CSR-2014 were applied which resulted into overpayment.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 273)

4.4.145 Unjustified/Excess payment due to payment made without work done/evidence - Rs 6.674 million

According to Item No. 702.1 of the agreement, “during the whole contract period, the contractor shall provide/furnish and maintain properly

air-conditioned facilities for the Engineer's Representative and his staff and Employer base camp facilities, including offices and bachelor housing accommodations as specified hereinafter for the exclusive use of the Employer/ Engineer's Representative and his staff at the location as approved in writing by the Engineer's representative". Agreement, Bill No.07: Miscellaneous item No-702-a, a sum of Rs 12.00 million was provided for Office & Residence of Representatives of Employer and Engineer.

Audit noted that Project Director, Hassanabdal-Havelian-Mansehra Expressway (E-35) Hassanabdal-Havelian paid an amount of Rs 6.674 million against provision of Office & Residence of Representatives of Employer and Engineer to the contractor in IPC#7 under Bill NO. 07 item No.702-a.

Audit observed that the payment was made without any evidence, whether a building was hired or constructed for the Offices & Residences of Representatives of Employer/ Engineer. In absence of the evidence/supporting documents regarding construction or renting of building and provision of facilities, the payment of Rs 6.674 million made to contractor, stands unjustified/excess payment.

Audit pointed out the unjustified payment in July-August, 2016. The Authority replied that due to security reasons of the foreigners, it was decided that instead of construction of new building for office & residence of Employer & Engineer's representative at site, use already constructed building at Burhan for the purpose. This already constructed building was not in use from many years. The contractor refurbished this old building.

The reply was not accepted because the provision in contract was only for construction of new building or payment for hired building. Further there was separate provision for maintenance of Employer and Engineer office and was being paid accordingly.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed NHA to get record verified from Audit. The

compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 16)

4.4.146 Overpayment due to payment of consultancy cost of non-executed work - Rs 6.255 million

As per Rules 20 to 23 of GFR (Vol-I), every government officer should realize fully that he will be held responsible for any loss sustained by government through fraud or negligence on his part or on the part of any other officer to the extent to which it may be proved that he contributed through his own negligence or action. The first and foremost duty of those concerned in the event of any loss to government coming to notice, is to initiate timely and prompt action for fixing the responsibility for such losses. It is of significant importance to avoid delay in the investigation of any loss due to fraud, negligence financial irregularity.

General Manager (Sindh-South) NHA Karachi awarded the contract for supervisory services for three Additional Bridges on Phulleli-I, Phulleli-II, Akram Wah Canal to M/s Professional Engineering Associates (PEAS) on 19th November, 2012 for a period of 14 months at contract cost Rs 6.255 million from Routine Maintenance Account. During scrutiny of V.O No.II approved by Member (South-Zone) on 18.02.2016, it was observed that the above work was being reported to be not started/got delayed due to some design issues in the NHA headquarters. Despite of recovering cost paid to the design consultant and demobilizing the consultant because of non-execution of work, the consultant was reassigned a new work through V.O for consultancy supervision of 1 bridge of RBOD (which is deposit work) and the cost of non-executed RMA work of three bridges was included in the deposit work cost and the consultant was shown paid for Rs 21.740 million for consultancy of a single bridge.

Audit further observed that the consultancy of originally awarded 3 bridges works of Phulleli-I & II and Akram Canal was again awarded to M/s Peas Consulting (Pvt) Ltd. by the Director (Maintenance) vide No. 5029 dated 23rd January, 2016 as consultancy for remaining work for Rs 5.767 million and last invoice of the consultant was submitted for Rs 7.140 million. Audit is of the view that the amount included through V.O as mentioned above for Rs 6.255 million was quite unjustified because work was not started at site and due to negligence for not demobilizing the consultant put the Authority loss/overpayment of Rs 6.255 million because previous work was assigned as new work.

This loss/overpayment occurred due to negligence and weak internal and technical controls for which matter needs justification.

Audit pointed out overpayment in September 2016. The Authority replied that M/s Peas Consulting (Pvt) Ltd. were awarded the supervision consultancy of Phuleli-I, II and Ala-am Wah Canal bridges at a cost of Rs 6.255 million after open competitive bidding process. The start of construction of these bridges got delayed due to design review at NHA, HQ. In the meantime, services of supervision consultant were urgently required for a deposit work project RBOD Bridge, as after the resolution of court dispute, the contractor was remobilized there. Due to the urgency of matter, this forth bridge was as an additional scope in the original consultancy agreement with M/s PEAS. All the supervision consultancy cost over and above that amount has been borne by the funding department and not by NHA.

The reply was not acceptable because work was not started at site and due to negligence for not demobilizing the consultant put the Authority loss/overpayment of Rs 6.255 million because previous work was assigned as new work.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC pended the para till final outcome of the inquiry. The Committee directed NHA to provide inquiry report to Ministry of

Communications. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 71)

4.4.147 Overpayment on account of separate measurement of inbuilt component of work - Rs 5.654 million

Item 407.4.2 of NHA General Specifications read with supplementary specification 62-A provides that such prices and payment shall be considered full compensation for furnishing all materials including reinforcement performing standard penetration and all other relevant laboratory, labour, fuel, tools, welding and other incidental expenses including splicing, caging necessary to complete the item as directed by the Engineer.

Audit noted that that item 407 cast in place piles 750 mm was got executed to the extent of the 296 meters and paid for Rs 1.184 million at the project "Rehabilitation & Widening of Kamber-Shahdaskot Road".

Audit observed that the record measurements made in MB indicated that reinforcement of these piles was measured separately under item 404-b steel reinforcement G-60 to the extent of 49 tons for Rs 5.634 million.

Audit held that, its provision relating to cost of reinforcement including in the pile rate have overriding effect as such separate measurement/payment of steel reinforcement was not admissible. Non-adherence to contract specification caused overpayment on account of inbuilt component of the item of Rs 5.654 million. Audit maintains that overpayment was due to non-adherence to the rules/regulations, existence of opportunity for violation of law, abuse of authority and weak internal controls.

Audit pointed out overpayment in March/April 2016. The Authority replied that item No. 407.4.2 is not BOQ item of Kamber Shahdakkot Road Project. An amount of Rs 1.184 million was paid against Item No. 407d which is payable only for boring 760 mm dia in normal soil. The steel reinforcement, item No. 404b (Grade-60) was separate item & paid to contractor as per general specification of NHA.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that steel reinforcement was separate item and paid to the contractor as per specification. Audit contended that reinforcement is inbuilt in the piles. DAC directed to get the record verified in light of departmental contention and priority document. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 121)

4.4.148 Unauthorized execution of non-BOQ items in violation of TS estimate which resulted unjustified payment - Rs 4.73 million

Para 56 of Chapter-2 of NHA Code provides that technical sanction means the order of the competent authority sanctioning a properly detailed estimate of the cost of a work of construction or repair proposed to be carried out by the Authority. Sanction accorded to the execution of a work by an officer of any other department is regarded merely as an administrative approval of the work. Technical Sanction is a guarantee that the proposal is structurally sound and that the estimates are accurately calculated and based on adequate data. It shall be issued on the basis of detailed estimates for the project as a whole, after administrative approval is accorded.

Para 5.9.3 Chapter-5 of SOP RMA NHA code Vol-II provides that maintenance works shall commence from 1st July of every calendar year and be completed during the financial year (that is by 30th June of the next calendar year).

Para 6.3 of chapter-6 of NHA Code Vol-II provides that detail measurement will be certified by the Resident Engineer if appointed for supervision of the works.

Audit noted that a contract No. PM-2014-15-NA-02 was awarded to M/s Wajid Iqbal & Co. at location km 0-10 and 13-16 at agreed cost of Rs 104.044 million at @ 25.01% below against the engineer estimate of Rs 138.744 million.

Audit observed that record measurement of 1st running bill was recorded in MB-3310 wherein functional overlay km 0 to 2+375 was executed wherein BOQ items was measured at length of 1025 meter.

Audit further observed that 2 non-BOQ items 309-c cold milling 0-70 mm and 304-b DST was also measured / paid without prior approval of the competent authority. As per TS estimate cold milling was to be executed up to 0-50 mm and afterward 5 cm wearing course was provided to be executed and these non-BOQ items were executed beyond the provision of TS estimate. It was further added that cold milling was carried out at a length of 1375 meter up to 0-07 cm whereas asphaltic wearing course was laid thereon 05 cm, the difference of level was compensated with DST with thickness of 02 cm. the mixing of surfacing and asphaltic wearing course contrary to the treatment rules as provided in the RMA SOP.

It is worth to mention that record measurements were not certified by the Resident Engineer as prescribed in the SOP/NHA code/Financial Manual. Non-adherence to provision of rules caused unauthorized execution of non-BOQ items in violation of TS estimate which resulted unjustified payment of Rs 4.73 million.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out unjustified payment in August 2016. The Authority replied that the provisional payment has been made to the contractor with approval of competent authority (Member (North-Zone), NHA. Variation Order of 02 non-BOQs items 309c cold milling 0-70 mm and 304-b DST has been approved by the competent authority.

The reply was not accepted because non-BOQ items were measured in violation of TS estimate and Selection Treatment Rules. Technical Sanction was accorded by the TSP, Steering Committee and NHA Executive Board as such Member (Zone) was not empowered to amend the TS estimate. Moreover, there is no Selection Treatment Rules wherein DST was suggested under the asphaltic wearing course as such accordingly these measurements were also not certified by the Resident Engineer/consultant.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that General Manager (Material) NHA and consultant visited the site and proposed changes in design. Moreover, methodology has been changed whereby third party consultant is deployed to validate/review the design and recommend appropriate changes. DAC directed NHA to get the stance verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 163)

4.4.149 Overpayment due to duplicate work - Rs 4.635 million

As per BOQ Quantity of item 401b Concrete class-B for shoulders was provided for 4100 cubic meter @ Rs 7,500 per M³ for Rs 30.750 million.

The Project "Rehabilitation of Kohala - Muzaffarabad Road "S-2" Package-II (KM 0+020 to 20+035) ADB Loan No. 2742" NHA was awarded to M/ s A.M. Associates at the agreement cost of Rs 782.961 million (original).

Audit noted that Project Director Package-II, certified in pre-measurement sheet which was subsequently submitted and endorsed by the Supervisory consultant for Package-II, has shown that concrete on shoulder was laid and measured for 20+700 to 35+000 (2 Nos.) for 14,300 meter length. Patch work in the same RDs was also measured for same item for 4,483.590 M³ in the same period.

Audit observed that item of concrete class-B for side shoulders was measured again for 1.00 meter to 1.350 meter width for same reaches for quantity of 618.00 M³ already measured. This resulted into double payment for 618.00 M³ @ 7500/- per meter Rs 4.635 million.

Audit held that overpayment was made due to non-pursuance of the matter by the management properly and ineffective implementation administrative & internal controls.

Audit pointed out the overpayment in July 2016. The Authority replied that excessive damaged portion for road construction Type-III had to be treated in the carriageway area prior to the laying of Asphaltic Base Course. The less depth patches (pot holes) were treated with asphaltic base course. The patch work of these two types i.e. concrete and asphaltic base have been approved in the variation order No. 02.

The reply was not tenable. The shoulder concrete was totally separate issue and it was given in the drawing that minimum shoulder width should be kept as 01 meter (both sides) but where the area permits it could be extended up to 1.5m to 2m.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 357)

4.4.150 Non-recovery on account of safety of persons working at the project site from the contractor - Rs 4.285 million

According to Clause 4.8 of Particular Conditions of Contract (Part-B) regarding “Safety Procedures”, the contractor shall at his own expense comply with all applicable safety regulations.

Audit noted that Project Director, Hassanabdal-Havelian-Mansehra Expressway (E-35) NHA Burhan made a payment of Rs 4.285 million on account of safety of persons working at the project site to District Police Officer (DPO) Haripur vide Voucher No. 29 dated 26th April, 2016.

Audit observed that as per provision of contract, the contractor was responsible to provide safety of all persons at his own expense. Thus the payment made on account of safety to the DPO Haripur was unauthorized and should have been recovered from the contractor concerned but the same has not been recovered/adjusted from the IPCs of the contractor. This resulted into non-recovery of Rs 4.285 million.

Audit pointed out non-recovery in July-August, 2016. The Authority replied that as per SOP security of foreigners was the responsibility of the Govt. Department to whom the foreigner’s security was required. Therefor the specified amount was made to DPO Haripur to provide the security to expatriate personnel.

The reply was not accepted because in accordance with the contractual provisions, all types of security were required to be provided by the contractor itself. Hence payment on account of security measures was an extra burden on the public exchequer.

The matter was discussed in DAC meeting held on 9th-10 January, 2017, wherein NHA was directed to provide of contract agreement with DPOs and SOP regarding provision of security outside camp. The compliance of DAC’s directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 30)

4.4.151 Overpayment due to duplication of reach - Rs 4.234 million

Para 209 of CPWA Code provides that the measurement should be recorded only by Executive, Assistant Executive or Assistant Engineers or by executive subordinates in charge of work. All such measurements (i.e. those by recorded by subordinates) should, however, be test checked to the extent of at least 50% by the sub-divisional officer himself in each case, and he will be responsible for the general correctness of the bill as whole. Para 8 provides that the Divisional Officer should test check at least 10% of measurements recorded by his subordinates, and accept responsibility for the general correctness of the bill as whole.

Audit noted that Project Director, Peshawar Northern Bypass Project, Package-I, NHA, measured and allowed payment for item No. 303 Bituminous tack coat for Main Carriageway measured in MB No. 2759 at page 45 for RD 0+036 to 6+800 for full width with quantity 105,860 M².

Audit observed that Tack coat for wearing course was again measured continuously in same RD 0+036 to 6+800 = 101,266.00 M² entered on same page 45 MB No. 2759. Subsequently item No. 205-B Asphaltic concrete wearing course class-A was measured after tack coat. This resulted into overpayment of Rs 4.274 million due to duplication of reach for same item of tack coat where item No. 205 b was subsequently laid and measured.

Audit maintains that the overpayment was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the overpayment in September, 2016. Authority replied that total thickness of asphalts base course was 14 Cm, hence 14 Cm thick layer was paved in two equal layers of 7 Cm each. Tack Coat

was sprayed two times in between two layers of asphaltic base course and secondly the layers of asphaltic base course and wearing course.

The reply was not accepted because layer-wise record entry for asphaltic base course was not made and record entry for tack coat in same reach was made twice without reference of item.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends recovery of the overpaid amount.

(DP. 259)

4.4.152 Wasteful expenditure due to inclusion of work in Provincial Development Package - Rs 3.857 million

NHA under took above cited project as a deposit work as a result of Prime Minister Directives against the deposited amount of Rs 90.000 million. Accordingly, the contract was awarded vide acceptance letter dated 1st June, 2012. The project file indicates that the work was also under taken with Provincial Highway Department when the work was at the completion stage in July 2012. It was further substantiated by Executive Engineer, Provincial Highway Department Okara vide letter No.490/14 dated 3rd April, 2014 that the construction of additional carriageway along old GT Road Renala Khurd was approved under District Development Project 2013-14 at the Supervision of the Project was interested to Provincial Highway Department Okara.

Audit noted that NHA awarded the work, "Dualization/ Rehabilitation of Old G.T Road in Renala Khurd" to M/s RMC Construction Company at agreement cost of Rs 123.232 million. Audit observed that measurement of various items contained in the BOQ of the above cited work was made on 8th June, 2015 recorded in MB and included in the 4th & Final Bill of the contractor.

Audit holds that the work should have been stopped forthwith and no measurement and payment was required to be made when the work was included in the District Development Package 2013-14. Contrarily, various items were measured on 8th June, 2015 much after its execution by the provincial department. This resulted into wasteful expenditure of Rs 3.857 million.

Audit pointed out wasteful expenditure in March 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 243)

4.4.153 Non-recovery of cost of below specification work - Rs 3.689 million

According to clause 11.4 of the contract agreement, “if the contractor fails to remedy any defect or damage by the notified date and this remedial work was to be executed at the cost of the contractor under sub-clause 11.2 (Cost of Remedying Defects), the employer may (at his option) (b) require the Engineer to agree or determine a reasonable reduction in the contract price in accordance with sub-clause 3.5 (Determinations).

As per Specification, stone for riprap shall consist of field stone or rough quarry stone as nearly rectangular in section as is practical, except that riprap of Class A shall consist of round natural stones. The stones shall be sound, tough, durable, dense, resistant to the action of air & water and suitable in all respects for the purpose intended. Samples of the stone to be used shall be submitted to and approved by the Engineer before any stone is placed. The minimum apparent specific gravity shall be two and a half (2^{1/2}) and water absorption shall not exceed six (6) % for stones to be used in riprap. Stones ranging in weight from a minimum of thirty (30) kg

to a maximum of seventy (70) kg, with at least fifty (50) % by weight of the stones weighing more than fifty (50) kg.

Audit noted that M&I Wing, NHA inspected the project “Const. of left over works (Gwadar-Turbat-Hoshab) Section of M-8 (Km 0+000 to Km 76.250) Section IIA (Turbat-Hoshab)” at the time of final handing / taking over and issued report on 30th June, 2016.

Audit found from the said inspection report that item of work “Rip Rap Class-B” was not executed as per required standards because of less weight of stone, improper grouting, shape and thickness. Hence, proportionate recovery of about 25% of the rate of Rip Rap Class – B should have been made. Audit observed that no such recovery was made. This resulted in non-recovery of Rs 3.689 million.

Audit holds that non-recovery occurred due to lack of oversight mechanism for implementation of internal controls.

Audit pointed out the overpayment in September 2016. The Authority did not reply.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. NHA explained that defects noticed by M&I Team at few sites were rectified. DAC directed M&I Team to verify the rectified work. Report of M&I Team be got verified from Audit. The compliance of DAC’s directive was not made till the finalization of this report.

Audit recommends early compliance of DAC’s directive.

(DP. 190)

4.4.154 Non-recovery of penalty for delayed payment - Rs 3.254 million

Section 26, Clause 26.16 of the contract agreement (Late Payment and Right Set-off) provides that if any sum which becomes payable under any term of this agreement by one party to the other party is not paid

within time allowed for payment thereof, the party responsible for the payment thereof shall together with such delayed payment also pay an additional amount on such sum of two percent (2%) per annum above the base lending rate of the National Bank of Pakistan at the due date for the payment calculated from the due date for payment thereof until the same is paid to or otherwise by the party entitled to the same.

Audit noted that NHA awarded the work, Construction of Habibabad Railway Crossing Flyover, on N-5 Pattoki to M/s Habibabad Operations and Management Engineering Company, Pvt, Ltd at agreement cost of Rs 831.03 million. Audit observed that an amount of Rs 27.12 million was due from the concessionaire on account of NHA Toll Revenue Share indicated in the Annex-Z of the Concession Agreement. This share has not been deposited so far in the NHA account. The Concessionaire is therefore, liable to pay 2% additional amount above the lending rate of NBP besides payment of NHA Share which comes to Rs 3.254 million.

Audit pointed out non-recovery of penalty in March 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 248)

4.4.155 Overpayment due to incorrect method of application of rebate - Rs 2.755 million

According to tender documents of the following contracts, the contractor quoted different below percentage on NHA CSR 2014 for different items.

Audit noted that GM (Maint) Punjab-South, NHA, Multan, made payment against the above contracts on account of work done. Audit

observed that quoted below percentage was applied at average rate instead of applying item wise quoted below percentage. This resulted in overpayment of Rs 2.755 million.

Audit pointed out the non-recovery in November 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 342)

4.4.156 Overpayment due to allowing higher rate - Rs 2.168 million and undue substitution - Rs 11.949 million

As per prevailing standards (NHA Schedule of rates) 25% contractor profit and overhead are allowed on cost of material, labour and equipment.

Audit noted that the Project Director “Construction of Sultan Bahoo Bridge over River Chenab linking Shorkot and Garh Maharaja Package-I” substituted items for work provided in the original BOQ “precast concrete Class-AI in Guard Rail” and “Concrete Post for Guard Rail” item No 401 and 605c for Rs 187,500 and Rs 880,000 total Rs 1.068 million and got executed, measured and paid non-BOQ items ‘steel pipe railing over RCC barrier kerb on deck slab & approach slab U/S’ for quantity of 867 meters @ Rs 13,782 per meter & Rs 8,824 per meter amounting to Rs 7.650 million and Rs 11.949 million. The rates of the items were analyzed on the basis of prevailing market prices.

Audit observed that charges of lighting arrangements at the rate of Rs 1,250 (2000+25%/2) were added in the rate. Audit holds that these charges were covered in the overheads. Further lighting arrangement for execution of work in day light was not required. Thus higher rate of the item was allowed.

This resulted in overpayment due to allowing higher rate for Rs 2.168 million (867 meter + 867 meter x Rs 1,250 + 25%). Besides, unauthorized /unjustified substitution of item amounting to Rs 19.599 million.

Audit pointed out the non-recovery in October 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 334)

4.4.157 Unjustified payment for excessive measurement - Rs 1.935 million

As per BOQ based on the tender drawings for the above cited work the road width comprised 7.5 meters for wearing course and 2.5 meters shoulders on either side.

Audit noted that NHA awarded the work, “Dualization/ Rehabilitation of Old G.T Road in Renala Khurd” to M/s RMC Construction Company at agreement cost of Rs 123.232 million. Audit observed that total width for Water Bound Macadam in the reach from 00+160 to 01+450 was measured for 7.81 meters. Subsequently, the items prime coat, tack coat, and wearing course were laid on width of 7.35 meters. Thus, only 0.46 meter width was left to be treated for Double Surface Treatment. It appeared from 4th and final Bill measured in MB No.2550 Page-46 that the Double Surface Treatment for a quantity of 6,450 sqm was measured in this reach for a width of 2.5 meters on both sides and paid for an amount of Rs 1.935 million @ Rs 300. The measurement and payment over & above the available width resulted into unjustified payment of Rs 1.935 million.

Audit pointed out unjustified payment in March 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit stresses upon investigation and appropriate corrective action.
(DP. 242)

4.4.158 Loss due to non-recovery of cost of trees - Rs 1.8 million

NHA awarded a work “Re-alignment of KKH at Attaabad Barrier Lake, Hunza” to M/s China Road & Bridge Corporation (CRBC) on 26th July, 2012 at an agreed cost of US\$ 275 million (EPC Contract) provides the Item No.101 “Removal of Trees” @ of USD 11.58 total up-to-date quantity of trees was 360.

Audit observed that Project Director KKH Attaabad Barrier Lake paid an up-to-date amount of Rs 356,849 (360 x 11.58 USD) to the contractor for removal of trees but accountal of trees was not made. This resulted into loss of Rs 1.80 million (360 x 5000) approx cost.

Audit maintains that non-recovery due to inadequate oversight mechanisms and non-exercising of relevant financial rules and internal controls and failure of authority to protect public interest.

Audit pointed out the non-recovery of cost of trees in August 2016. The Authority replied that the contractor has removed the trees bushes and herbs during the construction from the entire ROW of the project area and the herb and bushes have been taken away by the land owners. Whereas, 5,275 fruit and non-fruit trees were removed by the contractor the assessment of the trees has been made by the forest department on the basis of the losses of the fruits and wood of the trees owners. Therefore the trees had been handed over to the owners and only damages charges assessed by the forest department had been incorporated in the land compensation paper for payment to the land / trees owners. The rates of

different kind and size of the trees notified by the Deputy Commissioner of concerned districts.

The reply was not accepted as no documentary evidence in support of reply that the compensation was without cost of wood was provided.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 268)

4.4.159 Unjustified payment beyond contract provision - Rs 1.517 million

According to Clause 2.2.9 - Scope of Services/Terms of Reference of construction supervision of the project “Construction of 6-Lane Highway (08 Km) from Double Phattak to Chowk Nag Shah, Multan” awarded to M/s ACE Pvt Ltd, following staff of the Consultants shall be allowed to continue performing services for a period of 02 months after completion of the project to finalize the accounts and other outstanding issues of the project.

S. No.	Description	Man-months
1.	Resident Engineer	02
2.	Quantity Surveyor	02
3.	Computer Operator	02
4.	Office Boy/Helper	04

Audit noted that construction work of the project was substantially completed by the contractor on 30.11.2015 and 50% retention money was released in IPC-19 vide page No.63-64 of MB-3260.

Audit observed that construction supervision fee was paid to the consultant upto May 2016 as “provisional payment”. Audit holds that invoices of the consultants beyond 02 months after completion of

construction work were paid beyond contract provision. This resulted in unjustified payment of Rs 1.517 million.

Audit pointed out the unjustified payment in October 2016. The Authority did not reply.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 338)

4.4.160 Overpayment due to measuring quantity of back filling of earth - Rs 1.390 million

According to specification of item SP-3.4.2 Stone aprons for guide bank/spurs and approach road, payment at quoted rate shall be full compensation from top of apron and preparation of bed furnishing and placing all material including back fill and all other costs relate to completion of work. Excavation from existing river bed to top of apron shall not be paid separately and shall be deemed to be included in relevant item of formation of embankment.

Audit noted that the Project Director got measured and paid a quantity of 4,712 Cu.m @ Rs 295 per Cu.m under item 108c for re-filling in scoured area below apron bed level at RD 1+900 to RD 2+110 as per detailed measurement recorded at page 81 of MB-2665. Audit holds that cost of back filling was included in the rate of stone apron, therefore, this quantity of re-filling was not payable as provision of specification SP-3.4.2. This resulted in overpayment of Rs 1.390 million (4,712 Cu.m @ Rs 295 per Cu.m).

Audit pointed out the non-recovery in October 2016. The Authority replied that the scouring of natural ground lowering NSL much below the design bottom of stone apron occurred in some area due to very high flood of 2014 in river Chenab. This was not due to any over

excavation or any other activity by the contractor; rather it was due to operation of the force of nature falling under clause 20.4. So refilling of gap between designed apron bed level and underneath scoured NSL being additional work does not fall under provision of specification SP-3.4.2. Instead of refilling by additional quantity of stones involving high cost effect, sand filling was got done in scoured slushy area at BOQ rate of 108c instead of applying any special rate for sand filling.

The reply was not accepted because the back filling was included in the original item of work as per specification. Thus separate payment for re-filling was unjustified.

DAC meeting was convened on 9th-10th January, 2017 but the para remained undiscussed.

Audit recommends early recovery.

(DP. 339)

4.4.161 Non-recovery of defective execution of works

According to standard clause 11.4 of the contract agreement, “if the contractor fails to remedy the defect or damage by this notified date and this remedial work was to be executed at the cost of the contractor under sub-clause 11.2 (Cost of Remedying Defects), the employer may (at his option) (b) require the Engineer to agree or determine a reasonable reduction in the contract price in accordance with sub-clause 3.5 (Determinations).

An examination of the account record of RMA for the year 2014-15, relating to the above work has revealed that 4th IPC of the cost was recorded and paid vide cheque No. 20636363 dated 3rd July, 2014. Final Bill recorded but not yet paid. Before submission of final bill a punch list was issued to the contractor on December, 2014 for rectification of different works at different locations as detailed below:

- a) Foot path is damaged from Qasim market at different locations.
- b) Road is damaged at Askari-XI slip road near SCO.
- c) Tuff Paver of Median / Foot Path is needs to be rectifying at Khan Muhammad Road.
- d) Street light from Qasim Market to 22 No. Chungi are not in working condition.
- e) Cracks are developed in pavement at different portion of Convoy Route.
- f) Payment making needs to be rectified.
- g) Street lights poles are damaged from Qasim Market to Adyala Road.
- h) Pavement stud are dam aged.

There was no evidence on record that the contractor rectified the above defects. No recovery on this account was made from the contractor. Non-recovery on account of defective works may be justified and needful done now under intimation to Audit.

Audit pointed out the irregularity in February-March 2016. The Authority replied that Punch list for convey route was already issued to M/s NLC. M/s NLC was directed to complete the works mentioned in punch list. If M/s NLC would not complete the work as per punch list, then NHA would rectify the said works on risk and cost of M/s NLC and deduction would be made from the final bill which was yet to be paid amounting to Rs 89.28 million or from retention money amounting to Rs 40.00 million.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC directed NHA to effect recovery and get it verified from Audit. The compliance of DAC's directive was not made till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 152)

**4.4.162 Overpayment to the contractor due to enhancement in rates -
Rs 22.713 million**

As per Conditions of contract for works of civil Engineering Construction part-I General Condition Clause 52.3 Variations exceeding 15%. In such event (subject to any action already taken under any other sub-clause of this clause), after due consultation by the Engineer with the employer and the contractor, there shall be added to or deducted from the contract price such further sums as may be agreed between the contractor and the Engineer or failing agreement determined by the engineer having regard to the contractor's site and general overhead costs of the contract. The Engineer shall notify the contractor of any determination made under this sub-clause, with a copy to the employer. Such sum shall be based only on the amount by which such additions or deductions shall be in excess of 15% of the effective contract price.

Audit noted that a work "Construction of Additional Carriageway Torkham Jalalabad (Afghanistan) was awarded to M/s FWO by NHA vide acceptance letter dated 24th January, 2008 for Rs 4,340.832 million. Work was suspended and reactivated through amendment No.1 made in June 2015.

Audit observed during scrutiny of the record that the Authority made a payment of Rs 22.713 million to the contractor against item of work prime coat and aggregate base course at the enhanced rate of Rs 88 and 3000 respectively in 9th IPC. It is added that the original rates quoted by the contractor as per BOQ were Rs 56 and Rs 1,926.40 respectively. Audit was of the view that rate provided in the bill of quantity cannot be changed in any way therefore amount paid stands overpaid to the contractor recovered

Audit pointed out overpayment in September/October 2015. The Authority replied that payment was made as per agreement between NHA and FWO.

The reply was not acceptable because as per original contract no revision of rate was admissible.

The matter was discussed in the DAC meeting held on 9th - 10th January, 2017. DAC pended the para.

Audit stresses for verification of record.

(DP. 125)

CHAPTER 5

PAKISTAN PUBLIC WORKS DEPARTMENT AND ESTATE OFFICE (MINISTRY OF HOUSING AND WORKS)

5.1 Introduction

(A) Pakistan Public Works Department

Pakistan Public Works Department (Pak PWD) is an attached department of the Ministry of Housing and Works. The department is responsible for construction and maintenance works (Buildings and Roads) of the Federal Government. It is headed by a Director General. The Director General is assisted by a Chief Administrative Officer who deals with administrative matters. There are four Chief Engineers for North, South, West and Central Zones in the country. They are assisted by Superintending Engineers and Executive Engineers / Assistant Executive Engineers. The matters relating to planning are looked after by the Chief Engineer (Planning). The accounts of the Pak. PWD are departmentalized. The Budget and Accounts matters are dealt with by the Director, Budget and Accounts. Appropriation Account and Finance Accounts are prepared annually by Director, Budget and Accounts. Divisional office is the basic accounting unit of the department and is headed by the Executive Engineer. All payments relating to work done and supplies are made in the divisional office.

Detailed estimates are prepared at the sub-divisional level and technically sanctioned by the Executive Engineers, Superintending Engineers or the Chief Engineers according to their competency. Pre-audit is carried out by the Divisional Accounts Officers on behalf of the Director, Budget and Accounts who is responsible for maintaining the

accounts of the department. Divisional Accounts Officers are also co-signatory of the cheques with the Executive Engineers.

5.2 Comments on Budget and Accounts (Variance Analysis)

Three Federal Grants 49-Civil Works, 51-Federal Lodges and 139-Capital Outlay on Civil Works relate to Pak. PWD. The table below shows the position of budget allocation and actual expenditure for the financial year 2015-16 in respect of Pak. PWD:

(Rs in million)

Type of Funds/Grants	Final Grant	Actual Expenditure	Excess/ (Saving)	Excess/ (Saving) in %
Non-Development				
49-Civil Works	3,685.42	3,625.16	(60.26)	(1.64)
51-Federal Lodges	87.31	84.60	(2.71)	(3.10)
Sub-Total	3,772.73	3,709.76	(62.97)	(1.62)
Development				
139-Capital Outlay on Civil Works	5,675.23	5,543.18	(132.05)	(2.33)
Grand Total	9,447.96	9,252.94	(195.02)	(2.06)

The total budget allocation for the year 2015-16 in non-development and development grants was Rs 9,447.96 million against which an expenditure of Rs 9,252.94 million was incurred. There was a saving of Rs 195.02 million representing 2.06% of total budget allocation. The main reason for saving was less utilization of development grant.

Audit observed that supplementary Grant of Rs 3,059.48 million and surrendered of Rs 423.50 million were made before cut-off date. Further, supplementary Grant of Rs 1,426.82 million and surrender of Rs 52.31 million were made after cut-off date in violation of rule 95 of General Financial Rules (Vol-I) and para 2 (ii) and (iii) of Finance

Division (Expenditure Wing) letter No.F-5(3) Exp-III/2009 dated 10th April, 2010 as under:

(Rs in million)

Grant No. & Description	Original Grant	Supplementary Grant		Surrender		Amount withheld (Not Released)	Final Grant
		Before cutoff date	After cutoff date	Before	After		
(1)	(2)	(3)	(4)	(5)		(6)	(7)
				Before	After		(2+3+4-5-6)
49-Civil Works	3,417.00	197.83	78.91	-	8.31	-	3,685.42
51-Federal Lodge	79.00	-	8.31	-	-	-	87.31
Sub-Total	3,496.00	197.83	87.22	-	8.31	-	3,772.73
139-Capital Outlay	2,802.07	2,861.65	1,339.60	423.50	44.00	860.59	5,675.23
Grant Total	6,298.07	3,059.48	1,426.82	423.50	52.31	860.59	9,447.96

- Original allocation under Grant No. 49-Civil Works for the financial year 2015-16 was Rs 3,417.00 million. The department received a supplementary grant of Rs 276.74 million which was 8.10% of the original grant. The department surrendered an amount of Rs 8.31 million. The final grant came to Rs 3,685.42 million against which an expenditure of Rs 3,625.16 million was incurred. There was a saving of Rs 60.26 million which was 1.64% of the final grant.
- In Grant No. 51-Federal Lodges, original allocation for the financial year 2015-16 was Rs 79.00 million. The department received a supplementary grant of Rs 8.31 million which was 10.52% of the original grant. The final grant came to Rs 87.31 million against which an expenditure was Rs 84.60 million was incurred. There was a saving of Rs 2.71 million representing 3.10% of the final grant.
- Under Grant No. 139-Capital outlay on civil works, original allocation was Rs 2,802.07 million during financial year 2015-16. Supplementary Grants of Rs 4,201.25 million were received. An amount of Rs 467.50 million was surrendered. An amount of Rs 860.59 million was withheld/not released. The final grant/appropriation came to Rs 5,675.23 million against which an expenditure of Rs 5,543.18 million was incurred which constituted the 97.67% of the final grant.

There was a saving of Rs 132.05 million that was 2.33% of the final grant.

Above variance analysis showed that department utilized development grant lesser than the available budget resulting in delay in transfer of inherent benefits to the public.

In addition to above regular budgetary grants, Pak. PWD also utilized funds under Peoples Works Programme-II (PWP-II) and Deposit Works during the financial year 2015-16 as under:

(Rs in million)

Type of Fund	Amount Available on 01.07.2015	Amount Surrendered	Expenditure during 2015-16	Closing Balance (30.06.2016)
PWP-II	1,013.10	12.77	301.59	698.74

(Rs in million)

Type of Fund	Opening Balance on 01.07.2015	Deposits received during 2016-15	Expenditure during 2015-16	Closing Balance on 30.06.2016
Deposit Works	4,693.29	6,194.05	6,354.91	4,532.43

Receipts

(Rs in million)

Head of Account	Estimated Receipts	Actual Receipts	Excess	%age Excess
Recovery adjusted in reduction of expenditure	145.00	274.38	129.38	89.23

As per original estimates for 2015-16, miscellaneous receipts were estimated for Rs 145.00 million against which Rs 274.38 million was collected by Director Budget and Accounts (DBA), Pak. PWD,

representing 189.23% of the budgeted receipt. Above state of affairs indicated that targets of receipts collection were achieved successfully.

(B) Estate Office

Estate Offices situated at Islamabad, Lahore, Karachi, Quetta and Peshawar are under the administrative control of the Ministry of Housing and Works. These offices deal with allotment of government-owned accommodations, properties, recovery of rent, etc. from the allottees/occupants. The Estate Office management includes an Estate Officer assisted by Joint Estate Officers at the four provincial offices. Grant No. 50 relates to Estate Offices.

Budget allocation and expenditure of Estate Offices for the year 2015-16 is tabulated below:

(Rs in million)

Original Grant	Final Grant	Expenditure	Excess/ (Saving)	%
132.00	122.980	115.625	(7.355)	(5.98)

Final grant was Rs 122.980 million, against which an expenditure of Rs 115.625 million was incurred resulting into saving of Rs 7.355 million which is 5.98% of final grant.

Receipts

(Rs in million)

Head & Description	Estimated Receipt	Actual Receipt	Excess/ (Shortfall)	%
C 02701 – Works Building Rent	430.700	518.581	87.881	20.404

The buildings rent recovery of Rs 430.700 million was estimated in the budget 2015-16 against which an amount of Rs 518.581 million was collected by the Estate Offices, which was 20.404% excess than the budgeted receipt.

5.3 Brief comments on the status of compliance with PAC's directives

Compliance position of PAC's directives on Audit Reports relating to Pakistan Public Works Department/Estate Offices as under:

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of Compliance
1985-86	06	06	01	05	16.67
1986-87	02	02	01	01	50.0
1987-88	09	09	01	08	11.11
	1 SAR	1 SAR	-	1 SAR	-
1988-89	1 PAR	1 PAR	01	-	100
1989-90	37	37	13	24	35.13
	1PAR	1PAR	-	1PAR	-
1990-91	17	17	15	2	88.24
	1 PAR	1 PAR	-	1 PAR	-
1991-92	63	63	18	45	28.57
	1 PAR	1 PAR	-	1 PAR	-
1992-93	50	50	45	05	88.23
	1 PAR	1 PAR	-	1 PAR	-
1993-94	64	64	31	33	48.44
1994-95	24	24	15	09	62.5
1995-96	24	24	15	09	62.5
1996-97	69	69	50	19	72.46
1997-98	176	176	128	48	72.72
	1 SAR	35	33	02	94.29
1998-99	175	175	89	86	50.85
1999-2000	106	106	69	37	65.09
2000-01	60	60	48	12	80.00
2001-02	32	32	28	04	87.5
2002-03	9	9	3	6	33.33

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of Compliance
2003-04	21	21	14	07	66.66
2004-05	18	18	07	11	38.89
2005-06	38	38	19	19	50.00
2006-07	45	45	16	29	35.53
2007-08	27	27	10	17	37.03
2008-09	29	29	21	08	72.41
2009-10	09	09	04	05	44.44
2010-11	64	51	20	44	31.25
2013-14	77	23	04	73	5.19

Note: Audit Reports for 2011-12, 2012-13, 2013-14 (Partially discussed), 2014-15 and 2015-16 have not been discussed by PAC till the finalization of this Audit Report. SAR stands for Special Audit Report and PAR for Performance Audit Report.

5.4 AUDIT PARAS

Fraud/Misappropriation

5.4.1 Fraudulent payment without actual execution of work - Rs 1.906 million

Rule 23 (i) of General Financial Rules (Vol-I) provides that every Government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence. Further, according to Para 26, it is the duty of the departmental controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account

Audit noted that the Executive Engineer CCD-I Pak PWD Lahore awarded a work Repair & Renovation of Saint Marry Church, Hanjarwal Lahore on 08th March, 2013 to a contractor at contract cost of Rs 2.056 million against which an amount of Rs 1.906 million was paid to the contractor.

Audit observed that the Chief Engineer (Central Zone) has received a complaint that no work had been executed at site by the contractor and received bogus payment against the said work. The site was visited by the Chief Engineer on 11th February, 2015 and observed that no work was executed at site by the contractor. The department issued notice to contractor regarding recovery of principal amount along with 10% interest from the year 2013. Audit is of view point that the responsibility may also be fixed against the persons at fault besides recovery. Payment to the contractor without execution of work at site has resulted into fraudulent payment of Rs 1.906 million. The same needs recovery along with interest of Rs 571,860 (1,906,200@)10% x 3 years).

Audit pointed out the fraudulent payment in November 2016. The department replied that the site of work was visited by the Chief Engineer and the whole work was declared as un-executed. The work was required to be completed/executed from another contractor on risk & cost of original contractor. The work had been completed through another contractor by debit of expenditure to the available amount of security deposit of the defaulting contractor, so the whole embezzled amount had been recovered from the security deposit available in PLA-IV with the department on the instruction of the Directorate of Budget & Accounts, Pak PWD, Islamabad.

The reply was not accepted because no documentary evidence was made available to Audit. In this case, principal embezzled amount along with interest since 2013 was required to be recovered besides fixing responsibility against the person(s) at fault and black listing the contractor.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends disciplinary action against the person(s) responsible besides recovery of embezzled amount.

(DP. 152)

Irregularity and Non-Compliance

5.4.2 Irregular award of work to PEC non-registered contractors - Rs 730.564 million

Instruction 2.1 (a) under IB-2 of Instructions to bidder provided that the bidding is open to all firms and persons meeting the criteria of duly licensed by the Pakistan Engineering Council (PEC) in the appropriate category relevant to the value of works and duly prequalified by the employer.

Rule -13 of PPRA Rules provides that the procuring agency may decide the response time for receipt of bids or proposal (including proposals for prequalification) keeping in view the individual procurement complexity, availability and urgency, however, under no circumstances, the response time shall be less than 15 days for national competitive and 30 days for international bidding.

Rule 4 of Public Procurement Rules 2004 (General Provisions) provides that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Rule 20 of PPRA 2004 states that save as otherwise provided hereinafter the procuring agencies shall use open competition bidding as the principal method of procurement for the procurement for the goods, services and works. Further according to Para 3(A) of PPRA 2004 amendment 2006, the response time for receipt of bid should be decided keeping in mind the complexity of the bid but should not be less than 15 days for national competitive bid and 30 days for international competitive bid from the date of advertisement.

5.4.2.1 Audit noted that Executive Engineer, Store & Workshop Division Islamabad awarded various works to the joint ventures framed by the sitting contractors working also independently in works controlled by the same division.

Audit observed that the joint ventures were not registered with Pakistan Engineering Council as such. The joint venture was simply framed on stamp paper and attested by the notary public.

This resulted into irregular award of works for Rs 546.968 million without registration with Pakistan Engineering Council.

Audit pointed out the irregularity in October 2016. The department did not reply.

(DP. 99)

5.4.2.2 Audit noted that Executive Engineer, CCD-IV, Pak PWD, Islamabad entered into a contract for Architectural, engineering, consultancy, planning, designing & construction supervision for Rs 105.147 million.

Audit observed that the work was awarded to a single prequalified contractor without competition. Open tendering process should have been adopted so that lower rates could have been achieved through open competition in the interest of the department.

Audit maintained that the irregularity occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in September 2016. The department replied that the design competition of project was conducted by PECATP and M/s The Architects won the competition on the basis of creative design prepared by them. The rates for consultancy and supervision were also negotiated with M/s The Architects, resultantly they reduced rates from 5% to 4.25% of bid amount of project and accordingly the contract was awarded to them on the basis of reduced rates which are in consonance with prevailing market rates at that time.

The reply was not accepted because M/s the Architects on the design competition but his financial proposal was not competitive.

(DP. 56)

5.4.2.3 Audit noted that the Executive Engineer CCD-II, Pak. PWD Islamabad awarded two works “construction of Federal Judicial Academy (Centre of Excellence) Phase-II: Manufacturing and providing furniture at Hostel Block Family Suites etc. and Manufacturing and providing furniture at Academic Block to contractor on 08th June, 2015 at agreed cost of Rs 11.864 million and Rs 30.554 million respectively.

Audit observed in the 1st work that the tender was floated and awarded the work on single bid basis which was irregular as fair competition was not made. Further, the response time for submission of bids was given as 11 days instead of minimum 15 days. In the 2nd work the response time was also given 11 days. Moreover, as per Executive Engineer letter written to Superintending Engineer Projects, only two firms M/s SECO Safe works and M/s Oriental Furniture Works out of 04 were qualified which indicated that M/s Mehran Enterprises could not qualify while both the contracts were awarded to M/s Mehran. This resulted into irregular award of works amounting to Rs 42.418 million.

Audit pointed out the irregularity in August 2016. The department replied that for pre-qualification of contractors response time over 15 days was given. After receipt of notification for prequalification of contractors, tender were called from prequalified contractors from 14th to 25th May, 2015. Both the prequalified contractors purchased the tenders and only one tender received back and accordingly the works were awarded being the rates were reasonable even below the technical sanctioned estimate.

The reply was not accepted because only two bidders purchased tender and only one bidder submit his bid. Hence in view of the situation, the department required to be rejected the bid by using powers under Rule-33 of PPRA and re-invited the notice for pre-qualification or recall the tenders to achieve fair competition. Further by given the answer to question No.12 by PPRA, also clarify that in case of single bid re-advertisement would be a preferred option. Moreover, the department did not reply to part 3 of the Para. Further response time for calling tenders from prequalified contractors was minimum 15 days.

(DP. 71)

5.4.2.4 Audit noted that the Executive Engineer Central E/M-II Pak. PWD Islamabad awarded work “Supply, Installation, Testing and commissioning of lifts at 200 Bed Jinnah Hospital Afghanistan” to contractor.

Audit observed that wide publicity was not arranged to invite the other bidders as in the other works of same locality may bidders offered and submitted their bids, but the above said work was awarded to a single bidder, resulting into irregular award of work for Rs 36.031 million.

Audit pointed out irregularity in October 2016. The department replied that the Notice Inviting tender was called on single stage two envelope method as per PPRA rules 36(b) vide this letter No. CEMD-II/AB/1072 dated 17th August, 2015 addressed to the Director (Advertisement) PID, Islamabad and copies to all concerned including the Deputy Director-III (PPRA) for uploaded on PPRA on their website published widely in Daily Jang. None of the any single bidder participated in the bidding. The same work was re-invited for tendering and requesting to Deputy Director-III (PPRA) for uploading the notice on their website uploaded on PPRA website and published in all Newspapers.

In response to above re-advertisement, 03 Nos. bidding documents were sold by the Engineer i.e. M/s NESPAK, Islamabad.

One out of three firms only one firm i.e. M/s Riaz & Sons, Islamabad participate and submitted their technical & Financial proposals. The technical bid was opened and forwarded to M/s NESPAK for post qualification. M/s NESPAK post qualified the firm in light of technical qualification. After approval of Technical proposal by Chief Engineer (North), the financial bid was opened of the post qualified firm. The financial bid was forwarded to M/s NESPAK for financial evaluation. M/s NESPAK has examined and evaluated and recommended the single lowest bidder to award the contract. The same was approved and accepted by Chief Engineer (North). It was crystal clear that all efforts were made for open/competitive bidding.

The reply was not tenable because this case pertains to mis-procurement and be investigated with a view to fix responsibility for award of work to single bidder at a higher rates. Audit further observed that for HVAC works at Kabal and Toger considerable numbers of bidder participated at KABAL and award of work through single bidden was not

understood. The matter needs condonation from Finance Division and PPRA.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends condonation of irregularity from competent forum besides action against person(s) responsible.

(DP. 103)

5.4.3 Irregular expenditure - Rs 40.082 million and non-revision of technical sanctioned estimate - Rs 654.213 million

Para No. 6.17 of Pak PWD Code provides that when the expenditure upon a work exceeds or is found likely to exceed, the approved cost by more than 15%, a revised approval must be obtained from the authority competent to approve the cost, as so enhanced. Further, Para 6.19 of ibid code also provides that revised estimate must be prepared where the sanctioned estimate is likely to be exceeding by more than 15%.

Para 6.23 of Pak PWD code provides that if at any time, either before or during the construction of a work, it is found that the original estimates for it is excessive for-reasons other than those mentioned in Paragraph 6.22 an officer of a rank not lower than that of a Divisional Officer may sanction a revised estimate and intimate to the Director Budget & Accounts that the amount of expenditure sanction should be reduced accordingly.

5.4.3.1 Audit noted that the Executive Engineer Central Civil Division No.VII Pak PWD Islamabad awarded the work “Construction of Model Child Welfare Centre at Humak Islamabad” for Rs 29.990 million against the estimate of Rs 29.259 million. Further the work “Establishment of FG College for Home Economics F-11/1 (SH: Academic Block) was awarded for Rs 339.325 million against the T.S. Estimate of Rs 446.943 million.

Audit observed in first case, a payment of Rs 38.792 million was made which was 32.58% above the estimate while the work was in progress. In the 2nd case contractor quoted rates 24.08 % below T.S estimate which was to be revised and intimated to DBA/Account Office but the department did not take any action as required under referred criteria. This resulted in irregular expenditure of Rs 9.533 million and non-revision of T.S. Estimate Rs 446.943 million.

Audit pointed out the irregularity during September 2016. The department did not reply.

(DP. 36)

5.4.3.2 Audit noted that the Executive Engineer Central Civil Division No. VIII Pak PWD Islamabad awarded the work “Construction of Agriculture Extension Complex G-11/4 Islamabad” to contractor on 25th May, 2015 at the agreement cost of Rs 34.904 million against the T. S. Estimate amount Rs 39.638 million. Further the work” Construction of Central Police Office (NH & MP) G-11 Islamabad” was awarded to contractor for Rs 128.041 million against the T.S. Estimate of Rs 169.829 million.

Audit observed that both the works were awarded at 14.39 % and 24.60 % below against the Technical Sanctioned Estimate amount respectively hence the T.S. Estimates were to be revised and intimated to DBA/Account office but the department did not revise the estimate as required under codal provision. This resulted in non-revision of Technical Sanctioned Estimates amounting to Rs 162.945 million.

Audit pointed out the matter during September 2016. The department replied that development works in question were awarded to the contractors below the Technical Sanctioned Estimate amounts on the basis of lowest premium quoted by the contractors whereas the scope of work of both the works remained unchanged /intact, therefore no need for revision of Technical Sanctioned Estimate.

The reply was not accepted because the amount of expenditure was reduced due to less quoted rates than Technical Sanctioned Estimate,

hence the same was required to be revised as per Para 6.23 of Pak PWD Code.

(DP. 122)

5.4.3.3 Audit noted that the Executive Engineer CCD-II Pak PWD Islamabad awarded the work “NAB HQ (SH: Public Health and firefighting works- Lot-II) to contractor on dated 14th April, 2016 for Rs 44.325 million against the estimate of Rs 52.276 million.

Audit observed that the bid for the said work was received for 15.21% below the estimated amount of Rs 52.276 million hence the department was required to revise the estimate and intimate to DBA and Accounts Office but the department neither accord the revised estimate nor intimate to the DBA/ Accounts Office. This resulted in non-revision of T.S estimate.

Audit pointed out the irregularity in August 2016. The department replied that the revised estimate will be submitted to the competent authority for revision, if the cost of project will exceed 15% over and above the technical sanctioned estimate. The audit will be apprised accordingly.

The reply was not to the point because the estimate was on excessive side than bid therefore, revision of estimate was necessary and also be intimated to DBA and Account office.

(DP. 68)

5.4.3.4 Audit noted that Central Civil Division Pak PWD Abbottabad awarded a work “Construction of PCC pre-stressed bridge at village Khail UC Sawan Mera, Mansehra (PWP-I 2009-10)” at agreed of Rs 58.046 million against NIT cost of Rs 36.507 million + 59% above.

Audit observed that item No.303 ‘roadway excavation in surplus/unsuitable common material’ was provided for a quantity of 12471 cum in approaches @ Rs 344.85 per cum. A review of the record measurement of 6th running bill indicated that the said item was measured

excessively to the extent of 39857.25 cum which was 220% above the provided quantity of BOQ/estimate.

Audit held that excessive quantities were executed in violation of TS estimate which caused overpayment of Rs 15.016 million.

Audit pointed out overpayment in August 2016. The department replied that item was executed as per site requirement and the actual quantity was incorporated in revised PC-I and was got approved by CDWP and also approval in principal was obtained by the competent authority i.e. Chief Engineer (North).

The reply was contrary to the fact as no revised TS, PC-I, drawing design was found available in the record. The matter was also discussed with the concerned engineer/site incharge wherein they responded that revision of drawing/design, PC-I, technical sanction was not obtained yet as such all the payments made excess over the BOQ without prior approval of the competent authority. A copy of revised drawing enclosed with the reply indicated that these were got prepared by the M/s DMC who originally design the bridge and technically sanctioned by the competent authority. As such revision after 4 years of execution of work means that original design was defective, faulty and technical sanction was also not structurally sound. The expenditure already incurred in accordance with the original design has gone waste which is ultimate loss to the government and responsibility on designer and the authority who accord the technical sanction be fixed and loss made good from them.

It was further added that only a copy of revised drawing is not alternate of the revision of technical sanction of the detail estimate which has not been accorded yet and the payments made over the provision of original TS/BOQ a clear violation of the rules.

(DP. 05)

5.4.3.5 Audit noted that the Executive Engineer Project Civil Division No.II Pak PWD Islamabad awarded the work “Construction of New Secretariat Block at Constitution Avenue Islamabad (SH: providing of 32

Nos. Bath/Kitchen for Minister/Secretary 1st floor to 8th floor) to contractor at the agreement cost of Rs 30.298 million.

Audit observed that total value of work done was Rs 39.247 million which was 29.53% excess than agreement amount of Rs 30.298 million and also 17.35% excess than NIT amount approved by Chief Engineer (North) Islamabad. This has resulted in irregular expenditure of Rs 8.949 million without revision of Technical Sanctioned Estimate.

Audit pointed out the matter during October 2016. The department did not reply.

(DP. 146)

5.4.3.6 Audit noted that a work 'construction of PCC pre-stressed bridge at village Khail UC Sawan Mera, Mansehra (PWP-I 2009-10) was awarded to contractor at agreed of Rs 58.046 million against NIT cost of Rs 36.507 million + 59% above.

Audit observed that item No. 104 supply and fabricate MS reinforcement for cement concrete Grade-60 was provided for a quantity of 35 tons in the sub structure of the bridge and record measurement indicated that item was measured for foundation of right abutment of the bridge 17.455 tons in accordance with the design.

Audit further observed that the same item was again measured for erection of counter fort (retaining wall) of the right abutment to the extent of 47.743 tons which was not provided in the original design/drawing, estimate and BOQ.

Audit held that there was no provision in the structural design/estimate/BOQ of counterfort/retaining wall, therefore, the execution of said item was irregular in violation of TS estimate and caused overpayment of Rs 6.584 million.

Audit pointed out overpayment in August 2016. The department replied that structural design of the bridge was revised by the consultant

and the same was incorporated in PC-I and was got approved by Central Development Working Party. Now the work is being carried out as per revised drawing wherein provision for counter fort is there. Also principal approval of the competent authority was obtained before taking work in hand as per revised design.

The reply was not accepted because contrary to the fact as no revised Technical Sanctioned Estimate, PC-I, drawing design was found available in the record. The matter was also discussed with the concerned engineer/site incharge wherein they responded that revision of drawing/design, PC-I, TS estimate has not been obtained yet as the counter fort wall were not provided in the design which was prepared by the consultant and payment made beyond the provision of TS estimate, design and BOQ was termed overpayment. A copy of revised drawing enclosed with the reply indicated that these were got prepared by the M/s DMC who originally design the bridge and technically sanctioned by the competent authority. As such revision after 4 years of execution of work means that original design was defective, faulty and technical sanction was also not structurally sound. The expenditure already incurred in accordance with the original design has gone waste which was ultimate loss to the government and responsibility on designer and the authority who accord the technical sanction be fixed and loss made good from them.

It was further added that only a copy of revised drawing was not alternate of the revision of technical sanction of the detail estimate which has not been accorded yet and the payments made over the provision of original TS/BOQ a clear violation of the rules. The responsibility needs to be fixed on person at fault. Moreover, these facts were concealed during currency of audit which is serious violation of the rules and lapse at the part of Divisional Office.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit stresses upon investigation and revision of estimates by the competent authority.

(DP. 04)

5.4.4 Unauthentic payment without detailed measurement - Rs 306.191 million

Para 208 of CPWA Code provides that payments for all work done are to be made on the basis of measurements recorded in the MB which is a permanent record issued to supervisory officer to record date-wise activity, mandatory tests at site. In mega projects of highways, dams, buildings, runways etc. it was a mandatory requirement for recording the measurements of works, supplies, stores etc.

Para 209 (d) of CPWA Code provides that all the payments for works and supplies are based on the quantities recorded in the MB. It is incumbent upon the person taking the measurement to record the quantities clearly and accurately. He will also work out and enter in the MB figures for the contents and area column.

5.4.4.1 Audit noted that Executive Engineer, Central E&M-II, Pak. PWD Islamabad made payment of Rs 293.731 million to contractors against three works in Afghanistan for Government of Pakistan works.

Audit observed that none of the said payments were supported with detailed recording of measurements in the MBs. Only the cost abstract was copied in the MBs for payment purpose. Payment of Rs 293.731 million without recording detailed measurement was tantamount to un-authentic payment.

Audit pointed out irregularity in October 2016. The department replied that M/s NESPAK appointed as the Engineer of the project situated in Afghanistan. It was in the scope of the Engineer to certify detail measurements and work done, to reproduce the detail of abstract as per verification and certification of the engineer for payment purpose only in accordance with clause 33.3 and 33.8. The Pak PWD was authorized

merely as Employer of the Project and not as the Engineer of the Project. The site of work was situated in another country i.e. Afghanistan. The permission of competent authority was mandatory to process abroad. Accordingly, the matter to get the permission for all the officers required to visit the site in Afghanistan. In further, Director General's Office, Pak PWD, Islamabad forwarded only the case of Executive Engineer for issuance of NOC by dropping names of other officers/officials. Consequently, Ministry of Housing & Works granted NOC to the Executive Engineer to visit Afghanistan.

The reply was not tenable because it was the prerogative of the payment authority as to which method will be followed. The engineer/consultant of the work could not follow the modus operandi of the client coping from consultants verified bills for abstract in the measurement book was for bidden. There had been no on side measurement throughout the execution of work so far. The matter needs condonation form the competent forum.

(DP. 104)

5.4.4.2 Audit noted in five (05) cases that the Executive Engineers of Pak. PWD, made payment of Rs 12.460 million to the contractors on account of work done.

Audit observed that payments were made to the contractors without recording detailed measurements of work done in the MBs. Audit holds that non-maintenance of Measurement Books resulted in irregular/unauthentic payment of Rs 12.460 million.

Audit pointed out the matter in September 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends that action be taken against person(s) responsible and measures be taken to ensure maintenance of Measurement Book as per rules.

(DP. 142)

5.4.5 Irregular award of work beyond PC-I - Rs 305.909 million

As per Government of Pakistan Planning & Development Division letter No.20(1)DA/PC/79-Vol,XIV Islamabad the 22nd June, 1980, if the total estimated cost, as sanctioned increases by a margin of 15% the approval of the ECNEC/Competent authority shall be obtained in the same manner as in the case of the original scheme without delay. The permission of 15% given by the ECNEC is in respect of the original cost and not the revised cost of the scheme.

As per validity of the Admn approval and technical sanction of development schemes undertaken through People Works Programme considered for 01 year.

Para 6.17 of Pak PWD code states that when the expenditure upon a work exceeds, or it found likely to exceed, the approved cost by more than 15%, a revised approval must be obtained from the authority competent to approve the cost, as so enhanced.

5.4.5.1 Audit noted that the Executive Engineer CCD-II Pak PWD Islamabad awarded the work “Construction of NAB Head Quarter Building (SH: Internal Civil and Finishing works LOT-I) Rs 198.130 million with completion period of 180 days. Audit further noted that payment made including payment for letter of credit (LC) of Rs 108.605 million. Secured Advance of Rs 2.363 million and provisional payment i.e. part payment @ 10% for BOQ items No.5,6,7 was made on work done in addition besides these items stand included in the list imported items for which LC opening charges were paid and items were in transit.

As per BOQ, only items No.5,6,7,8 were imported items but department made payment for opening of letter of credit (LC) for BOQ items No.1,5,6,7,8,10,11,26,32,33 without any detail.

Audit observed that payment was irregular/unauthorized due to following:

- i. Payment of Rs 108.605 million was made to contractor on 29th June, 2016 for opening of LC.
- ii. Further, no material was imported as no record for opening of LC, import of material etc was available with department as it was not produced for audit scrutiny. Payment on account of opening of LC was beyond the terms and conditions of the contract agreement.
- iii. Secured advance was paid on the items which was in transit.
- iv. Part payment was not admissible.

Audit pointed out the matter in August 2016. The department replied that the payment for opening LC for imported items was made for the items, which existed in the agreement. An irrevocable bank guarantee for Rs 70 million and a CDR amounting to Rs 40.653 million against total payment of Rs 108.605 million was obtained from contractor. Further, a meeting was held in the NAB Headquarters on 26th May, 2016 chaired by the Director General, NAB (HQ) Islamabad, in which, it was desired that the additional funds amounting to Rs 530 million being arranged through supplementary grant/re-appropriation during 2015-16, which must be utilized before closing of financial year 2015-16. Accordingly, it was planned to open LC's for imported material by the contractor and payment made in advance LC's of the materials was also opened and the goods were under process of delivery. This arrangement had given a long way towards early completion of the project. Further, payment for opening of LC's for imported items were planned funds were arranged and released on 27th June, 2016.

The reply was not accepted because neither provision for opening of L.C existed in the original agreement nor L.C was produced. Further, post bid amendment was made and contractor was permitted to engage sub-contractor(s) under clause 4.1 of the contract for procurement of imported items only to avoid lapse of funds. Further, list of sub-contractors in the agreement and reply to the other parts of para were also not furnished.

(DP. 65)

5.4.5.2 The scheme for construction of Camp Office for Federal Shariat Court at Peshawar was administratively approved for Rs 63.462 million vide No. F-3(3)2006-LR-dated 12th January, 2005.

Audit noted that estimate to the subject schemes was processed and technically sanctioned by the Chief Engineer for Rs 98.166 million dated 12th February, 2016. Executive Engineer CCD-II, Pak. PWD, Peshawar opened tenders for the work on 5th April, 2016 against estimated cost of Rs 98.166 million.

Audit observed that work could not be awarded due to want of revised PC-I by the Planning Division. Audit further observed that estimate sanctioned technically by the Chief Engineer on 12th February, 2016 for Rs 98.166 million with a gap of eight (08) years at enhanced amount for a scheme administratively approved for Rs 63.462 million in 2008, was unauthentic/unjustified. This resulted into unjustified call of tender for work, of which technical sanction was defective.

Audit maintains that calling of tenders without getting revised admin approval was due to inadequate oversight mechanism of enforcing relevant rules and weak financial/internal controls.

Audit pointed out the irregularity in October 2016. The department replied that client department accorded administrative approval eight (08) years ago and rates achieved after tendering were 25% above than T.S estimate. Revised admin approval and revision in T.S. Estimate was involved.

The reply was not accepted because administrative approval was accorded in 2008 therefore tendering was defective and un-authentic.

(DP. 84)

5.4.5.3 Audit noted that the Executive Engineer CCD-V Pak PWD Islamabad awarded the work Establishment of Breast Cancer Screening Center at PIMS Islamabad (Civil work) to for Rs 46.207 million.

Audit observed that the work was awarded to the contractor against PC-I provision of Rs 36.987 million which was 25% above the provision. The department was required to award the work within the provision. This resulted into irregular award of work beyond PC-I for Rs 46.207 million.

Audit pointed out the irregularity in August-September 2016. The department did not reply.

(DP. 22)

5.4.5.4 During scrutiny of the progress report of development schemes prepared by the Divisional Office, CCD Pak PWD, Abbottabad revealed that a work 'construction of PCC pre-stressed bridge at village Khail UC Sawan Mera, Mansehra (PWP-I of 2009-10) was shown completed up to 63%.

Audit further noted that the said work was included in the PWP-I launched by the Government in the year 2009-10 and was required to be completed in 2011. A review of the record measurement indicated that 21% work was got completed during the stipulated period of the contract.

The Supreme Court of the Pakistan vide its judgment directed to the Government that all schemes of People Works Programme having physical progress below 50% must be abandoned but in instant case, this scheme remained in progress and an expenditure of Rs 35.593 million up to the year 2015-16 was shown incurred only to utilize the release of Rs 7.561 million by adjusting the advance payments in previous bills.

Audit held that validity of the administrative approval and technical sanction of development schemes undertaken through People Works Programme considered for 01 year. Hence financing and the execution of the scheme beyond the said period after six (06) years were irregular/unauthorized.

Non-adherence to rules caused irregular execution and unauthorized financing beyond the validity of the Administrative Approval Rs 35.59 million.

Audit pointed out irregular execution and unauthorized financing of scheme in August 2016. The department replied that as per letter of start the completion period for the said bridge was 01 year, but after five month of its start funds were surrendered to the Government due to closing of financial year, for revalidation during the next financial year, but unfortunately the funds were not revalidated. During this period work remained in progress and more than 50% progress was achieved during this period. It was relevant to mention here that the committee constituted by the Honorable Prime Minister of Pakistan to examine the P.M's Directive have decided to complete the works on which more than 50% expenditure has been incurred, but the same did not apply to this as it originally pertains to PWP-I. During 2015-16 this scheme was made part of PSDP and the revised PC-I was approved by CDWP along with other schemes. Now the funds are available and the work was in progress as per revised approval. Hence, the work is being executed with in administrative approved amount.

The reply was not accepted because the work completed only 21% during the stipulated period of the contract hence it was required to be abandoned in compliance of the Supreme Court and Cabinet Committee direction. In order to show the 50% physical progress of a running bill was fabricated wherein an amount was shown as work done but not measured and whole amount was withheld which indicated that no work was executed at site and no funds were also available. This state of affair was well evident that Administrative approval of the work was expired therefore, its continuation and incurring expenditure beyond the original

provision was irregular/unauthorized. As such revision after 4 years of execution of work means that original design was defective, faulty and technical sanction was also not structurally sound. The expenditure already incurred in accordance with the original design has gone waste which was ultimate loss to the government and responsibility on designer and the authority who accord the technical sanction be fixed and loss made good from them.

Further, only a copy of revised drawing was not alternate of the revision of technical sanction of the detail estimate which had not been accorded yet and the payments made over the provision of original TS/BOQ a clear violation of the rules. The responsibility needs to be fixed on person at fault. Moreover, these facts were concealed during currency of audit which was serious violation of the rules and lapse at the part of Divisional Office.

(DP. 06)

5.4.5.5 Audit noted that the Executive Engineer CCD-VII Pak PWD Islamabad awarded the work “Establishment of Federal Government Degree College for Women Bara Kahu (Kot Hathial) Islamabad” on 16th October, 2012 at agreed cost of Rs 56.557 million. Further, PC-I and Administrative Approval was approved by the CDWP on 25.11.2004 for Rs 75 million including an amount of Rs 40.642 million for civil work.

Audit observed that the department finalized the said work for Rs 57.983 million against the T.S. Estimate of Rs 55.721 million and PC-I/Administrative Approval of Rs 40.642 million which was 42.67 % above the PC-I/ Administrative Approval. This resulted in unauthorized expenditure of Rs 17.341 million.

Audit pointed out irregularity during September 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 39)

5.4.6 Unauthorized release of payment without opening of Letter of Credit - Rs 249.340 million

According to Addendum No. 1 (Amendment in Contract) sub clause 33.1.2 was amended and according to amended clause “upon opening of letter of credit (LC) 70% of contract amount (based on DDP to the project site) will be released to the contractor instead of 50% against the bank guarantee.

Audit noted in three cases that Executive Engineer Store & Workshop Division, Pak PWD Islamabad made payment of Rs 249.340 million to the contractors on account of 70% of cost of material to be imported through opening of letter of credit (LC).

Audit observed that payments were released against bank guarantees without opening of letter of credit (LC) whereas according to above rule (Amendment No. 1) payment was to be released on opening of letter of credit (LC). Payment of Rs 249.340 million without opening of letter of credit (LC) stands unauthorized.

Audit pointed out the matter during in September 2016. The department replied that the letters of credit (LC) for said works were opened by the contractor before the payment made to contractors.

The reply was not acceptable because funds were released by the DBA on 27th June, 2016 whereas payment to the contractor was made on 29th June, 2016 and in one day it was not possible to open letter of credit (LC). Moreover, no documentary evidence showing opening of letter of credit (LC) before payment was produced to Audit.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit stresses upon investigation and action against person(s) responsible for violation.

(DP. 132)

5.4.7 Non-confiscation of security deposits - Rs 157.284 million

Para 399 (iii) of Pak PWD Code states that in the accounts for March each year, the “Balances unclaimed for more than the three complete account years” in the Public Works Deposits account should be credited to Government as lapsed deposits.

During scrutiny of accounts record of the Executive Engineer CCD-I Pak PWD Lahore, Audit noted that a huge amount of Rs 157.284 million of Cash Deposit of contractors as security were lying in the accounts of the division since long as shown in form CPWA-79 (Part-I) of Monthly Account of June 2016.

Audit observed that the said amounts of security deposits of the contractors pertains to the years 1999 to onward but neither contractors were requested to refund their security deposits nor the department confiscated the same and credited to government revenue account as lapsed deposits. Audit holds that unclaimed balances of security deposits for more than three (03) complete account years was required to be confiscated and credited to government as lapsed deposits in accordance with codal provision but no steps were taken in this regard. This resulted into non-confiscated of security deposits of the contractors amounting to Rs 157.284 million.

Audit pointed out the non-confiscated of security deposits in November 2016. The department replied that the amount of security deposits was included from the accounts of Central Civil Division-III (closed) & Central Civil Division-IV (closed) Pak PWD, Lahore

Rs 51,030 pertaining to the month of April 1999 and Rs 26,047 pertaining to June 2006, whereas the remaining items of security deposits were started from July 2007 onwards. The un-claimed security deposits against the closed accounts should be sorted out and the same should be remitted to government account according to rule.

The department admitted the audit observation. Progress towards confiscation of the unclaimed security deposits and credited to government accounts was not conveyed to Audit.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early confiscation of unclaimed security deposits

(DP. 160)

5.4.8 Misuse of authority due to manipulation of operational jurisdiction - Rs 19.126 million

As per Rule 10 of General Financial Rules (Volume-I), every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety. Among the principles on which emphasis is generally laid include that public moneys should not be utilized for the benefit of a particular person or section of the community

5.4.8.1 Audit noted that three Annual Development Program (ADP) schemes were got executed by Executive Engineer, E/M Division, Pak PWD Quetta pertains to Punjab Province (Multan and Rahim Yar Khan) during the year 2015-2016 involving Rs 17.615 million.

Audit observed that despite the fact that these schemes pertained to Pak. PWD E/M Division at Lahore and not falling within the functional jurisdiction of the Executive Engineer, E/M Division, Pak PWD Quetta. Audit was of the view that these schemes were transferred to this Division

under the influence of external factors instead of operational exigencies. Unwarranted jurisdictional change indicated that the public funds were not spent in most economical manner keeping in view the high standards of financial propriety and obtaining best value for public money involving Rs 17.615 million.

Audit maintains that violation of said rules/guide lines occurred due to non-adherence to CPWD codes and weak internal controls.

Audit communicated the irregularity in August 2016. The department replied that Multan Circle was attached with Balochistan Zone and the Superintending Engineer Multan was allowed to hold the current charge of the Chief Engineer (West) Quetta. Therefore, Electrical and Mechanical had only one Sub Division Quetta after attachment of the circle.

The reply was not tenable because Multan and Rahim Yar Khan falls under the jurisdiction of Electrical and Mechanical Division Lahore (Punjab). Therefore, works should be executed by the Electrical and Mechanical Division Lahore to obtain most economical rates from the bidders.

(DP. 80)

5.4.8.2 Audit noted that Executive Engineer, Central Civil Division, Pak PWD, Multan, made payment of Rs 1.511 million to contractors on account of Electrical and Mechanical Works in the main work “construction of regional office block for Income Tax, Multan”. Audit observed that Electrical and Mechanical portion of the work was being executed by the Executive Engineer, Central Electrical and Mechanical-II, Pak PWD, Lahore, despite the fact that the said Division was not falling within the functional jurisdiction of West Zone, Pak PWD, Quetta. Running payments of the contractor have been released but supporting documents i.e. agreement, MBs, etc, are not available in the Divisional office at Multan. In absence of the same authenticity/correctness, the payments cannot not be verified due to unwarranted jurisdictional

changes. This resulted in misuse of authority due to manipulation of operational jurisdiction for Rs 1.511 million.

Audit pointed out the irregularity in October and November 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends that action be taken against person(s) responsible. Proper operational jurisdiction be formulated by Ministry of Housing & Works.

(DP. 112)

5.4.9 Unjustified/irregular payment due to non-obtaining of guarantee - Rs 15.260 million

According to Clause 33.1 of the agreement (Terms of Payment) SOP Part-2 imported/foreign currency component) 40% of the quoted rates of imported items in the Schedule of Prices shall be paid as advance against unconditional and irrecoverable bank guarantee from schedule bank in Pakistan after the contractor obtained approval of equipment and material from the Engineer.

Audit noted that Executive Engineer Central Electrical and Mechanical Division-II, Pak PWD Islamabad awarded work “Supply/Installation testing & Commissioning of Heating, Ventilation and air-conditioning (HVAC) system at 100 Bed Naeab Aminullah Khan Leghare Hospital at Loghar Afghanistan” to contractor at an agreement cost of Rs 169.396 million.

Audit observed that an advance payment of Rs 15.260 million (40% of quoted rates of imported items was paid on 29th June, 2016. Audit further observed that advance payment was allowed without obtaining irrecoverable bank guarantee. Non-obtaining of guarantee resulted into

unjustified/irregular payment of Rs 15.260 million. Further, Audit observed that under clause 33.1 of the agreement 40% advance payment on account of imported items was to be made for opening of Letter of Credit (LC) but no record relating to opening of LC was produced to Audit.

Audit pointed out the matter during September 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends action against persons responsible and verification of record.

(DP. 139)

5.4.10 Non-recovery of mobilization advance - Rs 9.952 million

As per clause 33.1 of the contract agreement between Pak PWD and M/s MIA Corporation 15% of the amount for purchase of local material will be allowed to the contractor as Mobilization Advance against Bank Guarantee.

Audit noted that Executive Engineer Store & Workshop Division, Pak PWD Islamabad awarded the work Construction of NAB Headquarters Building G-5/1 (SH: HVAC Work) to contractor for Rs 235.709 million. Audit further noted that mobilization advance of Rs 9.953 million was paid to the contractor on 3rd May, 2016 against bank guarantee, the expiry date of which was 14th September, 2016.

Audit observed that contract of said contractor was terminated on 10th June, 2016 and bank guarantee was expired on 14th September, 2016 but department failed to recover the mobilization advance from the contractor and also the encashment of bank guarantee. This resulted in non-recovery of mobilization advance Rs 9.952 million.

Audit pointed out the matter during September 2016. The department replied that agreement of above noted work was terminated and approached the concerned bank for recovery of said amount on 13th June, 2016 and on 24th June, 2016. During this period the contractor filed the case in the Civil Court for non-encashment the bank guarantee for mobilization advance and the Honorable Court issued the stay order. As and when stay order is lifted and recovery of said amount would be made.

The reply was not acceptable because no documentary evidence was produced for verification.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends active pursuance of court case and recovery of mobilization advance.

(DP. 145)

5.4.11 Irregular award of consultancy services without tender and charging expenditure from departmental charges - Rs 4.991 million

Rule 20 of PPRA 2004 say as otherwise provided hereinafter the procuring agencies shall use open competition bidding as the principal method of procurement for the procurement for the goods, services and works. Further according to PAC Wing National Assembly Secretariat letter No.A10(1)/2015-PAC dated 31st July, 2015, the consultancy of designing and its subsequent supervision of any development project should be part of initial tender rather than awarding it separately.

Audit noted that the Executive Engineer CCD-II, Pak. PWD Islamabad awarded the consultancy for designing/ supervision of the work “Construction of Conference Room at Prime Minister House Islamabad”

to consultant for Rs 4.991 million @ 4.75% on contract price Rs 105.078 million.

Audit observed that the consultancy services were awarded without advertisement/competition whereas the department was required to advertise the hiring of consultancy services to obtain competitive rates. Non-adherence to rules/instructions, resulted in irregular award of consultancy work. Audit further observed that the consultancy payment was made from the departmental charges which was unjustified because the departmental charges was a receipt of government. This resulted into irregular award of consultancy services for Rs 4.991 million and irregular expenditure from departmental charges.

Audit pointed out the irregularity in August 2016. The department replied that the consultancy services were awarded to M/s NESPAK (Pvt.) Ltd being the original consultant of the project and construction of Conference Room & Offices being part of the existing structure was required to architecturally & structurally compatible with the existing one hence owing to security reasons, early completion of the project and the design of the project being the continuity of existing one, required procurement of consultancy services as per clause 3 (d) of procurement of consultancy services regulation 2010. Accordingly the case was referred to PPRA by the Ministry for concurrence and the PPRA Board decided that “Ministry of Housing & Works may consider invoking Rule 42(d) (iii) of Public Procurement Rules 2004 subject to fulfillment of requisite conditions” and accordingly the Chief Engineer being competent authority decided to appoint M/s NESPAK as consultant.

The reply was not accepted because the PPRA exempted with the remarks that Ministry of Housing and Works may consider invoking Rule 42(d) (iii) of PPRA 2004 subject to fulfillment of requisite conditions and accordingly for hiring services of NESPAK. Further, referred rule states that for reasons extreme urgency brought about by events unforeseeable by the procuring agency the time limits laid down for open and limited bidding methods cannot be met. The circumstances invoked to justify extreme urgency must not be attributable to the procuring agency but in

this case, no urgency was established as the work was still in progress whereas the scheduled time upto 25th September, 2016 had expired. Further, only fifteen (15) days as response time can be given to achieve competitive/economical rates.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 67)

Performance

5.4.12 Non-recovery of Liquidated Damages - Rs 275.887 million

According to Clause-47.1 of the Contract Agreement, Liquidated damages @ 0.1% of contract price for each day of delay in completion of the work subject to maximum of 10% of contract price was to be charged for delay in completion of the work within stipulated period.

The guideline of project management provides that if the project cannot be completed within approved time frame, get the desired extension from the Principal Accounting Officer and inform the Projects Wing of Planning Commission and Finance Division.

According to clause 27.1 of contract agreement if the supplier fails to deliver any or all of the goods within the period specified in the contract, the purchaser may without prejudice to all its other remedies under the contract, deduct from the contract price as liquidated damages @ 10% as maximum.

5.4.12.1 Audit noted that Executive Engineer, CCD-IV Pak PWD Islamabad awarded a work “Construction of Islamabad High Court at Constitution Avenue G-5/1 Islamabad” to a contractor on 10th June, 2015 at a contract cost of Rs 2,474.049 million.

Audit observed that execution of the work was not upto Targeted Plan because as per plan progress upto 30th July, 2016 was required to be completed 29.54% whereas the contractor achieved progress only 22.86% against planned progress. The department did not take concrete step against contractor as well as consultant to improve their slow progress hence, the contractor was liable to pay 10% of the contract cost in shape of liquidated damages of Rs 247.404 million due to non-achievement of targets with in stipulated period.

Audit maintains that non-recovery of liquidated damages was due to non-adherence to guidelines of project management and weak technical as well as internal control mechanism.

Audit pointed out non-recovery/imposition of liquidated damages in September 2016. The department replied that the stipulated period of completion of work was 3 years. In order to keep the progress of work in accordance with completion schedule, notices were being served upon contractor. The application of clause 47.1 i.e. Liquidated damages @ 0.1% of contract price for each day of delay in completion of the work is to be exercised after expiry of stipulated period of completion.

The reply was not accepted because work plans was provided quantity basis to watch progress of project physically as well as financially. After expiry of four (04) quarter, the work was slow as per schedule provided by the contractor. Liquidated damages were required to be imposed.

(DP. 63)

5.4.12.2 Audit noted that the Executive Engineer, PCD-II Pak PWD Islamabad awarded the work “Construction of New Secretariat Block (S.H. External Development Civil and Electrical Works) to contractor on 20th May, 2014 at agreed cost of Rs 254.286 million.

Audit observed that the original date of completion for the said work was 18th May, 2015. The Chief Engineer (North) granted time

extension upto 31st December, 2015 with the remarks that time extension is last one and if the contractor will not complete the work upto 31st December, 2015, the necessary penalty would be imposed. Further, 11th running bill was paid for Rs 158.891 million on 10th June, 2016. This indicated that the work was in running condition. Hence, the contractor was liable to pay liquidated damages @ 10 % amounting to Rs 25.428 million.

Audit pointed out non-recovery in October 2016. The department replied that the work could not be got completed within stipulated period of completion due to different site problems due to the weather conditions and other un-avoidable circumstances. However, the work was in progress and would be completed shortly. The delay was not due to the fault of contractor, so he could not be penalized.

The reply was not accepted because the Chief Engineer granted time extension up to 31st December, 2015 with the condition that if contractor failed to complete the work within extended period, the necessary penalty would be imposed.

(DP. 167)

5.4.12.3 Audit noted that the Executive Engineer CCD-II Islamabad awarded the work “Federal Judicial Academy (Centre of Excellence) Phase-II SH-01: Manufacturing and providing furniture at Academic Block” to M/s Mehran Enterprises for Rs 30.554 million on 08th June, 2015 with the completion period of 120 days.

Audit observed that completion date was 07th October, 2015 while 10 months was passed after expiry of stipulated date of completion but the contractor could not complete the work. Furthermore, several letters were written to contractor for completion of work also indicated that the contractor was responsible for delay, but the department could not impose penalty as liquidated damages. This resulted into non-recovery of liquidated damages for Rs 3.055 million.

Audit pointed out the matter in August 2016. The department replied that necessary extension in time was granted to the contractor, on valid reasons, hence the question for recovery of liquidated damages did not arise.

The reply was not accepted because letters were written to contractor for completion of work/supply. Further, reasons on which the time extension granted were not solid.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends that liquidated damages be imposed/recovered besides corrective measures for completion of work without further delay.

(DP. 70)

Internal Control Weaknesses

5.4.13 Non-obtaining of insurance for works - Rs 1,011.423 million

According to particular condition of contract clause 25.5, the contractor shall be obliged to place all insurance relating to the contract (including but not limited to, the insurances referred to in clause 21, 23 and 24) with either National Insurance Company of Pakistan or any other insurance company operating in Pakistan and acceptable to the employer. Costs of such insurance shall be borne by the contractor.

As per Part-I General condition of contract clause 21.1, Insurance of Works and Contractor's Equipment; The Contractor shall, without limiting his or the Employer's obligations and responsibilities under clause 20, insure (a) the works together with material and plant for incorporation therein to the full replacement cost

According to consultant agreement special clause 3.5 (c) and (d) third party insurance with a minimum coverage Rs 1.0 million and

professional liability insurance with a minimum coverage of not less twice the contract cost (55.98 x2) to be taken by the Consultant. All the expenses on the above coverage shall be borne by the consultant. Further according to contract agreement special condition 4 minimum amount of third party insurance Rs 0.500 million per occurrence with number of occurrence shall be provided by the contractor.

According to Clause - 43.1- 44.10 of agreement, the Contractor shall procure insurance policies for the persons, works and equipment etc of the sum of the contract price plus 15 % within a period of 28 days from the date of receipt of letter of acceptance from the employer. He was also required to get third party insurance (including employer's property) against liabilities for death of or injuries to any person or loss or damages to the property arising out of the performance of the contract.

5.4.13.1 Audit noted that the Executive Engineer Central Civil Division No.VII Pak PWD Islamabad awarded the different works to different contractors for Rs 663.885 million.

Audit observed that the works were started and the payments were also being made to the contractors but the insurance cover of works were not obtained by the department in violation of contractual obligation. This resulted in non-obtaining of insurance of works for Rs 663.885 million.

Audit pointed out the matter during September 2016. The department replied that though all the contractors have furnished the performance security bond to ensure the performance with reference to the relevant clause of the contract. However contractors have been asked to furnish third party liability bond/insurance. The insurance bonds received from the contractor will be got verified from the audit.

The reply was not acceptable because department submitted interim reply and stated that insurance policies will be submitted for audit when received from contractors.

(DP. 37)

5.4.13.2 Audit noted that the Executive Engineer CCD-IV Pak PWD Islamabad entered into contracts with various contractors valuing Rs 158.276 million.

Audit observed that the contractors were required to provide insurance to the department for coverage of any possible loss to works which were not provided contrary to the criteria referred above. This resulted into non-insurance of works valuing Rs 158.276 million.

Audit pointed out irregularity in September 2016. The department replied that all the projects pointed out in audit observation are concrete roads/streets in various rural areas where almost no such risks are involved.

The reply was not acceptable because cost of the insurance policy was included in the rates quoted by the contractors. Non-providing of insurance policies by contractors has sustained loss to department in the shape of premium cost.

(DP. 58)

5.4.13.3 Audit noted that the Executive Engineer, Central Civil Division No.V, Pak.PWD, Islamabad awarded a work Dualization and Improvement of Sohawa Chakwal Road Project to the contractor for Rs 4,293.362 million and to a consultant for Rs 55.986 million.

Audit observed that the consultant and contractor did not provide the insurance to the client as required under the contract whereas the payment was being made to the consultant and contractor. Non-adherence to contractual obligations has resulted in non-provision of insurance by the contractor valuing Rs 112.97 million and by the consultant valuing of Rs 0.500 million needs compliance.

Audit pointed out the matter in August-September 2016. The department did not reply.

(DP. 18)

5.4.13.4 Audit noted that the Executive Engineer Project Civil Division No.II Pak PWD Islamabad awarded the work “Construction of New Secretariat Block Islamabad” (Sub Head External Access road) to contractor on 07th June, 2016 at the agreement cost of Rs 38.073 million.

Audit observed that the contractor started execution and the payments are also being made to the contractor but the insurance cover of work was not obtained in violation of contractual obligation.

Audit pointed out irregularity during October 2016. The department replied that the contractor is being pursued for revalidation of the performance bond. The same has been submitted by the contractor.

The reply was not acceptable because no reply was furnished as regard insurance of work.

(DP. 165)

5.4.13.5 Audit noted that Executive Engineer CCD-I Pak PWD Lahore awarded work “Construction of Auditorium for 500 Persons at Civil Services Academy, Walton, Lahore” to a contractor on 20th June, 2014 at the bid cost of Rs 31.530 million. Total payment of Rs 37.401 million was made to the contractor.

Audit observed that the contractor provided insurance policy of the contract valuing Rs 31.530 million to the Employer as required under the contract from EFU General Insurance Limited with expiry date 19th June, 2015. On expiry, revalidated Insurance Policy upto 30th June, 2016 was provided by the contractor. Audit further observed that the work was not completed so far and still in progress, hence again re-validated Insurance Policy was required to be obtained from the contractor. The contractor did not furnish re-validated Insurance Policy for Rs 37.401 million in accordance with the contractual obligation. In this way the department extended undue benefit and favour to the contractor to the tune of Rs 37.401 million and put the workmanship and equipment at risk.

Audit pointed out the irregularity in November 2016. The department replied that the contractor is being requested to provide insurance policy of the work according to revised cost of the project.

The reply was not convincing because due to non-obtaining of revalidated Insurance Policy, the department provided undue benefit and favour to the contractor. Further, recovery of premium for the period for which Insurance Policy not furnished by the contractor, was required to be effected.

(DP. 158)

5.4.13.6 Audit noted that Executive Engineer, Central E/M-I Division, Pak PWD Karachi awarded the work “Construction of five (05) existing lifts at Custom House, Karachi” to a contractor on 16th October, 2015 at agreement cost of Rs 40.945 million. The contractor has been paid a sum of Rs 40.404 million upto 21st June, 2016.

Audit observed that the contractor did not submit insurance policy and get benefit by not submitting the insurance policy upto 2% of the contract cost of Rs 818,908 (40,945,390 x 2%). This resulted in putting the property of the government on risk.

Audit maintains that non-obtaining of insurance cover was due to non-adherence to the contractual clauses which also reflects undue favour to contractor and poor internal control systems.

Audit pointed out the irregularity in October 2016. The department did not reply.

(DP. 115)

5.4.13.7 Audit noted during scrutiny of accounts record of Store & Workshop Division, Pak PWD Islamabad for the years 2015-16 that the contractor provided insurance policy of SPI Insurance Company.

Audit observed that SPI Insurance Company Ltd. was not an approved insurance company as per agreement clause IB 44, therefore it

was not to be accepted. The contractor was required provide insurance policy by insurance companies approved by the Government. This resulted in irregular acceptance of insurance coverage.

Audit pointed out the irregularity during September 2016. The department replied that the Contractor has provided the Performance Bond according to agreement sub-clause 43.11 “Procurement of Insurance Policies” and IB. 44 “approved Insurance companies” as mentioned in the contract agreement from Adamjee Insurance Company Limited, valuing Rs 6.152 million.

The reply was not accepted because during audit insurance policy issued by SPI Insurance Co. Ltd. was produced by the department. Department did not produce documentary evidence in support of reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends action against persons responsible for acceptance invalid insurance policies besides proper insurance coverage.

(DP. 148)

5.4.14 Non-receipt of vouched account - Rs 967.112 million

According to para 72 of Central Public Works Accounts (CPWA) Code, as a general rule, every payment including repayment of money previously lodged with government for whatever purpose, must be supported by a voucher setting forth full and clear particulars of claim and all information necessary for its proper classification and identification in the account.

Audit noted that the Executive Engineer, CCD-V, Pak PWD Islamabad made payment of Rs 967.112 million to the different departments i.e. IESCO, PTCL, Forest, Sui-Gas, Railway AC/LAC for relocation of utilities removal of trees under the work Dualization and

Improvement of Mandra Chakwal and Sohawa Chakwal Roads during financial years 2014-15 and 2015-16.

Audit observed that a period of 1-1/2 years had elapsed since the first payment. The department was required to obtain vouched accounts to make adjustment of advance payments but no adjustment was made. Non-adherence to codal provision resulted into non receipt of vouched accounts Rs 967.112 million.

Audit pointed out the matter in August-September 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early adjustment of advances.

(DP. 16)

5.4.15 Irregular payment due to non-approval of contract agreements - Rs 686.626 million

Condition No. (ix) of Chief Engineer (North) Pak PWD, Islamabad letter dated 12th November, 2015 states that, the contract agreement may be got approved from the Competent Authority within 90 days of the issuance of letter to start work. For any inordinate delay on this account concerned Executive Engineer & Divisional Accounts officer will be held personally responsible.

Para 7.12 (c) of Pakistan Public Works Department Code, 1982 provides that the agreement with the contractors selected must be in writing and should be precisely and definitely expressed; it should state the quantity and quality of the work to be done, the specifications to be complied with, the time within which the work is to be completed, the conditions to be observed, the security to be lodged, and the terms upon which the payments will be made and penalties exacted, with any

provisions necessary for safeguarding the property entrusted to the contractor.

Condition No. (i) of tender acceptance letters of the Superintending Engineer (E/M) circle provides that the agreement may be drawn and submitted to the office complete in all respect after proper check by DAO/AFA and no payment may be made to the contractor without approval of agreement from the Competent Authority.

Condition of the bid Acceptance Letter of the work also provides that the payment of 2nd running bill should not be made to the contractor unless the competent authority has duly accepted the agreement as required under conditions of Acceptance Letter.

5.4.15.1 Audit noted that Executive Engineer Store & Workshop Division, Pak PWD Islamabad awarded four works to different contractors during the financial year 2015-16.

Audit observed that agreements of said works have not yet been approved by the competent authority whereas a period of more than 6 months has been elapsed. Payments have also been made to the contractors amounting to Rs 294.612 million without approval of the agreements.

Audit pointed out the matter during September 2016. The department replied that the said agreements of above noted works were submitted in due time for approval from competent authority but same are pending due to some observation. After attending the observation the same are submitted to concerned competent forum for approval.

The Department admitted that the agreements are still under process of approval. Hence irregularity was established.

(DP. 131)

5.4.15.2 Audit noted that the Executive Engineer CE/M Division Pak PWD Quetta made payments to the contractors on account of 96 Pakistan

Millennium Development Goals works without acceptance/signing of contract agreements by the competent authority. This resulted into unauthorized payments without formal acceptance of the contract agreements amounting to Rs 283.624 million.

Audit maintains that violation of cited rule occurred due to non-adherence to the rules/ regulations which compromise internal controls.

Audit communicated the irregularity in August 2016. The department admitted that the agreements are not signed /executed and are in pipeline for approval.

(DP. 75)

5.4.15.3 During scrutiny of accounts record of Pak. PWD Central Civil Division-III, Quetta it was noted that the department started execution of various works valuing contractual amount of Rs 75.433 million without signing the contracts pertaining to Pakistan Millennium Developments Goal Schemes. Payments to the contractors were also made to the tune of Rs 68.369 million. Payments made to the contractors without signing the contracts before start of works held as unauthorized.

Audit maintains that violation of cited rule occurred due to non-adherence to the rules/ regulations which compromise weak internal controls.

Audit communicated the violation of rules in September 2016. The department replied that the contractor's agreements have been stand submitted to the competent authority as per their competencies. On receiving of the same will be provided to audit for entire satisfaction.

It is accepted by the Divisional Officer that payment were mad etc. the contractor prior to the approval of agreement from the competent authority. It was further observed that in some cases agreements were not executed with the contractors prior to payment. This also needs justification.

(DP. 46)

5.4.15.4 Audit noted that in seven (07) cases Executive Engineers of Pak. PWD made payments of Rs 37.232 million to the contractors on account of work done for PMDGS works during May and June 2016. Audit observed that payments were made without acceptance/signing of contract agreements by the competent authority. This resulted into unauthorized payments of Rs 37.232 million.

Audit pointed out the matter during September & October 2016. The department did not reply.

(DP. 134)

5.4.15.5 Audit noted that the Executive Engineer Central Civil Division-I Pak PWD Lahore awarded a work “Construction of Overhead Tank and Turbine including Up-gradation of Auxiliary Services at Civil Service Academy, Walton Lahore” to a contractor on 14th June, 2016 at the bid cost of Rs 10.712 million.

Audit observed that the department made payment of Rs 2.789 million to the contractor whereas contract agreement was not signed by the competent authority so far, hence payment made was unauthorized.

Audit maintains that the irregularity occurred due to non-adherence to the provision, codal formalities/rules & regulations and weak internal controls.

Audit pointed out the unauthorized payment in November 2016. The department replied that the work was started on 14th June, 2016 after receipt of approval of tender by the competent authority. The agreement has been submitted to quarter concerned for accord of acceptance, so the same will be provided to audit on its acceptance by the competent authority.

Audit was of the view that the irregularity committed by the department as 2nd running bill was paid without legal bindings i.e. signing of contract agreement.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 154)

5.4.16 Unauthorized execution of Development Schemes without obtaining non-duplication certificate and non-mutation of land in the name of government for the works - Rs 549.900 million

The Administrative Approval conveyed by Ministry of Housing & Works for execution of schemes under Pak Millennium Development Goals (MDGS) categorically stipulates that this approval shall be “subject to obtaining NOC, Operation and Maintenance certificate from the agency responsible for the maintenance of the same scheme and non-duplication certificate (that schemes of similar nature have not been/will not be undertaken under any Federal or Provincial program in the same locality) by PPWD in any case prior to award of works. Further, as per Bullet-5 of para-2 of Admin Approvals, mutation of land (free of cost) in the name of government before construction of building/road/new road or any other project was required before execution of work.

Para 3.35 of Project Management Guidelines issued by the Planning Commission, Government of Pakistan provides that for regular operation and maintenance of projects after completion stage, it should be handed over to the agency responsible for maintenance and operation. Timely efforts are required to be made for the handing over of the project and provision of maintenance cost to the authority concerned. This exercise should be initiated six months prior to the expected completion date.

CDWP instructed in its meeting held on 28th November, 2014 to Pak PWD to undertake the development schemes funded by the Federal Government falling in the jurisdiction of Provincial and District Governments to fulfill following pre-requisites before execution of the work:

- i. Transferring the title of land for the project in the name of Government.
- ii. Operation & Maintenance certificate from the concern government agency responsible for O&M.
- iii. Detail designing of water supply scheme and accord of technical sanction of estimates at rationalized rates.

5.4.16.1 Audit noted that the Executive Engineer Central E/M Division Pak PWD Quetta awarded 96 works relating to installation of Tube wells, Solar Systems etc amounting to Rs 267.203 million under Pak Millennium Development Goals (PMDGs) during the year 2015-16.

Audit observed that not in a single case the mutation of land and non-duplication certificates were found available in record. Audit holds the execution of the Development Schemes and expenditure incurred there-against to the tune of Rs 267.203 million was unauthorized.

Audit maintains that the irregularity occurred due to non-compliance of direction conveyed in Administrative Approvals by the competent authority.

Audit communicated the irregularity in August 2016. The department replied that before execution of works the mutation of land, NOC and Non-duplication certificate letters were issued to Deputy Commissioners of different Districts of Balochistan. Some were received and others are in vein and will receive shortly.

The reply was not accepted because it was the mandatory condition to mutate the land and obtain non-duplication certificates before execution of works.

(DP. 76)

5.4.16.2 Audit noted that Executive Engineer, CCD, Pak PWD, Abbottabad executed various water supply schemes through development funds financed by the Federal Government valuing of Rs 115.463 million during the year 2015-16.

Audit observed during review of the case files of various schemes, that Divisional Office issued letters to concerned agencies for issuance of O&M certificates but no such certificates and other pre-requisites were found available in the record. Audit held that O&M certificate was not obtained and works were undertaken and executed in violation of CDWP instructions.

Non-adherence to rules caused irregular undertaking and unauthorized execution of the work due to non-obtaining of O&M certificate of Rs 115.463 million.

Audit pointed out irregularity in August 2016. The department replied that Executive Engineer Public Health Engineering Mansehra was requested for O&M certificate before submission of schemes to the CDWP for approval, but he refused to do the needful and the matter was brought into the notice of high-ups who directed to get the same from local community and accordingly local community gave their consent on judicial stamp paper. The schemes were properly got designed and technical sanction was got accorded by the competent authority and accordingly work was taken in hand.

In reply it was conceded that OM certificate were not got obtained prior to undertaking these schemes. Further, as per project guidelines of the Planning Commission source of water for water supply was required to be indicated in the PC-I which was also not found available in the contract. In absence of O&M and indication of water source these schemes would not be remained sustainable.

(DP. 07)

5.4.16.3 Audit noted that the Executive Engineer, Pak PWD, CCD -III, Quetta awarded various work amounting to Rs 98.197 million under PMDGS to different contractors during the year 2015-16 to the respective contractors amounting to Rs 98.197 million.

Audit observed that not in a single case NOC, Operation and Maintenance Certificate from the agency responsible for the maintenance of the same schemes, non-duplication certificate and mutation of land had not been obtained prior to the award of works. Further quality of water for drinking purposes had also not been ensured before execution of work. Audit holds the execution of the Development Schemes and expenditure incurred there-against to the tune of Rs 92.524 million was unauthorized.

Audit maintains that the irregularity occurred due to non-compliance of direction conveyed in Administrative Approvals by the competent authority.

Audit communicated the irregularity in September 2016. The department replied that the concerned Deputy Commissioner/District Governments were approached to provide the NOC/No duplication and operational & maintenance certificate the same would be provided to the audit as and when received.

The reply was not tenable because requisite formalities were not completed prior to the commencement of work.

(DP. 48)

5.4.16.4 Audit noted in seventeen (17) cases that Executive Engineers of eight (08) Pak PWD Divisions incurred expenditure of Rs 69.037 million on development schemes/works in various constituencies but neither NOC, Operation and Maintenance certificate and non-duplication certificates from Provincial/District Governments were obtained to avoid duplication and overlapping of the schemes being executed in their jurisdiction, nor mutation of land in the name of Govt. was transferred. Audit holds that in the absence of non-duplication certificate execution of development schemes to the tune of Rs 69.037 million was unauthorized.

Audit maintains that the irregularity occurred due to non-compliance of direction conveyed in Administrative Approvals by the competent authority.

Audit pointed out the matter during September & October 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early provision of non-duplication certificates.

(DP. 133)

5.4.17 Unjustified award of works at higher rates - Rs 395.89 million

Para 6.17 of Pak PWD code states that when the expenditure upon a work exceeds, or it found likely to exceed the approved cost by more than 15 % a revised approval must be obtained from the authority competent to approve the cost, as so enhanced. Further, according to Planning and Development Division letter of 1980 states that if any significant variation in the nature of scope of the project has been made, irrespective of whether or not it involves an increased outlay, the approval of the ECNEC/ competent authority shall be obtained in the same manner as in the case of original scheme without delay.

Rule 20 of PPRA Rules 2004 provides save as otherwise provided hereinafter, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

5.4.17.1 Audit noted that Executive Engineer CCD-IV Pak PWD Islamabad awarded a work “Construction of Islamabad High Court Islamabad” to contractor on 25th February, 2015 for Rs 2,675.288 million against estimated cost of Rs 2,438.537 million i.e. 13% above. Later on, the said award of work was cancelled and awarded to another contractor on 10th June, 2016 for Rs 2,474.049 million i.e. 4.5% above after fresh prequalification of contractors.

Audit further noted that cancelation of award of work was made on the order of Honorable Court against 1st tendering process due to non-transparency in tendering process. Audit observed that there was amplified intentions involved in previous tendering process that is way re-tendering was conducted on the orders of Honorable Islamabad High Court and fetch lower rate i.e. 4.5% above as compared to 13.00% above quoted in previous tendering, which could have resulted award of work at higher rates.

Audit pointed out the irregularity in September 2016. The department replied that re-tendering was conducted on the directions of Honorable Islamabad High Court and in consequence of re-tendering department received lesser rates quoted by contractor @ 4.5% above estimate against previous quoted rate 13% above and saved Rs 201.238 million.

The reply was not accepted as acceptance of higher rates in the 1st instance need thorough investigation and fixation of responsibility.

(DP. 59)

5.4.17.2 Audit noted that Executive Engineer Store & Workshop Division, Pak PWD Islamabad awarded the work “Construction of NAB

Headquarter Building G-5/1 (SH: HVAC Work)” at an agreement amount of Rs 235,709,544.

Audit observed that the contract was terminated on 10th June, 2016 due to non-execution of work by the contractor and the same work was awarded to another contractor with agreement cost of Rs 294.593 million on 21st June, 2016 which was 22.32% above. This resulted in award of work at higher rates for Rs 58.883 million.

Audit pointed out the matter in September 2016. The department replied that agreement of the 1st contractor was terminated without risk and cost by the competent authority. It was further stated that as per requirement of the client department the scope of work and the enhancement in NIT/Estimate amount was submitted by the consultant and approved by the competent authority. Accordingly, the rates were invited from the remaining already pre-qualified firms. The work was awarded to the lowest bidder.

The reply was not accepted because rates of 1st contractor were 10.66% below the amount put to tender whereas rates quoted by 2nd contractor were 5.50% above resulting enhancement of Rs 58.883 million whereas difference in the original NIT and revised NIT was Rs 15.400 million.

(DP. 135)

5.4.17.3. Audit noted that the Executive Engineer, Central Civil Division No.V, Pak.PWD, Islamabad awarded 2 No Sub-Heads “Barrack No.1 and Barrack No.2” of the project “Construction of Accommodation, Training and Admn. Block and Barracks at Sector H-11/2, for Establishment of Rapid Response Force of ICT Police Islamabad” at agreed cost of Rs 84.534 million (24.50% above on CSR 2012 amount Rs 65.765 million + 5% on non-schedule items Rs 2.529 million) against the estimate of Rs 84.735 million (CSR 2012 Rs 65.765 million + 30% market fluctuation + Non schedule Rs 2.529 million) i.e. overall 0.24% below the T.S. Estimate on 06th April, 2016 to a contractor.

Audit observed that in the months of May /June 2016 5-more sub-heads (building works) of the same project were awarded at 25 to 28% below the TS estimate and 7% to 11% below the N.I.T. amount CSR 2012 whereas one month earlier two sub-head barracks No.1 & 2 were awarded at 24.50% above the N.I.T. amount CSR 2012 . This resulted in award of works at higher rates.

Audit pointed out the award of work at higher rates in August-September 2016. The department did not reply.

(DP. 25)

5.4.17.4 Audit noted that the Chief Engineer (North) approved the NIT of Rs 117.659 million on CSR.2012 for the work “widening/ resurfacing of road from G.T. Road Gujjar Khan to Behlot (NA-51 PWP.II).

Audit observed that the Executive Engineer CCD VIII Pak PWD Islamabad awarded the said work on 09th October, 2012 for Rs 152.956 million i.e. 30 % above the NIT/CSR 2012 whereas variation permissible limit was only 15 %. Further, the CSR was introduced in July 2012 hence only after three months, the approval of work at 30 % above was not justified.

Audit pointed out the matter in September 2016. The department replied that the work was awarded to the 1st lowest bidder after competition and before the award of work laid down rules and procedure were fully followed.

The reply was not accepted because permissible limit was only 15% whereas department accepted tenders 30% above the NIT/CSR 2012.

(DP. 123)

5.4.17.5 Audit noted that Executive Engineer CCD-II Pak PWD Peshawar accepted tenders for Projects of Pakistan Millennium Development Goal (MDGs) Community Development Programme and awarded to a contractor on 07th June, 2015 at imbalance rates ranging from at par rates to 34.90% above on estimates put to tender.

Audit observed that work of 15 (Fifteen) sub heads were awarded in Packages to the contractor at much higher rates on the basis of prequalification only without open competition through open bidding. Instead of issuance of notices to the Press/PPRA website for open bidding, instead the works were awarded through limited competition /tendering based on prequalified contractors. The prequalification process was also found defective and non-transparent. Details of prequalification criteria and marks obtained by each participant contractor were not produced to audit. Acceptance of higher rates upto 34.90% above T.S estimate duly sanctioned by the competent authority on the basis of current market rates resulted in loss of Rs 2,452,367 and irregular award of work without open competitive bidding Rs 22.286 million.

Audit pointed out the loss and irregular award of work in October 2016. The department replied that rates upto 35% above were accepted on the basis of competition.

The reply was not accepted because open tendering was not made, and the work was awarded on the basis of prequalification only, which was not transparent.

(DP. 85)

5.4.17.6 Audit noted that Executive Engineer Central E/M-II Division, Pak PWD Islamabad awarded the work “Supply, installation, testing and commissioning of heating ventilation and air conditioning of HVAC system at 100 bed Neab Aminullah Khan Logari Hospital, at Logar, Afghanistan” to a contractor an agreement amount of Rs 157.708 million.

Audit observed that PC-I of the said project was prepared/approved in September 2014 and was technically sanctioned for Rs 174.478 million. Audit further observed that rates against some items in TSE were approved more than 100% higher than the rates approved in PC-I. Approval of estimate at higher rates than PC-I resulted in award of work at higher rates for Rs 20.207 million.

Audit pointed out the matter during September, 2016. The department did not reply.

(DP. 138)

5.4.17.7 Audit noted that the Executive Engineer CCD-VI, Pak PWD Karachi awarded about 20 works of road, building and maintenance during the financial year 2015-16.

Audit observed that works awarded before April, 2016 as the result of competition at 5% below to 47% below on the NIT cost. The average discount/rebate was 28% below on the NIT cost. Audit further observed that from April, 2016 onward the works were awarded from 8% to 39% over and above the NIT cost. It was noticed from the trend i.e. increases in %age the reasonability of the rates was not assured, while awarding the works after April 2016. Non-adherence to general financial rules resulted into loss to the government for Rs 12.161 million.

Audit maintains that loss occurred due to weak financial & internal controls.

Audit pointed out loss in August 2016. The department did not reply.

(DP. 49)

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends inquiry and action against person(s) responsible for violation.

5.4.18 Non-obtaining of performance/additional performance security - Rs 200.135 million

According to agreement clause 10.1 the performance security shall be provided by the contractor @ 10 % from the A.A rating insurance

company within 28 days from receipt of acceptance letter. Further as per Standard Bidding Documents Clause I B 28.4 if the bid of successful bidder is seriously unbalanced in relation to the engineers estimate, employer may require the amount of performance security be increased to a level sufficient to protect the employer against financial loss in the event of default of the successful bidder.

PEC documents for smaller contracts / projects with estimated cost not more than Rs 25 million were approved by ECNEC in its meeting held on 12th November, 2007. The document was notified by Planning Commission, Government of Pakistan vide No.8(60)WR/PC/2008 dated 12th February, 2008 as mandatory for all Engineering Organization and Department at Federal & Provincial level and District Government to use this document for procurement of work for smaller contracts/projects. The document was harmonized with PPRA Rules.

Clause 18.1 of conditions of contract states that the contractor shall provide performance security to the employer in the prescribed form. The said security shall be furnished or caused to be furnished by the contractor within 28 days after the receipt of the Letter of Acceptance. The performance security shall be of an amount equal to 10 percent of the contract price stated in the Letter of Acceptance. Such security shall at the option of the bidder be in the form of either (a) Bank Guarantee from any Schedule Bank in Pakistan or (b) bank guarantee from a bank located outside Pakistan duly counter-guaranteed by a Schedule Bank in Pakistan or (c) an insurance company having at least AA rating from PACRA/JCR.

According to Condition of contract 4.4 Performance Security denotes that the contractor shall furnish to the Employer within fourteen (14) days after receipt of letter of acceptance a performance security at the option of the bidder, in the form of Bank Draft or Bank Guarantee or insurance company having at least AA rating from PACRA/JCR for the amount and validity specified in contract Data. 14.1 Insurance arrangement denotes that the contractor shall, prior to commencing the works, effect insurance of the type, in the amounts and naming as insured the persons stipulated in the Contract Data.

5.4.18.1 Audit noted that the Executive Engineer Central Civil Division No.VII Pak PWD Islamabad awarded the work “Establishment of FG college for Home Economics F-11/1 (SH: Academic Block) agreed cost of Rs 339.325 million

Audit observed that the department awarded the said work 24.08 % below the T.S. Estimate but the department did not obtain the additional performance security Rs 107.618 million. This resulted in undue favour to contractor.

Audit pointed out undue favour to contractor during September 2016. The department replied that the contractor was asked to furnish a performance bond worth Rs 107.618 million which would be got verified from the Audit as and when received.

The reply was not acceptable because department submitted an interim reply and stated that performance security would be submitted when these guarantees received from contractor.

(DP. 38)

5.4.18.2 Audit noted that Executive Engineer CCD-III, Pak. PWD, Peshawar, awarded the Procurement of Furniture for Afghanistan Projects to 2 Nos. contractors. Further works were also awarded to various contractor under Pak. Millennium Development Goals (MDGS) Community Development Programme for maintenance of NAB (KP) office building at Hayatabad.

Audit observed that Divisional Officer did not obtain performance securities from contractors as required under the contractual obligations. Due to non-adoption of standards of Pakistan Engineering Council (PEC) documents in case of maintenance works, safety of work was not observed and contractors were given undue benefits which resulted into non-obtaining of Bank/Performance Guarantees Rs 76.029 million.

Audit maintains that the irregularity was due to inadequate mechanism for enforcing relevant rules and weak administrative/internal controls.

Audit pointed out the irregularity in October 2016. The department replied that works pertain to Afghanistan which was not a safer country at the moment and was almost in a state of war. There were a lot of security threats / risks. In this scenario the respective bidders approached for grant of performance security bond from insurance companies but they refused to issue the performance guarantee for Afghanistan. Keeping in view the aforesaid position, an amount of 10% was deducted from running bills of the contractor on account of performance security and has been placed in PLA-IV of this office. This amount will only be released after satisfactory completion of the work. The instructions regarding adaption of CPWD-7 form were issued by Secretary Housing & Works, Government of Pakistan, Islamabad and hence thereto has been adapted by all the formations of Pak. PWD, there was no provision regarding obtaining of performance guarantee in CPWD-7 form, therefore the same was not required. As far as the adaption of PEC standard bidding document for all projects (even less than 10.00-million) was concerned, the necessary instructions issued from the competent authority, will surely be followed & compliance will be made in true letter & spirit.

The reply was not accepted because works of supply of furniture were awarded on Pakistan Engineering Council (PEC) standard documents and as per contract conditions performance security was necessary to be obtained from the successful bidder @ 10% of contract cost failing thereof tantamounts to a violation of contract agreement. PEC documents duly approved by ECNEC were introduced in Pak. PWD during 2007-08. No exemption was given to Pak. PWD for non-adoption of standard bidding documents, Relaxation in adoption of PEC documents for smaller works was also not given in Pak.PWD below Rs 10.00 million.

(DP. 90)

5.4.18.3 Audit noted that the Executive Engineer CCD-II Pak PWD Islamabad awarded the work “NAB HQ (SH: Public Health and

firefighting works- Lot-II) to a contractor against agreed amount to Rs 44.325 million.

Audit observed that the contractor quoted rates 15.21% below the estimated cost of Rs 52.276 million hence additional performance guarantee @ 15.21% was also required but the department did not obtain the same. This resulted in non-obtaining of additional performance guarantee amounting to Rs 12.383 million.

Audit pointed out the matter in August 2016. The department replied that clause 10.1 of Part-II particular conditions of contract restricted for obtaining performance guarantee equal to 10 % of contract cost, which was obtained. However the rule regarding additional performance security had been provided to the contractor and asked to submit additional performance guarantee.

The reply was not convincing because as per standard clause 28.4 of instruction to bidders, in case of bid seriously imbalanced in relation to engineer estimate, the performance security be increased.

(DP. 69)

5.4.18.4 Audit noted that Executive Engineer, CCD-III, Pak PWD, Quetta awarded 02 Nos. works two different contractors against the agreement amount of Rs 41.053 million

Audit observed that despite the lapse of two months from the date of commencement of work, the contractor failed to furnish performance security @ 10% of contractual amounts of Rs 41.053 million in the prescribed form valuing of Rs 4.105 million (41.053 x 10%).

Audit holds that due to non-adoption of standards of Pakistan Engineering Council (PEC) Documents in case of maintenance works, safety of work was not ensured and contractors were given undue benefits.

Audit communicated the irregularity in September 2016. The department replied that the contractors were directed to provide the performance securities.

It is evident from the reply that requisite performance security was not obtained from the contractors prior to commencement of work. This showed that divisional officer compromised safeguard of public interest.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early obtaining of securities and recovery of unissued period.

(DP. 47)

5.4.19 Preparation of estimate by providing higher market rates - Rs 144.137 million

Para-296 of CPWA Code provides that to facilitate the preparation of estimates, as also to serve as a guide in settling rates in connection with contact agreements, a schedule of rates for each kind of work commonly executed should be maintained in the division and kept up to date. It should be prepared on the basis of the rates prevailing in each locality and necessary analysis of the rates for each description of work and for the varying conditions thereof should, so far as may be practicable, be recorded.

Para 10 (i) of GFR Vol-I provides that every public 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 from his own money.

5.4.19.1 Audit noted that Executive Engineer, CCD-IV Pak PWD Islamabad awarded a work “Construction of Islamabad High Court at

Constitution Avenue G-5/1 Islamabad” against a contractual cost of Rs 2,474.049 million on 10th June, 2015 to contractor.

Audit observed that the department prepared an estimate at higher market rate then the composite schedule rate 2012 and got executed various items of works at higher rates valuing Rs 137.016 million. Audit is of the view that technical sanction ensures that the proposal is structurally sound and estimate is an economical one. The rates should be adopted from standard schedule of rates and for non-schedule items, rates should be based on proper an analysis of rates. If the estimate is prepared by the consultants, the estimate has to be checked and sanctioned by the competent engineers of the organization which appointed the consultant to ensure economy as well as structural soundness of the project.

Audit pointed out the observation in September 2016. The department replied that the detailed estimates were prepared by consultant on the basis of rates of construction material as most of the items do not exist in Pak PWD schedule of rates. The rates of these items were analyzed on prevailing market rates. As the building is of national importance therefore in order to ensure symmetry with other buildings located in the same area the reasonable specification had to be adopted and estimate was technically sanctioned accordingly. The estimated prices are quite reasonable and not on higher side.

The reply was not accepted because estimate was required to be prepared as per rates provided in the Pak PWD Schedule of Rates and those items not existed in Pak PWD schedule of rate as non-schedule items. But in this case most of the items of work were included in the Pak PWD schedule by the consultant intentionally of higher rates in the estimate.

(DP. 62)

5.4.19.2 During scrutiny of accounts record of Executive Engineer, E/M Division Pak PWD Quetta audit noted the an item of work 15/20 HP submersible pumping set (China)complete was technically approved and provided in the BOQ as Non Schedule item @ Rs 245,000 for the

work Installation of Tube Well & water supply at Doregi, Somiani, Gaddani District Lasbela. Audit further noted that same item with difference in horse power of 25 HP was provided in BOQ of other works as scheduled item @ Rs 590,695.88.

Audit observed that expensive scheduled item was provided in the BOQs of other works in the presence of economical, feasible and approved items which ultimately increased the cost due to premium @ 128 to 158.61 %. Audit holds that due to non-provision of economical/certified item resulted in excess expenditure to the extent of Rs 6,449,336.

Audit maintains that this violation of financial propriety occurred due to non-adherence to the rules / regulations, which compromised weak internal controls.

Audit communicated the irregularity in August 2016. The department replied that the schedule item was available in BOQ i.e. 25 HP (KSB) @ 590,695.88 which comes after premium Rs 1.527 million after adding 158.61% above. The funds available for the said schemes were very few and that is why the China make submersible set was selected for fictionalization of the scheme.

The reply was not accepted because once a market base item got approved and installed at site which was satisfactory working then why the expensive item was introduced in other works and got executed which involved excess expenditure of Rs 6.449 million.

(DP. 77)

5.4.19.3 Audit noted that the Executive Engineer CCD-I Pak PWD Lahore awarded a work “Repair of roof of Audit & Accounts Training Institute and Hostel at US Aid Building Lahore” to a contractor at an agreement cost of Rs 4.515 million i.e. 19% above on schedule items and market items at par.

Audit observed that the department prepared the rate analysis of BOQ Non-schedule item No.5, “water proof treatment of roof with three

coats of jumbolon acrylic based compound” @ Rs 51.15 per sft by including 10% contractor profit. Inclusion of 10% contractor profit in the rate analysis was unjustified because it was already included in the rate provided by the symbol industries (Pvt) Ltd. as Rs 46.50 per sft. The quotation provided by the symbol industry was for execution of complete item instead of material rate. The department was required to put the rate of item as 46.50 per sft instead of Rs 51.15 per sft. This resulted into overpayment Rs 347,964. Further, the quantity of the said item was provided as 68,488 sft in the BOQ and T.S estimate but the payment was made against the quantity of 74,831 sft instead of 68,488 sft. This resulted into overpayment of Rs 324,444.

Audit pointed out the overpayment in November 2016. The department replied that the water proofing of roof was required to be done through special product “Diamond Jumbolon” by Symbol Industries (Pvt) Ltd with rate @ Rs 46.50 per sft but the company was not registered with the Pakistan Engineering Council, so they were not eligible to execute the work directly. The work was completed through a government contractor registered with the PEC, so 10% contractor’s profit must be added according to rule.

The reply was not accepted because inclusion of 10% contractor’s profit in the rate analysis was not justified because it was already included in the rate of Rs 46.50 per sft provided by the Symbol Industries (Pvt) Ltd. The department was required to put the rate in NIT/BOQ as Rs 46.50 per sft instead of Rs 51.15 per sft.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends recovery of overpaid amount.

(DP. 155)

5.4.20 Undue financial aid to contractor - Rs 134.084 million

As per clause 60-2 of the special stipulation of the contract agreement the minimum amount of the IPC shall be Rs 50.00 million.

Audit noted that Executive Engineer, CCD-IV Pak PWD Islamabad awarded a work “Construction of Islamabad High Court at Constitution Avenue G-5/1 Islamabad” to contractor against a contractual cost of Rs 2,474.049 million on 10th June, 2015.

Audit observed that the department allowed payments to the contractor vide IPC No.02,03,04 and 12 below Rs 50.00 million. The payments made through these IPCs were violation of contract agreement and undue financial aid to the contractor Rs 134.084 million.

Audit pointed out undue financial aid to contractor in September 2016. The department replied that on some occasions i.e. Eids, Moharram & Monsoon season the progress lags but in accordance with relevant clause of contract agreement the payment to the contractor is to be made within specified period. The payments of IPCs were made against work done. It is also pertinent to mention that most of IPCs were submitted for amount more than Rs 50.000 million but their amount was reduced during scrutiny and accepted in order to maintain the progress of work in the greater interest of work and as such there is no undue financial aid to contractor.

The reply was not accepted because payment made in four (04) IPCs was lesser than Rs 50.00 million and this was clear violation of the contract agreement as undue amount was released.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends action against person(s) responsible for extending undue favour to the contractors.

(DP. 64)

5.4.21 Non-recovery against PWP-II schemes - Rs 108.093 million

Rule-26 of GFR Vol-I provides that it is the duty of the departmental controlling officers to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the public account.

Audit noted that as per statement signed by Superintending Engineer Central Civil Circle II Pak PWD Islamabad, a recovery of Rs 97.590 and Rs 108.093 million was pointed out by Tehsil Municipal Administration (TMA) and Pak PWD respectively against the PWP-II schemes of NA-51 Gujjar Khan.

Audit observed that no record of recovery was available in the office of Executive Engineer CCD -VIII Pak PWD Islamabad. This indicated that no recovery had been made.

Audit pointed out non-recovery in September 2016. The department replied that all the development works where recoveries were pointed out by TMA & PWD were in running condition and the recoveries were pointed out on the basis of defective works which were being got recovered from the concerned contractors. On the finalization of accounts of the said contractors, the defective work which could not be removed at the stage would be recovered from the contractors. No further progress in this regard was reported to Audit.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early recovery.

(DP. 119)

5.4.22 Unjustified lapse of development funds - Rs 94.167 million

Rule 95 of General Financial Rules Vol-I provides that all anticipated savings should be surrendered to Government immediately they are foreseen but not later than 15th May of each year in any case.

Par 4.6 of Planning Commission guidelines provides that the last date for surrendering of funds from a scheme is 15th May of each year. The surrender order has to be communicated to AGPR and Finance Division with the approval of FA Organization of the respective Ministry/Division.

Audit noted that development funds amounting to Rs 1,115.058 million on account of Millennium Development Goals (MDG), ADP/PSDP were released to divisional office CCD-Pak PWD, Abbottabad out of which an amount of Rs 1,020.891 million was spent upto 30th June, 2016 leaving unspent balance of Rs 94.167 million. This indicated that divisional office could not utilize development funds efficiently during currency of the financial year proportionately and attempted to retain the funds for utilization in ill-considered manner. As per rule this anticipated savings was required to be surrendered in timely manner in order to utilize these funds in other needy project.

Non-adherence to rules caused unjustified lapse of development funds amounting to Rs 94.167 million.

Audit pointed out unjustified lapse of funds in August 2016. The department replied that funds amounting to Rs 70.421 million were lapsed due to stay order granted by the honourable High Court circuit bench Abbottabad whereas funds amounting to Rs 4.374 million were lapsed as nobody applied for purchase of tenders. Funds amounting to Rs 6.0479 million were lapsed against two numbers scheme which were executed by provincial department during the intervening period. Funds amounting to Rs 10.201 million were lapsed due to less or no work done at site by the contractor. Remaining funds amounting to Rs 3.123 million were lapsed either saving arrived from different development schemes of Pak. MDG's and contingencies of the various schemes.

In reply it was conceded that funds were lapsed and which were not surrendered in timely manner and neither this surrender was communicated to AGPR with the approval of Financial Advisor. Audit holds that undue retention of the development funds and lapse of development funds was serious financial irregularity.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends action against persons responsible besides measures to ensure maximum utilization of allocated development funds.

(DP. 02)

5.4.23 Unauthorized expenditure due to higher rates - Rs 79.675 million

Rule 10 (i) of GFR Vol-I provides that every public 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 from his own money.

Audit noted that the Executive Engineer, CCD-VII Pak PWD Islamabad awarded the work “Establishment of Federal Government College for Home Economics F-11/1 (SH: Admin Block, Multipurpose Hall, office cum class room) to contractor on 19th August, 2010 at the agreement cost of Rs 94.799 million and paid Rs 79.675 million including price escalation of Rs 17.612 million.

Audit observed that the said work was awarded on 19th August, 2010 and paid mobilization advance of Rs 4.835 million. Later on the work remained suspended due to non-availability of funds and on availability of funds the Executive Engineer asked the contractor to resume the work on 14th November, 2014 without making comparison of the rates prevailing at the time of resume the work and the rates of

awarded work + price escalation from the date of award of work as another Sub head “Academic Block” of the same project awarded in June 2015 at 10.09% below the CSR 2012 and without any approval of the competent authority. Further, the fixed portion 0.35 for price adjustment was for typical road projects and it should have been adjusted according to building work but the department given weightage to fixed portion as 0.35. Further the rate of steel for the running bills No.6 and 7 and fuel for the bills No.12 to 15 were taken on higher side. Furthermore the weightage of labour and material were filled after the award of work as the photo copy of NIT/bid was used and at the time of bid, the Appendix C was blank and filled separately. Further, no initial of employer and contractor was found against each weightage. This resulted in unauthorized expenditure of Rs 79.675 million.

Audit pointed out unauthorized expenditure in September 2016. The department replied that the work was abandoned due to the fact that the scheme remained unfunded for a long period and site dispute. Agreement of the work is approved from the competent authority and clause 60-I provide adjustment of claims of the contractor and clause 70.1 lays down formula for calculation of increase and decrease no separate approval was required in the case. Furthermore rates of steel and fuels for the bills will be looked into at the time of finalization of accounts of the contractor.

The reply was not to the point. However, weightage of labour and material were filled after the award of work as the photo copy of NIT/bid was used and at the time of bid, the Appendix C was blank and filled separately.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit stresses upon investigation and appropriate corrective action.

(DP. 34)

5.4.24 Mis-procurement / Defective tendering due to non-recording of non-responsive bids in the tender opening register due to less provision of bid security - Rs 74.209 million

Rules 25 of Public procurement rules 2004 provide that the procuring agency may require the bidders to furnish a bid security not exceeding five per cent of the bid price. Ibid rule 30(1) all bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding documents.

Audit noted that the Executive Engineer, CCD-III, Pak. PWD, Peshawar opened various tenders where in earnest money @2% of the estimated cost was provided to be deposited in shape of call deposit receipt in favor of Pak PWD by the participant bidders.

Audit observed that various bidders did not furnish call deposit receipt (CDRs) of required amount @ 2% of estimated cost. Due to non-deposit of required amount by the bidders, these bids were not responsive. Non-responsive bids were not recorded in the tender opening register. In case of work addition / alternation and refurbishment of Federal Lodge-I Peshawar, bid was opened on 19th April, 2016, CDRs of bidder at serial No-08 were accepted of back dates i.e. 17th February, 2016. This resulted into mis-procurement and defective tendering in violation of Public procurement Rules 2004 for Rs 74.209 million.

The violation of PPRA Rules occurred due to weak financial and internal controls.

Audit pointed out the irregularity in October 2016. The department replied that Rule 25 of PPRA Rules 2004 provides that procuring agency may require the bidders to furnish a bid security not exceeding 5 percent of the bid price, not the estimated cost. This office had always focused and followed the instructions in true letter & spirit. The bid means an estimate having quoted the contractors premium on %age basis either above or below the estimated cost. However it was assured that this office will be

extremely careful even in future while inviting tenders to ensure the fulfillment of PPRA Rules, 2004 in true letter & spirit.

The department admitted irregularity. Non-receipt of required earnest money was in violation of Public Procurement Rules.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends action against persons responsible for violation of rules besides strengthening internal controls to avoid recurrence of such irregularity.

(DP. 89)

5.4.25 Irregular/unjustified expenditure on work charged establishment - Rs 71.763 million

According to standard formula given in each PC-I of Project, work charged staff for maintenance shall be allocated at 25 percent of the total maintenance expenditure.

Para 2.03 (a) & (b) of Pak. PWD Code (Revised), 1982 require that the work charged establishment shall include such establishment as was employed upon the actual execution, as distinct from the general supervision of a specific work. The work charged establishment shall not be engaged on any work unless provided for in the estimates as a separate sub-head for the estimate for that work.

5.4.25.1 Audit noted that the Executive Engineer, CCD-I Pak PWD Lahore made payments on account of pay & allowances of work charged establishment without sanctioned estimates and budgetary provisions. Besides, the expenditure was charged to maintenance grant without observing ratio of manpower requirement in the maintenance cost i.e. @ 25% of total maintenance cost of building as per standard departmental practice.

Audit observed that the budget specified for repair & maintenance of government buildings was utilized on salaries of the work charged staff which remained idle due to non-availability of material. The expenditure incurred on pay & allowances of the work charged staff during financial year 2015-16 was beyond the permissible limit of 25 percent of the total maintenance expenditure. This resulted in irregular expenditure of Rs 62,757,990.

Audit holds that irregular expenditure was due to inadequate oversight mechanism of enforcing relevant rules, weak financial/internal control.

Audit pointed out the irregular expenditure in November 2016. The department replied that the maintenance staff is deployed on certain government owned office buildings and residential colonies under the jurisdiction of the division. Funds to the tune of Rs 62.758 million were released on account of "A13306-Salaries of Maintenance Staff" during the fiscal year 2015-16 and salaries were paid accordingly. Funds for repair & maintenance of Govt. owned office buildings and residences were allocated under the head of account A13301 & A13302, so the said budget was not diverted to the salaries of maintenance staff.

The reply was not accepted because total budget of Rs 65,758,000 specified for Repair & Maintenance for Building & Structure of Government Buildings under head of account A133 against which Rs 62,757,990 was utilized on salaries of maintenance staff which remained idle due to non-availability of material. The expenditure incurred on pay & allowances was beyond the permissible limit of 25% of total maintenance expenditure.

(DP. 153)

5.4.25.2 Audit noted that an amount of Rs 9.005 million was allocated to Executive Engineer CCD Pak PWD Multan, under grant No.59 civil works (works portion) for maintenance grant of Government owned buildings, offices, and residential buildings during financial year 2015-16.

Audit observed that total grant was utilized for establishment charges (work charges staff) and no funds were expended for annual repair, special repair and material required for maintenance of offices and residential buildings and very purpose of efficient, economically repair & maintenance Government owned buildings through Departmental labour has been defeated. Whereas standard formula envisaged in each PC-I of Project, allowed only engagement of Work charge staff at 25% of the total maintenance expenditure. Non-observance of standard formula of PC-1 has resulted into unjustified expenditure of Rs 9.005 million incurred on Pay & Allowances of work charge establishment.

Audit pointed out the irregularity in October-November 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 106)

5.4.26 Non-deduction of element of duties & taxes - Rs 64.427 million

According to sub-clause 52.3 of Particular Condition of Contract the rates and prices stated in the schedule of prices shall be deemed to include every element of duty or tax livable on or in relation to the production, import, purchase, sale delivery and transportation of material and to the bringing thereof on the site and no such duty or tax shall be separately reimbursable. Further, according to PC-I of the project 20% of schedule of prices was attributable to CNF Charges.

Audit noted that Executive Engineer, Central E/M-II, Pak. PWD Islamabad awarded a work to a local contractor. The contractor got imported the material from Shanghai China with landing at Karachi Port. An informal inquiry into the matter has revealed that the material was imported / transported under Afghan transit trade with no duties and taxes.

Audit observed that as the element of 20% duties and taxes was inbuilt in the schedule of prices and contractor had got all the material imported and transported free of cost. 20% attributable to CNF was to be deducted from the contractor which was not done upto total values of the work done. This resulted into non-deduction of element of duties and taxes for Rs 64.427 million.

Audit pointed out irregularity in October 2016. The department replied that at the time of preparation estimate, its technical sanction, invitation of tenders and drawl of agreement, the provision of 20% were kept apart from bill of quantities. The agreement does not contain any provision of reimbursement of charges to the contractor or deduction on account of CNF charges to the contractor. Import of material and its transportation up to the site of work is an arrangement of contractor in accordance with relevant clauses of the contract which does not contain any provision of deductions on account of CNF charges.

The reply was not accepted because as per quoted rule the rates and prices stated in schedule of prices shall include every element of duty or tax livable in origin of production, import purchase etc.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 101)

5.4.27 Loss to the government due to showing less rooms reservation/occupation trend (average 22%) - Rs 63.693 million and non-accountal of government receipts - Rs 33.506 million

Rule 23 of GFR Vol-I provides that every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his

part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence. Rule 26 also provides that it is the duty of the departmental Controlling officers to see that all sums due to Government: are regularly and promptly assessed, realized and duly credited in the Public Account.

Para 4.2.3.2 of Accounting Code for Self Accounting Entities provides that government receipts is the part of Consolidated Fund and no expenditure can be met from the Consolidated Fund unless specified in a duly approved "Schedule of Authorized Expenditure".

Audit noted from the accounts record of Federal Lodge-01 'Qasr-E-Naz' that 66 rooms (57 ordinary rooms and 09 VIP rooms) were available for accommodation/reservation purpose. Audit further noted that rooms rent receipt of the Federal Lodge was being deposited in the National Bank of Pakistan and the State Bank of Pakistan since December, 2012 to onward.

During analyzing the room reservations/occupation data for the period of five months from July, 2015 to November, 2015 (sample data), audit observed that about 22% i.e. 15 rooms were reserved/occupied as 33 rooms during the same period were shown with zero percent occupation rate and mostly rooms were shown with occupation percentage ranging from 1% to 20%. Moreover, as per previous fifteen years' experience whenever the receptionist/reservation clerk of the said Federal Lodge was called/asked for reservation of the room he always made the same reply that "since no room is vacant due to 100 % occupation of the lodge, however, room will be provided subject to its vacation". Audit visualized that room's occupation rate is about 100 % in actual however, most of the residents/touring guests were being accommodated continuously without reservation and without charging there from the room rent. This practice of the management deprived the government from the revenues/receipts millions of rupees per annum as loss worth Rs 63.248 million

approximately was worked against last four years on the basis of analyzed data.

Audit maintains that the objected loss and non-accountal of the government receipts in the public account through controlling divisional officer occurred due to non-adherence to the government Rules, reluctance of the concerned divisional office & its accounts branch and inadequate oversight mechanism for implementation of Administrative and internal controls.

Audit pointed out loss in August 2016. The department replied that Federal Lodge No.1 (Qasr-e-Naz) had been preliminary established to facilitate the Government functionaries and high ups who avail the lodging facilities in the federal lodge in connection with their official assignments/responsibility. It was not a revenue earning place because there are no commercial considerations of the Federal Lodge in the whole country. A nominal amount was charged from the occupant intending to stay in the lodge in order to facilitate them. The observation of Audit regarding occupancy is somewhat based on assumption rather sweeping and it never happened that all the room / suits are occupied. The contention of Audit regarding low occupancy rate is due to the fact that a large number of rooms/suits were un-available because of the renovation process carried on during these year. The lodge also remained closed once for more than couple of months and sometimes for ten to fifteen days because of disconnection of electricity due to non-payment of K.E.S.C dues. Disturbance in the lodge due to construction of the 32 family suits also result in low occupancy rate.

Further, occupancy rates also low especially in the month of Ramzan, Muharram and Eid holidays. Frequently maintenance work was carried on in the lodge result in the low occupancy rate. To standby the rooms/suits for the honorable members of the more than twenty (20) Senate & National Assembly standing committees comprising 10 to 15 members each result in low occupancy rate. To keep 15 to 20 rooms reserved for the security team & Protocol staff of the honorable President and Prime Minister of Pakistan during their visit to Karachi results in low

occupancy rate. These and some other minor reasons that contributed low occupancy rate but not 22% rather it remain in the range of 35% to 40% and never any official and entitle person has been regretted for providing the occupation in the lodge. It is usual practice that a certain room is booked for a week or so but the visitors leave the same within 24 hours. Such investable incidents were part and parcel of history of lodge and to avoid such incidents were impossible. The reconciliation of receipt with treasury was also being done regularly.

The departmental reply/contention required detailed verification of relevant record. However, with reference to shop and canteen/kitchen record helped proved the audit stance because the rooms which were shown vacant as per reservation/visitor's books were also found occupied during the same period of time.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends investigation and strengthening of internal controls to avoid pilferage of revenue.

(DP. 54)

5.4.28 Non-implementation of insurance clause and non-recovery of risk & cost - Rs 58.883 million

As per contract clause-43.1 under (the work Insurance) the contractor will provide the work Insurance @ 150% of the cost of the work.

Audit noted that Executive Engineer, Store & Workshop Division Pak. PWD Islamabad awarded contract of SH-HVAC works to contractor at the agreement cost of Rs 235.709 million (10.66% below). The contractor has to provide insurance of the works worth Rs 353.563 million @ 150% of the agreement cost but the contractor failed to provide the Insurance coverage. Further, the contract of the said contractor was

terminated due to unknown reasons and the work was awarded to the new contractor at 5.5% above on 21st June, 2016. The difference of the cost of Rs 58.883 million was extra burden on the work.

Audit is of the view that if the Insurance would have been obtained by the contractor it would be encashed to cover the risk and cost of the contractor. Furthermore, the performance guarantee was also provided by the contractor worth Rs 5,280,000 but not encashed. Recovery of risk & cost charges for Rs 58.883 million is not forthcoming from the contractor.

Audit pointed out the irregularity in October 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early recovery.

(DP. 100)

5.4.29 Unauthorized transfer of funds from lapsable PLA-I to non-lapsable PLA-IV - Rs 56.464 million

The Finance Division (Budget Wing), Government of Pakistan vide letter No. F-3(20) BR/II/94-B-Vol-I/313 dated 15th April, 1997 allowed operation of following Personal Ledger Accounts (PLA) in Pak PWD with zero balances operative from 1st July, 1997:

PLA-I	Annual Development Programme	Lapsable
PLA-II	Maintenance only	Lapsable
PLA-III	Deposit Works	Non-lapsable
PLA-IV	Other Deposits such as Contractor's Securities, GP Funds receipts, etc.	Non-lapsable

5.4.29.1 Audit noted that the Executive Engineer, E/M, Division Pak. PWD, Quetta approved contractor's claims for work done, booked the expenditure against the work done but withheld amount Rs 36.690 million on account of test checks, during the year 2015-16. It is worth mentioning that accounts of Pak PWD for the year 2011-12 were given adverse rating by Audit on the basis of similar defective and manipulative practices on the basis of which instructions were circulated by Ministry of Housing and Works to all the Pak PWD Divisions to discontinue the practice of transferring lapsable funds from PLA-I to non-lapsable PLA-IV. In spite of which transactions were not only violated the PLA system in a planned manner but also casts serious doubts on the system of internal controls. Moreover, Parliament decided at the time of approval of budget estimates to place certain funds in lapsable category and others in non-lapsable category. By converting the lapsable nature of funds to non-lapsable type, the mandate of the Parliament was infringed upon by Executive Engineer.

Audit communicated the irregularity in August 2016. The department replied that the release of funds of Pak MDG's Schemes received in the last quarter of the financial year 2015-16. The amount was withheld because of test checks and not to create any liability of the contractor, in best interest of Government works.

The reply was not accepted because there exists no such provision in the rules.

(DP. 74)

5.4.29.2 During audit it was noted that Executive Engineer, Central Civil Division-III Pak. PWD, Quetta approved contractors claims for work done, booked the expenditure against the work done but withheld Rs 18.500 million without any reason, during the year 2015-16. It is worth mentioning that accounts of Pak PWD for the year 2011-12 were given adverse rating by Audit on the basis of similar defective and manipulative practices on the basis of which instructions were circulated by Ministry of Housing and Works to all the Pak PWD Divisions to discontinue the practice of transferring lapsable funds from PLA-I to non-lapsable PLA-IV.

Audit holds that these transactions not only violated the PLA system in a planned manner but also casts serious doubts on the system of weak internal controls. Moreover, Parliament decides at the time of approval of budget estimates to place certain funds in lapsable category and others in non-lapsable category. By converting the lapsable nature of funds to non-lapsable type, the mandate of the Parliament was infringed upon by Executive Engineer.

Audit communicated the irregularity in September 2016. The department replied that due to acute shortage of time there was no possibility to obtain the test reports/test checks within that stipulated time for that purposes some amount of the contractors were withheld so that after receiving of test reports, energizing of the scheme the same will be released.

The reply was not accepted because there was no provision in rules to withhold amount from lapsable accounts to utilize during next financial year without any authority.

(DP. 40)

5.4.29.3 Audit noted that the Executive Engineer Central Civil Division-I, Pak PWD Lahore awarded the work “Repair and Renovation of Saint Marry’s Church Hanjarwal, Lahore” to a contractor with the agreement cost of Rs 1.805 million on 3rd February, 2016.

Audit observed that amount of Rs 1.274 million was paid to the contractor on 12th April, 2016 from PLA-IV whereas the payment from PLA-IV against the contractor’s bill on account of execution of work was irregular in violation of codal obligations. This resulted into irregular payment of Rs 1.274 million.

Audit pointed out the irregular payment in November 2016. The department replied that funds amounting to Rs 1.906 million for the work were released from the M/o National Harmony, Islamabad and credited into PLA-III (Non-Lapsable). The instant work was awarded to a contractor on 8th March, 2013 with tendered cost of Rs 2.056 million

against which the contractor had got payment of Rs 1.906 million on 20th March, 2013. The site of work was visited by the Chief Engineer, Pak PWD, Lahore on 11th February, 2015 and the whole work was declared as un-executed. The work was required to be completed / executed from another contractor on risk & cost of original contractor. The amount of security deposit of original contractor was available in PLA-IV with the department. Therefore, the payment to 2nd contractor was made from PLA-IV.

The reply was not tenable because orders towards forfeiture of security deposits of the defaulting contractor and work executed on risk & cost of the original contractor not made available to audit. Further, security deposit registers with allied record showing total amount of security deposits lying with the department, forfeited the same and payment made there-against to the second contractor were also not produced to audit. Moreover, finalized contractor's accounts of the works, the security deposits of which were forfeited/adjusted were also to be produced to audit.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends action against persons responsible besides appropriate measures to avoid recurrence of such irregularity.

(DP. 149)

5.4.30 Non-recovery of built-in cost of pre-shipment inspection and non-conducting of pre-shipment inspection of lifts - Rs 40.945 million

As per Special Condition-1 of the bidding documents for installation of lifts, the successful bidder shall have to arrange pre-shipment inspection including all arrangement of two (02) engineers of department at country of origin without extra payment. All equipment / materials supplied by the contractor shall be inspected by the Engineer

after delivery of the same at site to assess any damage or short of quantities and any other requirements of the specifications. The Engineer will issue an inspection certificate in respect of the supplied equipment and material.

Audit noted that Executive Engineer, Central E/M-I Division, Pak PWD Karachi awarded the work “Construction of five (05) existing lifts at Custom House, Karachi” to contractor on 16th October, 2015 at agreement cost of Rs 40,945,390. The work was commenced on 16th October, 2015 and was to be completed within nine (09) months. The contractor had been paid Rs 40.404 million upto 3rd running bill paid on 21st June, 2016.

Audit observed that no inspection report of lifts at the country of origin was found on record due to which, Audit is of the view that the lifts were accepted without pre-shipment inspection in violation of above conditions. Inspection Certificate after delivery of the equipment at the site of work was also not found on record. Audit also observed that non-inspection also resulted in overpayment on account of boarding/ lodging etc because the contractor has included the cost of inspection in the rates. This resulted in non-inspection of lifts valuing Rs 40.945 million and overpayment on account of pre-shipment inspection.

Audit holds that irregularity occurred due to weak internal/financial controls.

Audit pointed out the non-recovery in October 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends recovery besides appropriate corrective action.

(DP. 114)

5.4.31 Overpayment/unauthorized payment of price escalation – Rs 38.325 million

Clause 70.1 of general conditions of contract provides that there shall be added to or deducted from the contract price such sums in respect of rise or fall in the cost of labour and or materials or any other effecting the cost of execution of the works. Appendix C to Bid provides that indices of cement, bricks and steel are to be taken from Federal Bureau of Statistics, Monthly Statistical Bulletin. The base cost indices or prices shall be those applying 28 days prior to the latest day for submission of bids. Current indices or prices shall be those applying 28 days prior to the last day of the billing period.

According to PEC, Standard Formula for Price Adjustment, Part-I, Para A(2), “The Price Adjustment shall be applicable only for the contracts having contract price exceeding financial limit of PEC Contractors Registration Category C-5 as amended from time to time. Contracts having value equal to or less than this limit will be considered as fixed price contracts”.

5.4.31.1 During scrutiny of record of the Executive Engineer, CCD-II Pak PWD Islamabad, audit noted that the consultant calculated price escalation of Rs 136.570 million and the department paid Rs 93.260 million for the work “Construction of office building for NAB HQ Islamabad”.

Audit observed that:

- a) In the 1st, 2nd and 22nd IPCs, steel and cement was not used, hence the factor of steel and cement for these particular IPCs should have been constant/ one and no price escalation for Cement and Steel on these IPCs was admissible but the department calculated price escalation of Rs 6.832 million.
- b) The department calculated price escalation Rs 2.199 million on account of income tax i.e. difference of income tax rate at the time of agreement 6% and current rate 7.5% whereas income tax was deducted @ 7%. Anyhow, price escalation on

income tax was calculated beyond the agreement provision and without any approval of the competent authority.

- c) The tender date of M/s Shah Zaman was 4th January, 2008 as is evident from contractor's letter dated 23rd February, 2011 and acceptance letter dated 11th March, 2011. Further, the contractor had given rebate on 21st January, 2008 hence this date will also be treated as tender receipt date as the contractor had finalized his bid on 21st January, 2008. Hence the base rates were to be taken as December 2007 (i.e. 28 days before tender date) but the department taken base rate of November 2007 which were less than the rates of December. This resulted in overpayment of Rs 3.909 million.
- d) The rates of Cement and Steel were decreased from August 2015 to May 2016 but the department calculated the escalation on the frozen rates of July 2015 which were on higher side resulting in overpayment of Rs 1.908 million.

Audit pointed out the overpayment in August 2016. The department replied that the:-

- a) Price escalation was paid Rs 93.260 million against the total claimed/due amount of Rs 136.260 million. The difference, however, if any would be adjusted from balance amount due to be paid to the contractor.
- b) Income tax @ 7% was deducted from the contractor being a Private Limited Company.
- c) Tenders were submitted on 27th December, 2007 and the price adjustment formula is applicable as per clause 70.1 (d) which says that the base cost indices or prices shall be those prevailing on the day 28 days prior to the latest date for submission of bids.

The reply was not accepted because the department was required to adjust the same in running bill. Audit pointed out calculation/payment of

escalation on income tax rates at the time of bidding and current rate of income tax which was not admissible as clause of price adjustment was scored out from the contract document at the time bidding but . Tender date was 04th January, 2008 as referred contractor's letter dated 23rd February, 2011 and acceptance letter dated 11th March, 2011. Further, the contractor had given rebate vide letter dated 21st January, 2008, hence this date was to be treated as last date of submission of bid as contractor finalized his rates on 21st January, 2008. In view both the dates 04th January, 2008 and 21st January, 2008, the base rates were to be taken of December 2007 and not November 2007.

(DP. 72)

5.4.31.2 Audit noted that the Executive Engineer PCD-II Pak PWD Islamabad awarded the work "Construction of Hostel Building for 100 Persons at National Training Bureau (NTB) Complex H-9 Islamabad" to contractor on 23rd August, 2008 with completion period of 30 months.

Audit observed that the tender receipt/opening date was 25th July, 2008. Further, the contractor had given rebate on 12th August, 2008 by working their rates of items of work/material hence, the last date of submission bid would be treated the date on which the contractor given rebate i.e. 12th August, 2008 and in view of this date, the base rates were to be applied of July 2008 (i.e. 28 days prior to 12th August, 2008) but the department calculated the price escalation by taking base rates of June 2008 which were less than of July 2008. Due to taking less base rates, the department overpaid the price escalation of Rs 10.489 million.

Audit pointed out overpayment in October 2016. The department replied that according to the clause 70.1 of the particular of the contract sub-clause "d" the base rate indices or price shall be those prevailing on the day 28 days prior to the latest date for submission of bids. Accordingly, the escalation was calculated with the base rate 28 days prior to the submission of bids, which was as per contract and prevailing rates.

The reply was not accepted because the contractor finalized his rates by giving rebate on 12th August, 2008. Hence, base rates of July, 2008 were to be applied i.e. 28 days prior to 12th August, 2008.

(DP. 168)

5.4.31.3 Audit noted that, the Executive Engineer, CCD-III Pak PWD Quetta awarded the work Construction of 08 Nos. family suits and OH water tank, NAB(B) complex at Shahrah-e-Gulistan, Quetta to a contractor at bid cost of Rs 39.228 million on 17th June, 2016.

Audit observed that clause 70 regarding adjustment on account of increase/decrease in cost of specified materials was provided, whereas such provision is applicable only for the contracts having price exceeding financial limit of PEC Contractors Registration Category C-5 as amended from time to time. Financial Limit of C-5 is upto Rs 50 million, w.e.f 1st July, 2013. Thus provision for price adjustment was not applicable for this work as its contract cost is less than Rs 50 million. This resulted in unauthorized provision for price adjustment involving extra cost of about Rs 7.846 million.

Audit holds that unauthorized provision was due to weak internal/financial controls.

Audit pointed out the irregularity in September 2016. The department replied that as the price adjustment formula starts from the limit exceeding 50 million and the subjected work is less than that limit.

The reply was not accepted because clause-70, regarding price adjustment on account of increase/decrease in cost of specified material was provided in the contract documents involving less than 50 million which was irregular and required to be justified.

(DP. 44)

5.4.31.4 Audit noted that the Executive Engineer, CCD-VII Pak PWD Islamabad awarded the work Establishment of Federal Government Degree College for Women Bara Kahu (Kot Hathial) Islamabad on 16th

October, 2012 to a contractor at agreed cost of Rs 56.557 million with completion period 730 days and paid price escalation of Rs 3.049 million upto 24th running bill considering fixed portion 0.38 and variable portion 0.62 comprising unskilled labour 0.25, cement, steel 0.20 and POL 0.05.

Audit observed that appendix C regarding price adjustment was not filled by the employer and was left blank, therefore price adjustment was not admissible. This resulted in inadmissible payment of price escalation of Rs 3.049 million.

Audit pointed out the inadmissible payment in September 2016. The department replied that Price escalation was allowed as per provision in clause 70 of condition of contract and in accordance with price adjustment formula given in clause 70.1 of the contract.

The reply was not accepted because appendix C was not filled by the employer and was left blank, therefore price adjustment was not admissible.

(DP. 32)

5.4.31.5 Audit noted that the Executive Engineer Project Civil Division II Pak PWD Islamabad awarded the work “Construction of Hostel Building for 100 Persons at National Training Bureau (NTB) Complex H-9 Islamabad” to contractor on 23rd August, 2008 with completion period of 30 months.

Audit observed that the department calculated the base rate of labour for price escalation by taking 60 % of unskilled labour rate and 40 % of skilled labour rate and divided the total rate by 2 and accordingly current rate were taken also for price escalation but while calculating the price escalation of 17th running bill the department took the current rate of unskilled labour Rs 525 instead by taking the mean of skilled and unskilled labour rate. Applying of incorrect current labour rate resulted in overpayment of price escalation of Rs 2.093 million.

Audit pointed out overpayment in October 2016. The department replied that according to PEC standard procedure and formula for price adjustment Part-I clause 6.1 the commonly known elements subject price escalation are cement, steel, POL (HSD) and labour unskilled. Accordingly, unskilled labour was taken as base rate and the price escalation was calculated on PEC standard form for price adjustment.

The reply was not accepted because base rate was calculated by giving 40% weightage to skilled and 60% weightage to unskilled labour and divided by two (02). Hence, current rate was also required to be taken accordingly.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends for taking necessary measures for effecting recovery.

(DP. 169)

5.4.32 Financial indiscipline due to non-surrender of surplus funds and unjustified retention of Development funds and non-disbursement through effective financial management - Rs 33.093 million

Rule 95 of GFR (Vol-I) provide that all anticipated savings should be surrendered to Government immediately they are foreseen but not later than 15th May of each year in any case. Unless they are required to meet excesses under some other unit or units which are definitely foreseen at the time. However, savings accruing from funds provided after cut date shall be surrendered to Government immediately they are foreseen. No savings should be held in reserve for possible future excesses.

Audit noted that development funds under PLA-I and III were allocated/released to the Executive Engineer CCD-II Pak PWD Peshawar during the financial year 2015-16 for execution of works.

Audit observed that released development funds were not expended, leaving unspent balance of Rs 33.093 million. Non-disbursement of allocated/ released funds for the purpose for which funds were released during the financial year 2015-16 and non-surrender before 15th May i.e. cut-off date was a serious financial mis-management on the part of divisional officer for Rs 33.093 million.

Audit maintains that non-surrender of fund before cut of date was due to inadequate oversight mechanism of enforcing relevant rules, pre-audit system by the Divisional Accounts Officer and weak financial/internal controls.

Audit pointed out the irregularity in October 2016. The department replied that development funds were not timely released, thus not expended.

The reply was not accepted because development funds were timely released and un-expended funds were not surrendered before cut-off date.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 86)

5.4.33 Unauthorized/Extra expenditure due to change in the scope of work - Rs 32.108 million

The PWP-II scheme namely “Widening/Resurfacing of road from G.T. Road to Behlot (NA.51 PWP-II)” Tehsil Gujjar Khan was sponsored through Prime Minister directive 0008 vide No. JS(P)/Road/NA-51/DS(NP)/12 dated 27th July, 2012.

Audit noted that the Executive Engineer CCD-VIII Pak PWD Islamabad awarded the work on 09th October, 2012 at agreement cost of Rs 152.956 million with the completion period of 4 months.

Audit observed that at the start of work i.e. in 2012 an extra work of PCC road and provision of PCC shoulders for enhancement of road was paid. The extra item was approved by the Chief Engineer on 29th June, 2016 with the remarks that during site visit of Superintending Engineer along with Private Secretary to Prime Minister directed to provide shoulder for enhancement of road and provision of P.C.C road in Behlot village and the excess will be met from overall saving. Audit was of the view that Private Secretary / Superintending Engineer had not any mandate to change the scope of work or got executed extra work against the directive of Prime Minister. Further the extra work was measured/paid at the start of work, how the Department judged the saving whereas the work was still in progress. This resulted in unauthorized expenditure of Rs 32.108 million.

Audit pointed the unauthorized expenditure in September 2016. The department replied that the Superintending Engineer being “The Engineer” shall make any variation, additions and omission under sub clause 51.1 of the contract agreement. The same variation has also been approved by the Chief Engineer.

The reply was not accepted because original scope of work was approved through Prime Minister directives, hence change in the scope of work by the Department itself was unauthorized. Further deviation statement has been approved in June 2016 base on CSR 2012 + 30% whereas due to decaling in prices of fuels and other inputs the tender rates are on lower side. The extra work should have been approved paid based on T.S estimate.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 121)

5.4.34 Non-receipt of security deposit from the contractor - Rs 30.05 million

According to Standard FIDIC Document /PEC guidelines (2009) the deduction of security deposit / retention money is made at 10% of the running payment subject to a limit of 5% of total contract amount.

5.4.34.1 Audit noted that the Executive Engineer, CCD-V Pak PWD Islamabad awarded the work “Dualization and Improvement of Mandra-Chakwal road project” to M/s NLC on 28th July, 2014.

Audit observed that IPC No. 3 and 4 were passed showing deduction of security deposit of Rs 23.693 million and adjusted the IPCs against the amount already available with the contractor. Further, amount of security deposit was required to receive from NLC for remittance in the treasury but no amount was received from NLC and remitted to treasury. This resulted in non-recovery of security deposit of Rs 23.693 million.

Audit pointed out the matter in August-September 2016. The department did not reply.

(DP. 20)

5.4.34.2 Audit noted that Executive Engineer, Store & Workshop Division, Islamabad was deducting 5% security deposit / retention money from the running payments made to five (05) contractors whereas the total deduction under this head was not reached the limit of 5% of total contract amount. This resulted into less deduction of security deposit / retention money for Rs 6.357 million.

Audit pointed out the irregularity in October 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early recovery of less deducted security deposit.

(DP. 92)

5.4.35 Irregular/unjustified advance payment to the contractor - Rs 25.645 million

As per Para 72 of Central Public Works Account Code, every payment including repayment of money previously lodged with Government for whatever purpose, must be supported by a voucher setting forth full and clear particulars of the claim and all information necessary for its proper classification and identification in the accounts.

Further, para 228 provides that cases in which a contractor, whose contract is for finished work, requires an advance on the security of materials brought to site. Divisional Officers may, in such cases, sanction advances up to an amount not exceeding 75 per cent, of the value (as assessed by themselves) of such materials, provided that they are of an imperishable nature and that a formal agreement is drawn up with the contractor under which Government secures a lien on the materials and is safeguarded against losses due to the contractor postponing, the execution of the work or to the shortage or misuse of the materials, and against the expense entailed for their proper watch and safe custody. Payment of such advances should be made only on the certificate of an officer, not below the rank of Sub-divisional officer, that the quantities of materials upon which the advances are made have actually been brought to site.

5.4.35.1 Audit noted that Executive Engineer, CCD-II Pak PWD, Islamabad, awarded a work "Construction of NAB Headquarter Building S.H. External Development Works-Civil (Lot-III) to contractor on 16th June, 2015 with agreement amount of Rs 81.572 million.

Audit observed that provisional advance payment of Rs 14.060 million was made to the contractor on 29th June, 2016 on the recommendation of consultant to be adjusted in the fourth coming IPC. Audit is of the view that it is not consultant duty to recommend the provisional advance payment in favour of the contractor without execution of the work. This resulted into irregular payment of Rs 14.060 million.

Audit pointed out the matter in September 2016. The department did not reply.

(DP. 140)

5.4.35.2 During scrutiny of record of the Executive Engineer Store & Workshop Division, Pak PWD Islamabad, audit noted that according to letter No. HA/NAB/0476/2/cxvi dated 27th June, 2016 issued by the consultant M/s Hassan Associates regarding the claim of contractor against procurement of material brought at site: Cable 1 core 630 mm² 7750 rft (30% i.e. 2325 was available at site and 70% i.e. 5425 will be brought at site upon clearance of the payment to the manufacturer from the cheque received from the department)

Audit observed that the department made payment of secured advance against the item 1 core 630 mm² cable for a quantity of 7,750 rft whereas according to consultant letter only 2,325 rft cable was brought at site. Action of the Divisional Officer has resulted in unauthorized/unjustified payment of Rs 11.586 million to the contractor.

Audit pointed out the matter in September 2016. The department replied that the work was in running position and cables claimed by the contractor reached at site before the payment made to the contractor.

The reply was not accepted because consultant's letter regarding the claim of the contractor against procurement of material brought at site was issued on 27th June, 2016 and payment was made on 29th June, 2016. In two days it was not possible for the contractor to bring the material at site after clearness of the payment to the manufacture from the payment

received from the department. The payment to the contractor was made only to avoid the lapse of funds at the closing of the financial year.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 143)

5.4.36 Unjustified acceptance of imbalanced rates on the basis of defective estimate - Rs 23.628 million

Para 6.09 of Departmental Code Pak PWD states that a proper detailed estimate must be prepared for the sanction of the competent authority for each individual work proposed to be carried out. This sanction was known as the Technical Sanction to the estimate and must be obtained before the construction of work was commenced. As its name indicates, it amount to no more than a guarantee that the proposal are structurally sound, and that the estimates are accurately calculated and based on adequate data. Further, as per condition-I of acceptance letter the execution of work shall be carried out and completed strictly in accordance with the Specification, Conditions/Clauses of Tender Documents, Estimate, Working Drawings etc. prepared by the consultant.

Audit noted that the Executive Engineer, CCD-III, Pak.PWD Peshawar prepared two (02) estimate of works and put to tenders for different locations on below rates 15.25% on estimate by the Executive Engineer.

Audit observed that the works were awarded on the basis of rough cost estimates. Detailed Engineering Estimates was not prepared effectively and accurately as required under the rules. Receipt of bids upto 15.25% below on estimate for two works clearly indicates that estimate were not prepared economically on rationale basis. This resulted into defective estimation of works valuing Rs 23.628 million.

The violation of CPWD code occurred due to weak financial and internal controls.

Audit pointed out the irregularity in October 2016. The department replied that the detailed cost estimates based on analysis of rates comprising all factors & overheads were prepared by NESPAK (the approved consultants of the project). The estimates were then accordingly technically sanctioned by the Chief Engineer (North), Pak. PWD, Islamabad and subsequently bids were invited. As far as the rates are concerned, it is totally the discretion of the bidders and cannot be directed regarding quoting of rates, since bidding was a very confidential practice. The quality & quantity of the work has strictly been monitored irrespective of the premium quoted by the bidder whether it was higher or lower.

The reply was not accepted because by receiving rates below the estimates upto 15.25% for two works indicated that either estimates were defective not prepared effectively. Rate analysis was not demanded by the tender accepting authority to check the workability and reasonability of rates.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 91)

5.4.37 Non-Encashment of Performance Security of the defaulting contractor - Rs 23.570 million

As per sub-clause 10.1 of contract agreement, the contractor shall provide a Performance security in the prescribed form annexed to those Documents. The said Security shall be furnished by the Contractor within 28 days after the receipt of letter of acceptance. The Performance security

shall be equal to 10 percent of the Contract Price in the currency of the contract at the option of the bidder, in the form of Bank Guarantee from any scheduled Bank in Pakistan or from a Bank located outside Pakistan duly counter-guaranteed by a scheduled bank in Pakistan or an insurance Company having at least AA rating from PACRA/JCR.

Audit noted that Executive Engineer Store & Workshop Division, Pak PWD Islamabad awarded the work Construction of NAB Headquarter Building G-5/1 (SH: HVAC Work) to a contractor at agreement cost of Rs 235.709 million. As per agreement clause the performance security was obtained from the contractor vide bond No. PL-0216-301006-E19-000119 dated 18th February, 2016 with expiry date of 17th August, 2016.

Audit observed that contract was terminated on 10th June, 2016 due to non-execution of work and performance guarantee was expired on 17th August, 2016. It was the responsibility of the department to encash the performance bond in time but department failed to take action against the contractor. This resulted in non-encashment of Performance Security of Rs 23.570 million.

Audit pointed out the matter in September 2016. The department replied that the agreement of the work was terminated and this office approached the concerned bank for recovery of said amount on 13th June, 2016 and on 24th June, 2016. During this period the contractor filed the case in Civil Court for non-encashment of the bank guarantee for performance security bond and the Honorable Court issued the stay order for this purpose. As to whom the stay order is lifted, the recovery would be made.

The reply was not acceptable because no documentary evidence in support of reply was produced to Audit for verification.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit stresses upon early recovery and appropriate corrective action.

(DP. 137)

5.4.38 Non-execution of work in accordance with the approved scope of work provided in technical sanctioned estimate/admn approval - Rs 20.636 million

Estimate of the work accorded Technical Sanction by the Chief Engineer provides that the scope of work as specified in the technically sanctioned estimate shall not be changed without prior approval. The quantities as incorporated in the technically sanctioned estimate for any item/items or work shall not be enhanced/curtailed beyond 15% limit without prior approval of the Chief Engineer. As per Admin Approval/TS Estimate scope of work contained 5 sub head, earth work, causeway, retaining wall, RCC Box Culvert and pipe culvert. Technical Sanctioned amount of the work 'Construction of new road from Chandore Sharif to Haripur via Adda Palsala NA-21 - District Mansehra (Phase-I) was Rs 88.516 million.

During scrutiny of record of the Executive Engineer. CCD-Abbottabad, audit noted that tenders for the work were invited in May 2015. The bidders quoted different percentage (%) for each sub-head and the contract was awarded to the lowest bidder at contract cost of Rs 90.005 million.

Audit observed that total payment of Rs 94.202 million was made to the contractor upto 5th running bill. The said payment was made against only two sub-head (earth work and retaining walls) leaving the other three sub-heads unattended despite exceeding the contract cost of Rs 4.198 million.

Audit further observed that the contractor only executed the work at his own convenience requires lesser investment like earth work and stone masonry work and left the hard and laborious works which requires higher cost of the material like steel, cement and RCC pipes. The scope of

work was changed by incurring the entire contract cost only on two sub-heads by the Divisional Office in violation of TS and admn approval without seeking prior approval of the competent authority i.e. Chief Engineer.

Audit held that the remaining three sub-heads might be got executed through separate contract at higher cost as the left over components of the work contained RCC, Steel reinforcement and RCC pipes.

Non-adherence to technical sanctioned estimate/admn approval caused non execution of work in accordance with the approved scope of work for Rs 20.636 million.

Audit pointed out the execution of work in violation of scope of work in August 2016. The department replied that work on pipe culvert, box culvert and causeway was in progress and the same on completion will be measured and paid accordingly. As no deviation from technical sanctioned estimate was made and all the variations were within permissible limit.

The reply was not accepted because the work could not be completed up till completion period 20th May, 2016 and expenditure has been booked for an amount of Rs 94.202 million against the contract cost of Rs 90.004 million without obtaining approval from the competent authority and leaving the other sub heads.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit stresses upon investigation and appropriate corrective action.

(DP. 03)

5.4.39 Overpayment due to mis-calculation - Rs 20.00 million

According to instructions for posting in MB, the officer making the measurements must calculate the contents of each measurement and enter it and abstract the result himself. The MB should then be submitted to the paying officer and paying officer will check the rates whatever the case may be.

Audit noted that the Executive Engineer, CCD-V, Pak.PWD, Islamabad awarded the work “Dualization and Improvement of Mandra-Chakwal road project” to a contractor on 28th July, 2014 for Rs 4,199.642 million.

Audit observed that the department calculated upto date work done of Rs 1103.425 million and after deduction of security deposit, design charges and rebate, the net payable amount comes to Rs 1018.263 million but the department incorrectly paid/adjusted an amount of Rs 1,038.263 million. This resulted in overpayment of Rs 20.000 million.

Audit pointed out the overpayment in August-September 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early recovery.

(DP. 19)

5.4.40 Non-recovery of income tax - Rs 16.312 million

According to Section 152 (1) A of Income Tax Ordinance 2001, every officer authorized to make payment on behalf of Government, is required to deduct income Tax @ 7.5 % from payment of work done or service rendered.

According to Federal Board of Revenue Circular No.2 of 2014 (income tax) issued vide C.No.4 (62) ITP/2014, dated 17th July, 2014 amendment –16 denotes that the rate of tax to be deducted on execution of a contract other than a contract by sportspersons under clause © of sub-section (I) of section 153 has been increased from 6% to 7% of the gross amount payable in the case of companies and from 6.5% to 7.5% in case of other taxpayer.

Similarly, the rate of tax to be deducted for rendering services under clause (b) of sub-section (1) of section 153 has been increased from 6% to 8% of the gross amount payable in the case of companies, and from 8% to 10% in case of other taxpayers.

5.4.40.1 Audit noted that Executive Engineer Store & Workshop Division, Pak PWD Islamabad made advance payment of Rs 53.687 million and Rs 95.647 million on 30th June, 2016 relating to work “Const. of New Secretariat Block at Constitution Avenue Islamabad (SH Lift work).

Audit observed that Income Tax @ 7.5% was not deducted from the payments. This has resulted in non-recovery of income Tax for Rs 11.200 million.

Audit pointed out the non-recovery of income tax in September 2016. The department replied that payment was made only for 14 lifts against bank guarantees. These items were imported. As per relevant clause of the income tax which is reproduced. As a result of which there was no need for deduction of Income tax from the bill. (A) sale of goods where the sale is made by the importer/contractor of the goods and tax under section 148 in respect of such goods has been paid, the good are sold in the same condition as they were imported.

The reply was not accepted because instead of sale/purchase of lifts it was a complete contract of providing/installation of lifts and as per agreement 7.5% income tax was to be recovered from the contractor.

(DP. 144)

5.4.40.2 Audit noted that Executive Engineer, Central Civil Division No-IV Pak PWD Islamabad awarded a work “Construction of Islamabad High Court at Constitution Avenue G-5/1 Islamabad” at a contractual cost of Rs 2,474.049 million to contractor. Another agreement @ 4.5% of this amount i.e. 105.147 million has been signed with the consultant.

Audit observed that income tax @ 7% instead of 7.5% is being deducted from the payments made to the contractor of work done amounting to Rs 595.861 million. Resultantly 0.5% less income tax has been deducted worth Rs 2.979 million. Similarly 8% instead of 10% income tax was deducted from total payment of Rs 62.394 million made to the consultant which comes to Rs 1.248 million. This resulted into less deduction of income tax of Rs 4.227 million.

Audit holds that non-recovery of tax was due to weak internal/financial controls.

Audit pointed out less deduction of income tax in September 2016. The department replied that deduction will be made as per income tax ordinance in next IPC's.

The department admitted recovery but no progress towards effecting recovery was reported to audit.

(DP. 55)

5.4.40.3 Audit noted that Executive Engineer, CCD-III, Pak PWD, Quetta measured and paid 2nd running bill to the contractor against the work Construction of Water Supply Scheme at different villages in NA-264 at Killi Zarina Mena near Mani Khwa District Sherani, Quetta amounting to Rs 4.573 million (total value of work done upto 2nd running bill Rs 11.799 million).

Audit observed that income tax @ 7.5% was not deducted from the payments made to the contractor upto 2nd running bill. This resulted in non-recovery of income tax of Rs 0.885 million.

Audit maintains that the overpayment was due to inadequate mechanism of enforcing relevant rules/regulation and weak internal controls.

Audit communicated the non-recovery of income tax in September 2016. The department replied that as the contractor belongs to tribal area as well as the work was also exist in the tribal area and the contractor requested that he will provide the exemption certificate & informed that the exemption certificate is process in FBR Quetta vide their application dated 16th June, 2106. If not provided by him so this office will deduct the income tax from his available security deposit otherwise on receiving the same would be provided to the audit.

The reply was not accepted because income tax certificate was required to be submitted prior to execution of agreement/work, in this case the contractor could not furnish the requisite certificate, therefore income tax was required to be recovered at the time of payment.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends recovery and appropriate corrective action.

(DP. 41)

5.4.41 Non-recovery of de-escalation - Rs 16.059 million

Clause 70.1 of general conditions of contract provides that there shall be added to or deducted from the contract price such sums in respect of rise or fall in the cost of labour and or materials or any other effecting the cost of execution of the works. Appendix C to Bid provides that indices of cement, bricks and steel are to be taken from Federal Bureau of Statistics, Monthly Statistical Bulletin. The base cost indices or prices shall be those applying 28 days prior to the latest day for submission of

bids. Current indices or prices shall be those applying 28 days prior to the last day of the billing period.

5.4.41.1 Audit noted that the Executive Engineer Central Civil Division No.VII Pak PWD Islamabad awarded two works “Establishment of Federal Government college for Home Economics F-11/1 (SH: Academic Block)” and “Uplifting Islamabad Model School Boys (VI-X) G-11/2” on 04th June, 2015 and 07th April, 2015, respectively.

Audit observed that during execution period of both works, the rate of steel and fuel were decreased but the department did not adjust/recover the de-escalation amount. This resulted in undue benefit to the contractors amounting to Rs 7.206 million due to non-recovery of de-escalation.

Audit pointed out the non-recovery during September 2016. The department replied that on receipt of next monthly bulletin from the Federal Bureau of Statistics, the escalation and de-escalation would be calculated and adjusted accordingly.

No progress towards recovery/adjustment was reported to Audit.

(DP. 33)

5.4.41.2 Audit noted that the Executive Engineer, Central Civil Division No.V, Pak.PWD, Islamabad awarded the work “Construction of Police Barrack Western Side on Plot No.18-A Sector G-13 Markaz Islamabad” to a contractor on 13th October, 2014 at an agreed cost of Rs 40.279 million.

Audit observed that the rates of steel, fuel and cement were decreased during the execution period. Hence, the department was required to calculate the price escalation/de-escalation but the department did not calculate and adjust the de-escalation. Non-observance of condition of contract resulted in non-recovery of Rs 3.434 million on account of de-escalation.

Audit pointed out the non-recovery in August-September 2016. The department did not reply.

(DP. 15)

5.4.41.3 Audit noted that the Executive Engineer Central Civil Division II Pak PWD Islamabad award the work “Construction of office Building for NAB HQ, G-5/1, Islamabad (SH: External Development work Lot-III)” to M/s Recent construction on 16th June, 2015.

Audit observed that during the execution of work the rate of steel and fuel were decreased. The department was required to pay the bills including escalation/de-escalation but the department did not calculate the same to adjust de-escalation. However, de-escalation comes to Rs 2.394 million which resulted in undue favour to the contractor.

Audit pointed out non-recovery in August 2016. The department replied that recovery if due would be made from the next running bill.

The reply was not accepted because escalation/de-escalation was a part of contractor bill hence required to be adjusted on monthly basis.

(DP. 73)

5.4.41.4 Audit noted that the Executive Engineer Project Civil Division II Pak PWD Islamabad awarded the work “Construction of New Secretariat Block (SH External Development Civil and Electrical Works)” to a contractor and paid 11th running bill for Rs 158.89 million including price escalation.

Audit observed that during the period of November 2015 to May 2016, the prices of steel and fuel were decreased but the department did not calculate the price de-escalation amounting to Rs 775,568. Further, while calculating the price escalation for the running bills No.3rd to 8th, the rate of steel and fuel were taken on higher side which resulted in overpayment of Rs 969,367.

Audit pointed out non-recovery in October 2016. The department replied that all the payments made so far were running and accounts yet to be finalized. Therefore, on finalization, the escalation and de-escalation factors of all the items/quantities will be revised and adjusted accordingly.

The reply was not accepted because de-escalation was a part of running payment hence, required to be calculated during running payments instead of on finalization. Further, no reply was received regarding application of higher rates of steel and fuel.

(DP. 166)

5.4.41.5 Audit noted that the Executive Engineer Central Civil Division VIII Pak PWD Islamabad awarded the work “Construction of Agriculture Extension Complex G-11/4 Islamabad” to a contractor on 25th May, 2015 at the agreement cost of Rs 34.904 million with completion period of 18 months.

Audit observed that during the execution period, the rate of steel and fuel were decreased but the department did not calculate the de-escalation. This resulted in undue favour to the contractor due to non-recovery of de-escalation of Rs 1.280 million.

Audit pointed out non-recovery in September 2016. The department replied that the work was in progress therefore the matter regarding de-escalation shall be considered at the time of finalization of accounts.

The reply was not accepted because price escalation/de-escalation was a part of monthly bills of work done, hence the same was required to be recovered.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early recovery.

(DP. 118)

**5.4.42 Irregular enhancement in technically sanctioned estimate/NIT
- Rs 15.401 million**

Chief Engineer (North) Pak. PWD Islamabad approved Technically Sanctioned Estimate/NIT for the work “Construction of NAB HQ Building G-5/1 Islamabad SH-HVAC work” and awarded to a contractor with an estimated cost of Rs 263.834 million.

During scrutiny of record of Store & Workshop Division Pak PWD Islamabad Audit noted that the contractor did not start the work and his contract was terminated on 10th June, 2016 and the same work was awarded to another contractor on 21st June, 2016.

Audit observed that NIT/Estimate was revised without any justification and cost was enhanced to Rs 279.235 million which resulted into irregular enhancement in T.S Estimate amounting to Rs 15.401 million.

Audit pointed out the irregularity in October 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 98)

**5.4.43 Non-revalidation of performance guarantee of work -
Rs 13.638 million**

Clause 10.1 of the contract provides that contractor shall provide performance security to the Employer in the prescribed form. The performance security shall of an amount equal to 10% of the contract price stated in the letter of acceptance. Such security shall at the option of bidder be in the form of either (a) bank guarantee from any schedule bank

in Pakistan or (b) bank guarantee form a bank located outside Pakistan duly counter-guaranteed by a schedule bank in Pakistan or an insurance company having at least AA rating from PACRA/JCR.

As per Special Provision No. 14 of the agreement, the contractor shall submit two copies of written guarantee that the material and workmanship of the equipment installed is according to recognized international standards and conform to all contractual requirements of this specification that he will make good without extra cost any defects not due to ordinary wear and tear or improper use, which may develop within one year from date of the installation being handed over to the Employer. During the last month of the guarantee period, the Contractor shall demonstrate to the Engineer that all equipment and accessories are operating to the required specification. The Guarantee period shall be one year after final commission.

5.4.43.1 Audit noted that Executive Engineer, CCD Pak PWD, Abbottabad awarded a work “Construction of PCC pre-stressed bridge at village Khail UC Sawan Mera, Mansehra (PWP-I 2009-10) at agreed cost of Rs 58.046 million.

Audit observed that performance security from New Jubilee Insurance Company was provided for an amount of Rs 5,804,612 which was valid up to 18th December, 2011. The review of the progress report indicated that only 50% work got done and still incomplete up to June 2016, but the performance guarantee was not got re-validated for the extended period. Non-adherence to rules caused non re-validation of performance guarantee of the work Rs 5.804 million.

Audit holds that performance guarantee was not got re-validated due to non-adherence to the provision of agreement, weak financial and internal control mechanism.

Audit pointed out non re-validation of performance guarantee in August 2016. The department replied that the work remained suspended from 2012 to 2016 due to non-allocation of funds and the scheme was

revised as per revised design given by consultants and was approved by CDWP. Work was resumed during June 2016 and contractor was asked to provide revalidated performance guarantee. It was further replied that security deposit at 10% of the work done amount was lying with the department which can also be considered as performance guarantee.

The reply was not accepted because performance bond was not got revalidated despite expiry of 5 years over the validity period. In absence of valid performance security payment on this account stood irregular and undue favour to the contractor at the cost of public exchequer.

(DP. 14)

5.4.43.2 Audit noted that Executive Engineer, Central E/M-I Division, Pak PWD Karachi awarded the work “Construction of five (05) existing lifts at Custom House, Karachi” to a contractor on 16th October, 2015 at an agreement cost of Rs 40.945 million. The work was commenced on 16th October, 2015 and was to be completed within nine (09) months i.e. 15th July, 2016. The contractor was paid for Rs 40.404 million upto 3rd running bill paid on 21st June, 2016.

Audit observed that the contractor submitted performance security of Rs 4.095 million from EFU General Insurance which was valid from 16th October, 2015 to 15th July, 2016. The guarantee was only for construction period instead of covering maintenance period of one year. The guarantee was expired on 15th July, 2016. Audit further observed that payment of Rs 40.404 million was made to contractor against contract amount of Rs 40.945 million. Only, a nominal amount of Rs 541,390 was payable to the contractor but the guarantee as required in accordance with special provision 14 of agreement was not obtained from the contractor.

Audit held that in the absence of the non-revalidation performance security and written guarantee regarding conformation of material and workmanship of the equipment as per recognized internal standards/ specification, the interest of the government was compromised. This resulted in non-revalidation of performance guarantee and obtaining of guarantee of equipment worth Rs 40.945 million.

Audit maintains that the irregularity occurred due to non-adherence to the contract provisions, financial and internal controls.

Audit pointed out the irregularity in October 2016. The department did not reply.

(DP. 113)

5.4.43.3 Audit noted that Executive Engineer CCD-I Pak PWD Lahore awarded work “Construction of Auditorium for 500 Persons at Civil Services Academy, Walton, Lahore” to a contractor on 20th June, 2014 at agreed cost of Rs 31.530 million. Total payment of Rs 37.401 million was made to the contractor upto 10th Running bill.

Audit observed that the contractor provided performance guarantee of Rs 3.153 million obtained from EFU General Insurance Limited to the employer with expiry date 19th June, 2015. On expiry of contract period, the performance guarantee was extended upto 30th June, 2016. Audit further observed that the work was not completed so far and still in progress, hence re-validated performance guarantee was required to be obtained from the contractor. The contractor did not furnish re-validated performance security for Rs 3.740 million (10% of the work done of Rs 37.401 million) in accordance with the contractual obligation. By not ensuring the compliance with contractual terms and conditions, the department extended undue benefit and favour to the contractor. This resulted into non-obtaining of performance security of Rs 3.740 million.

The violation occurred due to compromised oversight mechanism and weak internal controls.

Audit pointed out the non-obtaining of performance security in November 2016. The department replied that the contractor was being requested to provide performance guarantee according to revised cost of the project.

The reply was not convincing because due to non-obtaining of revalidated performance security, the department provided undue benefit and favour to the contractor. Further, recovery of premium for the period for which performance guarantee not furnished by the contractor, was required to be effected.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early obtaining of performance security besides recovery of premium for uninsured period.

(DP. 156)

5.4.44 Unjustified payment of maintenance charges of vehicles provided to consultant Rs 11.433 million and overpayment to contractor - Rs 2.32 million

The consultancy agreement provides that only transport facility was to be provided to consultant but numbers of vehicles were not mentioned. Further, site office and residential accommodation was also provided at site. Furthermore, in the revised PC-I, 270 maintenance vehicle months against 15 vehicles @ Rs 80,000 per month was provided in revised PC-I.

Audit noted that the Executive Engineer CCD-V, Pak PWD Islamabad made payment of 245 maintenance months for Rs 19.600 million upto IPC-4 for the project Mandra-Chakwal road.

Audit observed that as per 2nd revised PC-I (04) Double Cabin Pick-up @ Rs 3.200 million and 11 Single Cabin Pick-up were to be provided by the contractor but upto 4th IPC, only one Single Cabin was charged at lump sum rate of Rs 1.000 million. However, as per list of vehicles provided by the department, 07 out of 12 vehicles were allotted to Consultant NESPAK whereas quantity of vehicles to be provided was not mentioned in the contract agreement. This resulted into unjustified

expenditure of Rs 11.433 million (Rs 19.600 million/12 x 7). Further, vehicle maintenance months for 15 vehicles were provided, but only 12 vehicles were provided by the contractor and being maintained for the project so total months for 12 vehicles was to be paid 216 vehicle months instead of 245. This resulted in overpayment of Rs 2.320 million.

Audit pointed out the matter in August-September 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early recovery.

(DP. 21)

5.4.45 Recurring loss to Government - Rs 11.012 million

Rule 10 (i) of GFR Vol-I provides that every public 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 from his own money.

Audit noted that the Executive Engineer CCD-I Pak PWD Lahore was responsible for repair and maintenance and look after other matters of Federal Government Lodge Chamba House Lahore to keep it operational for providing accommodation facility to the touring guests.

Audit observed that an amount of Rs 10.129 million pertaining to employees related expenditure (pay & allowances etc) and Rs 10.432 million on salaries of maintenance staff of Chamba House had been incurred during the financial year 2015-16 (without utilities bills). Audit further observed that the department also collected room rent of Rs 9.550 million during the year 2015-16. Audit is of the view that there is a reasonable difference/deficit between expenditure and rent collection

realized during the year 2015-16. Incurring of expenditure more than rent collection resulted in recurring loss of Rs 11.012 million per annum.

Audit pointed out the loss in November 2016. The department replied that the revision in room rent charges of Federal Lodge, Lahore was approved by the Finance Division and circulated through the Ministry of Housing & Works, Government of Pakistan, Islamabad vide letter No. F.14(18)/91-EIV, dated 17th October, 2012. The Federal Government Lodges at Provincial headquarters are to facilitate the Parliamentarians/ Government Officers for economical accommodation facility rather to collect maximum amount in the form of rent. So, the rent charges of Govt. Lodge were not compared to the salaries of staff.

The reply was not convincing because huge amount was being expended on salaries etc in addition to utilities bills but there was reasonable difference/deficit between expenditure and rent collection. Thus, economic measures were required to be taken to prevent recurring loss.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends proper measures to avoid recurring loss to the government.

(DP. 161)

5.4.46 Overpayment due to imbalanced rates - Rs 10.149 million

Rule 10 (i) of GFR (Vol-1) provides that every public 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, from his own money.

Audit noted that the Executive Engineer, PCD-II Pak PWD Islamabad awarded the work “Construction of Hostel Building for 100

Persons at National Training Bureau (NTB) Complex H-9 Islamabad” to contractor on 23rd August, 2008. Audit observed that the contractor quoted the rates on item rate basis and overall quoted tendered premium was 34.77 % above the T.S. Estimate. During execution of work, the contractor executed the items having higher rates than overall quoted premium in excess and the items having lesser rates than overall quoted premium executed in less than agreed quantities. A comparison of items of civil work was made that indicates the contractor was overpaid of Rs 10.149 million than the overall premium quoted by the contractor.

Audit pointed out overpayment in October 2016. The department replied that the contention of the Audit was based on assumption. All items provided in B.O.Q whether of higher or lesser premium were executed as per site requirement. The scheme has been completed in all respects and ready for handed over to the client department. No overpayment was made in this context.

The reply was not accepted because upto 21st running bill, a comparison of higher rate and low rate paid items than estimated quantity/rate was made. As per comparison the overall tendered premium was increased than quoted by the contractor at the time of tender.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early recovery.

(DP. 170)

5.4.47 Overpayment due to non-deduction of quoted rate as per specification - Rs 9.615 million

Item 28.1.11 of Pak PWD Specifications provides that the actual number of per hundred cft of quarry stone excavation acceptable, performed and /or compacted shall be measured. The material obtained from blasting and rock cutting will be closed stacked. The stacks will be

measured and the gross measurement reduced by 33% to allow for voids to arrive at the quantity payable under these items. As per specification if the excavated material was found unserviceable then 50% of the quoted rate for the item is payable.

Audit noted that Executive Engineer, CCD Pak PWD, Abbottabad awarded the work “Construction of new road from Chandore Sharif to Hariapur via Adda Palsala District Mansehra (Phase-I)” to a contractor at contract cost of Rs 90.004 million.

Audit observed that item of work “excavation or cutting in hard rock by blasting including sorting and stacking the excavated stuff complete” was measured and paid to the extent of 801,344 cft @ Rs 2,285.58% cft but material obtained by blasting was not sorted and stacked on site to arrive at the quantity payable to the contractor. The full quantity of blasting was paid to the contractor without applying the conversion factor to arrive at net measurements. The payment was required to be made @ 50% of quoted rate as material could not be stacked. Non-adherence to specification and allowing of full rate without sorting and stacking caused overpayment to contractor for Rs 9.615 million

Audit pointed out overpayment in August 2016. The department replied that due recovery @ 20% for serviceable material obtained from hard rock was being made as per DAC direction in DP No. 5.2 for the year 2009-10 which was also on higher side as almost all the material roll down to the low lying areas after blasting being hilly area and is un-retrievable. As for as audit contention regarding applying conversion factor for hard rock was concerned it is unjustified and unrealistic as measurement for cutting in hard rock was always done as per cross section with reference to natural grounds and not for stack measurement. Further, audit point of view that rate for hard rock be reduced up to 50% if material found is unserviceable is not justified as most of the hard rock such as slate and sandstone breaks down into pieces and very limited quantity was obtained after each blast as compared to blasting of hard rock like lime stone granite etc, where large quantity of serviceable material was obtained, but

cost of blasting on former material where no or less serviceable material was obtained was higher than the later material. Hence measurements were taken as per site condition and in accordance with the specification and no such overpayment is involved.

The reply was not accepted because no serviceable material was found available from the excavation of hard rock by blasting as such as per specification 50% quoted rate was payable.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early recovery of overpaid amount.

(DP. 10)

5.4.48 Less recovery of rent of single rooms / family suites of Federal Lodge-II Garden Hostel Karachi - Rs 9.550 million

According to the Ministry of Housing letter No. F.No.14(18)/91-EIV dated 12th December, 2012 the rent of the single room and family suite of Federal Lodge-II Garden Hostel Karachi was to be recovered @ Rs 200 per day and Rs 350 per day respectively. Rule 26 of GFR (Vol-I) provides that it is the duty of the departmental Controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

Audit observed during examination of the relevant accounts record/recovery statement that the rent of the single rooms and family suites of Federal Lodge-II Garden Hostel Karachi was recovered @ Rs 120 per day and Rs 235 per day respectively. This caused less recovery for Rs 9.550 million approximately from the allottees of the rooms/suites during the period from November 2012 to June 2016.

Audit maintains that less recovery occurred due to non-adherence to the directions of the Ministry of Housing regarding application of revised rent rates and lack of internal controls.

Audit pointed out less recovery in September 2016. The department replied that the matter has been taken up with the allottees of that period regarding the less payment to the Government. Meanwhile, officials involved in recovery of rent were asked to explain the position. Also the matter has been taken up with the Ministry of Housing and Works.

The reply was not accepted because less rates of room rent were charged while allotted the rooms/family suites which was clear cut violation of quoted Rule.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early recovery besides appropriate corrective action.

(DP. 26)

5.4.49 Overpayment due to payment of extra items at higher rates - Rs 9.128 million

Rule 10(i) of GFR (Vol-I) provides that every public 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 from his own money.

Audit noted that the Executive Engineer CCD-II Pak PWD Islamabad awarded the work “Construction of office building for NAB HQ Islamabad” to a contractor on 11th March, 2011. Further the estimate was prepared on CSR Pak PWD 2004 plus 85% and non-schedule rates prepared on current market but contractor quoted their bid on item rate

basis and at the initial stage, the department got executed the extra items of “excavation for raft foundation underground tanks (rectangular and square) in hard rock by hammering including stacking of serviceable and unserviceable material” and “cartage of earth including loading, unloading and stacking / spreading etc” at current market rates.

Audit observed that these extra items were executed in February 2012 and at that time the CSR 2004 was intact and these items were available in the schedule hence should have been paid at CSR rates + premium added in the TS estimates i.e. 85% + tendered premium i.e. 5.66% above the TS estimate amount to maintain the tendered premium but the department paid the said extra items with current market rates which were on much higher side than CSR. Payment at current market rates instead of CSR 2004 resulted in overpayment of Rs 9.128 million.

Audit pointed out overpayment in August 2016. The department replied that the work was awarded on item rate basis and the rates for the extra items were also analyzed on the prevailing market trends at the time of execution of specific extra items. As per clause 52.2 of the contract agreement, the rates of variation items should be agreed upon between the Engineer and the contractor and the Engineer will fix such other rate or price as is, in his opinion. When all the items of agreement based of market rates, then how can the extra items should be based on CSR 2004.

The reply was not accepted because the estimate was framed on Pak PWD CSR 2004 and the rates of extra items also available in the schedule, hence the rate of extra items were to be taken from CSR (CSR + market fluctuation added in the estimate + tendered premium on which the work awarded) to maintain tendered premium as per request of the contract agreement.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early recovery.

(DP. 66)

5.4.50 Unauthorized retention of lapsable funds (PWP-II) and incurring of expenditure - Rs 8.978 million

The Finance Division (Budget Wing), Government of Pakistan vide letter No. F-3(20) BR/II/94-B-Vol-I/313 dated 15th April, 1997 allowed operation of following Personal Ledger Accounts (PLA) in Pak PWD with zero balances operative from 1st July, 1997:

PLA-I	Annual Development Programme	Lapsable
PLA-II	Maintenance only	Lapsable
PLA-III	Deposit Works	Non-lapsable
PLA-IV	Other Deposits such as Contractor's Securities, GP Funds receipts, etc.	Non-lapsable

Audit noted that XEN, CCD, PPWD, Multan, retained funds of Rs 96.953 million pertaining to PWP-II (2012-13) upto 30th June, 2015 and did not surrender on close of financial year being lapsable funds. Audit observed that expenditure on account of payments to contractors of various schemes for work done was incurred during the year 2015-16 without any authority. Audit also observed that security deposits of Rs 214.774 million were released without physical inspection of schemes in compliance to judgment of the Honourable Supreme Court of Pakistan. A balance of Rs 87.674 million available as on 30th June, 2016 was also not surrendered.

Audit holds that retention of lapsable/development funds and incurring of expenditure without any revalidation/authorization from Ministry of Finance was violation of rules. This resulted in unauthorized retention of lapsable funds of Rs 87.674 million and incurring of expenditure for Rs 8.978 million during the financial year 2015-16.

Audit pointed out the irregularity in October-November 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 107)

5.4.51 Unauthorized expenditure due to execution of extra/substituted items without approval - Rs 8.373 million

As per condition (v) of the Bid Acceptance Letter of the Chief Engineer (Central Zone) Lahore, no extra/substitute item should be allowed to be executed at site without prior approval of the competent authority.

5.4.51.1 Audit noted that Executive Engineer, CCD-I Pak PWD Lahore awarded a work “Construction of Auditorium for 500 Persons at Civil Services Academy, Walton, Lahore” to a contractor on 20th June, 2014 at the bid cost of Rs 31.530 million. Total payment of Rs 37.401 million was made to the contractor upto 10th Running bill paid on 28th June, 2016.

Audit observed that during execution of the work the department measured and paid a large number of extra and substitute items without approval of the competent authority. The execution of these items without approval of the competent authority was not justified. The objective of planning, sanctity of approval and transparency of contract was compromised. Audit holds the payment of extra/substituted items of Rs 5.214 million as unauthorized.

The unauthorized expenditure compromised the internal controls and put an undue burden on the exchequer. Audit maintains that absence of an oversight mechanism for exercise of internal control caused the excess expenditure.

Audit pointed out the unauthorized expenditure in November 2016. The department replied that the extra items of Rs 4.578 million was got

approved from the competent authority through extra item statement-1, whereas the substituted items amounting to Rs 635,886 were under approval with the competent authority.

The reply was not accepted because estimate was always prepared after detailed survey of the site of work. In this case extra/substituted items were executed for Rs 5.214 million (i.e. 17.48% of the T.S. estimate amount of Rs 29.820 million) whereas the work was not yet completed.

(DP. 151)

5.4.51.2 Audit noted that the Executive Engineer, CCD-I Pak PWD Lahore awarded a work “Construction of Overhead Tank and Turbine including Upgradation of Auxiliary Services at Civil Service Academy, Walton Lahore” to a contractor on 14th June, 2016 at the bid cost of Rs 10.712 million. Total payment of Rs 2.789 million upto 2nd Running bill was made to the contractor.

Audit observed that the department measured and paid substitute items without approval of the competent authority. The execution of the items without approval of the competent authority was in violation of the direction of the Chief Engineer. The objective of planning, sanctity of approval and transparency of contract was compromised. This resulted into un-authorized payment of Rs 1.742 million.

The unauthorized payment occurred due to weak internal controls.

Audit pointed out the unauthorized payment in November 2016. The department replied that prior approval for use of mild steel deformed bars of grade-40 instead of mild steel plain bars as per site requirement had been given by the Chief Engineer.

The reply was not tenable because estimate was always prepared after detailed survey of the site of work and based on the adequate data. The execution of substituted items at the initial stage and in violation of condition of acceptance letter was not justified.

(DP. 157)

5.4.51.3 Audit noted that the Executive Engineer, CCD-I Pak PWD Lahore awarded a work “Upgradation and Establishment of Animal Quarantine Station in Pakistan (Animal Quarantine Station at Lahore)” to a contractor on 27th August, 2015 at the bid cost of Rs 18.679 million. Total payment of Rs 15.109 million upto 7th running bill was made to the contractor.

Audit observed that the department measured and paid various extra and substitute items without approval of the competent authority. The execution of these items without approval of the competent authority was not justified. The objective of planning, sanctity of approval and transparency of contract was compromised. Audit holds the payment of extra/substituted items of Rs 1.417 million as unauthorized.

The unauthorized expenditure compromised the internal controls and put an undue burden on the exchequer. Audit maintains that absence of an oversight mechanism for exercise of internal control caused the excess expenditure.

Audit pointed out the unauthorized expenditure in November 2016. The department replied that variation in quantities and extra / substitute items happen during execution of work. Prior approval had been given by the Chief Engineer regarding extra /substituted items on 06th November, 2015 and 01st January, 2016. The extra / sub-item statement had been submitted to the Superintending Engineer, Central Civil Circle, Pak PWD, Lahore for accord of approval by the competent authority. No documentary evidence in support of reply was produced to audit. No progress towards approval of extra/substituted items from the competent authority was reported to Audit.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early regularization of expenditure and its verification.

(DP. 159)

5.4.52 Loss to Government on account of non-operational renovated Federal Lodges - Rs 7.300 million

As per details of rooms of Federal Government Lodge, Chamba House Lahore, there are five (05) blocks consisting of 8 suites and 64 rooms.

Audit noted that Block No.2 (consisting of 2 Suites & 8 rooms) and Block No.4 (consisting of 40 rooms) of the above mentioned lodge were in functional condition and room rent for those was being collected from the guests and remitted to Director Budget & Accounts (DBA) for further processing. Audit observed that Block No.1 consisting 4 Suites was under renovation and Block No.3 (consisting of 2 Suites & 8 rooms) and Block No.5 (consisting of 8 rooms) was not functional. The department stated that these Blocks were not functional due to shortage of staff.

Audit further observed that huge amount of Rs 23.870 million and Rs 39.458 million had been incurred recently on Renovation/Furniture of Chamba House, Lahore Phase-I (Block No.1,2&3) and Phase-II (Block 4 &5).

Audit holds that despite incurring reasonable expenditure on renovation, Block 3 &5 are not functional as yet. Due to non-functional condition of these Blocks, the Government is sustaining recurring loss every year. In view of the said situation, the government sustained a loss of Rs 7.300 million during 2015-16.

Audit pointed out the loss in November 2016. The department replied that Block No. 3 & 5 could not be made functional due to the reasons (a) 16 number up-keep staff against the sanctioned strength of 72 was working at Chamba House (b) the vacant posts were published for

fresh appointments (c) furniture for Block No. 3 shifted to the functional Block No. 4 whereas furniture for Block No. 5 could not be procured for want of funds and (d) intercom system is yet to be installed in Block No. 3 & 5.

The reply was not tenable because no documentary evidence in support of reply was made available to audit. Despite incurring of reasonable expenditure on renovation, these blocks were not in functional condition so far. Strenuous efforts were required to be taken to prevent recurring loss to government.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends that measures be taken to ensure optimum utilization of lodges to avoid recurring loss.

(DP. 163)

5.4.53 Overpayment due to non-utilization of available material - Rs 5.733 million

According to item 105.2.2 of NHA General Specifications, borrow excavation shall comprises all excavation taken from borrow pits shall normally be used for the construction of embankment or the backfill when there is no material available from road way excavation or structural excavation. Further according to general specification 105.3 ibid all material removed from excavation shall be used in the formation of embankment, sub-grade, shoulder and at such other places as directed, unless it is declared unsuitable by the Engineer. No excavated material shall be wasted without written permission by the Engineer.

Audit noted that the Executive Engineer, CCD-V, Pak. PWD, Islamabad measured and paid item No.108 (c) formation of embankment from borrow excavation in common material with quantity 164,778 Cu.m and 493,216 cu.m @ Rs 475 per cu.m under the SH. Earth work for the

work “Dualization and Improvement of Sohawa-Chakwal Road and Mandra-Chakwal road projects” respectively.

Audit observed in that structural excavation was paid as item 107 (a) under the S.H: 4-B Box Culverts and Retaining Wall with a quantity 1,032.19 and 2,496.37 cu.m and in 2nd work quantity of 8,540 cu.m was also paid. The earth obtained from structural excavation was to be deducted from the quantity of formation of embankment from borrow excavation in common material but the department did not deduct. Non-adherence to specification has resulted in overpayment of Rs 5.733 million (120,68.5 cu.m x 475).

Audit pointed out the overpayment in August-September 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early recovery.

(DP. 17)

5.4.54 Non-refund of unspent balances under PLA-III (deposit work) - Rs 5.704 million

Rule 12 of General Financial Rules denotes that, a controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriations but also that the funds allotted to the spending units are expended in the public interest and upon objects for which the money was provided.

According to Paragraph-410 of Central Public Works Accounts Code, the Departments requiring the works to be done through Pakistan Public Works Department are required to deposit the funds in advance with the Department. The Public Works Department was required to refund the balance amount of the deposit works on closed accounts to the client Departments immediately.

5.4.54.1 Audit noted that Executive Engineer, E/M, Pak PWD Quetta retained funds in PLA-III relating to Radio Pakistan Turbat, Labour Colony at Quetta/Hub, Const. of water supply system at Killa-Saifullah and Installation of New Tubewell at SRRC Shaikh Manda, Quetta amounting to Rs 3.244 million.

Audit observed that funds were transferred from the budget grant (lapsable) allocated to the client departments by the Government of Pakistan, therefore, it was required to be placed under PLA-I (lapsable). It was further observed that these funds are remained unutilized since long, this proves that there exists no further need of such funds.

Audit holds that these transactions not only violated the PLA system in a planned manner but also casts serious doubts on the system of internal controls. This resulted in unjustified retention and blockage of Govt. funds amounting to Rs 3.244 million.

Audit communicated the irregularity in August 2016. The department replied that the balance amounts are pending in the division due to non-finalization of contractors bills/accounts which are in process and after completion/finalization the remaining balance will be transferred to concerned departments.

The reply was not accepted because there was no provision in rules to retain funds without any authority.

(DP. 78)

5.4.54.2 Audit noted that Executive Engineer, E/M-I, Pak PWD Karachi retained funds in PLA-III relating to various deposit works for Rs 4.260 million.

Audit observed that closing balance of the work on 30th June, 2016 was the same as it was standing as opening balance of the year which shows that the work remained un-attended as no expenditure was incurred during the year 2015-16. This proved that either the work has already been

completed or no work was executed during the year due to one or the others reasons. Audit further observed that funds were transferred by the client departments from their budget grant (lapsable) allocated to the client departments by the Government of Pakistan, therefore, it was required to be placed under PLA-I (lapsable). This resulted in unjustified retention and blockage of funds amounting to Rs 2.460 million.

Audit holds that these transactions not only violated the PLA system in a planned manner but also casts serious doubts on the system of internal controls.

Audit pointed out the irregularity in October 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends for appropriate measure for quick utilization of available funds.

(DP. 117)

5.4.55 Undue favour to the contractor due to utilization of mobilization advance by the contractor for a period of 04 years - Rs 4.835 million

Clause-60.11 of particular condition of contract provides that an interest free mobilization advance shall be paid to the contractor and shall be recovered in equal monthly installments and last installment two months before the date of completion of work.

Audit noted that the Executive Engineer Central Civil Division No. VII Pak PWD Islamabad awarded the work "Establishment of FG College of Home Economics Management Sciences F-11/1 Islamabad (SH: Admn Block) to a contractor and mobilization advance of Rs 4.835 million was paid to him upto June 2011. Later on, the work was suspended due to non-

availability of funds and on availability of funds the contractor was asked to resume the work in November 2014.

Audit observed that after the payment of mobilization advance the work remained suspended for four year but the department did not recover the amount of mobilization advance during that period. Utilization of government money by the contractor for four years resulted in undue financial aid to the contractor.

Audit pointed out undue favour to contractor during September 2016. In due fulfillment of clause 60.11 (a) the mobilization advance was paid in lieu of insurance bond guarantee according to provision made in the agreement therefore no undue favour was allowed to the contractor. The mobilization advance paid during the year 2010-11 and in the month of June, but unfortunately scheme were remained unfunded during the year 2011-12, 2012-13 and 203-14. However, when funds received during the year 2014-15 the amount was recovered against the work done as per contract agreement.

The department reply is not accepted because the department accepted the view point of the audit that the amount of mobilization advance was utilized by the contractor. Therefore the department was required to recover the interest in lieu of utilization of amount for four years besides justification undue favour of contractor.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 35)

5.4.56 Non-accountal/non-recovery on account of serviceable stone - Rs 4.567 million

Clause 07 of Additional terms & condition of contract agreement provides that material obtained from excavation will be stacked in places pointed out by Engineer-in-charge.

Audit noted that Executive Engineer CCD-II, Pak. PWD, Peshawar allowed excavation of item of medium rock through blasting for which material i.e. rock was to be staked, after sorting serviceable material for works of Pak. Millennium Development Goals (MDGs) executed in NA-31 District Shangla as detailed in the annexed statement with the para.

Audit observed that serviceable material i.e. medium rock was neither shown stacked nor taken in the stock for further disposal. Recovery of serviceable material was also not shown made from the contractor. This resulted into non-accountal of serviceable material and non-recovery from the contract for Rs 4.567 million.

Audit maintains that the non-accountal/non-recovery was due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the non-accountal/non-recovery in October 2016. The department replied that neither rock material was obtained was stacked for further disposal however token recovery @ 10% of cost of item was effected on account of non-staking of excavated serviceable material.

The reply was not accepted because payment for item of excavation of medium rock and soft rock was made including stacking / disposal of material.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early recovery.

(DP. 82)

**5.4.57 Non-accountal of government receipts in public account -
Rs 4.467 million**

Rule 26 of GFR (Vol-I) provides that it is the duty of the departmental Controlling officers to see that all sums due to government: are regularly and promptly assessed, realized and duly credited in the Public Account. They should accordingly arrange to obtain from their subordinates monthly accounts and returns in suitable form claiming credit for so much paid into the treasury or otherwise accounted for and compare them with the statements of treasury credits furnished by the Accountant General, to see that the amounts reported as collected have been duly credited in the Public Account.

Para 4.2.3.2 of Accounting Code for Self-Accounting Entities provides government receipts is the part of Consolidated Fund and no expenditure can be met from the Consolidated Fund unless specified in a duly approved "Schedule of Authorized Expenditure".

As per Ministry of Housing and Works letter No.14(18)/91-EIV dated 13th November, 2014 service charges @10% in addition to Rooms/Family Suites rent from every guest needs to be received to provide services at Federal Touring Lodges located at Karachi, Lahore, Peshawar, Quetta, Nawabshah and Larkana. The record/account of such amount will be opened in National Bank of Pakistan for this purpose and will be maintained by the controlling officer for up keep services at these Federal Touring Lodges. Further, as per Chief Administrative Officer Pak PWD's letter No.AII-717/703(252) dated 14th November, 2014, separate Cash Book of the account will be maintained for service charges. The concerned Superintending Engineer will be Controlling Officer of the said account and expenditure of the said account will be made with his approval. Subsequently, the rate of service charges had been increased

from 10% to 25% vide Pak PWD letter No.AII-717/703 (252) dated 12th January, 2015.

5.4.57.1 Audit noted that the Executive Engineer, CCD-I Pak PWD, Lahore collected an amount of Rs 9.550 million from the guests on account of room rent of Federal Government Lodge, Chamba House Lahore during the financial year 2015-16 and remitted to DBA for further processing.

Audit observed that 25% in addition to room/family suites rent was also being collected from the guests who stayed in Chamba House Lahore. Audit further observed that there was no accountal/effect of the collection of service charges in the accounts of the Divisional Office. This resulted into non-accountal of receipt of service charges worth Rs 2.387 million in the accounts of the Divisional Office.

Audit maintains that non-accountal of government receipts occurred due to weak internal, managerial and financial controls.

Audit pointed out the irregularity in November 2016. The department replied that a separate account had been opened in National Bank of Pakistan, Lahore in the name of Executive Engineer. Separate receipt book, rent statements, Cash Book (for receipt & expenditure) has been maintained in the Divisional Office under the supervision of Executive Engineer (Controlling Officer). Monthly Account had not been prepared for its submission to the DBA, as the collection of service charges was not linked with Personal Ledger Account System.

The reply was not accepted because accountal of government receipts on account of collection of service charges in the public account and its utilization was not depicted in the accounts of Divisional Office.

(DP. 162)

5.4.57.2 Audit noted that the Executive Engineer CCD-VI, Pak PWD Karachi opened a bank account in NBP Club Road Branch Karachi and started to deposit service charges in that account since January 2015 as

and when these were received from the Comptroller Federal Lodge-I, (Qasr-e-Naz) and an amount of Rs 2.080 million was found closing balance as on 30th June, 2016 in the cash book.

Audit observed that the service charges were being deposited outside the PLA accounting scheme of Pak PWD and did not become the part of monthly account. Audit further observed that receipts of the service charges were being utilized towards upkeep expenditure which was clear violation of general financial rules/accounting code as the government receipts could be utilized towards expenditure only through budgeting process and with the approval of Statutory Body/Finance Division. Non-accountal of the government receipts of Rs 2.080 million in the public account and its utilization without approval of the competent forum stands irregular.

Audit maintains that non-accountal of government receipts occurred due to weak internal, managerial and financial controls.

Audit pointed out the irregularity in August 2016. The department replied that Ministry of Housing & Works issues directions on 13th November, 2014 to receive 10% service charges in addition to rooms/Family suits rent from every guest for providing up-keep services at Federal Lodges and open account of such amount in National Bank of Pakistan, for this purpose by the controlling officer. Subsequently, rate of service charges was enhanced from 10% to 25% as communicated by Pak PWD, D.G's Office vide letter dated 12th January, 2015. Upon the written instructions of Ministry of Housing and works and D.G's Office, Pak PWD; the service charges were received from the guests accordingly. For the purpose a separate account was opened in National Bank of Pakistan Club Road, Karachi. This amount was used for purchase of different items i.e. 1. Tissue papers 2. Soap 3. Room spray 4. Motrin spray 5. Insect killer 6. Ash trays 7. Hanger 8. Duster 9. Toilet roll 10. Plastic paper basket/dustbin, etc. to avoid complaints of the honorable guests and VVIPs dignitaries. All these items were issued to concerned staff for providing in rooms/suites. The allocation of funds for these items has been curtailed over the years. This practice is going in smooth manner and

visitors are readily paying these charges. This expenditure was unavoidable. All the receipts and expenditure are maintained in the lodge and readily available to produce to the audit.

The reply was not accepted because receipts of the service charges were being utilized towards upkeep expenditure which was clear violation of general financial rules/accounting code as the government receipts could be utilized towards expenditure only through budgeting process and with the approval of Statutory Body/Finance Division.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 53)

5.4.58 Payment without ascertaining quality assurance of costly equipment and withholding of testing/ commissioning charges of lifts - Rs 4.094 million

As per Special Provision No. 12 of the agreement, the contractor was required to provide copies of all test certificates / reports including the (i) Test certificates of critical materials (ii) Pre-shipment test report & (iii) Report of testing & commissioning of equipment

Rule 96 of GFR Vol-I provides that it is contrary to the interest of the state that money should be spent hastily or in ill-considered manner merely because it is available or that the lapse of a grant could be avoided. In the public interest, grants that cannot be profitably utilized should be surrendered. The existence of likely savings should not be seized as an opportunity for introducing fresh items expenditure which might wait till next year. A rush of expenditure particularly in the closing months of the financial year will ordinarily be regarded as a breach of financial regularity.

Audit noted that Executive Engineer, Central E/M-I Division, Pak PWD Karachi awarded the work “Construction of five (05) existing lifts at Custom House, Karachi” to contractor on 16th October, 2015 at agreement cost of Rs 40.945 million. The work was commenced on 16th October, 2015 and was to be completed within nine (09) months upto 15th July, 2016. The contractor has been paid Rs 40.404 million upto 3rd running bill paid on 21st June, 2016.

A review of record relating to procurement of Lifts indicated that payment of Rs 40,404,000 has been made to contractor upto 3rd running bill on 21st June, 2016 against contract amount of Rs 40.945 million. However, a nominal amount of Rs 541,390 is payable to the contractor. The department has paid almost full payment but charges on account of testing & commissioning of the lifts have not been withheld. It is worth mentioning that the performance guarantee has also been expired on 15th July, 2016.

Audit holds that in absence of the testing commissioning of lifts, the quality assurance and guarantee of costly imported items could not be adjudged, therefore, at least 10% charges were required to be withheld till completion of the desired specified task but it was not done. Non-adherence to rules caused unjustified expenditure and non-deduction of testing commissioning charges at the rate of 10% for Rs 4.094 million.

Audit pointed out the irregularity in October 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early compliance of rules and it verification.

(DP. 116)

5.4.59 Recurring loss to the government due to non-leasing out of canteen, mini shop and laundry at Federal Lodge-I (Qasr-E-Naz) Karachi - Rs 3.840 million

Rule 23 of GFR Vol-I provides that every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

Audit noted during physical visit of the Federal Lodge-01 (Qasr-E-Naz), (attached with the CCD-IV, Pak PWD, Karachi) that few guest facilities like canteen, mini shop, and laundry are available in the Lodge which are reportedly being run by the workers/employees of the Lodge on commercial basis. Moreover, being continuous engagement in the said business activities the officials concerned have also become unable to perform their official duties attentively.

Audit observed that the canteen, mini shop, and laundry were opened in the Lodge with a main purpose of facilitating the guests in case of food items and services at no profit - no loss basis. Whereas, these facilities were being run as a private business and owners of the business were charging foods items & other services on commercial/market rates. Audit further observed that no rent was being paid by the business holders even enjoying the utilities like electricity, gas and water charges being paid by the government regularly. The Senate Standing Committee for Housing and Works in its meeting held on 17-18th March, 2014 directed to lease out the canteen, mini shop, and laundry to the experienced/expert contractor. However, the Executive Engineer CCD-VI Pak PWD Karachi was also remained unable so far to comply with the instructions of the Senate Standing Committee even after continuously reminding by the Comptroller. Due to non-leasing out the canteen, mini shop, and laundry through competitive bidding, the government sustained a loss of Rs 3.840 million (approximately) during last four years which was calculated

keeping in view the covered area and prevailing market rates in the surroundings.

Audit maintains that the loss occurred due to non-adherence to the Senate Standing Committee instructions, government interest and weak financial & internal controls.

Audit pointed out loss in August 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends appropriate measures to exploit opportunity to enhance government revenue.

(DP. 52)

5.4.60 Unjustified payment due to execution of work beyond technical requirement of site - Rs 3.485 million

Para 6.09 of CPWD code provides that each individual work proposed to be carried out properly detailed estimate must be prepared for the sanction of competent Authority; this sanction is known as the technical sanction to the estimate. As its name indicates, it amounts to no more than a guarantee that the proposal are structurally sound, and that estimates are accurately calculated and based on adequate data. Further, rule 10(i) of GFR (Volume-I) provides that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Audit noted that the Executive Engineer, CCD-IX, Pak PWD, Karachi awarded two works “Rehabilitation/Improvement of metalled road and sewerage system near Kubraa Mosque, Karachi NA-247”, and “Rehabilitation/Improvement of metalled road at Mujahid Chowrangi to

Al-Mustafa Hozri, Nazimabad No.04 Liaquatabad Town, Karachi NA-247”, MDG’S 2015-16 to contractors in April 2016 at an agreed cost of Rs 7.370 million and 6.877 million respectively. PC-I of the works was approved by the DDWP in its meeting held on 4th February, 2016 for Rs 10 million each. Technical sanction of the work was accorded by the Chief Engineer, for Rs 7.583 million and Rs 7.297 million on 3rd March, 2016 respectively.

Audit further noted that as per PC-I the item regarding hot-mix bituminous concrete was provided with double layer upto 2-1/2” thickness for a quantity of 1,799 tons. Audit further noted that while according technical sanction by the Chief Engineer (South), the quantity of hot-mix bituminous concrete was reduced up to 1,330 tons by limiting the bituminous work with single layer upto 1-1/2” thickness. It meant that only single layer of bituminous concrete with maximum thickness of 1-1/2” was technically required at sites because the detail estimates were construed to be prepared/technically sanctioned by the competent authority keeping in view site condition/requirement.

Audit observed that the said item in single layer with the thickness (up to 1-1/2”) was substituted with double layer (upto 2-1/2”) through substitute items statement, approved by the Chief Engineer. Audit further observed that the bituminous concrete with 2” thickness was either laid at sites beyond the technical requirement of 1-1/2” thick or measured the thickness of same item excessively to the extent of 1/2” thickness in order to provide undue benefit to the contractor. Moreover, the expenditure worth Rs 1.905 million and 2.379 million i.e. 25.85% and 34.59% over and above the agreed cost respectively was also not got regularized from the competent authority. Thus, the payment worth Rs 3.485 million (1.532 + 1.953) for 474.980 tons (208.880 +266.103 tons) made against 1/2” thick bituminous concrete beyond site requirement was considered to be unjustified.

Audit maintains that unjustified payment occurred due to weak internal and managerial controls.

Audit pointed out unjustified payment in September 2016. The department replied that the schedule item for hot mix bituminous concrete in single layer upto 1 ½" thickness covers the thickness upto 1 ½" thick not only 1 ½" carpet in same manner the item in double layers upto 2 ½" thick carpet covers the thickness from 1 ½" inch to 2 ½" thick carpet. The works have been carried out as per actual requirement of site. As per clause 12 of agreement, the Engineer in charge have powers to make any alteration, omission, addition or subtraction from the original specifications, drawing, design that appear to him to be advisable during the progress of work. Hot mix bituminous concrete road, pavements were executed as per Pak PWD, specification and job-mix formula and design in double layer upto 2" thick (in two layers).

The reply was not tenable because estimate was always prepared on the basis of detailed survey of the site of work and based on adequate data. Hence execution of the item under observation beyond site requirement was not justified.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 27)

5.4.61 Overpayment due to excessive measurements - Rs 3.391 million

Rule 10(i) of GFR Vol-I provides that every public 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 from his own money.

5.4.61.1 Audit noted that the Executive Engineer, CCD-VIII Pak PWD Islamabad awarded the work "Widening/ Resurfacing of road from G.T road Gujjar Khan to Behlot (NA-51) PWP II to contractor on 9th October,

2012 at agreed amount of Rs 152.957 million with completion period of 04 month.

Audit observed that the department measured the item “P/L 1:4:8 cement concrete” for a length of 6 KM with a width of 2 feet each side and thickness of 4” and other length of 1502 rft, was also measured with 4” thickness. Further in another length of 4.33 KM it was measured and paid with 6” thickness instead of 4”. Measurement of excessive thickness of 2” has resulted in overpayment of Rs 1.613 million.

Audit pointed out the overpayment in September 2016. The department replied that the thickness of the cement concrete 1:4:8 on shoulders of the road for the purpose of widening of the road as per approved scope section of work was laid and measured 6” thick in the length of 4.33 km due to site requirement whereas 4” thick 1:4:8 laid only where the existing stone metaled was available.

The reply was not accepted because in other PCC roads/widening the item “P/L 1:4:8 cement concrete was provided width 4” thickness but in the length under objection the said item was paid with thickness of 6” without any survey/ detailed justification and revised approval of the competent authority.

(DP. 126)

5.4.61.2 Audit noted that the Executive Engineer, CCD-VIII Pak PWD Islamabad awarded the work “Construction of Boundary wall at Chak Shahzad Islamabad” to contractor for Rs 32.095 million.

Audit observed that the item stone/Rubble masonry was paid with thickness of 2”-0” + 1”-6”/2 against the approved thickness of 1”-6”+ 0”-12”/2 as provided in the drawing/ design and detail measurement sheet. Non-adherence of provision has resulted in overpayment of Rs 1,042,066.

Audit pointed out the overpayment in September 2016. The department replied that the detail estimate for the work were prepared in dry season but at the time of execution it was observed that during rainy

season, there was natural flow of rain water towards site of work. In order to strengthen the foundation, the X-sections of foundation was increased slightly as per site condition.

The reply was not accepted because excessive thickness was made without approval of the Competent Authority and revision of T.S. Estimate.

(DP. 127)

5.4.61.3 Audit noted that according to PC-1/ detail measurement sheet of the work “Construction of Link Road Bokan to Dhoke Hasoo U/C Ramma Tehsil Gujjar Khan” width of PCC road was provided as 10 feet (3.04m).

Audit observed that the Executive Engineer, CCD-VIII Pak PWD Islamabad paid BOQ items P/L 1:4:8 cement concrete and P/L 1:2:4 cement concrete with the quantity of 11,880 Cft and 36,000 Sft respectively under the Sub Head PCC road. Audit further observed that the department measured the said items with 12 feet width against the approved width of 10 feet. Measurement beyond provision has resulted into overpayment of Rs 735,638.

Audit pointed out the overpayment in September 2016. The department replied that the width of PCC road was increased from 10 to 12 feet as desired by the MNA and focal person/Chairman of Union Council of the Area. However the quantities of all the items were within agreement provisions.

The reply was not accepted because MNA/Chairman Union Council had no authority to enhance the width of road without revise approval of the competent authority.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early recovery of overpaid amount.

(DP. 128)

5.4.62 Irregular award of maintenance works in violation of Public Procurement Rules - Rs 2.996 million

Rule 4 of Public Procurement Rules, 2004 provides that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Rule 20 of *ibid* Rules also provides that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works. Rule 50 of PPR, 2004 states that any unauthorized breach of these rules shall amount to mis-procurement.

Rule 09 of *ibid* Rules provides that save as otherwise provided and subject to the regulation made by the Authority, with the prior approval of the Federal Government, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

Para 6.12 of CPWD Code provides that a group of works which forms one project shall be considered as one work and the necessity for obtaining the approval or sanction of higher authority to a project which consists of such a group of work is not avoided by the facts that the cost of each particular work in the project is within the powers of approval or sanction of the Works Division of Officer concerned.

Audit noted that the Executive Engineer, CCD-IX, Pak PWD, Karachi awarded various maintenance works valuing Rs 2.996 million by splitting in piecemeal and avoiding open competitive bidding through wide publicity to achieve more economical rates.

Audit observed that tenders were opened in the presence of DAO, Executive Engineer, Cashier and contractors as evident from the certificates recorded on the tender opening register, however, signatures of Divisional Accounts Officer, Cashier and participating contractors except only one bidder whose bid was shown lowest were not found available on the tender opening register. The said state of affairs visualized that the DAO, Cashier and other bidders were not actually present in bid opening process and bids were opened only in the presence of divisional officer and beneficiary contractor. The matter constituted a serious irregularity tantamount to mis-procurement of works by setting aside the restrictions of PPRA rules leading to undue financial benefit to the contractors in shape of enjoying higher bid rates as compared to the market rates. Audit further observed that Tender Register has not been prepared properly as neither the register was found page did not mark nor its pages were counted by the Divisional Officer/DAO with their dated signature due to which authenticity of the register could not be ascertained.

Audit maintains that irregularity occurred due to non-adherence to the PPRA Rules, reluctance of the Divisional Accounts Officer (who is considered to be primary auditor/compiler of account) besides lack of financial & internal controls.

Audit pointed out irregularity in September 2016. The department replied that there was no need of signatures of Divisional Accounts Officer, Cashier or participating contractors on tender opening register. As per PPRA rules 2004 clause 28-2 for opening tenders mentioned only the attendance sheet of participating bidders was required. The attendance sheets of the participating bidders were available in the divisional office.

The reply was not accepted because no record as attendance sheet of contractors as well as presence of departmental staff was produced to audit.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit stresses upon investigation and appropriate corrective action.

(DP. 29)

5.4.63 Doubtful execution of work - Rs 2.909 million

Work “Drinking water supply Scheme at Village Domail Khan, Badrang Kalay, Tookri Kalay, Pirha Khel, Patool Khel, Musa Khel, Tehsil & District Bannu (SH: Installation of 8 Pressure Pumps)” was awarded to contractor vide acceptance letter dated 14th June, 2016 at an agreed cost of Rs 2.897 million with completion period of 2 months.

Audit noted that Executive Engineer Central E/M Division, Pak PWD Peshawar, made payment of Rs 2.909 million on 24th June, 2016.

Audit observed that contractor had to install 08 pressure pumps at different localities in two months but the said work has been shown executed in less than 10 days instead of two months and all the payment as per agreement was made through 1st running bill. Execution of work for Rs 2.909 million in less than 10 days indicated that the work was not executed at site.

Audit pointed out the matter in October 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit stresses upon investigation and appropriate corrective action.

(DP. 147)

5.4.64 Overpayment in violation of specifications - Rs 2.782 million

According to item 104 of NHA General Specifications, Compaction of Natural Ground the natural ground or surface ready for construction purposes after clearing and grubbing or stripping will be considered natural ground for the purpose of this item. The compaction of

natural ground shall be carried out through a written order by the Engineer. Further according to BOQ provision same quantities were provided for items clearing / grubbing and Compaction of natural ground.

Audit noted that the Executive Engineer, CCD-V Pak.PWD, Islamabad measured and paid a BOQ item No.104 compaction of Natural Ground with the quantity 328,453 Sq.m @ Rs 35 per Sq.m for Rs 11.496 million to the contractor under the work Dualization and Improvement of Sohawa Chakwal Road Project.

Audit observed that the item compaction of natural ground was measured and paid on those RDs where cleaning and grubbing was not executed. Some RDs with the quantity 80,324 sqm were measured and paid where clearing and grubbing was not executed. Payment in violation of specification provision has resulted in overpayment of Rs 2.782 million.

Audit pointed out the overpayment in August-September 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early recovery of the overpaid amount.

(DP. 24)

5.4.65 Irregular utilization of receipts towards expenditure on account of excessive quantities of item of work than estimate - Rs 2.675 million

Para 503 of CPWA code provides that it is permissible to take in reduction of the expenditure on works in progress, certain recoveries of expenditure, sale proceeds of surplus materials and plant acquired specially for any work, or materials received from dismantled structure, irrespective of whether the estimates for the works make allowance for such recoveries or not.

Audit noted during review of the measurement books of CCD Pak PWD Abbottabad that an amount of Rs 2.675 million was shown recovered/deducted from the contract on account of serviceable material obtained from the execution of item 'excavation from hard rock' and shown as minus expenditure.

Audit observed that this saving on account of recovery of serviceable material was got retrieved by the contractor by execution of excessive quantities of other items of works which was unjustified and a violation of quoted rule.

Non-adherence to rule caused irregular utilization of receipts towards expenditure on account of excessive quantities of item of work than estimate of Rs 2.675 million.

Audit pointed out irregular utilization of receipt in August 2016. The department replied that the recovery made on account of serviceable material is always credited to the work and in this case the same has been done. The point needs to be discussed in higher forum like DAC and decision be made and conveyed to field formation for compliance in future.

In reply it was conceded that recovered amount was utilized towards expenditure beyond the provision of BOQ which was irregular/unauthorized and it was required to be retrieved and remitted to government receipt account.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends regularization or recovery of excess amount paid.

(DP. 11)

5.4.66 Mis-procurement of furniture - Rs 2.135 million

Rule 12(2) of Public Procurements Rules, 2004 provides that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

Audit noted that Executive Engineer, CCD Pak PWD Multan, awarded the work at cost of Rs 2.818 million which includes an item of work "folding chairs" 140 Nos. @ Rs 12,548 + 13% amounting to Rs 1.985 million (70% of contract cost).

Audit observed that the item in question was not procured at competitive agreement rate. The item was substituted by changing the "shisham wood" with "imported wood" and allowed rate of Rs 15,255 each. Approved analysis of rate of the item was also not available in record. Audit holds that post bid change in item of work which constitute 70% of total contract cost defeat the vary purpose of competitive bidding and tantamount as mis-procurement. This resulted in mis-procurement of furniture due to post bid change for Rs 2.136 million.

Audit pointed out the irregularity in October-November 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends inquiry for fixing responsibility for the violation and action against persons responsible.

(DP. 108)

5.4.67 Unjustified payment of consultancy charges - Rs 2.059 million

According to general conditions of the contract clause 3.6 (a) The consultant shall submit to the EA the reports and documents specified in Annexure "A" hereto, in the form, in the numbers and within the time periods set forth in the said Annexure the project of scope of services. Further, Annexure A(c) Submission of Detailed Design; (viii) requires that consultant shall submit drawings/design to the Capital Development Authority (CDA) for approval and will be responsible to get its approval with cooperation of EA.

Audit noted that Executive Engineer, CCD-IV, Pak PWD, Islamabad entered into an agreement with consultant for architectural, engineering, consultancy, planning, designing & construction supervision at an agreement amount of Rs 105.147 million (4.25% of bidding amount of the project i.e. Rs 2,474.049 million). Audit further noted that the department made payment of Rs 2.059 million to CDA on account of scrutiny fee of the project.

Audit observed that the payment made was unjustified as it covers in the scope of services of the consultant and was required to be paid by the consultant instead of department. This resulted into unjustified payment of Rs 2.059 million.

Audit pointed out unjustified payment in September 2016. The department replied that the amount was paid to CDA on account of scrutiny fee for approval of building plans. The provision of this amount exists in approved PC-I.

The reply was not accepted because as per contractual obligation the consultant was required to get it approved from CDA at his cost.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early recovery.

(DP. 57)

5.4.68 Extra expenditure due to allowing higher rate for excessive quantity - Rs 1.972 million

According to original BOQ/Estimate, quantity of 18,112 sft payable @ Rs 17,882.39 per %sft was provided against item No.27 “P/L light colour glazed non-skid tiles, 1,600 sq. cm each etc. Pak made...”.

Audit noted that Executive Engineer, CCD Pak PWD Multan, measured and paid quantity of 15,954.94 sft against agreement/BOQ provision.

Audit observed that an extra/substituted item “P/L light colour glazed non-skid tiles... 1600 sqcm each ... Italian or equivalent except China make...” for a quantity of 8,317.90 sft was also measured and paid @ Rs 30,085.63 per %sft. In this way quantity of tiles was measured excess by 6,556 sft (15,954.94 sft + 8,317.90 sft - 18,112 sft) than original provision. Audit holds that increase in quantity was measured without any change in design/justification and paid at higher rate. Audit further observed that use of imported tile was not authenticated by the project management. This resulted in extra expenditure due to allowing higher rate for excessive quantity for Rs 1.972 million.

Audit pointed out the irregularity in October-November 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early recovery.

(DP. 111)

5.4.69 Non-credit of recovery to the works - Rs 1.615 million

Rule-26 GFR Vol-I provides that it is the duty of the departmental controlling officers to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the public account.

Audit noted that the Executive Engineer, CCD-VIII Pak PWD Islamabad issued a cheque dated 29th February, 2016 amounting to Rs 1.615 million in favour of Chairman NAB on account of effected recovery regarding loss determined by the NAB from government contractor against the two schemes namely PCC road from Kalyrm Awan to Qatab Ferozal and Jalvari Moazzam Shah to Tubkiyan.

Audit observed that as the recovery was effected from the works relating to Pak PWD, hence the recovery was required to be credited to the work. Further, how the department get rectified the defects of the works for which the effected recovery was transferred to NAB.

Audit pointed out the non-credit of recovery to work during September 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early credit of recovered amount to works.

(DP. 124)

5.4.70 Overpayment to consultant due to excessive PC-I cost - Rs 1.193 million

Para-6.1 of the special condition of the contract provides that the consultant's total remuneration for the services stated in Appendix-A of PC-I shall be 3.70% of the project cost on completion.

Audit noted that Executive Engineer, Central E/M-II, Pak PWD Islamabad made payment to consultant for the services provided on the works executing in Afghanistan for Government of Pakistan.

Audit observed that payments made to consultant at the PC-I approved cost including carriage & freight element @ 20%. Audit is of the view that the consultant's remunerations for the services were to be paid excluding 20% cost element for carriage. This resulted in overpayment of Rs 1.193 million to the consultant.

Audit pointed out irregularity in October 2016. The department replied that as per clause 6.1 lump sum remuneration "for initial payments of consultant's remuneration, the consultant's remuneration cost shall be taken as per cost of PC-I. The payment shall be adjusted according to para 3 of sub clause of agreement with the consultant, the project cost shall be taken as the actual cost of the project after completion based on the verified bills of the contractor at completion. Provision of clause 6.1 is being implemented in true letter and spirit.

The reply was not tenable as the consultant's remunerations for the services were to be paid excluding 20% cost element for carriage.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early recovery.

(DP. 105)

5.4.71 Loss to the government due to re-awarding the work on higher premium instead of getting executed the same on risk & cost basis - Rs 1.028 million

Clause 3 (c) of standard contract agreement denotes that to measure up the work of the contractor and to take such part thereof as shall be unexecuted out of his hands, and to give it to another contractor

to complete, in which case any expenses which may be incurred in excess of the sum which would have been paid to the original contractor, if the whole work had been executed by him shall be borne and paid by the original contractor and may be deducted from any money due to him by Pak PWD under the contract or otherwise or from his security deposit or the proceeds of sale thereof or a sufficient part thereof.

Audit noted that the Executive Engineer, CCD VI, Pak PWD, Karachi awarded a work “Construction of Bitumen Road from Ghousia Majsid to Al-Madina Kitchen UC-07, Baldia Karachi (under MDG’s Program)” to contractor on 4th March, 2016 at an agreement cost of Rs 1.238 million (47% below on NIT cost) but the contractor failed to execute the work. Audit further noted that the same work was re-awarded to another contractor on 10th May, 2016 at an agreement cost of Rs 2.266 million (3% below on NIT cost). The contractor was paid 1st running bill for Rs 2.342 million on 22nd June, 2016.

Audit observed that the said work was not awarded on risk & cost basis under the said referred contractual provision. Had the work was got carried out on risk & cost basis the loss to the government worth Rs 1.028 million could be avoided.

Audit maintains that loss to government occurred due to weak internal & financial controls.

Audit pointed out loss in August 2016. The department did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early recovery.

(DP. 50)

5.4.72 Non-provision construction of site office for engineer/employees staff and employer by the contractor

According to contract Agreement clause 34 the contractor shall construct provide furnish and maintain for engineer and employer site office as per design provided in the documents stabilized access road within 28 days of the receipt of 1st installment of the mobilization advance or within 28 days of the date of commencement whichever is earlier.

Audit noted that Executive Engineer, CCD-IV Pak PWD Islamabad awarded a work “Construction of Islamabad High Court at Constitution Avenue G-5/1 Islamabad” against a contractual cost of Rs 2,474.049 million on 10th June, 2015 to contractor. The contractor had been paid 13 running bill with total work done of Rs 595.861 million.

Audit observed that the contractor has not provided a site office to the employer as per agreement so for inspite of the fact that cost of the site office was included in the total bid cost submitted by the contractor.

Audit pointed out the observation in September 2016. The department replied that the contractor had provided site office to the “Employer/Engineers” as required under relevant clause of agreement.

The reply was not accepted because progress report of the project of June 2016 reflected that the stage of maintenance and construction of site office was shown as “Critical Remaining” meanings thereby the site office had not been constructed completely. Moreover, as per agreement the contractor was bound to provide design of the site office within 28 days of receipts of 1st installment of the mobilization advance which was also not provided to Audit.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 3rd November, 20th December, 30th December, 2016 and 10th January, 2017.

Audit recommends early provision of facilities by contractor as per contract agreement or recovery of the cost involved therein.

(DP. 61)

ESTATE OFFICE

Irregularity and Non-Compliance

5.4.73 Irregular allotments/possession and improper maintenance of General Waiting Lists and non-uploading of GWLs on website

The Supreme Court of Pakistan, in Constitutional Petition (CP) No.1498/2011 dated 19th October, 2011, directed the Administrative Ministry/Estate Office that in future all the allotment will be made strictly on the basis of GWL and relaxation of Rules under Rule 29-A of the AAR, 2002 will not often be exercised, except in the case of hardships and that too by recording justifiable reasons, after hearing the likely affected employees on the GWL. The above direction of apex court was not implemented and the Honorable Supreme Court again directed on 7th March, 2013 in a Civil Review Petition (CRP) No. 174 of 2012 that violation of above direction/observation passed by the court, which generates litigation between the parties, as a result whereof the civil servants, who otherwise, cannot afford litigation, have to suffer. Under circumstances, the Apex Court again directed the Department to review all the allotments, which was made after passing the previous judgment and ensure its implementation in letter and spirit, and if any allotment was made in violation of the directions earlier made in the above judgment, must be re-considered and dealt with in connection with the observations noted hereinabove immediately.

Deputy Secretary (Estate), Ministry of Housing & Works vide its letter No. F.2(1)/86-Policy dated 15th April, 2013 directed the Estate Officer and Additional Estate Officers that in order to ensure transparency and allotments on merit as per rules, Estate Office is directed to observe the steps/procedure in allotment of government owned residential accommodation:-

Estate Office may place General Waiting Lists on the Web Site which shall be updated periodically. Estate Office may furnish

periodically a hard copy of category-wise General Waiting Lists to the concerned dealing Sections of this Ministry.

Audit noted that Additional Estate Officer, Estate Office Karachi made numerous allotments and handed over possession of the accommodations to 52 allottees during the year 2015-16. Audit further noted that category-wise General Waiting Lists (GWLs) were being prepared on loose computer sheets instead of updating the same on the Estate Office Website to ensure the transparency and compliance of the orders of Minister/Ministry of Housing & Works regarding computerization of record of Estate Office.

Audit observed that the GWLs prepared at present were vulnerable to change/modify easily at any time/stage. Audit further observed that the Estate Officer did not bother to do the needful even after issuance of directions by the Supreme Court of Pakistan/Federal Government and taking the issue in previous audit report. Moreover, the Estate Office also remained unable to well inform the applicants through regular circulation/placement of the lists on Notice Board of Estate Office/adopting any feasible mechanism.

Audit maintains that Irregular allotments/possessions occurred due to non-adherence to the orders of Supreme Court of Pakistan and Federal Government Rules and ineffective internal controls.

Audit pointed out irregularity in August 2016. The department replied that separate register for the GWL are being opened for enlisting in accordance to their respective entitlement and data for uploading on the website has already been sent to Section Officer and Estate Office Islamabad, hence all the allotment were made in accordance with GWL.

The reply was not accepted because the authenticity of allotment in absence of the preparation of permanent record of GWL and its uploading on Government website, could not be ascertained.

The para could not be discussed in the DAC meeting despite requests made by Audit on 20th December, 2016 and 10th January, 2017.

Audit stresses to implements the order of the competent authority in true spirit to ensure transparency in the allotment of accommodations as per merit.

(DP. 11)

5.4.74 Irregular allotment to the Director FIA in violation of directions of Supreme Court of Pakistan

The Supreme Court of Pakistan (in CP No.1498/2011 dated 19th October, 2011) directed Administrative Ministry/Estate Office that in future all the allotments will be made strictly on the basis of General Waiting List (GWL) and relaxation of Rules under Rule 29-A of the AAR -2002 will not often be exercised, except in the case of hardships and that too by recording justifiable reasons, after hearing the likely affected employees on the GWL. The above direction of apex court was not implemented and the Honorable Supreme Court again directed on 7th March, 2013 in a CRP No. 174 of 2012 that violation of above direction/observation passed by the court, which generates litigation between the parties, as a result whereof the civil servants, who otherwise, cannot afford litigation, have to suffer. Under circumstances, the Apex Court again directed the Department, review all the allotments, which have been made after passing the previous judgment and ensure that same is implemented in letter and spirit, and if any allotment has been made in violation of the directions earlier made in the above judgment, must be re-considered and dealt with in connection with the observations noted here in above immediately.

Rule 4(3) of AAR-2002 provides that the Ministry of Housing and Works will provide designated houses for specified posts which shall be allotted to the designated officers on an undertaking that they will vacate the house within three months of their transfer from the post and hand over the possession of the house through concerned Inquiry Office

irrespective of the fact that alternate accommodation has been allotted to them or otherwise.

Rule 7 (1, 3 & 4) of AAR-2002 regarding mode of allotment provides that the allotment of Government owned accommodation shall be made to the most senior Federal Government Servant on General Waiting List of a particular class or category of accommodation.

Audit noted that Ministry of Housing & Works vide letter No. 6-A/BIL/E-III dated 2nd September, 2015 conveyed the approval regarding allotment of designated house to a Director FIA, Karachi bearing No. 6-A Bungalow or any first available as designated house subject to completion of all codal formalities and clearing of restraining orders from court of law, if any, under condition mentioned in the Rule 4(3) of AAR, 2002. The allotment of 4-A Bungalow was made on 18th September, 2015 and possession was handed over to the applicant on the same date.

Audit observed that the incumbent had not already applied for government accommodation any time before the 18th September, 2015 as evident from the file of "A" Class General Waiting List. The officer was allotted the government accommodation as designated house entirely relying on the rule 4(3) of AAR 2002 whereas the criteria on the basis of which the post was declared as "Designated Post" were not forthcoming from the available record. Audit further observed that the decision of the Apex Court regarding allotment of government accommodation strictly in accordance with the GWL was totally set a side/ignored by the Ministry as well as Additional Estate Officer while accommodating the said officer. The above mentioned state of affairs reflected that the officer was favoured just depriving the right of other entitled officers which constituted a serious irregularity

Audit maintains that irregularity occurred due to non-adherence to the directives of the Apex Court and core spirit of the rule 4(3) of AAR 2002.

Audit pointed out irregularity in August 2016. The department replied that the post of Director FIA is very important sensitive security nature and required to be accommodated in less risky area and the same was declared as designated post/house. The rule 4(3) was not used in lieu of Rule 29 but the Ministry allocated/allotted the house keeping in view the security situation.

The reply was not accepted because the security position of the area was in bad condition since a long time and Director FIA was working in the worst condition of the city since many years. The officers including judiciary in GWL was also facing the same issue of security threats.

The para could not be discussed in the DAC meeting despite requests made by Audit on 20th December, 2016 and 10th January, 2017.

Audit stresses upon implementation of Supreme Court orders in true spirit.

(DP. 12)

Internal Control Weaknesses

5.4.75 Non-recovery of outstanding electricity charges from defaulters - Rs 557.246 million

Rule-26 of General Financial Rules (Vol-I) provides that it is duty of the Departmental Officer to see that all sums due to Government are promptly assessed, demanded, realized and remitted into public account and no amount due to Government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable the orders of Competent Authority for their adjustment must be sought.

Condition (d) of allotment letter provides that the allottee shall be responsible for the payment of monthly rent at the prescribed rate and shall pay service charge i.e. the bill pertaining to Electricity, water and Gas supplies and Telephone direct to the agency concerned.

Audit noted that Estate Office, Karachi was mandated to issue clearance certificate/no demand certificate on the event of eviction, ejection, surrendering of house, on expiry and retirement of government employee for finalization of his claims & pension papers. Without obtaining clearance certificate/No demand certificate, Account office did not release pension/gratuity and other claims to federal government employees.

Audit observed that Additional Estate Officer, Estate Office, Karachi did not pursue for clearance of outstanding electricity dues from the occupants who left the houses, got retirement, vacated or still holding unauthorized occupation of 3,501 houses since a long time and resultantly outstanding electricity charges were accumulated for Rs 557.246 million during the year 2000 to October 2015. Audit further observed that Estate Office was the custodian of government property and non-recovery on account of electricity charges of K-Electric reflected inefficiency/lethargy on the part of concerned officers/staff which causing the creation of liability against the government.

Audit pointed out non-recovery of outstanding due in August 2016. The department relied that it was responsibility of utility services provider companies to collect dues and take action against the defaulters which was also cited by court. In December 2015, a joint meeting was held with the K-Electric and decided that K-Electric will provide list of defaulters to Estate Office (EO) on quarterly basis and EO will issue notices to them. K-Electric was advised to disconnect the connections of defaults also. K- Electric will be provided allotment letter of new allottee from which old outstanding dues will not be demanded.

The reply was not accepted because the estate office could not isolate itself from the responsibility of pursuance of outstanding government dues/utilities bills from the residents/allottees/unauthorized occupants of government accommodations.

The para could not be discussed in the DAC meeting despite requests made by Audit on 20th December, 2016 and 10th January, 2017.

Audit recommends early recovery of government dues.

(DP. 14)

5.4.76 Non-ejecting of 3,350 retired employees/unauthorized occupants and non-recovery of government dues from defaulters - Rs 319.122 million

Accommodation Rules 2002 provides that where a pensioner who was allowed to retain the accommodation after his retirement, defaults, and the matter shall be referred to AGPR, DBA or CAO for recovery of dues from his pension. The ejectment of trespassers from the Government or hired accommodation shall be carried out by the concerned Estate Office, immediately without serving any notice on the trespassers and First Information Report shall be lodged against the trespasser by the Estate Office. The Estate Office shall arrange the disconnection of services like water supply, gas, electricity and telephone of the house under illegal occupation. In case an accommodation is occupied or retained without legitimate allotment or is trespassed, the Estate Office shall charge rent at the rates given below from the occupant for the period of unauthorized occupation or retention. (a) in case of unauthorized retention beyond legally allotted period, rent equivalent to one rental ceiling of the category of his entitlement or the category of the house under occupation, whichever is more, shall be charged for each month for the entire period of unauthorized occupation; (b) in case of trespassing or unauthorized occupation, rent equivalent to two rental ceilings of the category of his entitlement or the category of the house occupied, whichever is more, shall be charged for each month for the entire period of unauthorized occupation;

Audit noted during the detailed scrutiny of accounts record of Additional Estate Officer, Estate Office Karachi that out of 7882, about 3350 government accommodations of different categories and in different areas of Karachi were in the possession of retired government employees/unauthorized occupants since a long as occupation against most of the flats/accommodations pertained to the period from 1960 to

1980. The matter was also discussed at government level, at multiple times, however, the government arrived at no final decision up till now as:-

- The Sub-Committee of the Standing Committee of National Assembly examined the said issue in detail in its meeting held on 22nd May, 2014 and made following recommendations as communicated vide O.M No. F.3(1)/2015-Com-I dated 24th February, 2015:
 - A fresh survey of Federal Colonies may be conducted to identify the retired/unauthorized occupants of the Govt. accommodation. For this purpose, it has been recommended that a meeting of all stakeholders including public representatives of areas be convened to discuss various aspects/proposals to settle the modalities prior to initiating the survey.
 - National Housing Authority may be given task to formulate a policy and to make viable proposal in respect of construction of new flats for rehabilitation of the existing government employees.
 - Local Authorities including Police, Home Department and Commissioner Karachi may be requested to extend all possible cooperation to the Survey team during operation.
- Subsequently, the Chairman of the Senate Standing Committee in its meeting held on 17th & 18th February, 2015 also passed on the following directions:
 - A joint meeting of the committee for Housing & Works of both the houses may be convened at Islamabad to make the final recommendations for the retrieval of 3350 government accommodations

from the illegal occupants/retired federal government employees at Karachi.

Audit observed from record that the concerned Estate Officer taken no strenuous efforts so far towards eviction of the above unauthorized occupied flats/accommodations while utilizing the authority/powers assigned to him by the above referred Ordinance/Rules in respect to eviction of the unauthorized occupation and recovery of the arrear (with interest) with the help of concerned Departments i.e. Pension Account Office (AGPR), Electricity Provider (K-Electric), Water Supplier (Sindh Water Board), Gas Supplier (SSGPL), Law enforcing agencies (Police, Levies, Frontier Corps, Pakistan Rangers etc.). Moreover, the recommendations of the Sub-Committees of National Assembly and Senate for completing required survey and convening meeting of the both Houses were also not complied with even after expiry of more than one year.

Audit further observed that the 3350 retired employees/ unauthorized occupants were being provided undue benefit/latitude. Due to which not only, the serving employees of the Federal Government Departments were going to be deprived from the accommodations facilities but also the government was sustaining a huge loss in shape of non-recovery of house rent which came to Rs 357.412 million (approximately) for the year 2015-16 and might become about billions of rupees from 1960 to onwards.

Audit maintains that non-eviction of the unauthorized occupied flats/accommodations and non-recovery of government dues occurred due to non-adherence to the provision of respective Ordinance, Rules & Regulations and directions of Parliament, non-pursuance of the matter vigorously and ineffective implementation of financial & internal controls.

Audit pointed out non-ejection in August 2016. The department replied that the matter was before the Standing Committees on Housing and Works of both houses of the Parliament. Thus the Estate Office,

Karachi was bound to follow the instructions of the highest forums of the country. However, if a complaint is received that some quarter is not appropriate for the use of retired employee or his decedents and or was in occupation of persons other than the family of retired or deceased employees, the action was taken and the said accommodations were not only got vacated but allotted to next FGS according to General Waiting List. During the year 2015-16 more or less 80 accommodations were retrieved and handed over to fresh allottees on the same account.

The reply was not accepted because undue relaxation was given to retired employees and their widows and unfortunately, the department made no serious efforts to resolve the issue even lapsing of 45 years. Now at this stage the retired employees and their widows were no more in possession of the flats/occupants due to uncertainty of their existence after so long time. Moreover, the occupation of the retired employees was subject to the payment of rent and other utilities charges regularly which was not watched by the Estate office resulting piling up of recoverable dues gradually from the occupants. The recommendations of the Standing Committees of the parliament do not supersede the Act of Parliament and rules framed by the Federal Government. Delay in pursuance of ejection of the unauthorized occupants by force, non-implementing the recommendations of the committees of the both houses of the parliament, and non-recovery of the outstanding dues clearly indicated the fact that the management was not so serious to resolve the issue causing undue facilitation to the objected occupants.

The para could not be discussed in the DAC meeting despite requests made by Audit on 20th December, 2016 and 10th January, 2017.

Audit recommends concrete measures towards ejection of unauthorized occupants.

(DP. 08)

5.4.77 Non-recovery of ceiling rent from the allottee of Non-entitled Department - Rs 23.969 million

According to Rule-26 (2) Pakistan Allocation Rule-2004 the Estate officer shall send rent demand statement in duplicate to the Ministry/Divisions or Departments concerned and one copy to the Accounts Officer for the amount of rent to be recovered from their employees occupying the government owned accommodation.

Audit noted that the Estate Officer Islamabad allotted Government owned accommodation to the non-entitled departments on payment of prevailing rental ceiling. The occupants were required to pay their rental dues despite the same several notices were served/issued to the department of the occupants to clear their outstanding dues as per rules. The Estate Officer failed to recover the outstanding amount of Rs 23.969 million.

Audit observed that neither the occupant paid outstanding rental ceiling to the Estate office nor the allotments were cancelled. Neither recovery of outstanding rental dues made from the occupants nor penal action was taken against the defaulting occupants.

Audit pointed out outstanding recovery during October/November 2016. The department produced record relating to recovery against paras No. 7, 9 and 14. Recovery of Rs 126,990, Rs 4,526,255 and Rs 3,379,488 was verified with reference to paras No. 7, 9 and 14 respectively by Audit leaving balance of Rs 949,340 and Rs 8,723,496 against paras No. 7 & 14 respectively.

The para could not be discussed in the DAC meeting despite requests made by Audit on 20th December, 2016 and 10th January, 2017.

Audit recommends early recovery of balance amount.

(DP. 04)

5.4.78 Recurring loss to government due to lack of interest on account of non-recovery of rent from the allottees of shops - Rs 8.881 million

Section 8 of Federal Government Lands and Buildings (Recovery of Possession) Ordinance 1965 (approved by National Assembly of Pakistan on 9th March, 1966) provides that if any rent payable in respect of any land or building has been in arrears on the day of recovery of possession of such land or building, the amount due on account of such arrears, with interest, if any thereon shall be recoverable as arrears of land revenue.

Rule 26 of GFR provides that it is the duty of the Department controlling officers to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the Public Account.

Audit noted that Estate Office, Karachi had 218 shops adjacent to government colonies and buildings situated at Martin Road, Jehangir Road, F.C. Area, Nishtar Road, Bath Island, Garden Road and Canteens in A.M Sardar, Karachi.

Audit observed that Additional Estate Officer, Karachi did not recover rent of Rs 8.881 million of shops from 1st July, 2015 to 30th June, 2016 and mostly allottees were defaulter since the date of revision of rent. Additional Estate Officer, Karachi showed its inability for vacation/ejection of allottees of shops from the defaulters besides government was sustaining loss due to non-recovery of rent from the allottees for Rs 8.881 million.

Moreover, the shops were not sealed to compel them to pay the arrears as well as current dues. The newly illegal constructed shops were not destructed/demolished. The fresh lease agreements were not renewed/executed. The shops were not auctioned on new rates as the existing rent was too much low and not on current market rates. Delay in the matter was providing favorable environment to the allottees for initiating the litigation. The issue of outstanding dues was taken up by Audit regularly

but no heed was paid by the department towards recovery caused recurring loss to the government.

Audit maintains that inefficient utilization of resources and lack of interest of Estate Office resulted into non-recovery of Rs 8.881 million.

Audit pointed out non-recovery in August 2016. The department replied that after the revision of rates, the matter of non-recovery and renewal of lease agreements had already been reported to Ministry of Housing & Works and was before the Standing Committee on Housing & Works. Furthermore, the matter was being referred to Ministry of Housing and Works to take up the matter with Ministry of Interior for provision of assistance of Rangers to carry out the ejection proceedings and sealing of shops in due process of law.

The reply was not accepted because vigorous efforts towards recovery of outstanding dues at the end of Estate Office & Ministry of Housing & Works were not forthcoming from the record.

The para could not be discussed in the DAC meeting despite requests made by Audit on 20th December, 2016 and 10th January, 2017.

Audit recommends early recovery of balance amount.

(DP. 09)

5.4.79 Non-cancellation of lease agreement due to non-recovery of outstanding rent - Rs 6.111 million

Section 8 of Federal Government Lands and Buildings (Recovery of Possession) Ordinance 1965 (approved by National Assembly of Pakistan on 9th March 1966) provides that if any rent payable in respect of any land or building has been in arrears on the day of recovery of possession of such land or building, the amount due on account of such arrears, with interest, if any thereon shall be recoverable as arrears of land revenue.

Clause 16 of the lease agreement executed between Petrol Pumps/ CNG Stations and Additional Estate Officer, Karachi, describes that “should the rent hereby reserved or any part thereof remains unpaid any time for a period of thirty days after it has accrued due (where formally demanded or not) or if any covenant on the lessee’s part herein contained not be performed or observed of, if the lessee becomes bankrupt or compound with his creditors, the lease of the said plot shall be liable to be cancelled and the structure and security money shall be forfeited to the lessor but without prejudice to any right of action on the part of the lessor in respect of any breach of lessee’s covenant herein contained”.

Audit observed that the Additional Estate Officer did not recover outstanding amount of Rs 6.111 million out of Rs 10.647 million advance rent against the sites Petrol Pumps/CNG Stations from July 2015 to June 2016 and the Estate Office was reluctant to recover the outstanding amount since many years and accumulated of Rs 19.108 million.

Audit maintains that the outstanding rent along with interest needs to be recovered at the earliest besides cancellation of lease agreements.

Audit pointed out non-cancellation of lease and non-recovery in August 2016. The department replied that one petrol pump site was subjudice before the court of law and notices to remaining lessees for depositing their outstanding dues were being issued.

The reply was not accepted because the defaulter was not depositing the rent from a long time and matter was subjudice since 2003. The defaulter also did not deposit the rent with the court of law. Additional Estate Officer did not invoke lease agreement clause and cancelled the lease agreements in case of non- depositing of rent timely because the lease rent of the petrol pumps/CNG stations was receivable in advance as per lease agreements instead of going in arrear due to improper pursuance.

The para could not be discussed in the DAC meeting despite requests made by Audit on 20th December, 2016 and 10th January, 2017.

Audit stresses recovery of outstanding rent.

(DP. 10)

5.4.80 Non-receipt of rent of federal government residences occupied by provincial government employees - Rs 6.054 million

Rule 26 of GFR Vol-I provides that it is the duty of the departmental controlling officers to see that all sums due to government: are regularly and promptly assessed, realized and duly credited in the Public Account.

Audit noted that the Additional Estate Officer, Lahore failed to collect rent from provincial government employees from 1st October, 2014 to 30th June, 2016 amounting to Rs 6.054 million.

Audit observed that after 18th amendment, the few departments/ministries were shifted to provincial government. The quarters were the property of federal government but the rent of said quarters had been received by provincial government since 2014. This resulted into non-receipts of rent for Rs 6.054 million.

Audit pointed out non-receipt of rent in November 2016. The department did not reply.

The para could not be discussed in the DAC meeting despite requests made by Audit on 20th December, 2016 and 10th January, 2017.

Audit recommends early recovery of government dues.

(DP. 16)

5.4.81 Loss due to non-enhancement of rent at market rate - Rs 4.58 million

Rule 26 of GFR Vol-1 provides that it is the duty of the Departmental Controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

Audit noted that the Additional Estate Officer, Lahore had allotted 30 shops (21 shops in Wafaqi Colony and 05 shops in Central Government Employees Colony and 04 shops in PWD Colony) to different allottees since 20 to 30 years.

Audit observed that the rent of shops were very low than the market rates. The Government property did not evaluate properly and interest of the Government had been set aside as in the city like Lahore commercial rent were increasing rapidly in the private sector and Estate Office authorities was paying no care to generate more revenue for the Government. The procedure adopted by the Ministry/EO was not in accordance with the rules and regulations. The rent should have been proper revaluated in accordance with the rates prevailing in the market. Due to non-adoption of auction procedure, the Government sustained a loss of Rs 4.575 million.

Audit maintains that loss was sustained due to non-watching of public interest.

Audit pointed out loss in November 2016. The department did not reply.

The para could not be discussed in the DAC meeting despite requests made by Audit on 20th December, 2016 and 10th January, 2017.

Audit recommends proper measures to dispose shops at appropriately enhanced rent.

(DP. 17)

5.4.82 Non-recovery of ceiling rent from the non-entitled allottee - Rs 2.092 million

According to Islamabad High Court Judgment dated 3rd January, 2016, the petitioner was required to vacate the premises as soon as his case is considered by the Estate Officer. He shall also deposit the arrears payable by him before process is started.

Audit noted that Joint Estate Officer, Estate Office, Islamabad failed to recover the amount with effect from 7th July, 2010 to 30th April, 2016 for Rs 2.092 million from the allottee of House No-9 Cat-II, G-10/2 Islamabad.

Delay in recovery of Rs 2.092 million would become irrecoverable with passage of time. Efforts be expedited to get outstanding rent recovery either from the allottee. Delay in recovery of outstanding rent would deprive the government from its legitimate revenue.

Audit pointed out non-recovery in October/November 2016. The department did not reply.

The para could not be discussed in the DAC meeting despite requests made by Audit on 20th December, 2016 and 10th January, 2017.

Audit recommends early recovery.

(DP. 02)

5.4.83 Unauthorized occupation of Govt. owned accommodation and non-recovery of ceiling rent - Rs 1.878 million

Rule 26 of GFR Vol-I provides that it is the duty of the controlling officers to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the public Account.

Rule 25(4) (b) of AAR 2002 provides that in case of trespassing or unauthorized occupation, rent equivalent to two rental ceiling of the category of his entitlement or the category of the house occupied shall be charged for each month for entire period of unauthorized occupation.

Audit noted that the Additional Estate Officer Lahore, allotted different four houses in Wafaqi Colony. Audit observed that houses were allotted on normal rent. Latter on allotment on normal rent was converted into ceiling rent vide corrigendum No.792/15/2-C/DKB/EOL/209 dated 29th February, 2012 at the prescribed rates.

Audit observed that the Estate Officer cancelled the allotments but neither recovered ceiling rent nor got vacated the said houses.

This resulted in non-recovery of Rs 1.878 million.

Audit pointed out non-recovery of ceiling rent and un-authorized occupation of government owned accommodation in November 2016. The department did not reply.

The para could not be discussed in the DAC meeting despite requests made by Audit on 20th December, 2016 and 10th January, 2017.

Audit recommends early recovery.

(DP. 15)

CHAPTER 6
FEDERAL GOVERNMENT EMPLOYEES HOUSING
FOUNDATION
(MINISTRY OF HOUSING AND WORKS)

6.1 Introduction

Federal Government Employees Housing Foundation (FGEHF) was established in 1989 by Ministry of Housing and Works, Government of Pakistan. The FGEHF is a public limited company registered with the Securities and Exchange Commission of Pakistan under Section 42 of Companies Ordinance, 1984. The FGEHF is authorized to initiate, launch, sponsor and implement Housing Schemes for Federal Government Employees in major cities of Pakistan, to make and assist, as far as possible, each of them to have house at the time of retirement or earlier. The Housing Foundation shall not itself setup or otherwise engage in individual and commercial activity or in any function as a trade organization.

FGEHF is under the administrative control of Ministry of Housing and Works.

Objectives of the entity are:

- i. To eradicate shelterlessness for Federal Government Employees, serving and retired and for the other specified groups of people as decided by the Housing Foundation from time to time and assist as far as possible each of them to have house at the time of retirement or earlier, and his dependents in case of his death before retirement on such terms as the Housing Foundation may determine.
- ii. To initiate, launch sponsor and implement Housing Schemes for Federal Government Employees serving and retired and

for other specified groups of people as decided by the Housing Foundation from time to time on ownership basis in Islamabad, the Provincial Capitals and other major cities of Pakistan.

Major functions of the entity are to:

- i. Purchase land and plan, execute, develop, construct, sublet, administer, manage or control works.
- ii. Establish, subsidize, promote, co-operate with, receive into Housing Foundation, become member of, act as or appoint trustees, agents of, delegates for, controls, manage, superintend, give gifts, lend monetary or other assistance to any council as may deem conducive to or to achieve or to further any of the objects and purposes of the Housing Foundation.
- iii. Admit any Federal Government employee to be member of the Housing Foundation on such term and to confer on them such rights and privileges as may be deemed expedient.
- iv. Raise and borrow any moneys and funds required for purposes of the Housing Foundation and on such securities as may be determined.
- v. Work, improve, manage, administer, develop, turn to account lease, mortgage or otherwise dispose of or deal with all or any of the funds, properties and assets of the Housing Foundation.
- vi. Work as town planner, and civil engineer in all its details and to act as consultant, architect, adviser and constructor of buildings, roads bridges, etc.
- vii. Undertake construction of all civil works including buildings, roads, bridges, etc.

6.2 Comments on Budget and Accounts (Variance Analysis)

Budget allocation and expenditure of FGEHF for the financial year 2015-16 is as under:

(Rs in million)

Nature	Allocation	Actual Expenditure	Variation Excess/ (Saving)	Variation in %
Non-Development	372.751	352.774	(19.977)	(5.36)
Development	20,115.843	69.939	(20,045.904)	(99.65)
Total	20,488.594	422.713	(20065.881)	(97.94)

A sum of Rs 372.751 million was allocated for operational expenses for the financial year 2015-16 whereas actual expenditure of Rs 352.774 million was incurred involving savings of Rs 19.977 million which constitutes 5.36 % of the budget allocation.

A sum of Rs 20,115.843 million was allocated for development activities for the financial year 2015-16 against which an expenditure of Rs 69.939 million was incurred involving savings of Rs 20,045.904 million which constitutes 99.65 % of the budget allocation. This indicated that the development activities could not be undertaken at all.

Receipts

(Rs in million)

Head of Receipt	Estimated Receipts	Actual Receipts	Variation Excess/ (Shortfall)	Variation in %
Receipt from sales	21,000.00	7,071.946	(13,928.054)	(66.32)
Misc. Receipts	400.00	245.520	(154.480)	(38.62)
Total	21,400.00	7,317.466	(14,082.534)	(65.81)

6.3 Brief comments on the status of compliance with PAC's directives

Directorate General Audit Works (Federal) conducted audit of the accounts of FGEHF during 2011-12 for the first time. This office prepared a Special Audit Report covering the period from 2008-09 to 2010-11 and Regularity Audit Reports for the years 2012-13, 2013-14, 2014-15 and 2015-16.

Audit Report for the year 2013-14 has been partially discussed by PAC, while rest of the reports are yet to be discussed. Compliance position of PAC's directives is as under:

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of Compliance
2013-14	10	07	02	05	71.42

6.4 AUDIT PARAS

Non-Production of Record

6.4.1 Non-production of record

In terms of Section 14 (2) of Auditor General’s Ordinance, 2001, non-production of record amounts to hindrance in the auditorial functions of the Auditor General of Pakistan.

Section 14 (2) states “the officer in-charge of any office or department shall afford all facilitates and provide record for audit inspection and comply with requests for information in complete form as possible and with all reasonable expedition”.

The management of Federal Government Employees Housing Foundation did not produce the following record to Audit:

- Allotment files:
 - CAT- I files transferred during 2015-16 in G-13, G-14 and I-8.
 - CAT-II & III files transferred during 2015-16 in G-13, G-14 and I-8.
 - Files of newly created 12 plots in St. No. 24 & 24-A, G-13/2 Islamabad.
 - Category wise list of all the plots/flats allotted to the government employees against all the housing schemes (Estate-I, II, III, IV, V)
 - Seniority list of employees applied in various categories

- Ratio/quota of allotment of plots/flats in each scheme/phase
- Case file / Allotment files of Gulzar-e-Hijri, Karachi flats
- Asset Register/Stock Register/Issue Register
- Audited Financial Statements for the year 2015-16
- Log Books of vehicles and detail of Fuel Cards

- Record relating to Life Style Residencia G-13 Islamabad (EHFPRO)
 - Detail of membership fee collection (EHFPRO)
 - Detail of collection of receipt in account of down payment from members
 - List of consent /allotment letters issued

Audit pointed out the matter in October, 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit recommends disciplinary action against the person(s) responsible for non-production of record besides early production of record to Audit.

(DP.33)

Irregularity and Non-Compliance

6.4.2 Non-preparation of PC-I and non-constitution of Departmental Development Working Party for approval of the schemes and non-according of the technical sanction estimate - Rs 38,025.449 million

The Guidelines for Project Management issued by the Planning Commission of Pakistan denotes feasibility report (PC-II) and Project Cost (PC-I) are mandatory prior to execution under these guidelines, the Authority is required to constitute DWP with one each member from Planning Commission and Finance Division for approval of self-financed projects. Further Para 10.1(v) *ibid* provides that no project under directive of any authority is started without proper preparation of PC-I /PC-II and approval of the competent forum.

Planning and Development Division letter dated 18th December, 2004 Procedure for approval of self-financing development schemes of

autonomous organizations (commercial/non-commercial) having Board by whatever name called, should be competent to sanction their development schemes with 100% self-financing, a development working party should be constituted by each organization and notified to consider and approve their self-financed projects. A Development Working Party should be headed by the Chairman / head of the organization.

Para-53 of CPWD code provides that there are four main stages in the project for execution of works namely Admn. Approval, Expenditure Sanction, Technical Sanction and the appropriation & re-appropriation of funds. Para-56 provides that each individual work proposed to be carried out properly detailed estimate must be prepared for the sanction of competent authority; this sanction is known as the technical sanction to the estimate. As its name indicates, it amounts to no more than a guarantee that the proposals are structurally sound, and that estimates are accurately calculated and based on adequate data.

6.4.2.1 Audit noted that FGEHF launched Green City Bharakahu, Infrastructure development in G-13, and F-14/15 Housing Schemes in Islamabad in order to provide shelter to shelterless, needy low paid federal government employees. These schemes / project were financed through 100% receipt from the allottees on first come first serve and on age seniority basis approved by the Board of Directors of FGEHF at a cost of Rs 38,025.449 million.

Audit observed that these self-financed schemes were required to be got processed through Departmental Development Working Party for sanction of these development schemes in pursuance of afore quoted letter and PC-I's were required to be approved by said forum.

Audit further observed that neither PC-I was prepared nor DDWP was constituted for said approval and sanction of the schemes. In absence of the approved PC-I and sanctions by the required competent forum on the basis of detailed designing authenticity and reasonability of the bid rates could not be adjudged. Non adherence to provision of Planning & Development Division communication caused non preparation of PC-I,

non-constitution of Departmental Development Working Party and unauthorized execution of schemes valuing Rs 38,025.449 million.

(DP.11)

6.4.2.2 Audit observed through a review of the record that no such detailed estimates and technical sanctions were approved by the competent authority in violation of rules. In absence of which, accuracy of the estimates and structural soundness of the proposal could not be adjudged. It is worth to mention that there is no technical authority in FGEHF having powers to accord technical sanctions of the projects / schemes. This resulted in award of scheme without approval of technical estimate of Rs 38,025.449 million.

This inaction at the part of the authority is necessitating several changes, modifications, variations, re-designing in development of Green city Bharakahu housing scheme and will definitely also results in lot of modification and variations in F-14/15 housing scheme.

(DP.12)

Audit maintains that execution of works without obtaining technical sanction due to non-adherence to the rules.

Audit pointed out irregularities in October 2016. The Foundation did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit recommends inquiry for fixing of responsibility and action against the persons responsible.

6.4.3 Violation of Policy Guidelines of Prime Minister of Pakistan and creation of quota and issuance of consent letters of 6,058 plots involving Rs 174,775.00 million

According to Prime Minister office U.O No. 4(28) / DS (E-1)/2015 dated 6th February, 2016, Secretary to Prime Minister desired that since various Ministries / Organizations have their own housing societies, like Supreme Court, Interior Division, IB, Ministry of Commerce etc; Federal Government Employees Housing Foundation should review its rules / policy for allotment of plots to employees of such organizations who already have a plot under their housing societies.

As per memorandum of association of Federal Government Employees Housing Foundation, the objects of the Company are as follows:

- (a) To eradicate shelterlessness for Federal Government Employees, serving and retired and for other specified groups of people as decided by the Foundation from time to time and assist as far as possible each of them to have a house at the time of his retirement or earlier, and his dependents in case of his death before retirement, on such terms as the Foundation may determine.
- (b) To initiate, launch, sponsor and implement housing schemes for Federal Government Employees serving and retired and for their specified groups of people as decided by the Foundation from time to time on ownership basis in Islamabad, the Provincial Capitals and other major cities of Pakistan.
- (c) To do all such things as are incidental or conducive to the attainment of the above objects or any of them.

The Executive Committee of Federal Government Employees Housing Foundation approved a Housing Policy in its 140th meeting held

on 16th June, 2016 and submitted a summary regarding quota and eligibility criteria on 19th July, 2016 to the Prime Minister of Pakistan. The Prime Minister directed the Foundation regarding Housing Scheme in F-14/15, Islamabad on 1st September, 2016:

- (i) Not to formulate any such policy which violates “the abolition of discretionary quota in Housing Scheme Act, 2013.
- (ii) Not to fix any preference / special quota for any group / service / organization.
- (iii) Follow equality and justice in making policy.

6.4.3.1 Audit noted that the Executive Committee of Federal Government Employees Housing Foundation launched Housing Scheme in F-14/F-15, Islamabad and issued consent letters to the allottees/applicants.

Audit observed that various Ministries / Organizations have their own housing societies, like Supreme Court, Interior Division, IB, Ministry of Commerce. Employees of Federal Government and autonomous bodies may also have been allotted plots by CDA and other Housing Societies but consent letters were issued by the FGEHF without verification of duplication in allotment of plots. This resulted in irregular issuance of consent letters having approximate value of Rs 17,394.00 million.

(DP.16)

6.4.3.2 Audit observed that Prime Minister of Pakistan directed the Foundation not to fix any preference / special quota for any group / service / or organization for equality and justice in making policy for allotment of plots. But the Housing Foundation fixed 12% quota for occupational groups, constitutional bodies, Professional bodies, Employees and Members of Superior Courts, Journalists, Media Workers, Employees of Housing Foundation and Ministry of Housing & Works and its attached departments against the policy guidelines approved by the Prime Minister and issued 260 number consent letters for housing scheme at F-14/15, Islamabad. This resulted in un-authorized issuance of consent letters of plots involving Rs 780 million.

(DP. 15)

6.4.3.3 Audit observed that Prime Minister of Pakistan while approving the policy regarding allotment of plots in F-14 and F-15, Islamabad directed the Foundation not to fix any preference / special quota for any group / service / or organization for equality and justice in making policy for allotment of plots. But the Housing Foundation did not allocate the category wise plots as per directions of the Prime Minister. The allocation of plots between various categories was not made according to available applicants. Plots for 79.65% applicants of Category-I were allocated while plots for Category-II and Category-III were allocated at the rate of 22.18% and 9.56% respectively which is considered imbalance and in violation of the policy. This resulted in allocation of plots in violation of approved policy.

(DP. 25)

Audit maintains that un-equal distribution of plots was made due to non-adherence to the policy guidelines of the Prime Minister of Pakistan dated 1st September, 2016.

Audit pointed out irregularities in October 2016. The Foundation did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit stresses for implementation of Prime Minister's order/policies and guidelines besides fixing responsibility against the persons at fault.

6.4.4 Award of infrastructure development work of F-14/15 at higher / uncompetitive rates - Rs 15,125.449 million

Rule 36 (b) of PPRA provides that bids were invited in a single stage – two envelope procedure.-

- (i) The bid shall comprise a single package containing two separate envelopes. Each envelope shall contain separately the financial proposal and the technical proposal;
- (ii) the envelopes shall be marked as “FINANCIAL PROPOSAL” and “TECHNICAL PROPOSAL” in bold and legible letters to avoid confusion;
- (iii) initially, only the envelope marked “TECHNICAL PROPOSAL” shall be opened;
- (iv) the envelope marked as “FINANCIAL PROPOSAL” shall be retained in the custody of the procuring agency without being opened;
- (v) the procuring agency shall evaluate the technical proposal in a manner prescribed in advance, without reference to the price and reject any proposal which does not conform to the specified requirements;
- (vi) during the technical evaluation no amendments in the technical proposal shall be permitted;
- (vii) the financial proposals of bids shall be opened publicly at a time, date and venue announced and communicated to the bidders in advance;
- (viii) after the evaluation and approval of the technical proposal the procuring agency, shall at a time within the bid validity period, publicly open the financial proposals of the technically accepted bids only. The financial proposal of bids found technically non-responsive shall be returned unopened to the respective bidders; and
- (ix) the bid found to be the lowest evaluated bid shall be accepted.

Audit noted that Federal Government Employees Housing Foundation invited Request for Proposal (RFP) on Single-Stage two Envelop System on 30th August, 2015 for Infrastructure Development work in Sectors F-14 and F-15. 16 RFP documents were issued to various intending bidders but two (02) bids from M/s ASCG Co – M/s SMIK -

M/s Nazir & Co (JV) and M/s Frontier Works Organization (FWO) were received

Audit further noted that only bid of M/s FWO was found technically responsive. Only financial bid of M/s FWO was opened and awarded the work at their quoted bid of Rs 15,125.450 million on 29th September, 2016.

Audit observed that the work was awarded irregularly and at higher rates due to the following:

- (i) Para-53 & 56 CPWD code provides that there are four main stages in the project for execution of works, namely Admn. Approval, Expenditure Sanction, Technical Sanction and the appropriation & re-appropriation of funds and each individual works proposed to be carried out a properly detailed estimate must be prepared for the sanction of competent authority but no such provisions were prepared/ approved by the competent authority.
- (ii) The Guidelines for Project Management issued by the Planning Commission of Pakistan provides that no project under directive of any authority is started without proper preparation of feasibility study PC-II/ PC-I and approval of the competent forum but not done in this case.
- (iii) As per minutes of the 2nd meeting of Bid Evaluation Committee held on 7th June, 2016, Mr. Pervez Iqbal, GM (P&CA) NHA (member of the Committee) observed that the rates of M/s FWO appears to be on exorbitantly higher side. It was also suggested that the rates should be rationalized in the light of Composite Schedule of Rates and other Schedules.

Audit further observed that single bid of M/s FWO of Rs 15,125.450 million having higher rates was accepted without checking

reasonability and workability of rates and quantities as no financial bid evaluation criteria was available to compare the rates and quantities of the work awarded on Engineering, Planning and Construction (EPC) basis.

- (i) As per RFP, the interested bidders were required to provide description of projects on which bidder has served as EPC contractor i.e. capability and experience of bidder demonstrated to provide assurance that the bidders has adequate competence / resources and skills as EPC contractor.

M/s FWO were technically qualified owing to their experience in the execution of a Hydro-electric Power project on EPC / Turnkey basis which was not relevant to the subject work.

- (ii) As per instructions of Pakistan Engineering Council and FIDIC, the procuring agency must follow the bidding documents relevant to the work being procured.

Federal Government Employees Housing Foundation (FGEHF) however, in this case, prepared bidding documents on the basis of “Conditions of Contract for EPC / Turnkey Project (Silver Book 1999” which is essentially suitable for power plant projects and not for general civil infrastructure works. Conditions of contract (Yellow Book 1999) would have been relevant as it envisages the administration of the contractor by the “Engineer” to be appointed by the “Employer”, whereas, there is no provision of the “Engineer” in the Silver Book and such the Employer’s over-sight and involvement is very limited during construction. But the Foundation has not adopted the Yellow Book which was more favourable to the Employer on civil infrastructure works.

- (iii) As per RFP, the interested bidders were required to provide documentary proof of valid legal entity of the firm i.e. valid registration in C-A (no limit) category with specialization codes i.e. CE-01, CE-04, CE-09 & 10 EE-02, EE-04, EE-05 and EE-06 of Pakistan Engineering Council; or firms in joint venture provided that the sum of their individual licenses is equal to or more than required for the project.

M/s FWO was not registered with Pakistan Engineering Council in the required category EE-02. Even then, they were qualified for award of infrastructure development work of F-14/15 in violation of invitation of RFP.

Audit maintains that the work was awarded irregularly and at higher rates due to non-evaluation of rates and quantities of the single bid, non-adherence to the conditions of RFP invitation and weak contract management and internal controls.

Audit pointed out irregularity in October 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit stresses to justify the irregularity besides fixing responsibility against the persons at fault.

(DP.22)

6.4.5 Likely loss due to purchase agreement of 20,000 kanals of land at higher rates - Rs 9,000.00 million

According to DC rates of land and average market sale price of Bharakau for the Mouzas, Sakreela, Chak Malata, Dakhli Phulgran, Bobri, Dohala Syedian and Pind Begwal, rates of raw land of Rs 350,000 per kanal were prevailing during 2015-16.

Audit noted that Federal Government Employees Housing Foundation (FGEHF) issued Expression of Interest (EOI) on 22nd April, 2016 through advertisement in the press for purchase of approximately 15,000-20,000 kanals raw land contiguous and adjacent to Bharakahu Green Enclave Phase-I from open market. The land was required for development of a housing scheme known as “Bharakahu Green Enclave (Phase-II) to meet the requirements of registered members of Membership Drive Phase-I.

Audit further noted that M/s International Center for Services Exchange & Co (ICSE) offered price for each kanal Rs 800,000.

Audit observed that rate of M/s International Center for Services Exchange & Co (ICSE) was accepted without keeping in view the prevailing rate Rs 350,000 per kanal and an agreement signed on 30th August, 2016 for provision of raw land . The rate was excess than prevailing rate as Rs 450,000 per kanal. This resulted in likely loss of Rs 9,000.00 million.

Audit maintains that loss may result due to non-adherence to the prevailing market/DC rates of land in the area, weak internal and financial controls.

Audit pointed out the likely loss in October 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit stresses for implementation of prevailing market/DC rates of land in the area and responsibility be fixed against the persons at fault.

(DP.3)

6.4.6 Irregular allotment of plots on out of turn basis against hardship quota, professional quota and PM directive and non-recovery thereof - Rs 2,580.00 million

According to letter of Securities & Exchange Commission of Pakistan dated 23rd July, 2013, plots allotted in violation of the criteria set out in terms of clause 3 read with clause 4 of the Memorandum and Articles of Association shall be ultravires of the Foundation and not only that such beneficiaries will be liable to fine but also personally liable and responsible for liabilities and obligations arising out of the business and transaction. Accordingly, the Ministry of Housing and Works shall immediately place an embargo on transfer of plots allotted to the members of the Executive Committee, cancel the allotments ab-initio and assume possession with immediate effect. In cases where the allottees have already transferred the subject plots, immediate notices for recovery of the current market price of the property shall be issued and served on the concerned before 20th October, 2013 without fail.

Audit noted that in compliance with the orders of Prime Minister of Pakistan, conveyed vide PM office U.O No. 4694/M/SP/2013 dated 12th October, 2013, the Secretary (Law) constituted a committee to examine and point out violation in the process of allotment of plots in Federal Government Employees Housing Foundation under Discretionary Quotas (Hardship, Constitutional & Professional quota) comprising on (04) members:

Audit observed that the Committee submitted its final report on 7th August, 2015. As per Inquiry Report following discrepancies omissions, commissions and violation of laid down policy of allotment of plots were observed by the Committee:

- (i) In Phase-I (I-8, E-12/D-12), 10 employees under the Board of Governor and 6 Employees of Executive Committee did not apply for plots yet they were allotted plots.

- (ii) The calculation of quota and allotment of plots should have been a one-time exercise however, it continues till date.
- (iii) 12 plots were allotted in Phase-II (G-13) (by either creation of new plots or by cancellation of plots of the defaulting allottees) to the employees of either Ministry of Housing & Works or Federal Government Employees Housing Foundation.
- (iv) Plots were allotted by ignoring the criteria set forth for the deputationists. The Director General, FGEHF allotted plots to the employees of the Foundation in violation of rules and policy.
- (v) In Phase-II (G-13), 34 applications under Widow and Disable quota and 6 plots on the Prime Minister Directive were allotted without their applications.
- (vi) In Phase-III, 18 people were allotted plots under the Federal Government Employees Housing Foundation quota who did not apply the same.
- (vii) The employees of the FGEHF were allotted plots without fulfilling the criteria of ten (10) years by reducing the same to eight (8) years' service by the then Director General.

Audit further observed that the Ministry of Housing and Works cancelled the irregular allotment of plots but neither assumed possession of plots for allotment to the legitimate employees nor recovery from the allottees of plots who have already transferred the subject plots at current market price was effected. This resulted in non-recovery of Rs 2,580.00 million.

Audit maintains that the irregularity & non recovery occurred due to non-adherence to the bye-laws and weak financial controls.

Audit pointed out irregularity and non-recovery in October 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit stresses for taking immediate action to investigate the matter besides recovery.

(DP.17)

6.4.7 Unauthorized conversion of amenity land into residential plots & non-cancelation of plots - Rs 300 million

Zone 2, (VI) of ICT (Zoning) Regulation, 1992 of CDA provides that all land reservations made for roads, amenities, and public buildings belong to the Authority and standard clause of NOC also provides that the plots reserved for amenities, and public buildings shall not be utilized by the sponsors for any purposes other than prescribed in the approved layout plan.

According to Clause-5 of Modalities and procedures framed under ICT (Zoning) Regulations 1992, the planning standard may vary from scheme to scheme depending upon the residential density desired to be achieved by the sponsors of the schemes. But the land use percentages must remain within permissible limits.

According to Para 5 (i) of ICT (Zoning) Regulation, 1992, any person, group of persons, organization, etc if, found violating any provision of this Regulation shall be liable to demolition in accordance with section 49-C of the CDA Ordinance, 1960, unless regularized by the Authority on the payment of compounding fee as may be fixed by the Authority from time to time.

Audit noted that Federal Government Employees Housing Foundation, Islamabad was got approved the layout plan of Sector G-13 Islamabad from CDA.

Audit observed that the layout plan of the scheme was required to be implemented according to the approval accorded by CDA but the sponsor (FGEHF) of the scheme has failed to fulfill the terms & conditions of the layout plan/NOC and made the changes/violations in the approved layout plan at his own accord.

Audit further observed that the land which was approved / reserved as amenities plots for establishment of schools, parks and general parking areas was converted into 64 residential plots of Category-I and allotted to various officers in violation of approved layout plan of the sector.

Audit found that out of 64 plots, 52 plots were cancelled after allotment leaving 12 number plots which were created in parking area of the G-13 Markaz. The plots have not so far been cancelled due to their resale in the market in violation of layout plan. This resulted in non-cancellation of irregular created and allotted plots having approximate cost of Rs 300.00 million (12 x Rs 25 million).

Audit maintains that the irregularity resulted due to non-adherence to the bye-laws and weak internal controls.

Audit pointed out irregularity in October 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit recommends that responsibility be fixed against the person(s) at fault for violation of rules.

(DP.6)

6.4.8 Enhancement of Duty Allowance and Utility Allowance without approval of Finance Division - Rs 24.453 million

Para-10 of Office Memorandum of Finance Division, Government of Pakistan No. F. No. 1 (3) / Imp / 2015-630 dated 7th July, 2015 regarding “Revision of Basic Pay Scales & Allowances” states that “All the Special pays, Special Allowances or Allowances admissible as percentage of pay (excluding those which are capped by fixing maximum limit) including House rent Allowance and Allowance/Special Allowance equal to one month basic pay, granted to Federal government employees irrespective of his/her Ministry/Division/Department/office etc, including civil employees of BPS-1 to 22 of Judiciary shall stand frozen at the level of its admissibility as on 30th June, 2015”.

Audit noted that the Federal Government Employees Housing Foundation, Islamabad paying Duty Allowance @ 75% and Utility Allowance @ 25 on the running pay of the employees and has incurred expenditure of Rs 24.453 million on this account during the financial year 2015-16.

Audit observed that as per direction of the Regulation issued by the Finance Division, Government of Pakistan, all departmental allowances relating to the ratio of Basic Pay were frozen at the level of its admissibility as on 30th June, 2015. But the Housing Foundation was not frozen the Duty and Utility Allowances at the level of 30th June, 2015.

Audit further observed that Duty Allowance from 50% to 75% for the year 2015-16 was irregularly enhanced through 139th Executive Committee Agenda No. 3 on 4th May, 2016 without consultation with the Finance Division, Government of Pakistan. This resulted in enhancement of Duty and Utility allowance of Rs 24.453 million.

Audit holds that Duty Allowance and Utility Allowance was enhanced due to non-adherence to rules & regulations, weak internal and financial controls.

Audit pointed out the irregularity in October 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit stresses upon the proper implementation of rules and regulations.

(DP.27)

6.4.9 Irregular appointment of contingent/contract staff - Rs 23.851 million

According to Para 21 of Chapter III of Service Rules, 2008 of Federal Government Employees Housing Foundation, "Subject to qualification and experience as in Schedule-II to the rules, the merit or provincial / regional quotas shall be observed in making appointments to posts in the Foundation in accordance with the instructions issued by the Government from time to time. All vacant posts to be filled up by direct appointment shall be advertised in two or more newspapers having circulation throughout the country. The appointments in this regard shall be made by the competent authority on the recommendation of the designated department selection committee to be constituted for the purpose. The recommendations of the selection committee may be based on interviews with or without written tests on a date to be notified by the appointing authority to the applicants".

Audit noted that the Federal Government Employees Housing Foundation, Islamabad was appointed 86 employees from BPS-01 to BPS-16 as Contingent / Contract staff upto 2015-16 and ninety (90) employees from BPS-2 to BPS-19 without creation of posts.

Audit observed following irregularities in appointment of contingent / contract staff:

- (i) Appointment of contingent staff was required to be made after wide publicity as per PPRA Rule.
- (ii) The appointments were to be made by the competent authority on the recommendation of the designated Department Selection Committee to be constituted for the purpose but the appointments were made without conducting tests, interviews and without recommendation of any Departmental Selection Committee.
- (iii) No merit and provincial / regional quotas were observed in appointment of contingent / contract employees.
- (iv) The contingent staff was appointed for 89 days. After expiry of every period of 89 days, services of contingent staff were being extended by their further appointment for 89 days without reference to any rule.
- (v) It was decided that the posts will be purely project based and will be paid out of relevant projects and will not be reflected on the payroll of the FGEHF. Audit observed that the employees appointed on contingent posts are being paid from budget of the regular employees.
- (vi) Ninety (90) employees in BPS-2 to BPS-19 were appointed with the approval of CEO / Secretary H&W without creation of posts with the approval of Executive Committee / Establishment Division and following due process as notified by was required after due process notified by Establishment Division vide OM No. F.53/1/2008-SP dated 16th January, 2015. Ex-post facto approval of the Executive Committee was obtained without observing provisions of recruitment policy.
- (vii) Mr. Rafaqat Saeed and Syed Gazanfar Ali Shah were appointed initially as Assistant Directors on contingent basis but later on their appointment was converted to regular employees in violation of service rules.

Non-observance of Service Rules /Recruitment Policy resulted in an irregular recruitment of contingent / contract staff and payment of Rs 23.851 million during 2015-16.

Audit pointed out the irregularity in October 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

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

(DP.14)

6.4.10 Unauthorized/unjustified payment of honorarium - Rs 18.867 million

As per Rule 10.2 of Service Rules of Federal Government Employees Housing Foundation, the Board of Directors/Chief Executive/Chief Operating Officer may grant honorarium to officers/staff as remuneration for work performed which is occasional in character and either so laborious or of such special merit as to justify a special reward.

6.4.10.1 Audit noted that FGEHF paid honorarium of Rs 18.867 million to the employees of Foundation and Ministry during the year 2015-16.

Audit observed that the Foundation granted honorarium to its officers and staff on account of auction of plots/flats, removal of encroachments, late sitting and good performance, etc. without giving detail of laborious work performed.

Audit further observed that honorarium was granted to officers/officials on the basis of temporary increase in duties which was not a valid justification as the temporary increase in work were of routine service and part of legitimate duties of the employees.

(DP.9)

6.4.10.2 Audit observed that out of total payment of honorarium of Rs 962,000 was made to the employees of other departments and Rs 478,000 were charged to Honorarium instead of relevant head of accounts irregularly. This resulted in irregular payment and charging of other expenses to the Honourarium Head of Rs 0.962 million during 2015-16.

(DP.10)

Audit holds that unauthorized expenditure was made due to non-adherence to rules and regulations and weak internal/financial controls.

Audit pointed out irregularities in October 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit recommends investigation and appropriate measures to improve financial discipline in the organization.

6.4.11 Unauthorized deployment of excess staff than sanctioned strength resulting in excess expenditure - Rs 8.700 million per annum

According to Service Rules 19 of the Federal Government Employees Housing Foundation, the Board of Directors shall have full powers to create or abolish any post subject to the budgetary provision. As per Service Rule 20, all appointments in the Foundation shall be made against sanctioned posts only and appointments to all the posts shall be made by the Foundation with the approval of the competent authority.

Audit noted that certain posts of all trades from BPS-1 to BPS-16 were sanctioned by the competent authority and accordingly, allocation for salary was made in the budget for every year.

Audit observed that the Federal Government Employees Housing Foundation, Islamabad appointed employees in excess of the sanctioned posts without approval of the competent authority. Appointment of excess employees resulted in disbursement of excess salaries of Rs 8.700 million during the year 2015-16 of Rs 8.700 million.

Audit holds that excess employment was made due to non-adherence to the sanctioned strength, weak administrative and financial controls,

Audit pointed out the irregularity in October 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit recommends action against persons responsible for violation of regulations.

(DP.13)

6.4.12 Unauthorized use of Government vehicles by the officer and non-recovery thereof - Rs 15.687 million

According to Rules / Policy for monetization of transport facility for Civil Servants (BS-20 to BS-22), the Federal Government decided that implementation of the Policy shall be strictly adhered by all Ministries / Divisions / Attached departments and Sub-ordinate Officers and its overall compliance as per defined parameters shall be the responsibility of all Principal Accounting Officers by obtaining Certificates from each of the entitled officers in BS-20 to BS-22 including himself / herself that he / she is not in possession or in use of any project vehicle or the departmental operational / general duty vehicle, as well as, any vehicle of an organization or body corporate in his ex-officio capacity as member of its Board except, the only vehicle allocated to him through this Monetization Policy.

Federal Government approved the Compulsory policy for Monetization of transport facility for Civil Servant BPS-20 to 22 and implemented from 1st January, 2012. The basic objective of this policy was in line with the observance of the austerity measures and to eliminate any possibility of misuse of the official vehicles, as well as, to restrict the maintenance expenditure of the vehicles to the bare minimum.

On the basis of the expenditure being incurred on provision / maintenance of the official transport, allocated to the Civil Servants BS-20 to BS-22, the entitled officers shall be eligible for Rs 65,960, Rs 77,430 and Rs 95,910 per month, respectively.

6.4.12.1 Audit noted that Federal Government Employees Housing Foundation Islamabad appointed a BPS-19 officer of Pakistan Administrative Service as Director General, FGEHF in BPS 20 under Section 10 of the Civil Servant Act, 1973 on acting charge on 29th May, 2015. Audit further noted that the officer applied on 15th June, 2016 to FGEHF for release of monetization allowance on the basis that he was promoted to BS-20 on 29th May, 2015.

Audit observed that the officer was allowed transport monetization of Rs 65,960 per month from 29th May, 2015 and Rs 791,520 was paid up to May 2016 as arrear of transport monetization in June 2016.

Audit further observed that in the same period, vehicle No. GAA-095 Model-2015 (Toyota Corolla (Altis)) & SS-612 Model-2010 (Toyota Corolla) were shown attached with Director General of FGEHF, along with services of drivers, POL and repair & maintenance. This resulted in un-authorized use of transport and non-recovery of Rs 5.700 million.

(DP.35)

6.4.12.2 Audit observed the officer was working in BS-19 and appointed to BS-20 on acting charge basis in pursuance of Establishment Division Notification No. F.1/3/2015/E-5 (PAS) dated 29th May, 2015 but was allowed monetization allowance without adopting transport Monetization

Policy. The officer is also using services of driver without deduction of Rs 10,000 on account of services of driver. This resulted in un-authorized grant of transport monetization allowance of Rs 1.187 million @ Rs 65,960 per month for the period from June 2015 to November 2016.

(DP.34)

6.4.12.3 Audit noted that vehicle No. GAA-344 Model-2015 (Toyota Corolla Car) and GV-471 Model-2010 (Honda City) were shown attached with VIP / Senior Management of Ministry of Housing & Works since the implementation of policy for monetization in 2012 along with services of drivers, POL and repair & maintenance.

Audit observed that the officers of senior management are also drawing transport monetization allowance @ Rs 95,910 and Rs 77,450 per month. On the other hand, the vehicles of the Housing Foundation are being used without any legal authority. This resulted in un-authorized use of vehicles of the housing foundation and resultant irregular charging of expenditure to the foundation of Rs 8.800 million from 2012 to 2016.

(DP.8)

Audit maintains that the un-authorized use of transport resulted due to non-adherence of rules & regulations and weak financial controls.

Audit pointed out the irregularities in October 2016. The Foundation did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit stresses implementation of monetization policy in its true spirit besides recovery on account of unauthorized use of vehicles.

6.4.13 Irregular payment of Out of Pocket expenses from the head Honorarium to the Members of the Executive Committee - Rs 1.110 million

Para-IV of the Memorandum of Association, of Federal Government Employees Housing Foundation, Islamabad states that The money, property or income of the foundation shall be applied solely toward the promotion of the objects of the foundation as set forth in the Memorandum of Association and no portion thereof shall be paid or transferred directly or indirectly by way of dividend, bonus, or otherwise by way of profit, to the Members of the foundation. Provided that nothing herein contained shall prevent the payment in good faith of remuneration to any officers or employees of the foundation or other person except a Member in return of any services actually rendered, or rent for any property, leased or hired from any person to the foundation. No member of the Executive Committee or the Foundation shall be appointed to any salaried office of the Foundation or any office of the Foundation paid fees and no remuneration or other benefit in money or money's worth shall be given by the foundation to any member.

As per Memorandum of Articles, the Executive Committee of the FGEHF shall consist of the following members:-

- | | |
|--|---------------|
| 1. Secretary Housing & Works, | Chairman |
| 2. Joint Secretary (Works), | Vice Chairman |
| 3. Financial Advisor Works, Ministry of Finance, | Member |
| 4. Joint Secretary Cabinet Division, | Member |
| 5. DG Pak PWD, | Member |
| 6. Deputy Secretary, Admin Works Division, | Member |
| 7. OSD (P&EC), | Member |

Audit noted Federal Government Employees Housing Foundation Islamabad, paid honorarium / out of pocket expenses of Rs 1.110 million to the members of the Executive Committee during the year 2015-16.

Audit observed that honorarium in shape of out of pocket expenses to the members of the Executive Committee constituted under Memorandum of Article of the Association of the Foundation was paid while, as per Memorandum, no member of the Executive Committee or the Foundation was to be appointed to any salaried office of the Foundation or any office of the Foundation and paid fees. No remuneration or other benefit in money or money's worth was to be given by the Foundation to any member. This resulted in irregular payment of Rs 1.110 million.

Audit maintains that irregularity occurred due to non-adherence to the provisions of the Article of Association of the Foundation and lack of oversight mechanism for exercising internal and financial controls.

Audit pointed out the irregularity in October 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit stresses action against persons responsible.

(DP.32)

Internal Control Weaknesses

6.4.14 Purchase of raw land measuring 15,000-20,000 kanals in undulated area for Green Enclave, Bharakau - Rs 16,000.00 million

According to Federal Government Employees Housing Foundation (FGEHF) Expression of Interest (EOI) issued on 22nd April, 2016 through advertisement in the press for inviting proposals through open competitive bidding for purchase of 15,000-20,000 kanals raw land contiguous and adjacent to Bharakahu Green Enclave Phase-I from open market.

Audit noted that as per EOI, approximately 15,000 kanals of land in Bhara Kahu contiguous to FGEHF Scheme Angori Road in compact piece of land preferably smooth and without undulating topographic features / level difference was required for development of a housing scheme known as “Bharakahu Green Enclave (Phase-II) to meet the requirements of registered members of Membership Drive Phase-I.

Audit further noted that M/s International Center for Services Exchange & Co (ICSE) offered price for each kanal of raw land @ Rs 800,000.

Audit observed that an agreement was signed on 30th August, 2016 with M/s International Center for Services Exchange & Co (ICSE) for provision of raw land for 15,000-20,000 kanals situated in Mouzas, Bobri, Shakreela, Pholgran, Sehli, Jundgran, Jandalla, Kithar Gharbi, Mera Bigwal, Kithar, Mangal, Chaka Bogwal, in Sub Zone ‘B’ of Zone 4 of Islamabad.

Audit further observed that as per topographic features and Google images of the area, the land is not smooth and without undulation. The land has very much level differences due to which, there would be less availability of plots and loss of land due to level difference as was observed in the land purchased for Green Enclave Phase-I. Hence, it would be impossible to develop all plots as per requirement of CDA that “the developed area shall not be more than 10 feet below the respective finished road level and shall not be more than 20 feet above the respective finished road level”.

It is also noticed that as per EOI, land was demanded in Mouzas Sakrela, Chak Malata, Dakhli Phulgran, Bobri, Dohala Syedian and Pind Begowal while the lowest bidder offered land in the Mouzas Bobri, Shakreela, Pholgran, Sehli, Jundgran, Jandalla, Kithar Gharbi, Mera Bigwal, Kithar, Mangal, Chaka Bogwal which was not matching with the need assessment and EOI of the FGEHF. Even then the offer was accepted and contract signed in violation of the bidding criteria. This resulted in

unjustified site selection and acceptance of offer of land worth Rs 16,000 million (20,000 kanals x Rs 800,000).

Audit maintains that the site was selected due to non-adherence to the requirement / EOI and weak internal controls.

Audit pointed out the irregularity in October 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit recommends investigation for fixing responsibility and action against persons responsible.

(DP.4)

6.4.15 Non-Insurance of work costing of Rs 946.518 million and non-recovery of inbuilt insurance charges/premium - Rs 18.930 million

According to clause -21.1 – 25 of agreement, the contractor shall, prior to commencement of the works, insure works and equipment etc. in the joint names of the Employer and Contractor against all losses or damages from whatever cause arising for which he is responsible under the terms of the Contract and for the contract period and period of maintenance. He was also required to get third party insurance (including employer's property) against liabilities for death of or injuries to any person or loss or damages to the property arising out of the performance of the contract. If, the Contractor fails to effect and keep in force the insurance which he may be required to effect under the terms of the Contract, then and in any such case the Employer may effect and keep in force any such insurance and pay such premium or premiums as may be necessary for that purpose and from time to time deduct the amount so paid by the Employer from any monies due, or which may become due to the Contractor, or recover the same as a debt due from the Contractor.

Audit noted that Federal Government Employees Housing Foundation, Islamabad awarded the work “Development and Rehabilitation works of Sector G-13, Islamabad” to contractor for Rs 946.518 million on 8th August, 2016. The work was commenced on 22nd August, 2016 to be completed upto 21st August, 2018. The Contractor has been paid value of work done of Rs 161.820 million.

Audit observed that the contractor did not submit the insurance policies in violation of contract. The contractor also got benefit by saving the insurance policy charges approximately 2% of the contract cost. This resulted in putting the property of the government of Rs 946.518 million on risk due to non-provision of insurance cover and non-recovery of inbuilt insurance charges of Rs 18.930 million.

Audit maintains that insurance cover was not obtained due to non-adherence to the provisions of the agreement, weak internal and financial controls.

Audit pointed out irregularity in October 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit recommends obtaining of insurance policies and early recovery of inbuilt insurance charges for uninsured period.

(DP.31)

6.4.16 Unjustified inclusion of supervision cost in the contract of infrastructure development of F-14/15 - Rs 769.090 million

As per Request for Proposal (RFP), printed in Express News dated 31st May, 2015, consultants were called to apply for pre-qualification by the Federal Government Employees Housing Foundation for infrastructure development work at F-14/F-15, Islamabad. The major project components includes, Survey and Master Planning, Design of

development works (Roads, water supply, drainage, sewerage, electrification, sui-gas etc), Preparation of contract documents and Construction Supervision

Audit noted that M/s Osmani & Company (Pvt.) Ltd was considered lowest evaluated bidder and the contract for “Survey, planning, designing and construction supervision of infrastructure services of Sector F-14 & F-15 Islamabad” was awarded at cost of Rs 78.795 million on 4th March, 2016.

Audit further noted that Federal Government Employees Housing Foundation also invited Request for Proposal (RFP) on Single-Stage two Envelop System on 30th August, 2015 for Infrastructure Development work in Sectors F-14 and F-15 on the basis of Engineering Planning and Construction (EPC) / Turnkey. The work was awarded to M/s FWO at their quoted bid of Rs 15,125.450 million on 29th September, 2016.

Audit observed that the bid of M/s FWO included an amount of Rs 769.090 million (6% of construction cost of Rs 12,818.178 million) on account of Design and Construction Supervision. As the work was to be supervised by the Consultants as per their agreement, inclusion of Rs 769.090 million in the EPC contract of M/s FWO on account of design and construction supervision was not justified / required.

Audit maintains that design and supervision cost was included due to non-adherence to the conditions of the consultancy contract, weak internal and financial controls.

Audit pointed out the irregularity in October 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit recommends investigation besides recovery.

(DP.23)

6.4.17 Extra cost to the public in shape of price escalation and supervision charges due to less deployment of labour and equipment - Rs 269.896 million

According to Clause 41.1 of Contract, the Contractor shall commence the Works as soon as is reasonably possible after the receipt by him of a notice to this effect from the Engineer, which notice shall be issued within the time stated in the Appendix to the Tender after the date of the Letter of Acceptance. Thereafter, the Contractor shall proceed with the Works with due expedition and without delay. As per agreement/ revised work programme, the Contractor was required to deploy proper operational machinery and manpower as per requirement at the site of work to complete the work in time/extended time.

Audit noted that Director General, FGEHF, Islamabad awarded a work “construction of infrastructure works for Development of Sectors G-14/1, 2, 3 & G-15/3 Islamabad (contract Package-01 for sector G-14/2 & G-14/3)” to M/s National Construction Limited on 24th August, 2012 at the bid cost of Rs 1,499.439 million subject to completion of work within 24 months. The contract was later on assigned to M/s ASCO (a sub-contractor) under Clause 3.1 of the agreement at the same terms and conditions.

Audit observed from the Progress Report of the month of June 2016 that following factors has delayed the project inordinately and it is likely that extra cost of Rs 269.896 million (Rs 1,499.429 x 6% x 2 years plus supervision charges Rs 89.965 million @ 3%) will be incurred in shape of 6% annual price escalation and supervision charges:

- (a) Only 23 persons including labour against requirement of 183 were engaged on the work which shows deficiency of 160 numbers.
- (b) Only 6 machines were available at site of work against requirement of 146 number different type machines provided in

the agreement. As per Progress Report for the month of June 2016 describe that the 6 machines are standing idle.

- (c) Qualification of the Contractor's supervisory staff has been prescribed in Appendix to Bid but the Contractor has not provided detail of the supervisory staff along with their academic qualification as per agreement.
- (d) Due to deployment of less equipment, labour and material, the contractor could only achieve progress of 5.25% upto 30th June, 2016 against planned progress of 100%.

This state of affairs proves that proper and required manpower, machinery/equipment and material was not made available at site of work by the Contractor for completion of work within extended time but the Foundation has not taken any action against the Contractor for poor performance.

Audit maintains that extra cost was likely to be incurred due to non-deployment of sufficient machinery and manpower and poor contract management.

Audit pointed out the matter in October 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit stresses to investigate the matter and responsibility be fixed against the persons at fault.

(DP.20)

6.4.18 Non-transfer of land in the name of Federal Government Employees Housing Foundation - Rs 200.00 million

According to Clause 12 of agreement signed between Federal Government Employees Housing Foundation (FGEHF) and M/s

International Center for Services Exchange & Co (ICSE), for due and diligent performance of the contract and to keep the purchaser indemnified, the Seller shall transfer first 250 kanals of land in the name of Purchaser on the basis of deferred payment, which amount shall be retained by the purchaser as security and it shall be reimbursed to the seller after satisfactory completion of the contract within the period agreed upon under the contract between the parties. The Purchaser shall be entitled to use the amount for indemnifying itself in case any owner of land or any other person claims rights interests in land under transfer or to utilize the amount in the event of any litigation and on account thereof which may arise on account of transfer of land by seller on any ground whatsoever or in case of delay on the part of Seller in execution of contract.

Audit noted that Federal Government Employees Housing Foundation (FGEHF) issued Expression of Interest (EOI) on 22nd April, 2016 through advertisement in the press and invited proposals through open competitive bidding for purchase of 15,000-20,000 kanals raw land contiguous and adjacent to Bharakahu Green Enclave Phase-I from open market. The land was required for development of its housing scheme known as “Bharakahu Green Enclave (Phase-II) to meet the requirements of registered members of Membership Drive Phase-I. Audit further noted that M/s International Center for Services Exchange & Co (ICSE) offered price for each kanal at the rate of Rs 800,000.

Audit observed that time is essence of the agreement and time for completion of the assignment as per terms and conditions of the contract was provided as six months from the date of signing of agreement (agreement signed on 30th August, 2016) extendable for another period of six months. In case of default of any provision of the agreement on the part of the Seller, the performance security provided by him shall be forfeited.

Audit further observed that 33% time was expired but the Seller has not so far mutated any piece of land in the name of the FGEHF. The Company has not even transferred 250 kanals of land in the name of

purchaser for due and diligent performance of the contract and to keep the purchaser indemnified as per Clause 12 of agreement. The Foundation was not taken any action against the Company due to default in mutation of land in the name of the FGEHF. This resulted in non-transfer of land measuring 250 kanals as security in the name of FGEHF costing 200 million.

Audit maintains that the irregularity resulted due to weak contract management, internal and financial controls.

Audit pointed out irregularities in October 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit stresses for early mutation of land besides fixing responsibility.

(DP.1)

6.4.19 Non-imposition and recovery of liquidated damages on account of delay in completion of work - Rs 149.439 million

According to clause-47.1 of the agreement, the time allowed for carrying out the work as entered in the tender was to be strictly observed by the contractor being deemed to be essence of the contract. In case of his failure to comply with this condition, he was liable to pay compensation amount equal to 0.1 percent or such smaller amount as the Engineer-in-Charge may decide maximum to 10 percent of the estimated cost of the work as shown in the tender.

Audit noted that Director General, FGEHF, Islamabad awarded a work construction of infrastructure works for Development of Sectors G-14/1,2,3 & G-15/3 Islamabad (contract Package-01 for sector G-14/2 & G-14/3) to M/s National Construction Limited on 24th August 2012 at the bid

cost of Rs 1,499.439 million subject to completion of work within 24 months.

Audit observed that the Contractor had only achieved physical progress of 5.25% upto June, 2016. Therefore, contractor was liable to pay liquidated damages as per clause referred but the foundation did not take any action. This resulted in non-imposition and recovery of liquidated damaged worth Rs 149.943 million (Rs 1,499.439 x 10 %).

Audit maintains that non-imposition and recovery of liquidated damages occurred due to ineffective monitoring, non-compliance with rules, regulations and weak internal control.

Audit pointed out the non-recovery in October 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit recommends early implementation of contract clause and recovery.

(DP.21)

6.4.20 Undue financial aid due to non-recovery of Secured Advance - Rs 46.084 million

According to Clause 60.11 of agreement, the Contractor shall be entitled to receive from the Employer Secured Advance against an indemnity bond acceptable to the Employer of such sum as the Engineer may consider proper in respect of non-perishable materials brought at the site and recovery of secured advance shall be effected from the monthly payments on actual consumption basis.

Audit noted that Federal Government Employees Housing Foundation, Islamabad awarded the work "Development and Rehabilitation works of Sector G-13, Islamabad" to contractor for

Rs 946,518,316 on 8th August, 2016. The Contractor was paid value of work done of Rs 161.820 million and paid secured advance of Rs 67,330,526 to the Contractor in IPC-I paid on 14th October, 2016.

Audit observed that 736,187 cft of granular sub-base material and base material of 567,493 cft was consumed upto 2nd running bill paid on 15th November, 2016 but no recovery of secured advance against consumed material was made from the payments. This resulted in undue financial aid to the contractor of Rs 46.084 million.

Audit maintains that the secured advance was not deducted due to non-adherence to the provision of agreement clause 60.11, weak internal and financial controls.

Audit pointed out the undue financial aid in October 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit stresses for early recovery of secured advance besides disciplinary action against the responsible.

(DP.30)

6.4.21 Overpayment due to non-deduction of earth available from structural excavation - Rs 31.111 million

According to NHA General Specification item 108-C Formation of Embankment from Borrow Excavation, the quantities to be paid for shall be the number of cubic meters calculated on theoretical designed lines and grades and the ground levels as established under clause 100.9, compacted in place, accepted by the Engineer. The Measurement shall be made as under:

Formation from Borrow = Total Embankment Quantity
(minus) Roadway excavation Quantity (minus) structural
excavation Quantity.

Audit noted that Director General, FGEHF, Islamabad awarded a work construction of infrastructure works for Development of Sectors G-14/1,2,3 & G-15/3 Islamabad (contract Package-01 for sector G-14/2 & G-14/3) to contractor on 24th August 2012 for Rs 1,499.439 million . The contract was later on assigned to M/s ASCO (a sub-contractor) at the same terms and conditions.

Audit observed that an item of work '107 a structural excavation in common material' was executed for a quantity of 127,952.947 Cum and another item '108c formation of embankment from borrow excavation in common material' was executed for a quantity of 215,950.15 Cum.

Audit observed that common material obtained from structural excavation was not deducted from the pay item of 'formation of embankment from borrow excavation in common material' to arrive at net payable quantity. This resulted in an overpayment of Rs 31.112 million.

Audit maintains that the overpayment resulted due to non-adherence to the NHA General Specification.

Audit pointed out the overpayment in October 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit recommends early recovery.

(DP.19)

6.4.22 Allotment of vehicles to non-entitled officers and Non-recovery from unauthorized users of staff cars - Rs 29.977 million

According to Staff Car Rules, entitled Officers for allotment of vehicles means officers of grade 22, 21 & 20 of the Federal Government borne on the sanctioned Establishment of a Division or an Organization under its administrative control.

Rule 5 (2, 5, 6 & 9) for the use of Staff Cars, 1980 provides that if, staff cars are available, these may also be provided to Provincial Officers of Grade 18 and above on request provided the official tour is outside their normal jurisdiction. An officer of Grade 19 and above may use the staff car for attending diplomatic and official functions in his official capacity whether during or outside office hours. The officers of Grade 18 & 19 may make use of staff cars from going to office and back on pooling arrangements provided they surrender their car maintenance allowance. This facility shall be provided only if a number of three officers are available to utilize the staff cars. The use of staff car shall not be allowed to an officer who is in receipt of conveyance allowance under Supplementary Rule 25.

6.4.22.1 Audit noted that Federal Government Employees Housing Foundation, Islamabad allotted staff cars to the officers working in BPS-16 to BPS-19.

Audit observed that allotment of vehicles to non-entitled officer's along with petrol, Driver with overtime and maintenance at the cost of the Foundation and spend Rs 21.600 million on maintenance in violation of rules. This resulted in irregular / unauthorized allotment of vehicles to the non-entitled officers which may be recovered.

(DP.29)

6.4.22.2 Audit observed that the officers are enjoying staff car facility without surrendering their conveyance allowance since many years in contravention of Staff Car Rules of the Government of Pakistan. This

resulted in irregular use of transport, and non-surrendering of conveyance allowance of Rs 8.378 million.

(DP.28)

Audit maintains that non-entitled officers are enjoying full staff car facility like an entitled officer from last many years without recovery on account of cost of petrol, salary of driver and overtime, maintenance etc.

Audit pointed out irregularity in October 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit stresses for early recovery besides action against the person at fault.

6.4.23 Wasteful expenditure due to non-monitoring / inspection of the work - Rs 25.473 million per annum

According to Clause 24 of contract agreement “ in case of any failure by the contractor in cleaning/lifting of garbage/debris green waste/garden waste etc. or any other work described in the contract, fine of Rs 2,000.00 to Rs 5,000.00 will be imposed on per point / complaint / inspection as per agreed schedule.

Audit noted that the Federal Government Employees Housing Foundation awarded a contract for “Sanitation collection and disposal of garbage from Sector G-13 and G-14/4, cleaning of parks, play grounds, schools and streets” to M/s Maqsood & Co. for the period from 1st March, 2015 to 28th February, 2016 for Rs 25.473 million per annum. The contract was subsequently extended upto 28th February, 2017 in parts.

Audit observed that no monitoring / inspection system exists in the foundation as no fine was imposed and recovered from the Contractor on

violation of agreement despite written complaints of the residents regarding poor cleaning services.

Audit maintains that contractor did not perform his duty effectively and efficiently because of non-monitoring/inspection/evaluation of contractor work and lenient observance of foundation which caused undue benefit to the contractor and wasteful expenditure of Rs 25.473 million per annum.

Audit pointed out the wasteful expenditure in October 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit recommends action against persons responsible for wasteful expenditure.

(DP.24)

6.4.24 Overpayment due to measurement of extra lead - Rs 11.823 million

According to item 108.4.2 of NHA Specifications, 1998, the accepted quantities measured shall be paid for at the Contract unit price respectively for the pay items No. 108c (Formation of embankment from borrow) shown in the Bill of Quantities, which price and payment shall constitute full compensation for excavation, payment of royalty, levies and taxes of Local, Provincial and Federal Government, cost of hauling including all lead and lift, spreading, watering, rolling, labour, equipment, tools and incidental necessary to complete the work prescribed in this item.

Audit noted that Director General, FGEHF, Islamabad awarded a work construction of infrastructure works for Development of Sectors G-14/1,2,3 & G-15/3 Islamabad (contract Package-01 for sector G-14/2 & G-

14/3) to M/s National Construction Limited on 24th August 2012 for Rs 1,499.439 million.

Audit observed that the estimates of the work were based on NHA CSR 2009 and NHA specification was adopted for execution of road and bridges works. NHA rates are inclusive of all lead and lift, hence no additional lead and lift was required to be paid. It was further observed that extra lead under extra item beyond two kilometers was allowed. This resulted in overpayment of Rs 11.823 million.

Audit maintains that the overpayment occurred due to non-adherence to the NHA specification, weak financial and internal controls.

Audit pointed out the overpayment in October 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit stresses for early recovery.

(DP.18)

6.4.25 Non-recovery of water and conservancy charges against commercial/residential properties - Rs 8.722 million

According to 136th meeting of Executive Committee the Federal Government Employees Housing Foundation Islamabad was authorized to collect the water and conservancy charges from the residents of G-13, Islamabad on CDA approved rates.

Moreover, according to Rule-26 of General Financial Rules Vol-I, it is the duty of departmental officer to see that all sums due to Government are regularly assessed, demanded, realized and remitted into Treasury.

Audit observed that water and conservancy charges amounting to Rs 8.722 million were lying outstanding against the commercial / residential properties. Audit further observed that no strenuous efforts were made to pursue the recovery. This resulted in non-recovery of Rs 8.722 million.

Audit maintains that non-recovery of outstanding dues occurred due to non-pursuance of the matter by the management properly and ineffective implementation of administrative, internal and financial controls.

Audit pointed out the non-recovery in October, 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit stresses for early recovery.

(DP.26)

6.4.26 Loss to Government in shape of taxes due to non-application of current market rates of the property regarding transfer of plots to private persons

As per Memorandum of Articles, the Federal Government Employees Housing Foundation was established to eradicate shelterlessness for Federal Government Employees serving and retired and for other specified groups of people as decided by the Foundation from time to time and assist as far as possible each of them to have a house at the time of his retirement or earlier, and his dependents in case of his death before retirement.

Audit noted that Federal Government Employees Housing Foundation introduced various schemes for Islamabad as well as for provincial capitals and other cities of Pakistan and allotted approximately 25,000 plots / flats to the employees on subsidized rates. Audit further

noted that the plots / flats allotted by the FGEHF to the employees were on subsidized rates less than actual market value.

Audit observed there was no proper policy exists in the foundation to check / restrict the price of plot / flat at the time of sale / transfer. Audit scrutinized some transfer cases on test check basis and found that the sale / transfer was on less rates than the market or the auction price of the flats, for example a flat No. 4-C, Block No.9, G-11/3, Islamabad was auctioned by the FGEHF in the fifth auction held on 28th July, 2015 at offered price of Rs 8.750 million to Mian Shehzad Latif. Resultantly, the flat was allotted to the highest bidder on 8th March, 2016. Audit further observed that the same flat was sold out by the allottee to Mst. Saima Yasir, the cost of the plot was shown as Rs 5.000 million against auction price of Rs 8.750 million and withholding Tax and CVT on transfer was also paid on sale deed price of Rs 5.000 million instead of actual price of Rs 8.750 million. Similarly, several plots in the sectors of FGEHF of the same size and in the same vicinity in the same financial year were admitted and transferred showing lesser price than prevailing market price. This position shows that the plots / flats were sold / transferred on lower rates. Exact sale price was not declared to the Foundation to escape from the payment of actual taxes.

Audit holds that actual rates were not declared due to non-availability of proper policy of sale/transfer, weak internal and financial controls.

Audit pointed out the matter in October 2016. The Foundation did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit recommends action against persons responsible for loss.

(DP.2)

CHAPTER 7

NATIONAL CONSTRUCTION LIMITED (MINISTRY OF HOUSING AND WORKS)

7.1 Introduction

National Construction Limited (NCL) was incorporated on 16th November, 1977 under the Companies Act, 1913, later on replaced with Companies Ordinance, 1984 as unlisted public company. The principal activities of the Company are to carry out the business of construction as consultant, advisor, structural engineer, builder, architect, contractor, job contractor and designer and to engage in other allied activities. The authorized share capital of the Company is Rs 200.00 million. Issued subscribed and paid up capital is Rs 199.13 million.

7.2 Comments on Audited Accounts

7.2.1 The working results (Profit & Loss Account) of the Company for the year 2014-15 and 2015-16 as compared to the previous years are tabulated below:

(Rs in million)

Description	2013-14	2014-15	% Increase/ (Decrease)	2015-16	% Increase/ (Decrease)
Contract income	614.96	410.89	(33.18)	418.56	1.86
Cost of work done (Direct cost)	501.17	331.73	(33.81)	337.94	1.87
Gross Profit	113.79	79.16	(30.43)	80.62	1.84
General and Administrative/indirect cost	80.75	66.56	(17.57)	65.78	(1.17)
Operating Profit	33.04	12.60	(61.86)	14.84	17.77
Financial charges	4.35	0.24	(94.48)	0.25	4.16
Other Operating income	24.59	19.09	(22.37)	19.12	0.15
Profit before taxation	53.28	31.45	(40.97)	33.72	7.21

Description	2013-14	2014-15	% Increase/ (Decrease)	2015-16	% Increase/ (Decrease)
Provision for taxation	41.79	27.51	(34.17)	29.03	5.52
Profit after taxation	11.49	3.94	(65.71)	4.69	19.03
Accumulated profit	57.09	61.03	6.90	65.72	7.68

(Source: Annual Audited Accounts of NCL).

Note: Increase/decrease (in %age) has been determined by comparison of 2015-16 with 2014-15 and that of 2014-15 with 2013-14.

7.2.2 The contract income increased by 1.87 % from Rs 410.89 million in 2014-15 to Rs 418.56 million in 2015-16. The cost of work done increased by 1.87% from Rs 331.73 million in 2014-15 to Rs 337.94 million in 2015-16. The increase in income was almost equal to increase in cost, resultantly the gross profit margin also increased by 1.84 % in 2015-16 whereas in the previous year it had decreased by 30.43%. However, general and administrative expenses decreased by 1.17 % from Rs 66.56 million in 2014-15 to Rs 65.78 million in 2015-16 due to which the operating profit increased by 17.77 % from Rs 12.60 million in 2014-15 to Rs 14.84 million in 2015-16. Efforts needed to be made to increase the profitability of the Company.

7.2.3 Doubtful debts at the close of the financial year were Rs 299.637 million which were increased upto Rs 304.238 million at the close of financial year 2015-16 (Note 8 to Financial Statements).

7.2.4 The commitments in respect of contract works for the ongoing projects at the balance sheet date amounts to Rs 3,391.600 million which were Rs 1842.851 million at the close of financial year 2014-15 (Note 16.2 of Financial Statements).

7.2.5 The Financial Statements of the employees' provident fund trust are yet un-audited (Note 26 to the Financial Statements).

7.2.6 According to Article 90 of Articles of Association of National Construction Ltd., a balance sheet shall also be prepared every year and laid before the Company in General Meeting. The said account and balance sheet shall be accompanied by such reports and documents and

shall contain such particulars as are prescribed by the Ordinance and the Directors shall in their report state the amount which they recommend to be paid by way of dividend, the amount (if any) which they propose to carry to any reserve fund.

The issued, subscribed and paid up capital of M/s NCL was Rs 199.13 million equal to 19,913,347 ordinary shares of Rs 10 each (Note 11 to Financial Statements). There was no movement in share capital during the year 2015-16. Profit and loss account of the company for the year ended on 30th June, 2016 showed profit after taxation for Rs 4.691 million with earning per share of Rs 0.23. Annual Report for the year 2015-16 revealed that the Company had not paid any dividend to its shareholders viz. M/o Housing and Works, National Bank of Pakistan and National Investment Trust. The reports showed un-appropriated profits (retained earnings) of Rs 61.03 million as on 30th June, 2015 and Rs 65.72 million as on 30th June, 2016.

7.3 Brief comments on the status of compliance with PAC's directives

The Directorate General Audit Works (Federal) conducted audit of the accounts of NCL for the first time during 2013-14. Previously the entity was under the auditorial jurisdiction of Directorate General Commercial Audit. Compliance position of PAC's directives, as adopted from Audit Report of Public Sector Enterprise is as under:

Audit Report	Total Paras	Compliance made	Compliance awaited	Percentage of compliance
1990-91	01	01	-	100
1991-92	01	01	-	100
1992-93	05	05	-	100
1993-94	03	02	01	67
1995-96	01	01	-	100
1996-97	02	02	-	100
1999-00	07	03	04	43

Audit Report	Total Paras	Compliance made	Compliance awaited	Percentage of compliance
2000-01	01	01	-	100
2001-02	01	01	-	100
2003-04	05	04	01	80
2005-06	05	05	-	100
2006-07	08	06	02	75
2007-08	02	0	02	-
2008-09	04	03	01	75
2009-10	05	05	0	100
2010-11	01	01	0	100

Audit Reports for the year 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16 are yet to be discussed by PAC.

7.4 AUDIT PARAS

Internal Control Weaknesses

7.4.1 Unjustified/Excess retention on account of Head Office Share beyond the permissible limit by the NCL - Rs 23.055 million

As per Management Planning Document (MPD) of the projects, Construction of Pakistan Institute of Trade & Development (PITAD) Building, H-8/4, Islamabad and PAEC Projects at Nilore, Head Office Share was prescribed @ 4% of work done of the projects.

Audit observed that National Construction Limited, Head Office, Islamabad retaining its share beyond permissible limit of 4% prescribed in the Management Planning Documents (PMD) of the following Projects which was irregular and unjustified. This resulted into irregular/unjustified retention of Head Office Share for Rs 23.055 million

Audit maintains that the excess retention of head office share was due to weak financial controls and contract administration.

Audit pointed out excess retention of head office share in December 2016. The Company did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit stresses for strict financial discipline besides justification of excess retention of head office share than permissible limit.

(DP.10)

7.4.2 Non-imposition of penalty of Rs 13.963 million due to non-deposit of income tax deducted at source in the Government Treasury - Rs 20.907 million

According to Income Tax Ordinance, 2001, the Income Tax deducted at source under Section 152 (A1) read with Rule 43 of Income Tax Rules 2002 (Collection and Deduction of tax at source - Tax Payers' Facilitation Guide) was required to be deposited in the Government Treasury within seven days.

Income Tax Ordinance 2001, Chapter IX "Recovery of Tax" under Para 86 "charge of additional tax for failure to deduct and pay tax" provides that any person fails to deduct, or having deducted, fails to pay any tax, as required by Section 50, such person shall, without prejudice to any liability he may incur, be liable to pay additional tax at the rate of twenty four percent per annum on the amount not paid for the period commencing from the date which he was required to pay such tax to the date of the payment thereof.

Audit noted that National Construction Limited, Islamabad deducted Income Tax of Rs 20.907 million (withholding tax Rs 18.973 million and Salaries Tax for Rs 1.934 million) from the payments made to different suppliers/sub-contractors and salaries of the employees of the Company during the financial year 2015-16.

Audit observed that the Income Tax deducted at source during the financial year 2015-16 amounting to Rs 20.907 million was not deposited into FBR/Government Treasury. The amount was lying in the Company's account under head "accrued liabilities". This resulted in non-remittance/non-deposit of income tax of Rs 20.907 million.

Audit further observed that during the financial years 2013-14 and 2014-15 income tax deducted at source was deposited late. The concerned officers/officials were thus liable to pay penalty @ 24% per annum under above referred provision of the Income Tax Ordinance. This resulted in

non-imposition of penalty for late and non-deposit of income tax to government of Rs 13,962,583.

Audit maintains that non-deposit/non-remittance of income tax withheld/deducted reflected ineffective implementation of rules/regulations, lack of commitment of the management for effective implementation of internal controls.

Audit pointed out the non-deposit/non-remittance of income tax in December, 2016. The Company did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit stresses to early deposit/remittance of income tax deducted at source besides action against the person(s) at fault.

(DP.2&3)

7.4.3 Loss due to less measurement of building material than its issuance/consumption - Rs 18.909 million

As per Stock Card No. 1 to 8 (Containing 19 Pages) of Article Code NO. 401 (DF Steel) of Project Code No. 350 ACT Building, Nilore, Islamabad, 2,477.179 M. Ton de-formed steel of different dia/size purchased through suppliers against which 2,339.833 M.Ton issued/Consumed for construction.

As per Stock Card No. 1 to 6 of Article No. 401 (DF Steel) of Project Code No. 348 Pakistan Institute of Trade and Development (PITAD) Building, Sector H-8/4, Islamabad 450.537 M. Ton DF Steel of different dia was purchased through suppliers against which 441.005 M. Ton of steel was shown issued/consumed in the execution of items of the work.

As per SAMPAK (i) rate analysis of item concrete class-B crush of different size required 0.97 cubic meter for one cubic meter.(ii) rate analysis prepared for CSR NHA, Sand required for cement concrete and

re-enforcement cement concrete 0.5 cubic meter for one cubic meter and 0.32 cum for brick masonry (iii) rate analysis of brick work, 500 bricks were required for one cubic meter i.e. 15.45 bricks for one cft (500 ÷ 32.35).

7.4.3.1 Audit noted that Pakistan Atomic Energy Commission (PAEC) Islamabad awarded a work, “Construction of ACT Building” to M/s NCL at an agreed cost of Rs 436.940 million which was revised to Rs 594.659 million (2nd Revised). The work was substantially completed on 31st December, 2015 the total value of work done up-to 9th & Final Bill was Rs 582.398 million.

Audit observed from 9th & Final bill paid to M/s NCL in which steel item No. B-2(xii) and B-2(xiii) and item No. 8 & 9 (Exhaust Stack) “P/L hard grade ribbed deformed steel Grade-60 & 40” was verified and paid for a quantity of 2,219.713 M.Ton against issued/consumed quantity of 2,339.833 M.Ton. Thus a quantity of 120.12 M. Ton of steel was issued in excess than its actual consumption. This resulted into mis-appropriation of 120.12 M.Ton steel for Rs 9,369,360 (120.12 M. Ton @ Rs 78,000 per M. Ton).

(DP.14)

7.4.3.2 Audit noted that Ministry of Commerce, Government of Pakistan (Employer) awarded a contract to M/s NCL for Construction of Building of Pakistan Institute of Trade and Development (PITAD) on 30th October, 2009 at an agreed cost of Rs 192.510 million and 83.65% of work was executed up-to 30th November, 2016 valuing Rs 161.414 million.

Audit observed that steel for item No. 01-4c and 01-5c for main building and residential building was verified/utilized for Rs 361.097 M. Ton and paid by the client to M/s NCL against issuance quantity of 441.005 M. Ton in last IPC No.33. This resulted into a loss of Rs 6.257 million (441.005 M. Ton – 361.097 M. Ton x @ Rs 78,300 per M.Ton).

(DP.11)

7.4.3.3 Audit noted from the Stock Cards of the project that construction material i.e. crush and sand, was issued for consumption in PCC & RCC items in the project, Construction of Building of Pakistan Institute of Trade and Development (PITAD) H-8/4 Islamabad.

Audit observed that the quantities of items consuming crush and sand were measured and verified in PCC and RCC items executed in the project, as per above referred specification, are less than the quantities of crush and sand actually issued/supplied. Thus excess material was consumed resulted in unjustified/excessive consumption of material for Rs 2.905 million.

(DP.12)

7.4.3.4 Audit noted that as per Stock Card No. 11 (Article No. 404), Project Code No. 348 PITAD Building, H-8/4, Islamabad 443,912 first class bricks were issued for work's execution. Similarly as per Stock Register Card No. 5 & 12 (Article No. 404) Project Code No. 350, ACT Building Nilore, Islamabad 159,900 bricks were issued for construction/execution of the item of brick masonry

Audit observed that the number of bricks measured and verified were less than the number of bricks actually issued/supplied. Thus excess bricks were consumed resulting into loss of Rs 0.378 million.

(DP.13)

Audit maintains that the excess quantity of material was issued due to weak internal control and contract administration.

Audit pointed out the loss in December 2016. The Company did not reply.

The matter could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit stresses for early investigation of excess issuance of construction material besides fixing responsibility against the persons responsible.

7.4.4 Loss to Company due to mis-management during the financial year 2015-16 - Rs 14.189 million

Clause 42 of Company's Ordinance, 1984 (3rd Addition) provides that "(the trade and commerce associations under the license issued by Ministry of Commerce and there by SECP), where it is proved to the satisfaction of the Commission that an association capable of being formed as a limited company has been or is about to be formed for promoting commerce, art, science, religion, sports, social services, charity or any other useful object, and applies or intends to apply its profits, if any, or other income in promoting its objects, and to prohibit the payment of any dividend to its members.

Audit noted that basic functions of the National Construction Limited are to provide quality work, earn profit and increase capital of the Company.

Audit observed through a review of financial position of the Company for the last three years i.e. 2013-14, 2014-15 and 2015-16, the Company has faced operational losses of Rs 9.073 million, 14.905 million and Rs 14.189 million respectively in the financial years. This showed a non-professional attitude and mismanagement on the part of the executives which resulted in a loss of Rs 14.189 million during financial year 2015-16.

Audit holds that the loss was due to mismanagement, weak technical and internal control.

Audit pointed out the loss in December 2016. The Company did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit stresses to investigate the non-professional attitude of the management, take corrective measures, reduce general & administrative and operating expenses to make the NCL a profit earning company.

(DP.1)

7.4.5 Creation of unnecessary liabilities against project due to excessive retention on account of Head Office Share beyond permissible limit - Rs 12.724 million

As per Management Planning Documents (MPD) of the Projects executed by the NCL, Head Office Share is up-to 4% of work- done.

Audit observed that NCL Head Office Islamabad retained its share in excess than permissible limit prescribed in the Management Planning Documents (PMD) of the following projects. This resulted into creation of unnecessary liabilities of Rs 12.724 million against the projects.

Audit maintains that retention of excess Head Office share reflected ineffective implementation of rules/ regulations, lack of commitment of the management for effective implementation of internal controls.

Audit pointed out creation of unnecessary liabilities against the project in December 2016. The Authority did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit advises to justify creation of unnecessary liability due to retention of excess Head Office share and implement effective financial discipline.

(DP.5)

7.4.6 Non-declaration/Non-payment of dividend to shareholders for the financial year 2015-16 - Rs 4.691 million

According to Article 90 of Articles of Association of National Construction Ltd. , once at least in every year the Directors shall lay before the Company in General Meeting a profit and loss account for the period since the preceding account, made up to a date not more than six months before such meeting. A balance sheet shall also be made out every year as at the date to which the profit and loss account is made up, and shall be laid before the Company in General Meeting. The said account and balance sheet shall be accompanied by such reports and documents and shall contain such particulars as are prescribed by the Ordinance and the Directors shall in their report state the amount which they recommend to be paid by way of dividend, the amount (if any) which they propose to carry to any reserve fund and other matters.

Audit noted that the issued, subscribed and paid up capital of National Construction Limited Islamabad was Rs 199.133 million equal to 19,913,347 Ordinary Shares of Rs 10 each.

Audit observed that Profit & Loss Account of the Company for the financial year ended on 30th June, 2016 showed a profit of Rs 4.691 million after taxation with earning per share of Rs 0.4732. A perusal of financial statements for the financial year 2015-16 has revealed that the Company has not paid any dividend to its shareholders. This resulted into non-declaration/non-payment of dividend of Rs 4.691 million to the shareholders.

Audit pointed out non-declaration/non-payment of dividend in December 2016. The Company did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit stresses for corrective measures to improve financial management besides distribution of dividend among the stakeholders.

(DP.6)

7.4.7 Non-payment of Employees Provident Fund contribution for the financial year 2015-16 - Rs 3.207 million

Rule-6 of NCL Provident Fund Regulations, 1981 provides that for the respect of each month and on or as soon after the first day of each month as the amount of the Company contribution in respect of the preceding month can be calculated and, except for reasons beyond the Company's control, not later than the last day of the month following that in respect of which such contribution is made, the Company shall contribute to the funds of the Fund a sum equal to the aggregate amount of subscriptions subscribed by the Members in respect of the month immediately preceding the date of each such contribution.

Audit noted that National Construction Limited, Islamabad has maintained an Employees Provident Fund Trust. Investments out of provident fund were made in accordance with the provisions of National Construction Limited Provident Fund Regulations, 1981.

Audit observed that the Company did not pay its contribution to Employees Provident Fund as required under the Rule-6 of NCL Provident Fund Regulations, 1981 during the financial year 2015-16 and created a liability of Rs 3.207 million. This resulted into non-payment of Employees Provident Fund for Rs 3.207 million.

Audit maintains that non-payment of Company's contribution to the funds reflected ineffective implementation of rules/regulations, lack of commitment of the management for effective implementation of financial internal controls.

Audit pointed out the matter in December 2016. The Company did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit stresses for early payment to employees provident fund besides disciplinary action against the responsible.

(DP.7)

7.4.8 Non-implementation/Non-maintenance of accounts records in violation of rules

As per SRO-180(1) 2013 in exercise of the powers conferred by Section 506 of the Ordinance, 1984 (XLVII of 1984) the Securities and Exchange Commission of Pakistan with the approval of Government of Pakistan made Public Sector Companies (Corporate Governance) Rules, 2013 and issued notification in this regard on 08th March, 2013. These Rules shall come into force after ninety days of the issuance of this Notification.

Audit noted that NCL Board in its 77th meeting held on 26th November, 2015 directed NCL, under Agenda No. 8 “Implement of SRO-180 (1)/2013”, to implement the SRO and in this regard first and foremost requirement is to reconstitute the Board on the parameters given in SRO 180(1)/2013. The NCL Management was directed to put up the nomination for Independent Directors to the Board in its next meeting.

Audit observed that NCL Management neither nominated Independent Directors upto December 2016 nor maintained the accounts record as required under provisions of the SRO. This resulted into non-implementation/non-maintenance of record in violation of SRO-180(1)/2013.

Audit pointed out the non-implementation/non-maintenance of records in December 2016. The Company did not reply.

The Para could not be discussed in the DAC meeting despite requests made by Audit on 30th December, 2016 and 10th January, 2017.

Audit stresses for early implementation of the SRO in its true letters & spirit.

(DP.15)

CHAPTER 8

HIGHER EDUCATION COMMISSION (INFRASTRUCTURE DEVELOPMENT EXPENDITURE OF FEDERALLY CHARTERED UNIVERSITIES) (MINISTRY OF FEDERAL EDUCATION AND PROFESSIONAL TRAININGS)

8.1 Introduction

Higher Education Commission (HEC), formerly University Grants Commission, was established through Higher Education Commission Ordinance 2002, for improvement and promotion of higher education, research and development. The Commission is a corporate body having perpetual succession and a common seal with power, subject to the provisions of the Ordinance, to acquire, hold and dispose of property, both moveable and immovable. The Headquarters of the Commission are located at Islamabad. The Executive Director, HEC is the Principal Accounting Officer.

The Commission, for the evaluation, improvement and promotion of higher education, research and development, may:

- i. Formulate policies, guiding principles and priorities for higher education institutions to promote socio-economic development of the country.
- ii. Review and examine the financial requirements of Public Sector Institutions and provide funds to these institutions on the basis of annual recurring needs as well as development projects and research, based on specific proposals and performance.
- iii. Approve funds for the Public Sector Institutions ensuring that a significant proportion of the resources are allocated for promoting research, establishing libraries and executing projects within the ceiling specified for Departmental

Development Working Party (DDWP) and Executive Committee of National Economic Council (ECNEC).

Directorate General Audit Works (Federal) is responsible for audit of infrastructure development (PSDP) expenditure of federally chartered universities/institutions under Higher Education Commission.

8.2 Comments on Budget and Accounts (Variance Analysis)

Table below shows the position of budget allocation and actual expenditure relating to federally chartered universities/institutions for the financial year 2015-16:

(Rs in million)

Type of Funds	Original Allocation	Revised/ Final Allocation	Funds Released	Actual Expenditure	Excess/ Saving
Infrastructure Development Projects	1,903.127	1,965.00	770.00	396.265	373.738

- i. Funds of Rs 1,965.00 million allocated for development schemes were not released in full. The release of funds was short for Rs 1,195.00 million which is 65% of total allocation.

HEC replied that releases were made on the basis of progress and future plan and in certain cases funding was linked with fulfillment of pre-requisites like grant of charter by the Federal Government, approval of architectural design of new projects, completion of codal formalities for newly approved schemes and non-availability of land for construction site.

- ii. Funds of Rs 770.00 million were released to HEC during the year 2015-16 for execution of 15 development schemes in various universities but only Rs 396.252 million were utilized with saving of Rs 373.748 million (48.53%). Saving in available funds indicates that project management could not utilize available

resources which led to non-achievement of planned objective due to ineffective financial/project management.

HEC replied that a sum of Rs 405.00 million was released for 3rd quarter on 17th May, 2016 with a delay of over 4 months, which slightly affected the utilization. However, projects were under implementation as per approved scope and plan and there was no saving.

- iii. 48.53% saving in available funds indicates that proper monitoring was not exercised to ensure timely utilization of the resources.

HEC replied that released funds were being utilized as per approved scope. The executing departments are closely monitored by Monitoring & Evaluation Division of HEC on regularly basis for timely completion of tasks indicated in the work plan.

- iv. Funds of Rs 1,350.00 million were allocated against 07 schemes during the financial year 2015-16 against which funds of Rs 760.00 million were released but expenditure of Rs 367.334 million was incurred. There was saving of Rs 392.660 million which was 51.7% of available funds. This showed that internal controls were not exercised efficiently to monitor the expenditure.

HEC replied that five projects were at preliminary stage of execution and funds were released keeping in view the physical progress, status and requirement. Moreover, a sum of Rs 230.00 million was released for 3rd quarter on 17th May, 2016 with a delay of over 4 months. As per directions of Planning Commission a technical committee had been constituted to review the architectural designs/drawings of new projects. Before tendering, architectural designs/drawings are submitted to Planning Commission for approval on the recommendations of technical committee. This has strengthened the internal control mechanism.

- v. Expenditure was not incurred against the schemes 'Up-gradation of Federal Government College F-7/2 to Federal Women University Islamabad' for which a sum of Rs 10.0 million was released during the year 2015-16. This indicated that planned targets were not achieved by the Commission.

HEC replied that releases to the project was based on indication from the respective forum for grant of charter by Act of Parliament which was not accorded in due time. The funds were released as token money to project with a consideration to initiate activities immediately after the enactment.

- vi. No funds were released for 02 Projects/Schemes but an expenditure of Rs 28.918 million was incurred. This indicated that development funds were utilized without any authorization.

HEC explained that funds available with the managements were utilized on approved activities. The funding for "Strengthening of Allama Iqbal Open University" was linked with issuance of licence from Pakistan Electronic Media Regulatory Authority for establishment and launching of television channel which was not materialized during 2015-16. Funding to the project "Federal Urdu University of Arts, Science and Technology at Islamabad" was stopped due to issues of governance and financial mismanagement. Moreover, the project was suspended with the approval of Deputy Chairman Planning Commission till the appointment of full time Vice Chancellor.

8.3 Brief comments on the status of compliance with PAC's directives

Audit of the development infrastructure projects of Higher Education Commission was conducted for the first time by the Directorate General of Audit Works (Federal) during 2011-12 (Phase-II of Audit Plan 2011-12). Results of audit during 2011-12 and 2012-13 were reported

through Audit Report for the year 2012-13. This office has produced four Audit Reports so far for the year 2012-13, 2013-14, 2014-15 and 2015-16. Audit Report for the year 2013-14 has been discussed by PAC while rest of the reports are yet to be discussed. Compliance position of PAC's directives on Audit Report for the year 2013-14 relating to HEC is under:

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of Compliance
2013-14	12	12	0	12	0

8.4 AUDIT PARAS

Irregularity and Non-Compliance

8.4.1 Non-Maintenance of Assignment Account for PSDP funds - Rs 1,140.861 million

According to para 3.27 of chapter-3, of guide line for Project Management provides that for funds provided in PSDP, Assignment Account is opened and maintained in the banks with the approval of competent authority. If there are several projects under implementation in an organization separate account of each project should be opened. Similarly, separate accounts books are maintained for each project.

8.4.1.1 Audit noted that COMSATS Institute of I.T Lahore got approved PC-I for Development of Academic & Supports Facilities valuing Rs 684.518 million. The project was financed by HEC.

Audit observed that PSDP funds amounting to Rs 632.163 million were released upto 2015-16 against the PC-I. The authority placed the funds in a commercial bank instead of opening of Assignment Account in National Bank. Audit held that placement of PSDP funds in the private commercial bank was violation of rules. This resulted into non maintenance of Assignment Account.

Audit pointed out the irregularity during July 2016. The management replied that as per procedure in vogue. Federal Government releases funds to HEC in the assignment account and same disbursed to concerned universities/executing agencies. Further, the concerned university was directed to open a separate bank account with the project titled, in compliance to the directives. The reply was not accepted because PSDP funds were required to be kept/placed in assignment account.

(DP. 19)

8.4.1.2 Audit noted that Quaid-i-Azam University got approved PC-I for Expansion Programme of Quaid-i-Azam University, Islamabad valuing Rs 856.343 million. The work was financed through PSDP by HEC.

Audit observed that PSDP funds amounting to Rs 456.343 million were released upto 2015-16 against the PC-I. The University placed the funds in account with a commercial bank instead of opening of Assignment account in National Bank of Pakistan. Audit held that placement of PSDP funds in the private bank was violation of Rules. This resulted into non-maintenance of assignment account of PSDP fund amounting to Rs 456.363 million.

Audit pointed out the irregularity in August 2016. The department replied that Campus of Quaid-i-Azam University is situated at the footprint of Margalla Hills in the remote corner of Islamabad. The NBP shifted that branch from the Campus. The nearest branch of National Bank is near the Foreign Office in G-5/4 which is in the red zone. The University has no other choice but to keep all its Accounts in the banks in the Campus. Due to the current law & order situation, distant location of NBP from the University Campus, restrictions of free movements of the accounts-holders into the Red Zone, the University is compelled to keep its Accounts in the Banks on the Campus. Anyhow, the University will request the National Bank of Pakistan to open its branch on the University Campus.

The matter was also discussed in the DAC meeting held on 16th January, 2017, wherein the Committee directed to the management to open separate account in National Bank of Pakistan. The compliance of the DAC's directive was not reported till the finalization of this report.

Audit stresses upon early compliance of DAC's directives.

(DP. 09)

8.4.2 Irregular payment due to non-recording of detailed measurements of work done in the Measurement Books - Rs 138.263 million

Paras 208 and 209 of CPWA Code provides that all measurement should be recorded neatly and directly in the Measurement Book at the site of the work. The entries in the “contents or area” column should, however, be invariably made in ink in the first instance by the person who recorded the measurements. The person recording the measurement will also record a dated certificate “measured by me” and sign his full name. Measurement should be recorded only by Executive, Assistant Executive or Assistant Engineers or by executive subordinates in charge of works to whom Measurement Books have been supplied for purpose. Such measurement should however, be test checked to the extent of at least 50% (judged by their money value) by the Sub Divisional Officer himself in each case, and he will be responsible for the general correctness of the bill as a whole. Rather payments for all work done and for all supplies are required to be made on the basis of measurement of work in Measurement Book.

Audit noted that the Management COMSATS (CIIT) Islamabad, Attock and Lahore Campuses made payment for different works/ supplies for Rs 138.263 million. Audit observed that detailed measurements of works done were not recorded in MB in violation of codal provision.

Audit pointed out the irregularity in July 2016. The Management replied in one case that the measurements were recorded in IPC, however noted for compliance in future. In the 2nd case management replied that all measurable physical items were taken in stock. In other two cases management replied that Measurement Books were available and would be produced.

The reply was not acceptable because recording of detailed measurements in measurement book was mandatory.

The matter was also discussed in the DAC meeting held on 16th January, 2017. The Institute informed that detailed measurement of

construction work and purchase of IT system/Air Conditions had been recorded in MBs. But supply of furniture has taken directly on stock register. Audit contended that measurement of 'supply' was also to be recorded in MB. The Committee directed the Institute to complete the MBs and get it verified from Audit. The compliance of the DAC's directive was not reported till the finalization of this report.

Audit stresses upon corrective measures.

(DP. 10)

8.4.3 Irregular expenditure due to extra ordinary increase in approved BOQ quantities of costly items - Rs 33.214 million

Para 56 of Central Public Works Department (CPWD) Code provides that each individual work proposed to be carried out properly detailed estimate must be prepared for the sanction of competent authority; this sanction is known as the Technical Sanction to the estimate. As its names indicates, it amounts to no more than guarantee that proposals are structurally sound and that estimates are accurately calculated and based on adequate data. Further according to Planning and Development Division letter of 1980 if any significant variation in the nature of scope of the project has been made, irrespective of whether or not it involves and increased outlay, the approval of the ECNEC/ competent authority shall be obtained in the same manner as in the case of original scheme without delay.

Audit noted that the Management of Quaid-i-Azam University Islamabad awarded two works "Construction of Academic Block Arts and Science Blocks" to M/S Ali Ahmad Jan on 21st October, 2014 and 20th February, 2015 at agreed cost of Rs 82,771,490 and Rs 98,080,520 respectively.

Audit observed that different items of work were paid extra ordinary beyond (45% to 1,511%) the approved BOQ quantities without approval of competent authority and revised T.S. estimate. This resulted in irregular expenditure of Rs 33.214 million.

Audit pointed out the matter during August 2016. The Management replied that after the award of the Contract, the site of work was changed as per request of the Dean Social Sciences duly approved by the Vice Chancellor. The new site location was such that it was unavoidable to construct an additional basement which changed the foundation design and also increased the covered area of the building and resulted in increase the mentioned quantities. The overall excess as calculated by the Audit is only 9% which is within the permissible limit of 15%. However, on finalization of work revised estimate would be prepared.

The reply was not accepted because approval of competent authority and revision of T.S. estimate was not approved.

The matter was also discussed in the DAC meeting held on 16th January, 2017. The university management informed that quantities of various items were increased due to change of site, revised covered area, change in specification of marble and change of plaster. Overall excess is within permissible limit. The Committee directed to get the revised estimate approved from competent forum within 15 days and verified from Audit. The compliance of the DAC's directive was not reported till the finalization of this report.

Audit stresses upon early compliance of DAC's directives.

(DP. 03)

8.4.4 Unjustified transfer of funds from security deposit account to University Recurring Grant Account of Rs 15.0 million and loss of profit/mark-up - Rs 2.496 million

Clause 60-3 (b) of General Conditions of contract provides that upon expiry of defect liability period, the retention money will be released to contractor as it is a liability of the department.

Audit noted that the Management of Quaid-i-Azam University Islamabad retained the security deposit and separate account No. SSD 51007-3/cash book is being maintained for security deposit deducted from recurring payments of project funded by the University and the Commission.

Audit observed that the Management transferred an amount of Rs 15.000 million to university account No. 51001-4 on 24th July, 2014 vide letter No. acctt/cash/2014 whereas this amount was a liability of the university in the shape of security deposits, payable to contractors on completion of works. Further, due to transfer of the said amount to recurring grant, the university was deprived from profit/mark-up @ 8% annual (approximately) that comes to Rs 2.496 million (Rs 15,000,000 x 8% = Rs 1,200,000 in 1st year) (Rs 16,200,000 x 8% = Rs 1,296,000 in 2nd year). This resulted in unjustified transfer of Rs 15.000 million from security deposit account and loss of profit/mark-up of Rs 2.496 million.

Audit pointed out the matter during August 2016. The Management replied that all the Securities of the Contractors/Suppliers including that of University Canteens, Students etc., are being kept in the Security Account No. SSD-51007-3. Hence the University transferred Rs 15.000 million to the recurring grant as per requirement and short fall in the recurring budget for payment of staff salaries and utility bills. The balance of the security account was sufficient and the contractor's securities were safe. No complaint has been received from any contractor and their securities were released accordingly as and when matured.

The reply was not accepted because the funds (security deposits) were transferred and utilized for recurring grant without any provision in the rules.

The matter was also discussed in the DAC meeting held on 16th January, 2017. The university management informed that funds from security deposit account were utilized due to shortfall in the recurring budget for payment of staff salaries and utility bills. The Committee took serious view of the irregularity and directed to recoup 50% of transferred

amount upto 5th February, 2017 and remaining 50% before close of financial year. The compliance of the DAC's directive was not reported till the finalization of this report.

Audit stresses upon early compliance of DAC's directives.

(DP. 05)

8.4.5 Non-obtaining Performance Guarantee - Rs 12.70 million

Clause 10-1 of Part II Particulars Conditions of Contract provides that contractor shall provide performance security to the employer on the prescribed form. The said security shall be furnished by the contractor within 14 days after receipt of acceptance letter. The performance security shall be of an amount equal to 10% of the contract and will be retained till defect liability period.

Audit noted that the management COMSATS Institute of Information Technology Attock Campus awarded the work "Construction of Academic Block 1" to M/s Tufail Construction Co on 25th June, 2015 at an agreed cost of Rs 127.019 million but performance security as required under agreement clause was not obtained.

Audit pointed out non-obtaining of performance guarantee during July 2016. The management replied that the performance security has been recovered from the remaining running bills as per agreement. The said performance guarantee will be refunded after the final bill as per agreement/rules. The reply was not accepted because performance guarantee as per agreement clause, was not obtained and contractor saved inbuilt charges to maintain the guarantee.

The matter was also discussed in the DAC meeting held on 16th January, 2017. The Institute management informed that a sum of Rs 8.468 million has been withheld from running bill of contractor due to non-provision of performance guarantee. The Committee found that non-obtaining of performance guarantee as lapse on part of management and directed to recover inbuilt charges to maintain guarantee till completion

period of the work. The compliance of the DAC's directive was not reported till the finalization of this report.

Audit stresses upon investigation and appropriate corrective action.
(DP. 14)

8.4.6 Irregular/unjustified payment without competition of consultancy services - Rs 4.725 million

Rules 20 of Public Procurement Rules, 2004, provides that procuring agencies shall use open competition bidding as the principal method of procurement for the goods, services and works.

According to Rule 10 (i) of GFR Vol (i), every public 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.

Audit noted that the Management COMSATS Institute of Information Technology Islamabad Campus awarded "Consultancy Services" for designing and detail construction supervision of HVAC works for Academic Block II and III to M/s J.T consulting engineers on 04th August, 2015 with reference to agreement of 30th May, 2008. Audit further noted that additional amount of Rs 582,500 was also paid to the same consultant for General Advisory Services for 116.5 hours @ Rs 5,000 per hour without recording any detail of services rendered.

Audit observed that the consultancy services for General Administration were hired without open bidding in violation of Public Procurement Rules, 2004. This resulted into irregular/unjustified payment of Rs 4.725 million (Rs 4.143 million + Rs 0.582 million).

Audit pointed out un-justified payment during July 2016. The Management replied that the expert HVAC Mr. Javaid Tariq was hired as an expert/ supervising consultant by following the procedures. Since the selected consultant had an excellent professional profile and delivered

quality services, therefore, his services were continued on the initially agreed terms for the subsequent works. In other case, replied that there was no payment made for Block-II & III HVAC for the referenced item viz. “general advisory services” to M/s J.T Consultants. The services for Designing & Supervision works have though been made to M/s J.T Consultants, as per agreement. The reply was not accepted because general advisory services were also paid in presence of supervisory consultant.

The matter was also discussed in the DAC meeting held on 16th January, 2017. The Committee was informed that services of HVAC expert were hired by extending his agreement for another work. Audit contended that hiring of services without open competition was violation of PPR-2004. The Committee directed the Institute management to get the process of hiring verified from Audit. The compliance of the DAC’s directive was not reported till the finalization of this report.

Audit stresses upon early compliance of DAC’s directives.

(DP. 16)

8.4.7 Unauthorized payment of Consultancy charges - Rs 4.638 million

PC-I of infrastructure development of COMSATS Institute of IT Islamabad campus was approved for total cost of Rs 2,862.656 million. Cost of civil work was Rs 972.131 million was without any provision of consultancy.

Audit noted that civil works under different contracts were executed during the year 2015-16 and consultancy fee or these civil works was also paid for Rs 4.638 million.

Audit observed that payment of consultancy fee for civil work was made without any provision in PC-I. This resulted in irregular/un-authorized expenditure of Rs 4.638 million.

Audit pointed out un-authorized payment in July 2016. The management replied that there was a provision of Rs 9.211 million for consultancy in the PC-1 given at Annex-II at page No. 53, hence, the payment of consultancy charges was duly authorized by the competent authority. The reply was not accepted because provision for consultancy fee was only for sub head “external development” costing Rs 460.789 million but the management paid also consultancy for various Sub Head works.

The matter was also discussed in the DAC meeting held on 16th January, 2017. The Committee was informed that consultancy was provided under head external development in PC-I which was utilized for civil work also. The Committee did not agree with the explanation and directed to get the expenditure regularized. The compliance of the DAC’s directive was not reported till the finalization of this report.

Audit stresses upon early compliance of DAC’s directives.

(DP. 21)

Internal Control Weaknesses

8.4.8 Unjustified estimation on account of procurement of furniture resulting into overpayment - Rs 2.811 million

Para 6.09 of CPWD code provides that each individual work proposed to be carried out required that a properly detailed estimate must be prepared for the sanction of competent authority. It amounts a guarantee that the proposals are structurally calculated and based on adequate data. Para 6.23 of Pak PWD code provides that if any stage it is found that the original estimate for it is excessive, a revised estimate is required.

According to original BOQ, contractor quoted rate of Rs 3,016 for class chair having 05 seats.

Audit noted that the Project Director COMSATS Institute of Information Technology Islamabad Campus prepared an estimate for “procurement of furniture” for Academic Block III Rs 15.78 million and awarded to M/s Hassan Brothers for Rs 8.10 million.

Audit observed that contractor was paid the item No.16 “class chair” @ Rs 3,016 per seat whereas the rate was applicable for one class chair having 05 seats. The agreement/BOQ do not specify unit of the rate, therefore, payment at quoted rate per seat was beyond the agreement. This resulted in overpayment of Rs 2.811 million.

Audit pointed out the matter during July 2016. The management replied that the estimate was re-examined thoroughly for its consistency. Each bench comprised of 1 bench (comprising 5 chairs each). The number of units needed (benches) were 233. The estimates were prepared for each set bench. However, the total number of benches reflected in the estimate as 1,165 (233 benches x 5 chairs = 1,165) wrongly. The furniture was though procured as per the requirements.

The reply was not accepted because the contractor’s quoted rate was Rs 3,016 per class chair (5 seater).

The matter was also discussed in the DAC meeting held on 16th January, 2017. The Institute management explained that quantity of seats was mentioned in BOQ instead of bench due to error. Audit apprised the Committee that as per bid contractor has quoted rate of Rs 3,016 per class chair having 05 seats. Allowing of payment at rate for one seat instead of bench (05 Seater) caused overpayment. The Committee directed the management to effect the recovery besides fixation of responsibility against the responsible(s). The compliance of the DAC’s directive was not reported till the finalization of this report.

Audit stresses for early recovery besides fixation of responsibility.

(DP. 20)

8.4.9 Unauthorized/Unjustified expenditure beyond the contract/estimate provisions - Rs 12.208 million

Para 6.19 of Pak. PWD Code and P&D letter No.20(1)DA/PC/79-Vol-XIV dated 22nd June, 1980 provide that if the total estimated cost as sanctioned increased by a margin of 15% or more or if any significant variation in the nature of scope of the project has been made, irrespective of whether or not it involves an increased outlay, the approval of the ECNEC/ competent authority shall be obtained in the same manner as in the case of the original scheme without delay.

Audit noted that the Project Director COMSATS Institute of Information Technology Islamabad *Campus* awarded the work “HVAC at academic block III” with the agreement cost Rs 53.922 million to M/s MIA Corporation on 17th April, 2014 against the estimated cost of Rs 43.184 million.

Audit observed that an amount of Rs 66.130 million was paid against the agreement cost of Rs 53.922 which was 23% above the agreement cost and 53% above the estimated cost. Expenditure incurred beyond the permissible limit was violation of codal rules. This resulted into unauthorized expenditure of Rs 12.208 million.

Audit pointed out the un-authorized expenditure during July 2016. The management replied that the agreement of subject work was signed on 15th May, 2014 and by then this building was occupied and there was immense requirement of HVAC from the user side. On the other hand the senior management decided to add additional floors and hence a parallel activity of designing additional covered area was in progress at that time. As such, the HVAC works of such multistory buildings cannot be installed in two separate phases as the outer units are to be placed on the roof top. Hence, the HVAC consultant was advised to consider the BOQ afresh in view of plans for additional floors. Hence, the revised BOQ become to the tune of Rs 69,513,589 due to an addition of covered area of the building @ 43% i.e. 39,480 sft and the tendered rates were paid, however, few but utmost necessary mainly electrical works were added as additional/extra

items. The reply was not accepted because revision of technical sanction/ approval of competent authority was required.

The matter was also discussed in the DAC meeting held on 16th January, 2017. The Institute management informed that regularization of excess quantities is under approval. The Committee directed to get the excess quantities regularized within 02 weeks and verified from Audit. The compliance of the DAC's directive was not reported till the finalization of this report.

Audit recommends early compliance of DAC's directive.

(DP. 18)

8.4.10 Loss due to change in bid - Rs 4.013 million

Rule 10(i) of GPR (Vol.1) provides that every public 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 incurred from his own pocket.

Clause – 1B-27-1 of Instructions to Bidders provides that:

- a) When there is a discrepancy between the amounts in figures and in the words, the amount in words will govern; and
- b) Where there is a discrepancy between the unit rate and the line item total resulting from multiplying the unit rate by the quantity the unit rate as quoted will govern, clause 27.2 provides that the amount stated in the form of bid will be adjusted by the employer in accordance with the above procedure for correction of errors and with the concurrence of the bidder shall be considered as binding upon the bidder.

Audit noted that the Management of Quaid-i-Azam University, Islamabad called tenders for the work "Construction of Academic Block Undergraduate Science Block" on 29th December, 2014 and prepared

comparative statement declaring M/s Ali Jan 1st lowest with bid of Rs 89.767 million and M/s Rab Nawaz and Co. 2nd lowest with bid of Rs 91.399 million. M/s Ali Ahmed Jan was declared first lowest with quoted bid of Rs 98.081 million and M/s Consultation International as 2nd lowest with bid of Rs 105.592 million and M/s Rab Nawaz & Co. as 3rd lowest with bid of Rs 106.758 million after bid evaluation.

Audit observed that M/s Rab Nawaz & Co. quoted 9.5% below on estimated cost of Rs 68.859 million of civil work and 3% rebate on all items. But department treated the below percentage as “above” percentage by rubbing the word “below” percentage and enhanced the bid of M/s Rab Nawaz to Rs 106.758 million and declared him as 3rd lowest. The above position indicated that the first lowest was M/s Rab Nawaz with bid of Rs 94.067 million but work was awarded to M/s Ali Jan for Rs 98.081 million. This resulted in a loss of Rs 4.013 million.

Audit pointed out the loss in August 2016. The management replied that tenders were opened by the University Tender opening Committee on 29th December, 2014 in the presence of the bidders and bids were announced. M/s Rab Nawaz & Co. quoted 9.5% above on PWD Schedule 2012 (Civil works) with clear notation of (+) plus, but instead of adding the premium, the bidder deducted it due to calculation mistake. The Bidder M/s Rab Nawaz & Co. was questioned during the Bidding competition and he admitted his calculation mistake before the Tender Opening Committee and informed the Committee that his premium is above. All the bids were sent to the Consultant for bid evaluation. The Consultant made comparison and corrected the arithmetical errors in all the bids and M/s Ali Ahmad Jan stood the lowest. Further no rubbing was made and to further clarify the actual position, a written consent of the Contractor M/s Rab Nawaz & Co. was also obtained in which he had admitted his calculation mistake and 3rd Position. The reply was not accepted because M/s Rab Nawaz quoted premium 9.5 % below on cost of civil work and accordingly deducted Rs 6.542 million from NIT amount but later on the word below was rubbed and changed as to 9.5% above, without correction in the amount.

The matter was also discussed in the DAC meeting held on 16th January, 2017. The university management explained that calculation mistake was rectified during bid evaluation. Audit contended that cutting over writing in bid was not certified by the Bid Opening Committee. The Committee directed to conduct an inquiry at HEC level. The compliance of the DAC's directive was not reported till the finalization of this report.

Audit stresses upon investigation and appropriate corrective action in compliance of DAC's directives.

(DP. 02)

8.4.11 Excess expenditure on consultancy due to delay in completion of work - Rs 2.232 million

According to Rule 10 (i) of GFR Vol (i), every public 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.

Audit noted that the Management of COMSATS Institute of Information Technology Islamabad Campus awarded the work Academic Block "(Additional Floor)" to M/s Zoom Engineers with start date of 3rd February, 2014 and completion upto 2nd July, 2014. Due to change in scope of work, completion period extended upto 30th September, 2014.

Audit observed that contractor could not complete the work in stipulated time and extension in time limit was granted by mentioning reasons i.e. adverse climate, design change, pending decision of certain walls top roof slabs and execution of dry portion wall, but with the condition that without prolongation cost and the price adjustment (if any) would be made using the prices relating to the prescribed time for the completion. Reasons and Condition indicated that the delay of 258 days was either on the part of contractor or management. This resulted in extra payment of consultancy fee for Rs 2.232 million.

Audit pointed out the extra expenditure in July 2016. The Management replied that though the completion of project in all respects prolonged than its stipulated date, yet the work activities continued during that period. Since the works were being done and the staff of M/s Naqvi & Siddiquie continued their duties as supervision consultants till the completion of the works. Further, the payments in such conditions were covered under the clause 6.3.2 of the Consultancy Agreement.

The reply was not accepted because excess expenditure on consultancy was incurred either due to late decisions of the management or delay on the part of contractor as management granted time extension without prolongation cost and price adjustment if any would be made using the price relating to the prescribed time for completion or the current prices whichever more favourable to the employer. Moreover completion period was already extended for 2.93 months i.e. upto 30th September, 2014 due to change in scope of works.

The matter was also discussed in the DAC meeting held on 16th January, 2017. The Institute management informed that completion period of the work was extended due to re-designing of the building and consultancy fee was increased due to extension in completion period. The Committee directed the management to get verified the approved variation order of consultancy agreement from Audit within one week. The compliance of the DAC's directive was not reported till the finalization of this report.

Audit stresses upon early compliance of DAC's directives.

(DP. 12)

8.4.12 Non-recovery on account of decrease in cost of specified material (De-Escalation) - Rs 1.98 million

Clause 70.1 of general conditions of contract provides that there shall be added to or deducted from the contract price such sums in respect of rise or fall in the cost of labour and or materials or any other effecting the cost of execution of the works. Appendix C to Bid provides that indices of cement, bricks and steel are to be taken from Federal Bureau of

Statistics, Monthly Statistical Bulletin. The base cost indices or prices shall be those applying 28 days prior to the latest day for submission of bids. Current indices or prices shall be those applying 28 days prior to the last day of the billing period.

Audit noted that the Management of Quaid-i-Azam University, Islamabad awarded two works “Construction of Academic Block Under-Graduate Arts Block” and “Science Block” under expansion Program of Quaid-i-Azam University, Islamabad to M/s Ali Ahmed Jan Contractor.

Audit observed that the rates of the steel and fuel were decreased but the management did not calculate any escalation/de-escalation. This resulted in non-recovery of Rs 1.975 million.

Audit pointed out the non-recovery during August 2016. The Management replied that despite provision of escalation on Cement, Steel and Bricks in the contract Agreement, not yet paid any escalation. The works are near to completion and before payment of final Bills escalation/de-escalation would be calculated. If it was established that would be recovered in the final bill accordingly.

The reply was not accepted because the contractor was required to submit bills including price escalation/de-escalation on monthly basis.

The matter was also discussed in the DAC meeting held on 16th January, 2017. The university management informed that price adjustment under Clause-70 of the agreement is under process. The Committee took notice of non-adjustment in each IPC and directed to finalize price adjustment within 15 days. The compliance of the DAC’s directive was not reported till the finalization of this report.

Audit stresses upon recovery on account of decrease in cost of materials besides appropriate action against the consultant for non-implementation of contract clause.

(DP. 01)

CHAPTER 9

WORKERS WELFARE FUND/BOARDS (MINISTRY OF OVERSEAS PAKISTANIS AND HUMAN RESOURCE DEVELOPMENT)

9.1 Introduction

The Workers Welfare Fund (WWF) was established at the federal level and Workers Welfare Boards (WWBs) at the provincial level under Workers Welfare Fund Ordinance, 1971. The Secretary, Ministry of Overseas Pakistanis and Human Resource Development is the Principal Accounting Officer of the WWF/WWBs.

The main functions of the WWF include financing projects connected with the establishment of housing estates, construction of houses, schools, hospitals and technical training institutes for the workers. Each WWB is headed by a Chairman, assisted by Secretary and eighteen members, both from the government and employees of the Board. The Board is empowered for:

- a) allotment, cancellation, fixation of rent of the houses financed by the money allocated from the Fund,
- b) maintenance/repairs of the houses, and
- c) any other measures for the welfare of workers.

9.2 Comments on Budget and Accounts (Variance Analysis)

The table below shows position of head-wise budget allocation and expenditure for 2015-16:

(Rs in million)

Description	Original Budget Allocation	Revised Budget	Actual Expenditure	Variation Excess/ (Saving)	Excess/ (Saving) in %
Establishment Charges	1,078.21	982.92	912.65	(70.27)	(7.15)
Other office running Expenses	340.50	267.84	246.86	(20.98)	(7.83)
Scholarships	1,491.00	1,698.37	1,475.91	(222.46)	(13.10)
Marriage Grant	1,360.00	1,321.21	1,071.82	(249.39)	(18.88)
Death Grant	1,220.00	1,318.00	803.20	(514.80)	(39.06)
Sewing Machines	10.00	0	0	0	0
Other welfare measures	224.10	152.52	112.59	(39.93)	(26.18)
Education	5,327.70	4,851.20	4,546.38	(304.82)	(6.28)
Technical Education (Matric-Tech, etc)	397.79	303.94	238.41	(65.53)	(21.56)
Development Works	7,958.35	4,763.90	3,616.15	(1,147.75)	(24.09)
New Schemes	2,500.00	201.46	0	(201.46)	(100)
Purchase of Land	40.00	11.37	0	(11.37)	(100)
Special grant for security arrangement for educational institutions	131.08	59.45	12.28	(47.17)	(79.34)
Total	22,078.73	15,932.18	13,036.25	(2,895.93)	(18.18)

(Source: Original & Revised Budget has been taken from minutes of 133rd meeting of Governing Body of WWF held on 29th June, 2016 and actual expenditure has been taken from expenditure statements provided by WWF/Boards).

- Funds of Rs 2,500.00 million were allocated for new schemes in the original budget. New schemes were not executed which

indicated that planned targets were not achieved by the managers of Fund/Boards.

- Funds of Rs 4,763.90 million were allocated for development works in revised budget estimates and Rs 3,616.15 million were utilized involving a saving of Rs 1,147.75 million. Less utilization and saving of 24.09% of the development budget was indicative of lackluster performance of the Department.

9.3 Brief comments on the status of compliance with PAC's directives

Compliance position of PAC's directives on Audit Reports relating to WWF/WWBs is as under:

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of Compliance
1992-93	02	02	01	01	50.00
1994-95	01	01	01	-	100
1995-96	01	01	01	-	100
2000-01	17	17	14	03	82.35
2003-04	07	07	02	05	28.57
2004-05	06	06	05	01	83.33
2005-06	06	06	05	01	83.33
2008-09	07	07	04	03	57.14
2010-11	13	13	1	12	7.69

Note: Audit Reports for 2009-10, 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16 have not been discussed by PAC till the finalization of this report.

9.4 AUDIT PARAS

Irregularity and Non-Compliance

9.4.1 Unjustified/undue burden on workers fund due to construction of hospitals/schools - Rs 7,741.807 million

In terms of section 6(a) of Workers Welfare Ordinance 1971, Purposes to which moneys in the Fund may be applied “the financing of projects connected with the establishment of “Housing estates or construction of houses for the workers”.

During scrutiny of accounts record for the year 2015-16, Audit noted that the Secretary WWF Islamabad got executed numerous works related with construction of schools/hospitals during last 5 years. Audit observed that WWF Islamabad started construction of various hospitals in violation of Ordinance 1971 as it only allows the fund money to be utilized for construction of housing estates. Audit is of the view that after completion of these projects who will bear the burden of running cost of these projects like appointment of staff, maintenance costs, utility costs, medicines and operational costs etc of hospitals/schools. In last 4 years WWF/Boards are facing financial crunch due to only 50 to 60% of total annual budget demand of WWF was released by Finance Division creating lot of pending liabilities including works projects and paying double on account of annual price adjustments, lot of death and marriage grants were also being paid very late in boards and workers faced financial loss in terms of devalued money being paid to them. This resulted in unjustified/undue burden on workers fund for Rs 7,741.807 million.

Audit maintains that unjustified payment occurred due to lack of in-efficient managerial skills for exercising principles of efficiency and economy for financial stability of the autonomous body.

Audit pointed out undue burden in November 2016. The WWF replied that in the light of the Workers Welfare Fund Ordinance 1971 the Governing Body WWF is the competent forum for the execution and

cancelation of any welfare measure or Development project initiated by the Workers Welfare Boards or by Workers Welfare Fund throughout Pakistan. However, the Governing Body of Workers Welfare Fund will be informed accordingly, to fix the priorities of the welfare measures as per available funds.

The reply was not accepted because any recommendation in contradiction of act or ordinance was not correct.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends that management of WWF should not override the mandate and get the irregularity condoned from the competent authority.

(DP. 96)

9.4.2 Unauthorized/unauthentic expenditure without preparation of estimate and without approval of Technical Sanction by the competent authority and non-accountal of the machinery & equipment in the Stock Registers - Rs 3,500.00 million

Para 6.09 of Pak PWD Code states that a proper detailed estimate must be prepared for the sanction of the competent authority for each individual work proposed to be carried out. This sanction is known as the Technical Sanction to the estimate and must be obtained before the construction of work was commenced. It guarantees that the proposal is structurally sound and that the estimates are accurately calculated and based on adequate data.

Audit noted that Secretary, WW Board KP Peshawar incurred expenditure of Rs 3,500.00 million on procurement of equipment and machinery of Mono-Tech and Poly-Tech Institutions during the financial years 2013-14 and 2014-15.

Audit observed that machinery and equipment was procured without preparation of authentic estimates based on detailed survey after getting quotations from the authorized manufacturers and suppliers. Expenditure was incurred without approval/sanction of estimate by the competent authority. Record of procurement of machinery and equipment was requisitioned but not furnished to Audit.

This resulted into unauthorized/unauthentic expenditure of Rs 3,500.00 million without approval of T.S estimate and PC-I by the competent forum. Machinery and equipment purchased for Rs 3,500.00 million was also not taken on stock.

Audit maintains that the irregularity occurred due to weak financial/technical controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in November 2016. The Board replied that funds for the “Technical Education” were released by the Workers Welfare Fund, Islamabad on demand basis/case to case basis. The matter was under trial in the Accountability Court and the then Secretary WWB, Project Officer and Director (Finance) were already arrested by the NAB. Some of the arrested officers were granted bail. The then Secretary WWB was still in the judicial lockup since last two years. The outcome of NAB Inquiries/Investigation would be shared with the Audit.

As admitted in reply that machinery and equipment worth Rs 3,500.00 million for Technical institutions were purchased without proper feasibility and proper survey. The matter was being investigated by NAB.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends early finalization of investigation by NAB.

(DP. 36)

9.4.3 Unauthentic expenditure without detailed measurements in Measurement Books - Rs 2,970.957 million

Para 220-228 of CPWA code provides that measurements should be recorded only the Executive Engineer, Assistant Executive Engineer to whom MB has been supplied for the purpose for all Divisional Officer himself should record the measurements of all important items-such measurements these recorded by the sub-ordinates, should honorable test checked to the extent of 50% by the Sub-Divisional Officer and 10% by the Divisional Officer.

Audit noted that Director Works-I & II WW Board, KP, Peshawar, allowed payments on account of work-done to various contractors for Rs 2,970.957 million without recording detailed record entries in the Measurement Books.

Audit observed that abstracts in the Measurement Books were prepared on the basis of contractors bill submitted to the employer for payments. Proformae were not machine paged numbered and not prepared as per requirement of CPWA Code. This resulted into unauthorized expenditure without detailed measurement in violation of CPWA code.

Audit pointed out the irregularity in November 2016. The Board replied that for executing works of huge quantum for the industrial workers of Khyber Pakhtunkhwa, the services of a Consultancy firms were hired from a panel of Consultants approved by Governing Body (WWF), Islamabad for design, drawings, preparation of PC-I and detail construction supervision of development schemes.

The Consultant as per his contractual obligations also prepared Abstract of Cost which was recorded in Measurement Book (MB) duly signed and stamped by the Consultant and submitted to the WWB/Client along with his quality & quantity certificate.

The reply was not accepted because WWB KP, made payments on account of work done of the project for Rs 2,970.957 million but detailed measurement on Government approved form (CPWA Code) were not recorded. Self-generated measurement sheets were prepared and only abstract of cost was recorded.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends maintenance of MBs as per rules and its verification from Audit.

(DP. 29)

9.4.4 Non-revision of TS estimates of the projects due to acceptance of bids beyond the limit of 15% - Rs 415.578 million

Para 6.17 of Pak. PWD Code provides that when the expenditure upon a work exceeds or is found likely to exceed, the approved cost by more than 15%, a revised approval must be obtained from the authority competent to approve the cost, as so enhanced. Para 6.19 of ibid code also provides that revised estimate must be prepared where the sanctioned estimate is likely to be exceeding by more than 15%.

Audit observed that under three packages (Package –A, M & N of Multan labour Colony project and of Warburton/Nankana Sahib project) bids were accepted 17% to 30% beyond the 15% limit of PC-I/TS Estimate. However, TS estimates worth Rs 415.578 million against the same packages were not got revised from the technical competent authority, whereas, the needful was required to be done before initiation of the execution process.

Audit pointed out the non-revision of TS estimates in October-November 2016. The department did not reply.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends regularization from competent authority.

(DP. 48)

**9.4.5 Non-recovery of compensation for delay in completion of work
- Rs 280.673 million**

Clause-38 (a) of General Conditions of contract agreement provides that the time allowed for carrying out the work as entered in the tender shall be strictly observed by the contractor. The works shall throughout the stipulated period of the contract be proceeded with, with all due diligence in accordance with programme of work, as approved by the Engineer In charge or any amended programme of work approved by the Engineer In charge from time to time (time and quality being deemed to be the essence of the contract on the part of the contractor) and the contractor shall pay as compensation an amount equal to one percent of the amount of contract, subject to a maximum of 10% or such smaller amount as the Engineer In charge (whose decision in writing shall be final) may decide, on the amount of the estimated cost stated in item (b) of the Memorandum of Work annexed hereto for every day that the work remains un-commenced or unfinished after the proper date.

Audit noted that PC-I of the project, “Establishment of Workers Welfare Complex Multan” was approved by the Governing Body of Workers Welfare Fund in its 110th meeting held on 19th March, 2011 for Rs 2,478.809 million. Subsequently, PC-I was revised for Rs 3,017.847 million by the Governing Body of Workers Welfare Fund in its 128th meeting held on 24th November, 2014 on the basis of bids. Audit further noted that while making procurement of works execution, Punjab Worker Welfare Board split the project into sixteen components (Package-A to P) with a plea to complete the entire project within a schedule time of eighteen months.

Audit observed that the PWWB remained unable to achieve the objective regarding completion of the project timely as the contractors failed to execute/complete the project as per approved work schedule because the aggregate execution progress of the project was found 48.95% up to 30th June, 2016 against the planned progress of 79.48%. Audit further observed that entire responsibility for delaying the execution of projects rested with the contractors as under some components, the Engineer/Project Management was keeping up the mind to issue notices to the contractors for expediting the execution of the project. Thus, the contractors rendered themselves liable to pay compensation for delay amounting to Rs 280.673 million.

Audit pointed out the non-recovery of compensation for delay in October- November 2016. The department did not reply.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends implementation of contract clause regarding imposition of liquidated damage and recovery thereof.

(DP. 45)

9.4.6 Undue financial aid to the contractors by allowing mobilization advance without provision of contract agreements - Rs 205.416 million

Rule 10 of GFR (Volume-I) provides that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Audit noted that PC-I of the project, “Establishment of Workers Welfare Complex Multan” was approved by the Governing Body of Workers Welfare Fund in its 110th meeting held on 19th March, 2011 for Rs 2,478.809 million, which was revised for Rs 3,017.847 million in 128th

meeting held on 24th November, 2014 on the basis of bids. Audit further noted that while making procurement of works execution, Punjab Worker Welfare Board split the project into sixteen components (Package-A to P) with a plea to complete the entire project within a schedule time of eighteen months.

Audit observed that the PWWB allowed mobilization advance amounting to Rs 205.416 million to contractors of ten (10) Packages on the notification of the Finance Department Punjab dated 7th December, 2007, whereas, no clause of mobilization advance was not provided in the contract agreement. However, an amount of Rs 123.929 million was recovered up-till now leaving a balance of Rs 81.487 million. In absence of the contractual provision the allowance of the mobilization advance was considered to be unauthorized and tantamounts to undue financial aid to the contractors amounting to Rs 205.416 million.

Audit pointed out the undue financial aid to the contractors in October- November 2016. The department did not reply.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends action against persons responsible for grant of mobilization advance without provision in the contract agreement.

(DP. 46)

9.4.7 Doubtful expenditure due to non-transparent procurement of uniform items - Rs 119.622 million

According to Para 4 of PPRA 2004, Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

A complaint filed by a citizen wherein following discrepancies were mentioned about the procurement of uniform items for the session 2013-14 (summer & winter).

- a) Tender had been awarded to the firms on preferential basis.
- b) Inquiry of the aforementioned anomaly was carried out by Mr. Ishrat Ali (Ex-Chairman of PWWB).
- c) Uniform items had been purchased on higher rates.
- d) Corruption of about 10 million in the procurement process had been made by the officers of PWWB.

Audit noted that Director Education Punjab Workers Welfare Board Lahore invited bids to procure uniform for the students of WW School under rule 36(b) "single stage two envelopes bidding procedure" of PPRA (technical & financial). Audit further noted that seven bidders were participated in the bidding. Scrutiny committee rejected the technical bid of a firm and lab test reports of the samples of the remaining firms/bidders were obtained from PCSIR Lab. Tests result of the samples of whole 6 firms were not responsive. At that stage, instead of scrapping the tender process and calling re-tendering, Board get rectified samples from these firms and got lab tests from PCSIR. On receipt/examination of lab test reports responsive, financial bids of the three responsive bidders were opened on 6th June, 2014. One lab test report of samples of socks was again non-responsive, hence again rectified samples were obtained and got tested from PCSIR.

Supply orders were issued on the basis of lowest bids of uniform items to these firms lot-wise i.e. Lot-I (summer 2013-14) and Lot-I (winter 2013-14) on 15th, 17th and 22nd July, 2014.

Sample out of bulk supply got tested from PCSIR. Lab test reports of uniform (Lot-I) were accepted. One lab test of ladies shirt was incompatible. Hence lot of shirts under (Lot-I&II) were got replaced from the supplier M/s Aurangzeb. The samples of the shirts were got tested

from PCSIR lab which were responsive as examined by the Technical Committee and recommended for distribution to WW Schools.

As regards the issue pertaining to the higher prices of uniform items supplied by M/s Aurangzeb Enterprises, M/s Amin & Sons and M/s Ahmed Traders, was settled by the department with the assurance that they will render their commitment towards their corporate social responsibilities for the workers children and they submitted an undertaking pledging that although they have made the supply as per their contracts on the rates comparatively lesser than that of the market price of the concerned uniform items yet they feeling their corporate social responsibility while adhering to their own policy undertook to provide additional 2000 complete sets of uniform articles for Girls and 2000 for boys worth about Rs 10.00 million (free of cost).

Audit is of the view that when the suppliers supplied the uniform items as per demand why received additional uniform for dumping in stock. If there is any discrepancy, actual amount was to be recovered from the supplier.

It is added here that an inquiry was conducted by Mr. Ishrat Ali (Ex-Chairman of PWWB) towards the matter, which was not made available to audit to ascertain factual position. Further, comparison of rates with previous years with justification was also not made available to audit.

Audit further observed that against the total bills of Rs 170.889 million of these three suppliers 70% of the same i.e. Rs 119.622 million was paid to the suppliers and balance 30% was under process for payment. The position narrated leads to doubtful expenditure of Rs 119.622 million on uniform items due to suspected non-transparency in procurement process.

Audit pointed out the doubtful expenditure in November 2016. The department did not reply.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 72)

9.4.8 Mis-procurement in award of consultancy contracts due to non-opening of financial bid of pre-qualified bidder - Rs 57.616 million

PPRA Rule-28(2) regarding opening, evaluation and rejection of bids provides that all bids shall be opened publicly in the presence of the bidders or their representatives who may choose to be present, at the time and place announced prior to the bidding.

Audit noted that Secretary Balochistan Workers Welfare Board Quetta Technically qualified three consultants for construction of Seven Schools and a Poly Technic Institute in Balochistan.

S. No.	Name of Consultant	Marks
1	M/s NESPAK	77
2	M/s CAMEOS	71
3	M/s Unique Consultants	70

Audit observed that Board did not open the financial bid of M/s NESPAK because letters were written to NESPAK to participate in the financial bid whereas they did not respond. The Financial Bids of only M/s CAMEOS and M/s Unique were opened and the consultancy for seven schools was awarded to M/s CAMEOS @ 3.78% of construction cost (i.e. Rs 1,120 million x 3.78%) Rs 42.336 million and the consultancy for Poly Polytechnic Institute was awarded to M/s Unique Consultants @ 3.82% of the construction cost (i.e. Rs 400 million x 3.82%) Rs 15.28 million. Audit is of the view that as per PPRA there was no restriction to be available at the occasion of bid opening; therefore the available financial bid of M/s NESPAK should have to be opened instead of

disqualifying them. This resulted in lack of competition and mis-procurement for the consultancy contract valuing Rs 57.616 million.

Audit holds that the mis-procurement was due to weak internal/financial controls.

Audit pointed out the mis-procurement in August 2016. The Board replied that previously M/s NESPAK was awarded the work of planning, designing and preparation of detailed estimates, BOQ and PC-I of six schools at Loralai, Duki, Mekhtar, Harnai, Mach and Zhob, and they were required to complete the assignment within a period of 8 weeks. This time period expired on 13th February, 2014 and despite of verbal, written requests the firm failed to submit even a single PC-I. After chain of correspondence the worker welfare board, Balochistan informed M/s NESPAK that since they failed to fulfill their obligation even within the extended time, therefore, no option left with workers welfare board except to restrict them from participating in the forthcoming project of workers welfare board. The regional manager of NESPAK met with chairman Workers Welfare Board on 2nd September 2014 and assured him that his firm will submit the required PC-I by 20th September, 2014. M/s NESPAK was allowed to submit their technical/ financial proposals for seven (07) new schools at different cities with a clear understanding that if they qualify in Technical Proposal, their Financial Proposals will only be opened if they submit PC-I of 6 schools already assigned to their firm, by 20th September 2014, but M/S NESPAK failed to fulfill their commitment, therefore, workers welfare board, very clearly informed them that their financial bids for new projects will not be included in the forthcoming financial bid at the time of opening occasion.

The reply was not accepted because PPRA did not allow restricting any participant for opening of financial bids in such a manner. The action of the department compromised transparency in award of work.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 05)

9.4.9 Non-revalidation of insurance of work costing of Rs 470.343 million and non-recovery of premium cost - Rs 49.93 million

According to clause-21.1–25 of agreement, the contractor was bound to provide insurance policies for the persons, works and equipment etc. on the contract the sum of the contract price plus 15 %. He was also required to get third party insurance (including employer’s property) against liabilities for death of or injuries to any person or loss or damages to the property arising out of the performance of the contract. The Contractor shall provide evidence to the Employer as soon as practical but in any case, prior to the start of the work all at site that the insurances required under the Contract have been affected and shall provide the insurance policies to the Employer. The Contractor shall also submit in original receipts of all the premiums paid by the Contractor in connection with the insurances.

Audit noted that Secretary WWF Islamabad did not get ensured the works necessary as per clause provided in the agreement provided, provision of the insurance policy till the expiry of defect liability period was very necessary to cover up the losses/damages occurred during execution process. Due to non-provision of insurance policies not only work, equipment, material & machinery and workmen ship were put to risk but the contractor also saved insurance premium cost about Rs 49.93 million (2% of contract costs), deemed included in the BOQ rates, which was required to be recovered from the contractors.

S. No	Name of work	Name of Contractor (M/s)	Insurance status	Contract cost (Rs in million)	Insurance premium 2% of contract cost
1	Construction of high school at Surkhpur Gujrat	Airrs	Not provided	90.052	1.801

S. No	Name of work	Name of Contractor (M/s)	Insurance status	Contract cost (Rs in million)	Insurance premium 2% of contract cost
2	500 single houses Zone V Islamabad	Friends Construction	Not provided	869.052	17.904
3	Construction of 1008 flats at Zone-V Islamabad	Con Pro Services	Not provided	1,511.239	30.225
			Total	2,470.343	49.930

Audit maintains that the insurance cover was not obtained due to inadequate oversight mechanism for effective implementation of internal controls.

Audit pointed out irregularity in November 2016. The Board replied that the observations of audit party have been noted and in compliance the insurance guarantees would be got verified by Audit when received.

In reply it is admitted that no insurance has been obtained. Audit stresses for insurance along with recovery of uninsured period.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends early obtaining of insurance policies and recovery of premium for uninsured period.

(DP. 88)

9.4.10 Unauthorized/overpayment due to payment of house rent ceiling at higher rates - Rs 48.839 million

Ministry of Housing and Works with the concurrence of the Finance Division (Regulation Wing) vide O.M. No.F-4(8)/92-Policy dated 1st October, 2014 issued revised rental ceiling for hiring of residential accommodation at six specified stations, i.e. Islamabad, Rawalpindi,

Lahore, Quetta, Karachi and Peshawar w.e.f 1st October, 2014. According to the notification the rental ceiling of Islamabad was higher than rest of the five cities/stations.

Revised Rental Ceiling		
BPS	Islamabad (Rs)	Other specified station (Rs)
16	14,391	12,562
17-18	19,049	16,619
19	25,326	21,674

Audit noted that Workers Welfare Board Lahore and Karachi paid House Rent Ceiling on monthly basis with the salary in place of House Rent Allowance to its employees posted at Lahore and Karachi including Education Wing posted at different cities and these schools were governed under Provincial rules where no hose requisition was admissible.

Audit observed the rental ceiling at Lahore and Karachi was allowed/paid at the rates specified/admissible at Islamabad instead of the rates applicable at Lahore and Karachi by violating the relevant rules.

Audit holds that unauthorized/overpayment on account of House Rent Ceiling occurred due to misuse of authority and weak internal controls.

Audit pointed out the unauthorized/overpayment in November 2016. The department did not reply.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 16, 67 &71)

9.4.11 Irregular procurement of note books without tender and through splitting - Rs 38.503 million

Para 20 of PPRA 2004, as otherwise provided hereinafter the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement for the goods services and works.

Para 9, Limitation on splitting or regrouping of proposed procurement save as otherwise provided and subject to the regulation made by the Authority, with the prior approval of the Federal Government, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

Audit noted that Punjab Workers Welfare Board Lahore awarded the contract for procurement of Note books for the year 2014-15 for Rs 38.503 million to 04 different contractors i.e. M/s Govt. Printing Press Lahore, M/s G.F Printing Press, M/s Z.H.H Printer and M/s Salman Shahid Art Press Lahore on 30th June, 2015 and payment of Rs 37.065 million was made against these contracts.

Audit observed that the department issued supply orders to the contractors without any competition /advertisement in the newspapers, and also split the same nature of work into 04 contracts in violation of codal obligation, whereas the department was required to advertise the matter to obtain the competitive rates instead of splitting and issuance of supply orders without tender. Non adherence of codal obligation resulted into irregular procurement of Note books without tender and through splitting for Rs 38.503 million.

Audit pointed out the irregularity in November 2016. The department did not reply.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 70)

9.4.12 Irregular award of security services contract without competition - Rs 37.828 million

According to Para 20 of PPRA 2004 as otherwise provided hereinafter the procuring agencies shall use open competition bidding as the principal method of procurement for the procurement for the goods services and works.

Audit noted that Secretary PWWB Lahore awarded security services contract to M/s Marvelous Protection security services for Rs 37.828 million for one (01) year period w.e.f 30th May, 2015 to 30th May, 2016.

Audit observed that a security services contract for one year period 2014-15 was awarded to M/s Marvelous for Rs 18.615 million (Rs 14,500 each for security supervisor and Rs 12,800 each for security guard per month) through open competition. The said contract was expired on 30th May, 2015. Audit further observed that the department advertised the tender for next year on 24th February, 2015 and opened on 16th March, 2015 but scrapped/cancelled the bid on 2nd April, 2015 and extended the contract period of previous contractor with new contract cost of Rs 37.828 million at new rates Rs 17,911 for security supervisor and security guard till engagement of new security agency through tender. The period of more than one year had been expired after extension order, the department could not engage the new security agency through open tender and continued the previous contract. This resulted into irregular award of security services contract without competition/tender for Rs 37.828 million.

Audit holds that irregular award of security services contract occurred due to weak internal/financial controls.

Audit pointed out the irregular award of contract in November 2016. The department did not reply.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 61)

9.4.13 Overpayment due to payment of conveyance allowance at higher rates - Rs 31.899 million

Finance Division, (Regulation Wing) Office Memorandum No.F-3 (1)-R.5/2010 dated 5th September, 2012 and 7th July, 2014 provides the rates for payment of conveyance allowance to the employees working in BPS 1 to 19 are as under:

BPS-01 to 04	Rs 1785 per month
BPS-05 to 10	Rs 1932 per month
BPS-11 to 15	Rs 2856 per month
BPS-16 to 19	Rs 5000 per month

Audit noted that Punjab Workers Welfare Board Lahore, Sindh Workers Welfare Board Karachi and WWF, Islamabad allowed/paid conveyance allowance to its employees @ Rs 6,000 per months of BPS 1 to 15 and Rs 8,000 per month of BPS 16 to 19 without approval of Finance Division.

Audit further noted that the Directorate of Education, Punjab Workers Welfare Board also paid Conveyance Allowance to its school

employees posted in all over the Punjab at higher rates over and above the limit notified by Federal Government.

Audit checked nine (09) schools (as sample) i.e. WW Schools Boys & Girls, Faisalabad, Multan, Rahimyar Khan and Bahawalpur and observed that Payment of conveyance allowance was being paid at higher rates. This resulted into overpayment of Rs 31.899 million, as calculated below.

Name of Board/Fund	Amount overpaid (Rs in million)
WWB Punjab	20.271
WWF Islamabad	2.772
WWB Sindh	8.856
Total	31.899

Audit holds that overpayment of conveyance allowance occurred due to non-adherence to rules & regulation, misuse of authority and weak internal controls.

Audit pointed out the overpayment in November 2016. The department replied that the matter was referred to Workers Welfare Fund, vide letter on 4th April, 2012 to take up the matter with Finance Division for its concurrence. In reply Workers Welfare Fund, clarified that the Governing Body is itself competent authority for revision of the rates of allowances admissible to the employees of WWF/ Provincial WWBs in terms of Rule 14 under Appendix-4 of the Workers Welfare Fund (Employees Service) Rules, 1997.

The reply was not tenable because conveyance allowance was paid at higher rates than notified by the Finance Division. As per section 8(3) of Workers Welfare Fund Ordinance, 1971, prior approval of Federal Government was required on decisions of Governing Body in employees' related matters.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends early recovery of overpaid amount.

(DP. 18, 69&80)

9.4.14 Non-imposition and recovery of liquidated damages due to delay in completion of work and non-deduction of financial impact from the contractor's bill - Rs 27.586 million

According to clause-47.1 of the contract agreement, Liquidated damages @ 0.1% of contract price for each day of delay in completion of the work subject to maximum of 10% of contract price was to be charged for delay in completion of the work within stipulated period. Further as per consultancy agreement the consultant was to be paid remuneration for construction supervision services at 2.5% of the cost of works on completion shall be paid in the following manner 2.5% of completed cost of works divided into equal monthly installments for stipulated construction period as given in final tender documents. In case completion of works get extended beyond stipulated construction period, remuneration for construction supervision shall be mutually discussed and agreed depending upon the consultants monthly/hourly charge rate and direct cost worked out in accordance with conduct and practice of consultancy engineers.

Audit noted that the work "Construction of boy's high school at Surkhpur, District Gujrat" was awarded to M/s Airrs Associates (Pvt) Ltd at agreement cost of Rs 90.052 million on 25th May, 2012. The work was to be completed in all respect up to 24th May, 2013. The contractor has been paid up to total work done of Rs 74.278 million.

Audit observed that extension was granted up to 30th November, 2013. IPC 8th created doubts that the contractor had left the work without fulfilling contractual obligations despite repeated reminder of slow progress of work. Audit further observed that neither penalty of Rs 9.052 million due to late completion of work @ 10% of agreement cost was

imposed nor his bank guarantee for Rs 9.005 million and available security deposit for Rs 3.713 million was forfeited as per agreement to meet with the risk and cost amount and consultancy obligation of Rs 5.816 million to be paid during this delay which was at the part of contractor.

This resulted into non-imposition of liquidated damages/ other penal actions amounting to Rs 27.586 million under provision of the agreement for delay in completion of work within stipulated time.

Audit maintains that non-imposition /recovery of amount of penalty and consultant remuneration occurred due to ineffective monitoring and non-compliance with rules and regulations and weak internal controls.

Audit pointed out non-imposition/recovery of penalty in November 2016. The department replied that the performance Security and retention money is lying with WWF and after the calculation and in recommendations with consultant the penalty would be imposed on the contractor and would be got verified by the Audit.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends implementation of contract clause regarding imposition of liquidated damages and recovery thereof.

(DP. 90)

9.4.15 Non-recovery of penalty due to delay in supply of uniform items -Rs 19.630 million

A supply order issued by PWWB to M/s Aurangzeb Enterprises vide No.WW EDU-5(457)/13/831 and 857 dated 17th July, 2014 to supply of uniform items Lot-I-II (Boys & Girls) (Summer & Winter) session 2013-14 for the students of Workers Welfare Schools in Punjab.

Audit noted that as per condition-2 of terms & conditions of the supply order, the period of supply will be 90 days after the receipt of the letter/signing of the contract including 15 days inventory verification/further distribution to schools/students. Audit further noted that as per condition-5, penalty for late supply shall be imposed @ 5% per month in case of late delivery/beyond stipulated period. The replacement of defective pieces, if any, will be the responsibility of the supplier and it shall be presumed that these have not been supplied within prescribed period and penalty thereof shall be charge at the said rates.

Audit observed that as per minutes of the Technical Committee held on 14th January, 2015 for opening/analysis of lab test results of the uniforms items conducted by PCSIR, the lab test of ladies shirts as supplied by the said firm were incompatible and asked to replace the defected item with required quality. The supplier took back its whole supply of shirts (lot-I-II) and replace the ladies shirts and samples selected on random basis for the bulk supply for lab test. The technical committee in its meeting held on 14th May, 2015 examined the lab test reports and concluded that shirts (girls) (lot I & II) were found responsive and recommended to be disbursed to WW Schools.

Audit further observed that as the supplier failed to supply the uniform items within stipulated time limit i.e. upto 20.10.2014, penalty was required to be imposed for the delayed period but no action towards imposing/effecting recovery under terms & conditions of the contract was taken by the PWWB. This resulted into non-recovery of penalty due to delay in supply of uniform items amounting to Rs 19.630 million.

Audit pointed out the non-recovery of penalty in November 2016. The department did not reply.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends recovery of penalty as per provision of contract agreement.

(DP. 73)

9.4.16 Unjustified payment on account of teaching allowance and science teaching allowance - Rs 14.992 million

Government of Pakistan Finance division (Regulation Wing) vide O.M No.F-1 (5)/IP/2006 dated Jun 24, 2006 sanctioned w.e.f. July 01, 2006 and till further order a teaching allowance to all teachers of the Federal Government's Education Institution at the rates and conditions as detail below:-

i) Matric with PTC/Equivalent	Rs 500 PM
ii) F.A/F.Sc with CT/equivalent	Rs 750 PM
iii) B.A/M.A with B.Ed/M.Ed and above Equivalent	Rs 1,000 PM

The schools of PWWB are governed by workers Children (Education) Ordinance, 1972 of Govt. of the Punjab. Further in line with the decision of the services and General Administration Department (Regulation wing) and the Education Department Government to the Punjab, existing contract (teaching & non-teaching) employees of the Directorate of Education and the Workers Welfare Schools shall stand regularized vide No.WW.Edu-11(510)109-08 dated 01.03.2010 and the teaching & non-teaching employee are drawing pay and allowances i.e. science and teaching allowances which are not admissible under Provincial Government Rules.

Audit noted that Director Education, Punjab Workers Welfare Board Lahore released the salaries of school teachers and other staff to Principals of schools during year 2015-16 to all over workers welfare schools established in Punjab. The salaries released were inclusive of teaching & science allowances of teaching staff.

Audit observed that teaching allowance was admissible to Federal Government employees of the Education Department and not admissible to the teaching staff of Workers Welfare Schools. Payment of Federal teaching allowance to teachers of Workers Welfare School resulted in unjustified payment of Rs 14.992 million.

Audit holds that unjustified payment of teaching allowance and science teaching allowance occurred due to non-adherence to rules and regulations and weak financial/internal controls.

Audit pointed out the unjustified payment in November 2016. The department did not reply.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends recovery of overpaid amount.

(DP. 65)

Performance

9.4.17 Blockade of trust funds through un-necessary purchase of land from Worker Welfare accounts and non-utilization of the purchased land - Rs 1,128.952 million

Rule 12 of GFR Vol-I Provides that A controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided In order to maintain a proper control he should arrange to be kept informed not only of what has actually been spent from an appropriation but also what commitments and liabilities have been and will be incurred against it. He must be in a position to assume before Government and the Public Accounts Committee if necessary complete responsibility for departmental expenditures and to explain or justify any

instance of excess or financial irregularity that may be brought to notice as a result of audit security or otherwise.

Audit noted that Secretary Worker Welfare Board KP, Peshawar purchased Land through private negotiation as detailed below:

S. No.	Particulars	Amount (Rs in million)
i.	840 Kanal in Shahi Bala Regilalma Peshawar on 31.05.2012	489.720
ii.	438 Kanals in Kot Najeeb ullah Haripur on 30.06.2008	229.402
iii.	400 Kanals in Jalazai Distt Nowshera	148.574
iv.	500 Kanals in Ghala Dher Distt Mardan	261.256
Total	2178 Kanal 10 marla	1,128.952

Audit observed that Land purchased for the Construction of Labour Colonies was neither safeguarded through proper demarcation and fencing to protect the Workers land from encroachment nor shown utilized for any bonafide purpose/project. Land purchased in 2008 and 2012 was in worst possession of land grabbers and WWB KP could not take over possession of purchased land from the un-authorized land mafias and encroachers. This resulted into undue blockade of workers welfares funds and non-utilization of purchased land for any bonafide use valuing Rs 1,128.952 million.

Audit maintains that the irregularity occurred due to weak administrative controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in November 2016. The Board replied that the purchase of land in the different Districts of Khyber Pakhtunkhwa was approved by the Governing Body of Workers Welfare Fund, Islamabad in the different Governing Body meetings and funds were released by the Workers Welfare Fund, Islamabad.

The land was purchased for the future Projects of the WWB KP. PCs-I for the establishment of Labour Complex & allied facility will be submitted to Workers Welfare Fund, Islamabad, keeping in view the demand of the Workers in the area and availability of funds. The land was purchased on very economical cost and at the moment the selling price of the acquisitioned land was estimated to be more than the original price.

The reply was not supported with documents showing planning and project details for which land was purchased for construction of labour colonies etc. Detailed assessments, land award duly approved by the LAC/ competent authority and mutation of land in the name of (WWB) KP in support of document was not shown to audit.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 35)

9.4.18 Undue burden/loss to workers fund on account of running of regional offices in provinces - Rs 72.466 million

In terms of section 3, 7 and 11A of Workers Welfare Ordinance 1971, there shall be Workers Welfare Fund, As soon as may be after the commencement of this Ordinance the 3[Federal Government] shall, by notification in the Official Gazette, constitute a Governing Body of the Fund to whom shall be entrusted the management and administration of the Fund and Provincial Government, agency or, as the case may be, body corporate may, by notification in the Official Gazette constitute a Board to be known as Workers Welfare Board, hereinafter in this Chapter referred to as the Board, for the efficient management and administration of the allocated money and the projects or other measures financed by such money”.

Audit noted that the Secretary WWF Islamabad constituted sub-regional offices in violation of WWF Ordinance 1971 of Government of Pakistan referred above despite the fact that Workers Welfare Boards are already exist in every province. The Boards have sufficient staff in fields like engineering, accounts, HR, Admin, and for other welfare works like teachers for worker's basic skills trainings. Boards are constituted under WWF Ordinance 1971 and performing their functions well from the very beginning. Audit further noted that same issue was also pointed out by the Directors Admin-I and Admin-II of Workers Welfare Fund Islamabad through noting file para No. 184(i) where they stated that 23 member staff including 04 Assistant Directors has been posted at Regional Office, Lahore but no work or any assignment has been given to them. The WWF deployed 147 officer/official (including 30 officers starting from BPS-17 to BPS-19) for all provinces. This resulted into undue burden/loss on account of salaries, hired houses, utility bills, POL for financial year 2015-16 for Rs 72.466 million.

Audit maintains that unjustified payment occurred due to lack of in-efficient managerial skills for exercising principles of efficiency and economy for financial stability of the autonomous body.

Audit pointed out undue burden/loss in November 2016. The Board replied that the basic purpose of the regional offices established by the fund was to have a liaison with PWWB's to monitor and cross examine the activities being performed by the Boards and other government functionaries in accordance with TOR's as laid down by the Governing body, WWF However, the same could not be got materialized. Later on after the 18th Amendment was made in the constitution matter regarding closure of regional offices established by the Fund was time and again being highlighted by the PWWB's before the Governing Body, WWF or through their representations on record. The PWWB's are of view that existence of regional offices was overlapping of existing functions as same are already been performed by respective boards in accordance with provisions as contained in the WWF Ordinance, 1971.

Accordingly, keeping in view of above, matter was placed before the Governing Body, WWF in its 132nd meeting held on 1st October, 2015. After detailed discussion on the matter the Governing Body, WWF reached to conclusion that feedback been obtained from all PWWB's that upon closure of regional offices whether they are willing to absorb the employees of these regional offices operating under their respective jurisdictions. Subsequently, employees of regional have approached the Honorable Sindh High Court, Karachi. The Honorable Court of Law has passed the following order reproduced as under;

“Status-quo be maintained with regard to the petitioners i.e. as presently relevant, they are not to be transferred to the relevant Provincial WWB's unless otherwise permitted by the Court”. Therefore, matter being subjudice before the honorable Sindh High court was kept pending till adjudication of the case.

It reply it is admitted that decision for closing of these offices had been taken in October 2015 but responsibility for loss due to mismanagement from last many years was not got fixed. Moreover, matter was in court of law for which it should be followed vigorously for further loss of worker's funds which are meant for workers only.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 95)

9.4.19 Non-taking over possession of 125 acres of land - Rs 53.125 million

The Workers Welfare Board Balochistan Quetta purchased 125 acres land in Mauza Pathri, Near Sakran road Tehsil Hub @ Rs 425,000 per acre involving Rs 53.125 million in the year 1998 for construction of labour complex.

Audit noted that the project for construction of labour complex was not materialized and the land was illegally occupied by the encroachers and using the land for agriculture purpose in year 2005.

Audit observed that despite lapse of more than ten years since the date of purchase the possession of land was not taken over by the Board and could not evacuate the Land from the encroachers. This resulted in loss of Rs 53.125 million to public exchequer due to encroachment.

Audit holds that encroachment of land was due to weak asset management/internal controls.

Audit pointed out the encroachment in August, 2016. The Board replied that the issue of vacation of land from the encroachers/illegal occupant has been taken in July, 2015. Requests have also been made to all other concerned department and the Police authorities, but the land has not been got vacated by the law enforcing and other concerned departments. The matter also remained under trial in the court of Senior Civil Judge / additional District Judge Lasbela from 2012 to March 2015. The last decision taken by Senior Civil Judge on 17th February, 2015 & 6th March, 2015. The matter has also been referred to the Governing Body of Workers Welfare Fund Islamabad mentioning that all above facts for consideration/decision (advice). The Governing Body is the competent forum for issuing directives in the affairs of Workers Welfare Fund Islamabad/Worker Welfare Boards.

The reply was not accepted because delay occurred in initiation of action against the encroachers because the land was encroached in 2005, whereas, as per reply the action was taken in 2012 i.e. after a lapse of seven years.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends appropriate measures for retrieval of encroached land.

(DP. 02)

9.4.20 Loss of revenue due to non-disposal of land - Rs 19.820 million

Workers Welfare Board Balochistan Quetta purchased 13 acres of land @ Rs 15 per sft at Killi Kamaloo Sariab Road Quetta on 19th June, 1993 for construction of Labour Colony.

Audit noted that the said land was encroached by the land mafia. Audit further noted that a meeting was held to resolve the issue of encroachment and as per Minutes of Meeting held on 21st April, 2012 under the chairmanship of Secretary Labour and Manpower, it was decided to dispose-off the land to the encroachers @ Rs 35 per sft. The encroachers were also agreed to pay the rate of Rs 35 per sft for the said land.

Audit observed that despite a lapse of more than four (04) years the Board could not resolve the issue although it was decided to sell the land to the encroachers at agreed rates. Audit further observed that decision for sale of Land to encroachers was also not endorsed by the governing body of the Board. This resulted in non-finalization of encroachment issue as well as non-realization of revenue worth Rs 19.820 million.

Audit holds that irregularity was due to weak internal/financial controls.

Audit pointed out loss in August 2016. The Board replied that it had already taken up the issue with the Workers Welfare Fund on 1st September, 2015 and matter was being pursued. A working paper is also being sent to Workers Welfare Fund for approval of Governing Body. As soon as the advice/approval is received, the matter would be processed accordingly.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit emphasizes concrete steps towards resolution of the issue without further delay.

(DP. 03)

9.4.21 Unauthentic/Non-completion of Matric-Tech Project and non-evaluation of performance - Rs 17.591 million

As per minutes of the 102nd meeting of Governing Body held on 22nd October, 2009, Matric-Tech project life is initially fixed for three (3) years. On completion of time period, the project performance would be reviewed and the fate of project would be determined accordingly. On approval of the PC-I implementation of various components of the project could be carried out such as civil work, procurement of equipment and recruitment of staff. Whole exercise would be completed in one year and classes may start in 2nd year. Workers Welfare Fund will provide all the required funds out of its own source.

Para 5(b) System of Financial Control and Budgeting (September 2006) provides that Principal Accounting Officer shall ensure that the funds allotted to a Ministry/Division etc. are spent for the purpose for which they are allotted.

Audit noted during review of the accounts record of SWWB Karachi and Lahore that an expenditure of Rs 17.591 million and Rs 2.388 million was incurred in the year 2015-16 respectively on account of implementation of Matric-Tech program, but no documents like application forms of students, criteria for selection, performance evaluation reports, No. of students applied and expenditure incurred thereof were provided to Audit which rendered the whole expenditure unjustified. This resulted into unauthentic/non-completion of Matric-Tech Project and non-evaluation of performance for Rs 19.979 million.

Audit maintained that unauthentic payment was made due to lack of internal controls and inadequate oversight mechanism.

Audit pointed out unauthentic payment in September 2016. The Board did not reply.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends proper monitoring mechanism to ensure fulfillment of the objectives of the matric-tech programme.

(DP. 22&62)

9.4.22 Infertuous expenditure due to non-achievement of intended objectives - Rs 4.392 million

PWWB Lahore intended to switch over from manual procedures to computerized and automated procedures to speed up the process to reduce the prevailing longer required time to ensure transparency to enhance the performance and to reduce the work load, resulting in improving the efficiency of the of PWWB.

For the purpose of computerization of welfare cases of the PWWB Lahore, a Project of Rs 4.392 million was approved by the Governing Body of the WWF Islamabad

Minister for Labour & Human Resources inaugurated computerization of Welfare Grants to start online processing of welfare cases of PWWB on 14th April, 2014.

Audit noted that PWWB Lahore purchased 42 computers for the project of computerization of welfare cases. Out of these purchases, one computer, one printer and one scanner was handed over to each District Officers Labour in Punjab on 26th March, 2014. The customized software for online processing of welfare cases of the Punjab Workers Welfare

Board had been developed and ready to be launched. One day training was organized in the office of the PWWB to the concerned officials nominated by the District Officers Labour concerned.

Audit observed that PWWB incurred expenditure of Rs 4.392 million on purchase of computers, printers, etc. developing of software, and reasonable expenditure incurred on TA/DA for organizing training programme at different cities of Punjab. Audit further observed that system for computerization for Welfare Grants of PWWB finalized had not been yet in operational condition hence desired objectives of the scheme were not achieved. Non-achievement of desired objectives resulted into infructuous expenditure of Rs 4.392 million besides expenditure on TA/DA and training etc.

Audit holds that infructuous expenditure occurred due to weak internal/financial control.

Audit pointed out the infructuous expenditure in November 2016. The department did not reply.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends appropriate measures for effective utilization of system of computerization of welfare activities to ensure transparency and quick service delivery.

(DP. 60)

Internal Control Weaknesses

9.4.23 Unjustified execution of works - Rs 5,410.475 million

In terms of section 10(a) of Workers Welfare Ordinance 1971, “to allocate funds, in accordance with the principles laid down under section 9, to the Provincial Governments, any agency of the 1[Federal

Government] and anybody corporate for any of the purposes mentioned in clause (a) and (b) of section 6, which provides that the financing of projects connected with the establishment of housing estates or construction of houses for the workers”

Audit noted that the Secretary WWF Islamabad awarded and executed different projects in 2009 and 2011 in Sindh province. Audit is of the view that a Workers Welfare Board office situated in Karachi whose existence is for the same purpose/function as per above mentioned rule i.e. to establish housing estates and construction of houses/flats for workers by orders of Provincial Governments. Taking responsibility of WWB Karachi by WWF Islamabad is totally unjustified as Engineering Directorate staff is enjoying salaries without administrating/managing works executing under their jurisdiction. This resulted into unjustified execution of work worth Rs 5,410.475 million

Audit maintains that unjustified payment occurred due to mismanagement by WWF Islamabad and weak technical, internal, and financial controls.

Audit pointed out unjustified payment in November 2016. The Department replied that in the light of the Workers Welfare Fund Ordinance 1971 the Governing Body WWF is the competent forum for execution and cancelation of any welfare measure or Development project initiated by the Workers Welfare Boards or by Workers Welfare Fund throughout Pakistan. The Governing Body WWF in its 107th Meeting held on 19th October, 2010 directed WWF Secretariat to initiate these projects directly in Sindh.

The reply was not accepted because any rule or approval contradictory with the act or ordinance should not be a valid approval.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 89)

9.4.24 Unauthentic expenditure/payment on account of scholarship/marriage/death grants - Rs 2,747.524 million

According to Policy Instructions/Eligibility Criteria for death/marriage grant and scholarship and Punjab Workers Welfare Board Notification No.PWB(WEL)6(10)04/TS-Policy(Vol-II) dated 24th December, 2009 the following requirements/documents are mandatory before making payment (where applicable):

- i. CNIC of the worker's father/widow/legal heir; mother of the girl; Form B issued by NADRA; Nikahnama, copy of CNIC of the Bride & Bride Groom.
- ii. EOBI or Social Security Card; Student Card
- iii. Appointment letter; Affidavit attested by Notary Public/Oath commissioner
- iv. Workers service should be for continuous 03 years
- v. Appointment letter; Previous passed examination certificate; Enrollment Certificate
- vi. Form B or nomination paper for family pension or Succession Certificate from Civil Court
- vii. Notification regarding registration/affiliation of the institute concerned with the Government/HEC/Board

Section 14 (1)(b), (2) & (3) of the Auditor General of Pakistan Ordinance 2001 provides that the Auditor-General shall, in connection with the performance of his duties under this Ordinance, have authority to require that any accounts, books, papers and other documents which deal with, or form, the basis of or otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may direct for his inspection. The officer in charge of any office or

department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition. Any person or authority hindering the auditorial functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

Audit noted that Punjab Workers Welfare Board Lahore, made payments on account of talent Scholarship for Rs 994.229 million against 20672 cases, Marriage Grant for Rs 998.770 million against 10207 cases, Death Grant for Rs 679.100 million against 1,382 cases during the year 2015-16 and as per record of Sindh Workers Welfare Board, Karachi, 25 death cases were granted without fulfill the obligations resulted into unauthentic payment of Rs 12.500 million.

The computerized data provided by the Directorate Finance of the Board has been examined and 375 cases of scholarship, 511 cases of Marriage Grant and 197 cases of death grant were selected as sample and asked to provide complete record of the said cases (being maintained in District Officers Labour Offices and Board's Office) in line with the scholarship, marriage and death grants policies to ascertain whether payments were being made after fulfillment of the requirements/stipulations of the policies or not. The requisite record has not been made available to audit despite written requisitions and repeated verbal requests. In the absence of record the authenticity of the processing of the said cases and payment there-against could not be ascertained. This resulted in unauthentic expenditure/payment of Rs 2,672.099 million.

Audit further noted that Secretary Punjab Workers Welfare Board Lahore, approved/finalized more than 20,000 cases of scholarship during 2015-16 without completing conditions of the notification.

Audit pointed out the unauthentic expenditure/payment in November 2016. The department did not reply.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends strengthening of internal controls besides verification of complete record.

(DP.23,64,66 &75)

9.4.25 Unauthentic expenditure without effective system of internal check/internal audit - Rs 1,526.179 million

Rule 13 of General Financial Rule Volume-I provides that “In the discharge of his ultimate responsibilities for the administration of an appropriation or part of an appropriation placed at his disposal every Controlling officer must satisfy himself not only that adequate provisions exist within the departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officers and to guard against waste and loss of public money and stores but also that the prescribed checks are effectively applied for this purpose. Each Head of the Department will get the account of his office and those of the subordinate disbursing officers if any inspected at least once in every financial year by a Senior Officer not connected with the account matters to see whether:

- i. Rules on handling and custody of cash are properly understood and applied.
- ii. Effective system of internal check exists for securing regularity and propriety in the various transactions including receipt and issue of stores etc if any and
- iii. Satisfactory arrangement exists for systematic and proper maintenance of Account Books and other ancillary records concerned with the Initial Accounts.

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.

Audit noted that Punjab Workers Welfare Board, (Education Wing) Lahore released an amount of Rs 1,526.179 million to the Principals of Workers Welfare Schools in Punjab during financial year 2015-16 on accounts of Establishment Charges, Facility Cost and others.

Audit observed that there was no internal check of Education Wing of PWWB on Principals /DDOs of Workers Welfare Schools to ascertain, whether the amount released was utilized for the purpose for which it was released. Due to non-conducting of internal check/internal audit, Principals/DDOs were free to utilize the funds received at their own wills.

In the absence of effective system of internal check/internal audit, expenditure of Rs 1,526.179 million incurred by the Principal/DDOs stands unauthentic.

Audit maintains that irregularity occurred due to inadequate and weak implementation of internal controls.

Audit pointed out the unauthentic of expenditure in November 2016. The department did not reply.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends strengthening of internal controls besides establishment of independent Internal Audit Wing for internal audit.

(DP. 58)

9.4.26 Illegal encroachment of land measuring 500 kanals and abnormal delay in construction of boundary wall to protect the assets worth Rs 261.256 million and loss due to encroachment - Rs 10.00 million

The PC-I of the boundary wall was prepared by the Directorate of works, WW Board and later on approved by the Technical Committee of Worker Welfare Fund Islamabad in its meeting dated 13th May, 2013 at Islamabad.

Audit noted that secretary, WW Board KP Peshawar purchased 500 Kanals Land at Ghala Dher Mardan for construction of Labour Colony at total cost of Rs 261.256 million in March 2012. PC-I for construction of Boundary wall to protect the Board Land was approved in May 2013 with the direction to process the tender to award the work as per PPRA Rules.

Audit observed that Boundary wall was not constructed and 500 Kanals Land, purchased for construction of Labour Colony was encroached by the trespassers and encroachers/trespassers were cultivating Worker Welfare Board KP Land and earning a handsome amount. Earth was being carried out from Board Land for commercial activities, which was causing loss millions of rupees since March 2012. Board Land 500 Kanals was not retrieved from the encroachers up till October 2016.

500 Kanals Land encroached since March 2012 to June 2016 = 4 years @ Rs 5,000 per Kanal per year for 500 Kanal = Rs 5.00 million x 4 years = Rs 10.00 million

This resulted into un-authorized/illegal encroachment of trust Land 500 Kanals valuing Rs 261.256 million and loss of revenue worth Rs 10.00 million due to mismanagement.

Audit maintains that the irregularity occurred due to weak financial controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in November 2016. The Board replied that a PC-I was submitted to the Workers Welfare Fund, Islamabad for placing before the Technical Committee for clearance with regard to construction of Boundary Wall around the said land. The Sub- Committee was not notified and no visit took place. Meanwhile, the locals got stay order from Court of Law on the said land and matter remained pending in the court for quite some time. The stay orders was vacated and a fresh PC-I was prepared which will be submitted to WWF, Islamabad shortly for onward placement before the Technical Committee for clearance and its subsequent approval from Governing Body (WWF), Islamabad.

Encroachment and illegal occupation of worker land by the land grabbers admitted by the Board. Non fencing of land by the Workers Welfare Board KP, was mismanagement on the part of respective officers.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends appropriate measures to ensure retrieval of encroached land and speed up the development activities.

(DP. 40)

9.4.27 Loss to workers due to non-investment of workers money - Rs 235.055 billion

In terms of Section 2(d)(e) of Workers Welfare Ordinance 1971 the fund shall consists of, “(d) income from the investments made and properties and asset acquired from out of the Fund, and (e) proceeds of loans raised by the Governing Body.

Audit noted that the Secretary WWF Islamabad invested Rs 2.200 billion invested for earning profit in Pakistan Investment Bond @ Rs 9% per annum compounding interest and Rs 4.282 billion were invested in Defense Savings Certificates (DSC) with the condition that it will become

triple after 10 years of maturity level i.e. Rs 11.521 billion the consolidated figure of both investments was Rs 6.482 billion made in various years from 2004 to 2009. Audit observed that sufficient amount was lying with the Fund every year as per closing balances from 1981 and onward up to 2016 and consolidated figure becomes Rs 156.703 billion due to saving after allocation of annual funds to WWF/Board but the amount invested in last 27 years in only 4.24% of the total which is very astonishing to Audit as the primary function of managers of the fund described in the Ordinance 1971 of Government of Pakistan was to raise more funds out of available funds either through purchases land in real estate, investment in Government securities and to give loans to other departments but it was done only with a such a minor amount in order to fulfill the formality whereas normal practice of businesses/funds/trusts is to utilized at least 50% of amount of total savings in further investments to raise more profit for beneficiaries. This resulted in loss to workers due to non-investment for Rs 235.055 billion (Total closing balance up to June 2016 Rs 156.703 billion \times 50% = Rs 78.352 billion \times 3 times increase if investment was done).

Audit maintains that loss occurred due to mismanagement, negligence, non-adherence to the law of Government of Pakistan and weak internal and financial controls.

Audit pointed out the loss in November 2016. The Board replied that the prior to the revised Accounting Procedure adopted by the WWF the WWF contribution deposited by the Industrial Establishments were accounted for under the head of account, Tax Revenue in the Federal Consolidated Fund i.e. head (B01501-B0152) and then crediting into WWF Trust Fund Account through budgetary mechanism against matching grant. Therefore, as a result sum of Rs 48,447.271 million accumulated/stuck up fund in the Federal Consolidated Fund as on 30th June, 2008. From 1st July, 2008 onwards the above practice of depositing WWF receipts into the Federal Consolidated Fund had been stopped and now these receipts were being deposited directly into the WWF Trust Fund Account No. G06304 i.e. (in Public Account) being maintained by the AGPR. As a result of shift in revised Accounting Procedure of WWF

receipts the credit of WWF receipt under the head G06304 WWF Trust Fund Account had been continuously on the rise.

In reply it was mentioned that amount was not actually released in the trust account by the Finance for which competent forum would be requested.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends to improve financial management and utilization of funds in the interest of workers as eligible under rules.

(DP. 93)

9.4.28 Execution of Memorandum of Understanding with ambiguous clauses against the interest of the Board - Rs 125.281 million

In terms of section 10(a) of Workers Welfare Ordinance 1971, “to allocate funds, in accordance with the principles laid down under section 9, to the Provincial Governments, any agency of the 1[Federal Government] and anybody corporate for any of the purposes mentioned in clause (a) and (b) of section 6, which provides that the financing of projects connected with the establishment of housing estates or construction of houses for the workers”

Audit noted that the Workers Welfare Boards Balochistan Quetta completed a project “Construction of Residential and Ancillary facilities for Kidney Centre Quetta” with the cost of Rs 125.281 million. After completion the building was handed over to Fatmid Foundation and later on handed over to the provincial Health Department (Balochistan Institute of Nephrology, Quetta-BINUQ) through Memorandum of Understanding (MoU) executed on 9th March, 2015.

Audit observed that while execution of MoU, the interest of the Board was not considered and basic rights were given to the Health

Department. Moreover, no record was found which show that the legal and financial advice was obtained before signing the MoU.

Audit holds that execution of defective MoU was due to weak internal/financial controls and against the spirit of Workers Welfare Ordinance 1971 referred above according to which workers money can only be spent for workers welfare only. This also resulted into loss of assets worth Rs 125. 281 million

Audit pointed out the issue in August 2016. The Board replied that the matter of signing the MOU with Fatimid foundation for establishment of Thalassemia center in the portion of building handed over to them was discussed in the meeting of provincial Workers Welfare Board held on 27th July, 2016. The House decided for constitution of committee to examine the MOU and its finalization. As per decision the same committee will also take up certain issues with the administration of BINUQ. Further action would be taken on receipt of committee report.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 04)

9.4.29 Unauthorized/Unjustified recruitment of 140 employees, reinstatement of seventy three (73) employees and loss of funds - Rs 84.00 million

Para 5(b) of System Financial Control and Budgeting, 2006, the Principal Accounting Officer shall ensure that the funds allotted to a Ministry/ Division, etc. are spent for the purpose for which these are allotted. He shall also ensure that the expenditure falls within the ambit of a Grant or an Appropriation duly authenticated, is normally proportionate to the budget allotment and that the flow of expenditure does not give rise to demand for additional funds. The Principal Accounting Officer is

responsible for any laxity in matters of control over expenditure He shall ensure that neither he nor his subordinates disregard the instructions issued by government from time to time for proper utilization of funds placed at his disposal.

Audit noted that issue of unlawful/unauthorized recruitment of 140 employees, reinstatement of 73 employees by the Ex Secretary WW Board KP was discussed in the 78th Board meeting of the Workers Welfare Board held on 12th May, 2015. The committee was constituted for inquiry into un-authorized/un-lawful reinstatement of 73 employees of WWB KP. It was agreed by the Board that no claim of arrears be processed as considered until a report is placed before the board in the next meeting.

Audit observed that Directorate of Education WWB did not provide record of test/interviews, minutes, recommendations of selection committee, due to non-availability of files with the Education Directorate Service Books of all these employees were reported incomplete. Retention of these employees for two years approx. $140 \times 25000 \times 24 \text{ month} = \text{Rs } 84.00 \text{ million}$. This resulted into un-authorized/un-lawful appointment and subsequent reinstatement without fulfillment of required procedure and loss of Rs 84.00 million to the WW Board KP.

Audit maintains that the irregularity occurred due to weak financial controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in November 2016. The Board replied that the cases of illegal appointments during the subject period was already under investigation with NAB. The progress would be shared with Audit.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends early finalization of investigation by NAB.

(DP. 33)

9.4.30 Unauthentic payment on account of Secretariat Training Centre and Industrial Home - Rs 59.579 million

Para 5(b) System of Financial Control and Budgeting (September 2006) provides that Principal Accounting Officer shall ensure that the funds allotted to a Ministry/Division etc. are spent for the purpose for which they are allotted.

During scrutiny of account record of SWWB Karachi for the year 2015-16, it was observed that an amount of Rs 59.579 million was incurred on account of Secretariat Training & Industrial Homes. Audit further observed that during currency of the year only 17 No. students were enrolled from the Sindh Board of Technical Education Karachi (Industrial Home, labour Square North Karachi, 04, Korangi, 03, Kotri, 04 Hyderabad, 06) but record for the other trainees is not available in the office i.e. forms for enrolment, eligible candidate duly attested by the Competent authority attendance of the student duly attested by the Competent authority, certificates issued on completion of trainings. The following observations were also made:

- Clear introduction of the 6 months training session and its communication to respective industries was not present.
- Proper criteria for selection of workers was not present e.g. minimum & maximum qualification, designation, employees of the industry who are not fit for this course due to their higher qualification, designation, / nature of work. In some cases candidates enrolled were already B.SC; B.Com qualified, and was accountants and communication officers posts that were not entitled for basic English, Basic Math, Basic IT and Basic Accounting course.
- EOBI registration / social security registration of the workers were not found annexed with their forms.

- List of Industrial establishment / mines registered under relevant act / law and Employer organization paying 2% WWF or 5% WPPF and intimation of commencement of the course accordingly.
- Appointment letters of workers.
- There was no date of start or session name on the form, no dated signatures of workers on the forms / Chief instructor, which created doubts as old forms may be shown to Audit.
- No proper approval from Competent Department e.g. Director (Finance) or Secretary for starting of this course or approved eligible candidates.
- No performance evaluation mechanism as there was no mark sheets issued to candidates only a Certificate of completion of this course issued and 30 WPM typing speed shown for all 35 candidates.

This resulted into unjustified payment of Rs 59.579 million as detailed below:

Secretariat Training Centers:

Establishment charges	Rs 36.174 million
Others	Rs 6.701 million

Industrial Home:

Establishment charges	Rs 11.439 million
Others	<u>Rs 4.265 million</u>
Total	Rs 59.579 million

Audit maintained that unauthentic payment was made due to lack of internal controls and inadequate oversight mechanism.

Audit pointed out unauthentic payment in September 2016. The Board did not reply.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends strengthening of internal completes and verification of complete record.

(DP. 21)

9.4.31 Loss due to negligence of consultant - Rs 47.164 million

As per clause 3.4 contract agreement with the consultants, “the consultants are liable for the consequence of errors and omissions on their part or on the part of their employees in so far as the design of the Project is concerned to the extent and with the limitations as mentioned that if the client suffers any losses or damages as a result of proven faults, errors or omissions in the design of a project, the consultants shall make good such losses or damages, subject to the conditions that the maximum liability as aforesaid shall not exceed twice the total remuneration of the consultants for design phase in accordance with the terms of the contract”.

Audit noted that the Secretary WWF Islamabad awarded the work “Construction of infrastructure works, labour complex at Hattar Road to M/s Abdul Majeed& Co at an agreed cost of Rs 180.362 million. Audit observed that BOQ was framed by the consultant M/s NESPAK and due to error M/s NESPAK included rate of item No.EL-1M-32 “street light luminaire” @ of Rs 213,660 per light instead of Rs 21,366 per light for 100 lights. M/s Abdul Majeed& Co. came lowest by quoted 100% premium on 2004 Pak.PWD schedule. During execution of work M/s NESPAK pointed out that rate of above mentioned item was incorrectly typed in BOQ that should be omitted from scope of work and accordingly the Secretary WWF issued order to omit it through noting 18/N. Last 5th IPC was paid for Rs 52.721 million in 2014 and the contractor from that time has stopped the work and went to court of law for justice. As per contractor’s contention in the court of law he came as lowest bidder due to reducing rates of other items due to presence of this item and adjusted his overall profit accordingly. Now if this item is omitted he will suffer approximate loss of Rs 47.164 million as mentioned in the court decision.

Audit is of the view that this loss should be recovered from the consultant as per above mentioned clause of the agreement with the consultant and other penalty due to stoppage of work may also be borne by the consultant. But nothing was done by the management of WWF for making loss good from the consultant. The management of WWF also did not check tender documents before tendering. This resulted into loss due to negligence for Rs 47.164 million.

Audit maintains that loss occurred due to mismanagement of WWF/consultant and weak technical, financial, and internal controls.

Audit pointed out loss in November 2016. The Board replied that the contractor had withdrawn its case from the Honourable Court in accordance with the directions of the court to consult the arbitrator as mentioned in the contract agreement. The item had been omitted from the BOQ to avoid any further complications. The contractor had assigned the project to M/s Abdullah Ach & Sons, the contractor had assumed the site, and work was in progress.

The reply was not accepted because no documentary evidence in support of reply was produced and fate of the loss claim was also not addressed in the reply.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends verification of record and recovery of loss from the persons responsible.

(DP. 83)

9.4.32 Unjustified/undue extension/payment of education facilities - Rs 43.559 million

According to agenda item No. 61(v), the WWF Governing Body in its 102nd meeting approved that only one number Post-Graduation level course will be financed by the WWF.

Article 6 of the Workers' Welfare Fund Ordinance, 1971 provides that monies in the fund shall be applied to the financing of welfare measures of the worker. Worker means a person who was employed in an establishment or industry but does not include any person who was employed in managerial or in any administrative capacity.

Workers Welfare Fund Ordinance, 1971 defined industrial establishment as any concern owing or managing a factory, workshop or other establishment in which articles are produced but does not include any concern or establishment which was owned by government or by a corporation established by government or by corporation the majority of the share of which was owned by government. Para V of eligibility criteria of policy of award of Scholarship grant provides that workers of factory/establishment registered under Factory Act, 1934/Mines Act 1923/Shop and Establishment Ordinance, 1969 and the factory/establishment contributing Workers' Welfare Tax or Workers' Profit Participation Fund shall be eligible.

Audit observed that this facility was granted to such persons who did not submit the required documents with application like company's registration, worker's employment letter copy, student card copy etc. due to which the payment made on account of education for Rs 43.559 million is unauthentic.

Weak implementation of internal controls caused unjustified/undue extension/payment of education facilities.

Audit pointed out unjustified/undue payment in September 2016. The Board replied that Audit had taken 100% payment as unjustified

which was certainly not so. However, record was being verified again and detailed reply would be given in due course of time.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends early justification and verification of record.

(DP. 76)

9.4.33 Non-Registration of FIRs on account of bogus degrees and non-termination of services of employees having bogus degrees along with recoveries of Pay & Allowances - Rs 21.600 million

As per approved Policy and procedure, verification of degrees from the concerned Universities was mandatory to be carried out by the concerned departments on account of employees appointed on the basis of these degrees within three months of joining of these employees.

Audit noted that WWB, KP, Peshawar appointed hundred employees in 2012 to 2014 in BPS-18, BS-17 and in other Carders/Scales in Education Directorate. Degrees of appointed employees were not got verified from the concerned universities since 2012 to 2016. In October 2016 Educational Degrees/Certificates were endorsed to the various Universities by the WWB for verification.

Audit observed that Degrees of fifteen (15) employees appointed on contract basis were found fake/incorrect confirmed by the Universities. Details of persons along with degrees of B.A, B.Sc, B.Ed and M.A found fake is annexed with the Para.

Gomal University D.I.Khan, vide letter No. 1969/GU/Exam dated 24.10.2014 confirmed bogus degrees of four employees and Peshawar University confirmed the bogus degrees of eleven employees. Departmental action was not initiated. This resulted into non-registration of FIRs and non-termination of services of these employees whose degrees

were found fake. Recovery involved = 15 employees x 36 months @ Rs 40,000 per month (Approx) = Rs 21.600 million.

Audit maintains that the irregularity occurred due to weak administrative controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in November 2016. The Board replied that the Governing Body of WWF, Islamabad in its 132nd meeting held on 1st October, 2015, decided to verify the educational degrees, Peshawar University rectified the 02 No. degrees of Miss. Mehwish Khan D/o Ilyas Khan (WFGS, Haripur) and Mr. Ijaz Khan S/o Aamir Gul Teacher (WFGS Takht Bhai) and rectified the error. The verification of degree process of two Universities (Al-Khair& New Port Karachi) was still awaited. The matter was probed by the department and necessary departmental proceedings under the E&D rules as well as registration of FIR against the fake degree holders would be taken and the outcome would be shared with Audit.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends early finalization of the process and departmental action against the fake degree holders.

(DP. 37)

9.4.34 Overpayment due to payment on account of price adjustment without execution of work at site - Rs 19.818 million

As per PEC standard procedure and formula for calculation of price adjustment para C (5), “Except labour and POL, if any other adjustable item(s) is not used in a particular billing period then the ratio of current date price and base date price for that particular adjustable item(s) shall be considered as one”.

Audit noted that the Secretary WWF Islamabad awarded the work “construction of 200 bed surgical hospital at Sukkur” to M/s Expertise (Pvt) Ltd for Rs 2,070.016 million. Audit observed that as per abstract of cost of IPC No.24 there was no Civil work got executed during the period 28th August, 2016 to 30th September, 2016 and payment for civil work up to 28.08.2016 was already paid in previous IPC No.23 for Rs 45.991 million. In IPC No.24 only payment of on account of imported items for hospital was shown paid at Rs 14.365 million and escalation was shown paid for this imported item Rs 19.817 and the same was not verified by the consultant. As per rules escalation is admissible on verifiable work only. This resulted into overpayment on account of price adjustment without execution of civil work at site Rs 19.819 million.

Audit maintains that overpayment occurred due to mismanagement by the fund and weak internal, technical and financial controls.

Audit pointed out the overpayment in November 2016. The Board replied that as the value of imported material payable through Letter of Credit is part of Contracted Price of work therefore if any increase in prices of Labour and POL has taken place during that period of time and cost adjustment becomes contractually justified, then it has to be paid on 60 % Payment (value of imported material payable through LC). According to Para C-(5) of PEC Standard Procedure and Formulae For Calculation of Price Adjustment, if no work has taken place on any adjustable item(s) then no cost adjustment shall be paid for that particular adjustable items however as Labour and POL components are at fixed percentage of contract value (17.5% & 5%) respectively then cost adjustment on Labor & POL shall be paid accordingly and in this case payment on account of cost adjustment are released according to contract clauses.

The reply was not accepted because price adjustment is only admissible on civil work on account of input items mentioned in PEC circular it cannot apply on HVAC/generator items based on current market rates and items provided for price escalation were not involved.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 85)

9.4.35 Inadmissible/undue payment to the contractual employees without actual performance of office duties - Rs 19.200 million

Rule 10(i) of GFR Vol-I provides every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. Rule 10(iv)(3) requires that the expenditure is in pursuance of a recognized policy or custom.

Audit noted that Secretary WW Board KP, Peshawar appointed 64 employees on contract basis for performing duty in different Educational, Vocational Institutions of KP during the period for 2010-13.

Audit observed that contract employees did not perform their duties in these institutions on place of posting, which transpired that these employees were absent since long and their performance was unsatisfactory.

Audit found that payment on this account termed inadmissible/undue amounting to Rs 19.200 million to the ghost/absent employees.

64 employees @ 25,000/- per month = 16,00,000 x 12 = Rs 19.200 million per annum

Audit maintains that the irregularity occurred due to weak financial controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in November 2016. The Board replied that the audit point of view was noted, however the pay and allowances of the officers/ officials had been stopped by the competent authority on the written complaints of the concerned school Principals/ Vice Principals. The then Director Education prepared a list 64 employees through mobile messages which was in fact under the law was not correct and having no legal cover. The matter mentioned in the audit para has been referred to the concerned school principals for provision of record of their performance and attendance. The outcome of the concerned school principals will be shared/ communicated to audit in due course of time. The matter was also under the investigation of NAB.

As admitted in reply that attendance data of 64 employees was taken through mobile messages by the then Director Education. Action was to be taken on absentee reports of these employees by the management of WWB KP.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 34)

9.4.36 Overpayment due to wrong current rates for price adjustment of labour rate - Rs 17.166 million

As per Pakistan Bureau of Statistical Bulletin rate for unskilled labour in Sukkur region is Rs 400 per day in the year 2016 and Rs 300 per day in the year 2011.

Audit noted that the Secretary WWF Islamabad awarded the work “construction of 200 bed surgical hospital at Sukkur” to M/s Expertise (Pvt) Ltd for Rs 2,070,016,322. Audit observed that while making payment on account of price adjustment the WWF management did not observed Government statistics and actual rate of labour in the region

Sukkur. The management of WWF passed bills where current labour rate was calculated @ Rs 500 per day whereas current rate was to be taken Rs 400 per day in the year 2016 and taken basic rate Rs 233 per day instead of Rs 300 per day in the year 2011 at time of execution of agreement. This resulted into high percentage of difference in rates being paid by the WWF on account of price escalation for the work done in the financial year 2015-16. This resulted into overpayment of Rs 17.166 million due to wrong basic and current rates for price adjustment on account of labour rate.

Audit maintains that overpayment occurred due to weak technical, internal and financial controls and mismanagement on the part of WWF Islamabad.

Audit pointed out overpayment in November 2016. The Board replied that the escalation/de-escalation was calculated as per PEC Standard Procedure and Formulae. Audit has taken source and rate for unskilled labour in Sukkur from monthly Statistical Bulletin published by Pakistan Bureau of Statistics (PBS), Government of Pakistan. As the cost effect due to escalation in Labour wages was calculated and paid according to stipulations of Contract Agreement signed between Board and Contractor and as per PEC Standard Procedure and Formulae for Calculation of Price Adjustment was made.

The reply was not accepted because the source of rate provided in FIDIC is statistical bulletin but in this case both the rates i.e. base rate was less than the rate provided in statistical bulletin and the current rate is also higher. In this way overpayment of Rs 17.166 million was made.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 97)

9.4.37 Non-cancellation of allotments and forfeiture of deposited amount - Rs 15.584 million

According to clause (3) of terms and conditions of allotment orders issued to the allottees “if the installment or other charges are in arrears for three months allotment shall be liable to cancellation. Further clause (4) provides that “if the allotment is cancelled, the flat/house shall be resumed and the payments, if any, made by the allottee shall be forfeited partly or wholly and may be decided by the Chairman of the Board.

During scrutiny of account record of WWB Karachi & Quetta, it was observed that number of flats and quarters were allotted to the workers since long. The allottees were required to pay down payment and balance was to be recovered in monthly installments but allottees did not pay installments on due date of every month even elapsing a period of 03 months which was deadline period for cancelation of allotment resulting in accumulated balances of financial year 2015-16. Management of the Board did not cancel the allotments along with forfeiture of down payment as per terms and conditions presented in allotment forms. This resulted in non-cancellation of allotments and forfeiture of down payments for Rs 15.584 million.

Audit maintained that non-cancellation of allotments occurred due to weak technical, financial and internal controls.

Audit pointed out non-cancellation of allotments in September, 2016. The Board replied that action was being taken for recovery or cancellation of flats.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends early recovery or cancellation of allotments.

(DP. 25&09)

9.4.38 Overpayment to consultants on account of staff deployed in excess of requirement - Rs 14.911 million

As per clause 6.1 of the contract agreement, “consultant remuneration (iii) construction, supervision was provided @ 2.75% of the cost of infrastructure work and building work and as per clause 6.2 the percentage will be worked out on the basis of initial estimate cost.

Audit noted that the Secretary Workers Welfare Fund, Islamabad awarded consultancy agreement of the work “Construction of Workers Complex at Taxila to M/s NESPAK on 2007. Audit observed that up to June, 2016 following payments were made to the contractor

Description	Payment (Rs in million)
(128 flats Pack-I)	183.275
(128 flats Pack-II)	176.381
(128 flats Pack-III)	181.209
(120 flats Pack-IV)	164.406
(Infrastructure Work)	52.721
Total	757.992

Audit observed that the admissible consultancy cost of the project 2.75% i.e. Rs 20.845 million (Rs 757.992 × 2.75%) but it is astonishing to point out that as per consultant invoice No.11 the amount was paid for Rs 52.076 million and the payment made against the supervision (as per Note 175/ D) was Rs 35.756 million (excluding design fee etc. Rs 16.318 million) which is 4.72% instead of 2.75%. This resulted into overpayment to the consultant for Rs 14.911 million (Rs 35.756 million – Rs 20.845 million).

Audit is of the view that if work was delayed then staff deployed by the consultant should be reduced and moved to somewhere else as there was no need for keeping them without any supervision of work and making payment to consultant on this behalf.

Audit maintains that overpayment occurred due to mismanagement by the fund and weak internal, technical, and financial controls.

Audit pointed out the overpayment in November 2016. The Board replied that the scope of the project includes Construction of 512 flats (G+3) and infrastructure. The work for 504 flats was started in December 2009, due to some or reasons the project was completed in 2014. The infrastructure works was awarded in year 2014 and due to some reasons the project could not be completed the consultant remained intact with the project and WWF secretariat had to pay to consultant for the extended period of construction.

In reply it is admitted that cost of consultancy was increased from 2.75% to 4.72% of its agreement amount (the work is still running) for which responsibility on the quarter concerned for delay should be fixed and overpaid amount be recovered.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 77)

9.4.39 Unauthentic expenditure on account of Marriage grant - Rs 11.120 million

As per Policy/Terms and Condition of marriage grant point out in the application form and advertisement;

1. Bank account details of the applicant along with attestation from the concerned Bank Branch.
2. Application for marriage grant must be applied within 6 months of Nikkah.

3. Industrial establishment / mines registered under relevant act/ law and Employer organization paying 2% WWF or 5% WPPF.
4. The applicant must have an age of 18 years at the time of application.
5. Affidavit duly attested by the Notary Public or Oath Commissioner that the particulars given by the applicant are correct and if found wrong, he/she will refund double of the amount received as marriage grant.

As per Para 6.3.4.1 of Accounting Policy and Procedures Manual a monthly reconciliation of bank accounts is a necessary part of financial management and is also an effective measure for detecting and deterring fraud and irregularities. Para 5(b) System of Financial Control and Budgeting (September 2006) provides that Principal Accounting Officer shall ensure that the funds allotted to a Ministry/Division etc. are spent for the purpose for which they are allotted.

During scrutiny of the Secretary Sindh Workers Welfare Board Karachi for the year 2015-16, Audit noted that in some cases of marriage grant, tempering was found in forms and affidavits. Applications were applied after 6 months of Nikkah in some cases 18 years of age was not attained. Whereas in all cases Bank attestations regarding authenticity of bank accounts which was not provided moreover no evidence regarding registration of industries/mines and their contribution of 2% in WWF were found attached with applications as per criteria provided in form and advertisements. This resulted into unauthentic payment for Rs 11.120 million for marriage grants. An effective mechanism was not in place to reconcile release of funds made by the issuing department, their accountal by the receiving end and further utilization.

Audit maintained that unauthentic payment occurred due to weak technical, financial and internal controls.

Audit pointed out the unauthentic payment in September 2016. The Board did not reply.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends investigation and action against persons responsible besides recovery.

(DP. 17)

9.4.40 Non-recovery of rent from the allottees of flats/houses of labour colonies - Rs 6.956 million

According to Section 11-D “Recovery of Rent” of Workers Welfare Fund Ordinance, 1971 (amended up-to June 2008) where any rent or arrears of rent are due from any person under the scheme made under section 11-C, they may be recovered.

- (a) By deduction by his employer from his wages, if the Board or any person authorized by it in this behalf directs the employer so to do; or
- (b) As arrears of land revenue or as a public demand if, upon the application of the Board or any person authorized by it in this behalf, a Magistrate so directs

During scrutiny of account record of Punjab Workers Welfare Board Lahore, Audit noted that flats/ houses of six (06) labour colonies were allotted to the workers on monthly rent basis.

Audit observed that Punjab Workers Welfare Board Lahore failed to recover monthly rent from the allottees of flats/houses regularly. Audit further observed that total recoverable amount of rent of these colonies for the year 2015-16 was Rs 7.209 million against which only Rs 253,620 was recovered leaving Rs 6.956 million unrecovered. This resulted into non-

recovery of rent from the allottees of flats/ houses amounting to Rs 6.956 million.

Audit holds that non-recovery of rent from the allottees was due to weak mechanism of recovery and internal control.

Audit pointed out the non-recovery of rent in November 2016. The department replied that respective Department of Labour offices had been requested to ensure recovery at the earliest. The department further replied that the pace of recovery is slow due to a court case in the Honorable Lahore High Court; Lahore has decided the Intra Court Appeal filed by the Board on 6th December, 2012 by stating that learned single Judge will decide the said application in accordance with Law. Lastly the case was heard on 12th February, 2016. The Honorable Lahore High Court, Lahore have passed an order dated 16th February, 2016 that petition is allowed and the demand for development charges raised by PWWB is set aside. An appeal has now been filed in the Supreme Court of Pakistan in April 2016. The final outcome would be presented as and when materialized.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends early recovery of dues.

(DP. 59)

9.4.41 Loss to Government due to award of security services contract at higher rate - Rs 4.908 million

Rule 10 (i) of GFR vol. 1 provides that every public 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, from his own money.

Audit noted that PWWB Lahore awarded the security services contract to M/s Marvelous Protection Security Services for Rs 37.828 million for one (01) year w.e.f 30th May, 2015 to 30th May, 2016.

Audit observed that the contract was awarded to the contractor for Rs 18.615 million as Rs 14,500 each for security supervisor and Rs 12,800 each for security guard per month for the year 2014-15. Audit further observed that the department floated the tender in newspapers on 24th February, 2015 for hiring of security agency for the next year 2015-16, in which two bidders participated and the lowest bidder M/s Marvelous quoted their bid with the cost of Rs 32.828 million i.e. Rs 17,200 each for security supervisor and Rs 15,500 each for security guard per month. The department scrapped/cancelled the tender and extended the previous contract period with the new cost of Rs 37.828 million for the year 2015-16 with the new rates of Rs 17911 for security supervisor and guard each per month. Extension of contract with new rates instead of acceptance of lowest bid of Rs 32.828 million resulted into loss of Rs 4.908 million (37.828-32.919).

Audit pointed out the loss in November 2016. The department did not reply.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 57)

9.4.42 Unjustified expenditure on the institutions other than Government school, college/universities - Rs 4.441 million

In terms of section 8(2-4) of Workers Welfare Ordinance 1971, “the Governing Body may appoint such other employees as it may consider necessary for the efficient performance of the functions of Fund. The Governing Body shall determine the terms and conditions of service of the Secretary and the employees with the previous approval of the Federal Government. The Secretary and every employee shall be deemed

to be a public servant within the meaning of section 21 of the Pakistan Penal Code (Act XLV of 1860)

An examination of the accounts record of cash books, vouchers of WWF Islamabad for the year 2015-16 provided to Audit, it has been noticed that Ministry of Overseas Pakistanis & Human Resource Department Workers Welfare Fund has facilitated a number of persons/children studying at different institutes i.e. SLS, Air Foundation School, Millennium Roots, Bacon House, Light English, Saint Marry Academy, OPF, Shining Star, Sapiant Hall School, LGS, GSIS, 8 Global system/roots, etc. Vouchers transpires that along with workers employees of the fund were also facilitating themselves and millions of rupees had been spent on their studies every semester whereas they were not entitled being taking a reasonable salaries and were public servant. They did not fall under the criteria given in Workers Welfare Ordinance 1971. For example an amount of Rs 52,540 was shown fee for 2 months against 2 kids of a Deputy Director studying in KG, Nursery Beacon House School F-7/4. Lots of cases have been noticed where the expenditure incurred on this head was not justified resulted in un-authorized expenditure of Rs 4.441 million.

Audit is of the view that when Government English Medium Schools are available which are providing high quality education up to SSC and HSSC in Islamabad then why kids were studying in these costly private schools which are not professional institutions. Moreover the primarily function of the Governing Body as per Workers Welfare Ordinance 1971 was to utilize Fund efficiently and effectively for welfare of industrial workers.

Audit pointed out the issue in November 2016. The Department replied that the children of workers and employees of Workers Welfare Fund were availing the facility of education in pursuance of the decision of the Governing Body taken in its 108th meeting held on 20th December, 2010 considering all schools run by the Federal/Provincial Governments and Armed Forces, all Missionary Schools (Convent, St. Marry Schools etc.) and SLS, Global System of integrated schools, The Educators, Head

Start or any other private school with comparative fees. The Governing Body directed the Secretary, WWF to approve the facilities for students like books, stationary, uniform and transport on case to case basis for the students of each school. The Governing Body allowed the children of workers of Islamabad based factories and employees of WWF to get admission in the above listed schools nearest to their residences. The fee in respect of such students shall be directly paid to the schools or reimbursed to the workers after verification.

In reply it was admitted that in violation of WWF Ordinance 1971 the facility of education was extended to workers as well as fund employees by Governing Body and this body specifically allow the education in Government Institutions or missionary schools but the Fund incurring expenditure on commercial institutions like Bichon House, City, LGS etc. This was worst example of misuse of workers money.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 84)

9.4.43 Overpayment due to extra ordinary higher rate of non-scheduled items - Rs 3.741 million

As per Market Rate System (MRS) issued by Government of the Punjab for the period 1st July, 2012 to 31st January, 2013 Rawalpindi District rate for anti-termite liquid spray was 205.70/% Sft (composite rate including rate of labour for Rs 67.30/% Sft). So for spraying one Sft the rate would Rs 2.057 per Sft.

Audit noted that the Secretary WWF Islamabad awarded the work “Construction of 500 houses at Labour Complex at Zone-V Islamabad” to M/s Friends Construction Syndicate (Pvt) Ltd. for Rs 869.053 million on 14th July, 2012. Audit observed that WWF management kept this item as

Non-Schedule Item @ Rs 15 per sft. whereas rate of this item was available in Market Rate Schedule of Government of the Punjab and the work was executed in Rawalpindi region Rs 2/05 sft, so this rate should be taken under consideration during estimation but management of WWF kept it as NSI @ of Rs 15/sft. which was 7 times higher than actual rate in that period and this District. This resulted into overpayment due to extraordinary higher rate of NSI item for Rs 3.741 million (Rs 15 per Sft – Rs 2.057 per Sft = Rs 12.943 per Sft × Qty 289,058.43 Sft upto 17 IPC)

Audit maintains that overpayment occurred due to weak technical, internal, and financial controls and mismanagement on the part of WWF Islamabad.

Audit pointed out overpayment in November 2016. The department replied that the rate for anti-termite treatment was not available in the Pak PWD schedule of rate. The item was treated as non-schedule. The non-scheduled items have been freeze there is no premium. Only the scheduled items were allowed for premium, the bid was adjusted by the bidders to surmise.

The reply was not accepted because no source of rate of this non-schedule item was produced. Moreover, Government of Punjab notified the rate on market base which is authentic for the district and should be observed for estimation and payment.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends early recovery of overpaid amount.

(DP. 86)

9.4.44 Non-recovery due to excess quantities beyond the provision of contract agreement - Rs 2.986 million

Rule 26 of GFR (Vol-I) states that, it is the duty of the departmental Controlling officers to see that all sums due to Government: are regularly and promptly assessed, realized, and duly credited in the Public Account. As per Rule 12 of GFR (Vol-I), Controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided.

Audit noted that Secretary Sindh Workers Welfare Board, Karachi awarded a work “Construction of 3008 flats (Labour City) at northern bypass Karachi (Phase-VI) Package-7, 64 Flats (Block-F-13 and F-14)” was awarded to M/s Al-Jadid Associates. Final bill amounting to Rs 52.562 million was paid to the contractor, wherein Rs 2.986 million were withheld due to execution of excess quantities which were not provided in the agreement/BOQ. Audit is of the view that quantities executed in excess should be got regularized before execution, as these quantities were not available in BOQ but were not regularized up to final bill, so the contractor was not entitled for balance quantities, this amount shown as withheld should be credited to the main work account and surrendered to Govt. as unspent balance.

This violation of rules occurred owing to a weak oversight mechanism for exercising the financial and internal controls.

Audit pointed out non-recovery in September 2016. The Board replied that excess quantities were executed as per actual site conditions. The Revised PC-I had been submitted including all the excess quantities. The payment had not been made as yet on account of excess quantities. As soon as the Revised PC-I is approved same would be submitted to Audit and withheld amount would be paid.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 27)

9.4.45 Irregular payment of salaries to the staff against Ghost school - Rs 2.903 million

As per para 10(i) of General Financial Rules, every public servant is expected to exercise the same vigilance in respect of expenditure from public money, as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Audit noted that Balochistan Workers Welfare Board, Quetta paid salaries of Gazetted/ Non-gazetted staff of Workers Model Higher Secondary School Nokandi amounting to Rs 2.903 million.

Audit observed that the school was non-operational since establishment than appointment of staff and payment of salaries against the Ghost School stands unjustified and irregular payments of Rs 2.903 million.

Audit holds the irregularity was due to weak internal/financial controls.

Audit pointed out the irregularity in August 2016. The Board replied that three persons were promoted against the vacant posts of Workers Model Higher Secondary School for Boys Nokandi and performing their duties regularly in various Workers Model Higher Secondary Schools in Balochistan on attachment basis and after filling-up fresh recruitments they would be able to perform their duties at their respective school.

The reply was not accepted because the Nokandi School was not operational whereas staff was deployed and payment of salaries to the

staff was made from the head of Nokandi School which was unjustified and needs investigation.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 10)

9.4.46 Non-recovery of de-valuation effect of the money from the consultant/project management-Rs 2.486 million

Rule 10 of GFR (Volume-I) provides that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Audit noted that the Punjab Workers Welfare Board, Lahore awarded the work regarding Development of Labour Colony at Muzaffargarh (Package-G) road system to a contractor on 13th September, 2008 for Rs 32.015 million. The 4th and final bill was paid to the contractor on 9th July, 2015 with total value of work done of Rs 28.210 million including 1.449 million on account of price escalation.

Audit observed that an amount of Rs 4.143 million plus 115.80% premium was overpaid to the contractor in 3rd running bill on 27th April, 2010 due to measurement of item No.4, 6/7 & 8 without execution at site and measurement of item No.3/3 regarding filling of excavated earth in embankment on abnormal excessive side, as 1,294,807.57 cft quantity was measured/paid against the actual quantity of 716,371.54 cft, which was 80.75% over and above the actual execution at site. Audit further observed that the overpaid amount had since been adjusted in the 4th & final bill, paid on 9th July, 2015. However, de-valuation effect to the tune of Rs 2.486 million (4,142,678 x 12% x 5) against the overpaid amount was not recovered from the consultant/project management, who caused to

measure the items/quantities over and above the work actually executed at site.

Audit pointed out the non-recovery in October-November 2016. The department did not reply.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends early recovery.

(DP. 55)

9.4.47 Unauthorized/Non-transparent appointment of Principal without verification and non-recovery of pay & allowances drawn as dual salary - Rs 2.400 million

As per provision of Esta Code and Fundamental Rules/Govt. policy, a Govt. servant already in services has to apply through proper channel after getting N.O.C from the department. In case of appointment, the employee if not applied through proper channel has to resign before joining new assignment.

Audit noted that Mr. Khurshid Alam S/o Anwer Khan NIC No. 2201-0751113-9 was appointed Vice Principal BPS-18 in Working Folks Grammar School, Swabi vide office order No.WWB/DE/9-2/153 dated 21st December, 2012. Review of the personal record of Mr. Khurshid Alam Principal BPS-18 and complaint against the officer has shown that Mr. Khurshid Alam before joining WWB as Principal BS-18 was serving as lecturer BPS-17 in Govt. Superior Science College Peshawar. The officer received dual salary from both colleges from December 2012 to March 2016.

On lodging complaint by Mr. Qamar Sultan Principal BPS-18 (WWB) about illegal appointment of Mr. Khurshid Alam as Principal, it was alleged that Mr. Khurshid Alam was not in possession of B.Ed or

M.Ed degrees and less than required age of 35 years, was in violation of approved criteria and conditions of appointment. Secretary Labour/Chairman WWB issued orders on 23rd February, 2016 to conduct preliminary inquiry into the case and to fix responsibility. Findings of the Inquiry were not furnished to audit. As the officer received dual salary from Federal Superior Science College through AGPR and WWB, therefore, recovery of pay received from WWB as Principal BPS-18 was un-lawful and recoverable because Mr. Khurshid Alam did not resign from Govt. College as Lecturer BPS-17 before or after joining WWB as Vice Principal BPS-18.

Pay of Mr. Khurshid Alam from 12/2012 to 03/2016 =
Average Pay & Allowance = Rs 60,000 per month x 40 months =
Rs 2,400,000.

This resulted into non-recovery of Rs 2.400 million from the illegal appointee.

Audit maintains that the irregularity occurred due to weak financial controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Audit pointed out the irregularity in November 2016. The Board replied that on receipt of complaint, preliminary inquiry was ordered to look into the affairs of Mr. Khurshid Alam for holding dual service. Since, it was reported that he was also getting pay from the Higher Education Department (Provincial Ex-Chequer) as Lecturer therefore, the Higher Education Department was requested to provide personal file and related information to conduct inquiry. The Education Department did not provide personal file and related documents in respect of Mr. Khurshid Alam. Finally, WWB KP received a letter from the Higher Education Department that an inquiry has been conducted against Mr. Khurshid Alam against the charges leveled against him and final decision of the Competent Authority of Provincial Higher Education Department was

pending since then. No reply was received in this regard till date from the concerned department.

The reply was not tenable because appointment was made without fulfillment of the required criteria for appointment in WWB and also without verification of service documents besides no action was taken against the vice principal who got dual employment on the basis of incorrect information under disciplinary rules.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit stresses upon investigation and appropriate corrective action.
(DP. 39)

9.4.48 Overpayment due to incorrect rate - Rs 1.459 million

As per E/M 2004 Pak.PWD specification sub-head 324 item No.5 a) "rate for direct rotary/reverse rotary drilling of bore for tube wells in all types of soils except shingle, gravel or rock a) from ground level to 250 ft (75m) below ground for 15 to 18 inch dia is Rs 515.93 per Rft and according to 5b) rate for exceeding 250 ft depth below ground level is Rs 678.47 per Rft.

Audit noted that the Secretary WWF Islamabad awarded the work "Construction of infrastructure works, labour complex at Hattar Road to M/s Abdul Majeed & Co. at an agreed cost of Rs 180.362 million. Audit observed that instead of executing the above item of boring work i.e. up to 250 ft boring at rate of Rs 515.93 and exceeding 250 ft boring at Rs 678.57 for 15 to 18 inch dia the contractor was paid for boring of tube wells which include sinking and withdrawing of casing pipes at rate of Rs 1,245.60 per Rft instead of above rate. This resulted into overpayment due to allowing incorrect rate for Rs 1.459 million (Rs 1, 245.60/ Rft – Rs 515.93/ Rft = Rs 729.67 × 2,000 Ft for 4 Nos. of tube well).

Audit maintains that overpayment occurred due to weak technical, financial, and internal controls.

Audit pointed out overpayment in November 2016. The Board replied that the consultant M/s NESPAK has prepared the BOQ in accordance with the Geo-technical investigation report, and payment was made to contractor as running bills verified by the consultant. The observation of the audit party has been noted and after verification process the result will be verified by the Audit.

The para could not be discussed in the DAC meeting despite requests made by Audit on 17th November, 30th December, 2016 and 11th January, 2017.

Audit recommends recovery of overpaid amount.

(DP. 82)

CHAPTER 10

MINISTRY OF PLANNING, DEVELOPMENT AND REFORM (SPECIAL PROJECT CELL) PRIME MINISTER'S PROGRAMME FOR RECONSTRUCTION & REHABILITATION OF AFGHANISTAN

10.1 Introduction

Prime Minister's Programme for Reconstruction & Rehabilitation of Afghanistan was launched during the financial year 2001-02. Initially the Programme was started with a donation of US\$ 100 million which was subsequently increased to US\$ 300 million. The Programme is being implemented through Ministry of Planning, Development and Reforms (Special Project Cell-Afghan Projects).

A Committee for Reconstruction and Rehabilitation of Afghanistan (CRRA) was constituted to provide for institutional base in Government of Pakistan to coordinate its efforts for Reconstruction and Rehabilitation of Afghanistan by Planning and Development Division on 4th December, 2001. The Terms of Reference of the CRRA as envisaged in Chief Executive Secretariat U.O. No. 1(32)/DS(D-3)/2001 dated 29th November, 2001 are as under:

- i) Identification of Sectors and Public/Private sector companies which can participate.
- ii) Sector-wise need assessment with the help of data available on Afghanistan and preparation of a strategy.
- iii) Assessment of shortcomings of the companies especially, in their capacity to compete in international bidding and rectification thereof.
- iv) Revival of bilateral and multilateral projects where MOU/agreement has already been signed with Afghanistan.

The Projects were being executed through National Logistic Cell, Frontier Works Organization, National Highway Authority, NESPAK and Ministry of Foreign Affairs. As per procedure, payments for work done, supplies made or services rendered are processed on submission of bills by the contractors to Planning & Development Division (Special Project Cell - Afghan Projects). After scrutiny, Planning & Development Division forwards the claims to Ministry of Finance which issues surrender order. Planning & Development Division releases claims as per surrender order against which AGPR issues cheques after pre-audit.

Directorate General Audit Works (Federal), Islamabad conducted audit of the Programme as per direction of Auditor General of Pakistan in pursuance of the request of Planning & Development Division vide their letter No. 11(52)Afg/PC/2013 dated 3rd July, 2013. Eleven (11) projects under the Prime Minister's Programme were subject to the audit. Nine projects relate to infrastructure development while two relate to trainings of Afghan officials and scholarships for Afghan students.

10.2 Comments on Accounts

Audit was conducted during 2015-16 (Phase-II) covering accounts for the financial year 2014-15. During the financial year 2014-15 budget and expenditure figures were as under:

(Amount Rs in million)

Financial year	Budget	Expenditure
2014-15	3,000	2,404.85

10.3 Brief comments on the status of compliance with PAC's directives

Compliance position of PAC's directives on Audit Reports relating to Prime Minister's Programme for Reconstruction & Rehabilitation of Afghanistan is as under:

Year	Total Paras	No. of Paras Discussed	Compliance Made	Compliance Awaited	Percentage of Compliance
2013-14	20	20	08	12	40

10.4 AUDIT PARAS

Internal Control Weaknesses

10.4.1 Non-obtaining of vouched account/acknowledgements from students - Rs 255.070 million

Committee for reconstruction & rehabilitation of Afghanistan (CRRA) approved scholarship scheme under the grant package of US \$ 300 million pledged by the GOP. The proposed award of scholarship was announced during 8th session of Pak-Afghan joint Economic Commission (JEC).

Audit noted that the scholarship package includes tuition fee, maintenance allowance, equipment & books allowance, hostel charges and Air fare.

Audit observed that the Ministry of Inter Provincial Coordination was making payment to public and private sector educational institutions on account of scholarship for Afghan students and paid Rs 799.140 million during 2013-14. The scholarship package which includes payment of maintenance allowance, hostel charges amounting to Rs 255.070 million directly to the universities and other public and private sectors institutions but the vouched account acknowledgement regarding disbursement of student's related money paid to institution was not available from the record produced to audit. Hence the payment made/ amount released on account of maintenance allowance and hostel charges direct to institutions needs justification besides obtaining the documentary evidence from the concerned institutions for authenticity of the payment released for the very purpose.

Audit pointed out the irregularity in March, 2015. The department replied tuition fee, maintenance allowance, equipment and books allowance and hostel charges were component of scholarship package and released to the institution the letter of IPC mentions each student by name

along with amount of hostel fee, book allowance, Maintenance Allowance, with copy of crossed cheque. This is acknowledged by the institution.

The reply was not satisfactory. The department did not come up with vouched accounts/acknowledgement from the student relating to maintenance allowance, equipment and book allowance and hostel charges. The department is not maintaining these necessary documents but it has been making educational institutions responsible for its own job.

The matter was discussed in DAC meeting held on 11th January, 2017 wherein the Committee directed the department to get scrutinized the vouched account from internal audit team and its report should be shared with the Audit to decide the fate of the Para.

The compliance of DAC's directive was not made till the finalization of this Audit Report.

Audit recommends early compliance of DAC's directive.

(DP. 05)

10.4.2 Overpayment to private sector medical colleges due to higher rates of admission fee - Rs 4.6 million & tuition fee - Rs 161.00 million

Para 10 of General Financial Rules vide standard of Financial Propriety provides that every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety Among the principles on which emphasis is generally laid are the following.

- i. Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.
- ii. The expenditure should not be prima facie more than the occasion demands.

Audit noted that Project Director/PMU of Ministry of Inter Provincial Coordination, Islamabad paid admission & tuition fee and other allied charges to different medical colleges/universities where the Afghan students were allocated seats under “Project Scholarships to Afghan Students” during 2013 and 2014.

Audit observed that seats were allocated to private institutions/ medical colleges/universities at exorbitant admission fee Rs 100,000 & tuition fee ranging from Rs 700,000 to Rs 900,000 against the criteria fixed by the Pakistan Medical & Dental Council Islamabad as circulated from time to time. Due to allowing of higher admission fee resulted in overpayment of admission Rs 4.6 million & tuition fees of Rs 161 million.

Audit pointed out the irregularity in March 2015. The department replied that for foreign students sub para iii of the para 10 applies. According to this foreign students have to pay US \$ 18000 per annum (all inclusive).

The reply was not satisfactory. The prime Minister approved, “changing in tuition fee from student at par with Pakistani students admitted on self-finance basis” in October 2012. The approved agenda was conveyed to PM&DC by M/o Inter-Provincial Coordination vide letter No. 10-8/2012-FS-II dated 16th October, 2012 for issuance of said instructions of implementations by the private Medical and Dental Colleges. In violation of said directions admission fee @ Rs 100,000 per student & tuition fee @ Rs 700,000 to Rs 1,200,000 per annum has been paid to private Medical and Dental colleges by the Project Director/Drawing & Disbursing Officer IPC against the permissible fee @ Rs 50,000 & Rs 600,000 per annum. It resulted in overpayment amounting to Rs 4.6 million in head of admission fee and Rs 161 million in head of tuition fee.

The matter was discussed in DAC meeting held on 11th January, 2017 wherein the department explained that on the initial instructions of the Prime Minister the case was referred to the PM&DC but private

medical colleges were not agreed with that fees accordingly the case was referred back to the Prime Minister for revised approval. The DAC directed to produce the revised approval of the Prime Minister for higher rate of fees.

The compliance of DAC's directive was not made till the finalization of this Audit Report.

Audit recommends early compliance of DAC's directive.

(DP. 06)

10.4.3 Overpayment due to excess quantities - Rs 22.101 million

As per para 7.05 Pak.PWD Code provides that detailed estimate shall include detailed plans specification, detailed statement of measurements, quantities and rates within the abstract showing the total estimated cost of each item of work Para 7.03 (ii) of Pak.PWD Code. The Authority granted by a sanction to an estimate must on all occasions be looked upon as strictly limited by the prices objects for which the estimate was intended to provide and accordingly detailed estimate showing therein the all dimensions and deductions on the bases of approved drawings were prepared by the consultant and submitted to the project director for execution of the work in shape of book written in the fly leaf is rate analysis and detailed measurements.

During scrutiny of the accounts record of the Afghan Projects Cell for the Prime Minister's Programme for Construction and Rehabilitation of Afghanistan (Special Project Cell) for the above work has revealed that some items of work were measured and paid for excess quantities than those provided in the contract agreement/ BOQ for Rs 22.101 million.

Audit holds that revision of quantities was made in violation of contract provisions. This resulted in overpayment of Rs 22.101 million.

Audit pointed out the matter in June 2016. The Project management replied that as per original plan, the proposed site was

located in the crowded area of the city. The building was designed and BOQ prepared by the Consultant (NESPAK) as per land handed over by Government of Afghanistan for construction of Jinnah Hospital at Kabul. On completion of survey, soil investigation, design and BOQ, Afghanistan Government decided to relocate the Project of Jinnah Hospital to the land where old Mehtab Qilla existed. In the light of facts mentioned above. Some items of the work executed in excess quantities due to site and work requirement. The Engineer of NESPAK, being the Consultant was the right authority to pay excess amount on ground in actual situation and according to clause 52.3 of Conditions of Contract, Part-I General Conditions, The Engineer can exceed the quantities of any item upto 15% as per site requirement.

The reply was not accepted because original and revised X-sections/detailed quantities were not got verified from Audit. The excess were also not got approved from the executing Ministry/competent forum.

The matter was discussed in DAC meeting held on 11th January, 2017 wherein the department explained that excess quantities were executed due to change in site as directed by the Afghan Government. The DAC directed to produce the direction of Afghan Government for change in site and its total cost impact on the Project.

The compliance of DAC's directive was not made till the finalization of this Audit Report.

Audit recommends early compliance of DAC's directive.

(DP. 07)

Annexure-1: MFDAC

Three hundred fifty-eight (358) Proposed Draft Paras of under-mentioned departments/organizations have been placed in MFDAC for further follow up and compliance on the part of Principal Accounting Officers which are to be complied through Departmental Accounts Committee/verification within the year. In case of non-compliance and after further improvement, paras deemed appropriate will be included in next Audit Report.

S. No.	Name of Department/Organization	No. of PDPs
1.	Capital Development Authority	101
2.	Civil Aviation Authority	62
3.	National Highway Authority	100
4.	Pakistan Public Works Department	33
5.	Estate Office	6
6.	Federal Government Employees Housing Foundation	2
7.	National Construction Limited	3
8.	Higher Education Commission	4
9.	Workers Welfare Fund/Boards	41
10.	Ministry of Planning Development & Reform	6
	Total	358

Annexure-2: Comments on Internal Controls

Internal controls are the set of rules, regulations, technical memos, policy instructions and standard operating procedures which have been prescribed by the departments/organizations to assist in achieving management's objective of ensuring, as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and timely preparation of reliable financial information.

The management of CDA, CAA, NHA, Pak. PWD, Estate Office, FGEHF, NCL, HEC, WWF/Bs and PD&R did not take adequate measures for the effective implementation of internal controls in their respective organizations. Audit observed recurrence of many irregularities, reported over the last many years, generally stemming either from absence of an effective oversight mechanism or the weak implementation of internal controls. The major recurring irregularities are:

- i. Non-adherence to Public Procurement Rules while procuring works, services, goods, awarding concessions, leases, etc.
- ii. Execution of works over and above the provisions of approved PC-I without approval of deviation by competent forum
- iii. Non-adherence to Pakistan Engineering Council's standard procedure and formula for price adjustments
- iv. Non-obtaining insurance policies from the contractors to safeguard works, equipment, labour, etc.
- v. Non-recording detailed measurements of work done in Measurement Books
- vi. Grant of additional Mobilization Advance to contractors through post-bid amendment

The organizations did not avail the services of their internal audit wings to create effective internal controls environment. The workload of external audit could have been reduced by utilizing existing internal audit capacity of the departments in addition to the enforcement of financial discipline. It is proposed that prior to the start of external audit, the internal audit reports should be made available to the external auditors help them in delineating the potential audit risk areas. Hence, Audit emphasizes to enhance the role of internal audit wings of these Ministries/organizations and suggests establishment of independent internal audit wings under the direct supervision/control of PAOs/ heads of the departments.

Significant breach of internal controls included:

- Weak internal controls often result in loss to government. Such cases occurred due to failure of laid down controls like acquisition/safeguard of assets, performance reviews, monitoring process, financial and administrative delegation of powers, information technology system, pre-audit checks, internal audit, maintenance of record, budgeting, accounting process, reconciliation, tendering for grant of lease/award of concessions and works, invoking of contract clauses/specifications, etc.
- There are cases of non-transparent bidding process, award of works/consultancy without tendering, non-retrieval of encroached land, execution of projects without approval of ECNEC, non-insurance of works, post-bid amendments to the contracts, undue financial aid to contractors, irregular appointments, defective execution of work, improper planning, payments without recording detailed measurements of work done in MBs, wasteful expenditure, etc.
- There are cases of overpayment due to allowing higher/incorrect rates, allowing excessive quantities, non-deduction of rebate, separate payment for inbuilt items, allowing inadmissible premium, incorrect escalation, etc.

- During the audit on a test check basis, cases of non-recovery on account of licence fee, commercialization charges, rent, penalty, taxes, risk and cost charges, cost of plots, advance, mobilization advance, etc. were noticed which have been highlighted in this Audit Report.